COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS200711792

Company Name

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

43rd Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa St., Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	MSRD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
gtcap@gtcapital.com	836-45000	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
73	2nd Monday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Francisco H. Suarez, Jr.	francis.suarez@gtcapital.com.ph	836-45000	+639178874538

Contact Person's Address

43rd Floor GT Tower International, Ayala Avenue corner H.V. Dela Costa St. Makati City

Note: 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.

GT CAPITAL
HOLDINGS, INCORPORATED

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of GT Capital Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the parent company and consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the years ended December 31, 2014 and 2013 have examined the parent company and consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Signature: ______________________
Francisco C. Sebastian, Chairman of the Board

Signature: ______________________
Carmelo Maria L. Bautista, President

Signature: ______________________
Francisco H. Suarez Jr., Chief Finance Officer

March 13, 2015

43rd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, 1227 Makati City, Philippines
Tel: +632 836-4500 • Fax: +632 836-4159 • E-mail: gtcap@gtcapital.com.ph

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SUBSCRIBED AND SWORN to before me on MAR 18 2015, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Francisco C. Sebastian	TIN No. 163-762-954
Carmelo Maria L. Bautista	TIN No. 106-903-668
Francisco H. Suarez, Jr.	TIN No. 126-817-465

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Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.
43rd Floor, GT Tower International
Ayala Avenue corner H.V. de la Costa Street
Makati City

We have audited the accompanying consolidated financial statements of GT Capital Holdings, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 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, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GT Capital Holdings, Inc. and subsidiaries as at December 31, 2014 and 2013, and their financial performance and cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751290, January 5, 2015, Makati City

March 13, 2015

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GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱29,702,403,992**	₱27,166,888,452
Short-term investments (Note 4)	**1,308,977,823**	1,466,463,867
Receivables (Note 5)	**16,222,612,447**	12,450,904,615
Reinsurance assets (Note 16)	**3,879,399,977**	4,965,577,810
Inventories (Note 6)	**31,426,388,818**	20,813,304,994
Due from related parties (Note 27)	**170,629,476**	849,398,310
Prepayments and other current assets (Note 7)	**5,468,288,896**	5,969,225,750
Total Current Assets	**88,178,701,429**	73,681,763,798
Noncurrent Assets		
Receivables (Note 5)	**4,896,966,340**	4,928,548,716
Investments in associates and jointly controlled entities (Note 8)	**47,451,418,711**	40,559,463,758
Investment properties (Note 9)	**8,642,628,922**	8,328,668,533
Available-for-sale investments (Note 10)	**4,126,880,131**	3,110,796,243
Property and equipment (Note 11)	**44,800,727,933**	41,163,427,981
Goodwill and intangible assets (Note 13)	**17,805,560,939**	18,275,016,054
Deferred tax assets (Note 29)	**1,726,175,505**	1,109,171,386
Other noncurrent assets (Note 14)	**634,065,630**	1,202,989,799
Total Noncurrent Assets	**130,084,424,111**	118,678,082,470
	₱218,263,125,540	₱192,359,846,268
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 15)	**₱19,279,966,498**	₱20,836,977,405
Insurance contract liabilities (Note 16)	**5,665,033,403**	6,683,585,120
Short-term debt (Note 17)	**2,347,000,000**	1,744,000,000
Current portion of long-term debt (Note 17)	**3,060,558,380**	3,364,221,245
Current portion of liabilities on purchased properties (Notes 20 and 27)	**783,028,773**	783,028,773
Customers' deposits (Note 18)	**2,549,222,602**	1,844,221,010
Dividends payable (Note 27)	**2,034,256,000**	1,966,038,000
Due to related parties (Note 27)	**176,045,423**	188,385,414
Income tax payable	**475,809,606**	876,006,220
Other current liabilities (Note 19)	**881,680,596**	906,669,981
Total Current Liabilities	**37,252,601,281**	39,193,133,168
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 17)	**₱42,117,518,167**	₱40,584,387,751
Bonds payable (Note 17)	**21,774,719,662**	9,883,088,308
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	**2,728,830,324**	3,537,347,350
Pension liability (Note 28)	**2,260,951,566**	1,703,632,361
Deferred tax liabilities (Note 29)	**3,532,153,823**	3,251,740,846
Other noncurrent liabilities (Note 21)	**2,654,446,638**	1,642,761,605
Total Noncurrent Liabilities	**75,068,620,180**	60,602,958,221
	112,321,221,461	99,796,091,389

(Forward)

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	December 31	
	2014	2013
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock (Note 22)	**₱1,743,000,000**	₱1,743,000,000
Additional paid-in capital (Note 22)	**46,694,658,660**	46,694,658,660
Treasury shares (Note 22)	**(2,275,000)**	(6,125,000)
Retained earnings (Note 22)	**30,431,550,483**	21,801,822,521
Net unrealized gain on available-for-sale investments (Note 10)	**618,360,689**	80,294,836
Net unrealized loss on remeasurements of defined benefit plans	**(419,273,541)**	(216,180,970)
Equity in net unrealized gain (loss) on available-for-sale investments of associates	**(78,201,771)**	4,687,958
Equity in translation adjustments of associates	**391,456,226**	417,142,069
Equity in net unrealized loss on remeasurements of defined benefit plans of associates	**(614,849,501)**	(722,918,846)
Other equity adjustments (Note 22)	**582,646,105**	729,053,992
	79,347,072,350	70,525,435,220
Non-controlling interests (Note 22)	**26,594,831,729**	22,038,319,659
Total Equity	**105,941,904,079**	92,563,754,879
	₱218,263,125,540	₱192,359,846,268

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Automotive operations	₱108,816,378,011	₱74,358,719,420	₱–
Net fees (Note 35)	18,973,393,331	16,944,068,872	12,845,109,991
Real estate sales	5,840,510,876	4,702,395,088	2,131,002,354
Equity in net income of associates and jointly controlled entities (Note 8)	3,420,496,386	3,587,810,207	3,902,096,175
Net premium earned	1,751,355,937	504,585,414	–
Interest income (Note 23)	1,596,647,415	1,429,029,216	866,431,011
Rent income (Notes 9 and 30)	764,486,511	592,043,715	233,443,132
Sale of goods and services	603,001,321	656,716,866	730,736,289
Commission income	212,550,537	188,187,509	184,493,366
Gain (loss) on revaluation of previously held interest (Note 31)	–	2,046,209,717	(53,949,714)
Gain from loss of control in a subsidiary (Note 8)	–	–	1,448,398,924
Gain on bargain purchase (Note 31)	–	–	427,530,654
Other income (Note 23)	1,144,467,913	537,642,016	262,450,798
	143,123,288,238	105,547,408,040	22,977,742,980
COSTS AND EXPENSES			
Cost of goods and services sold (Note 25)	70,596,786,954	45,469,459,666	680,910,846
Cost of goods manufactured (Note 25)	24,213,432,167	19,986,100,133	–
Cost of rental (Note 30)	270,091,940	113,149,475	5,744,033
General and administrative expenses (Note 26)	11,494,777,384	9,280,561,619	3,553,276,894
Power plant operation and maintenance expenses (Note 24)	10,327,712,446	8,945,435,941	6,711,049,473
Cost of real estate sales (Note 6)	4,333,871,992	3,666,932,487	1,342,018,241
Interest expense (Note 17)	3,240,637,751	3,462,323,310	1,749,782,179
Net insurance benefits and claims	784,238,933	289,524,812	–
	125,261,549,567	91,213,487,443	14,042,781,666
INCOME BEFORE INCOME TAX	17,861,738,671	14,333,920,597	8,934,961,314
PROVISION FOR INCOME TAX (Note 29)	2,710,596,943	1,803,270,121	287,650,596
NET INCOME	₱15,151,141,728	₱12,530,650,476	₱8,647,310,718
ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱9,152,612,962	₱8,640,186,114	₱6,589,727,953
Non-controlling interests	5,998,528,766	3,890,464,362	2,057,582,765
	₱15,151,141,728	₱12,530,650,476	₱8,647,310,718
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 34)	₱52.51	₱49.70	₱44.50

See accompanying Notes to Consolidated Financial Statements.

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GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**₱15,151,141,728**	₱12,530,650,476	₱8,647,310,718
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments (Note 10)	**981,108,053**	180,349,522	(10,489,999)
Equity in other comprehensive income of associates (Note 8):			
Changes in fair value of available-for-sale investments	**(82,889,729)**	(2,949,386,183)	478,401,175
Translation adjustments	**(25,685,843)**	380,717,747	(224,734,500)
	872,532,481	(2,388,318,914)	243,176,676
Items that may not be reclassified to profit or loss in subsequent periods:			
Remeasurements of defined benefit plans	**(313,375,964)**	(401,830,157)	(56,945,823)
Equity in remeasurement of defined benefit plans of associates	**154,384,777**	(314,214,019)	(200,800,364)
Income tax effect	**47,697,356**	214,813,253	77,323,856
	(111,293,831)	(501,230,923)	(180,422,331)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**761,238,650**	(2,889,549,837)	62,754,345
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱15,912,380,378**	₱9,641,100,639	₱8,710,065,063
ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱9,487,080,017**	₱5,779,620,383	₱6,718,735,420
Non-controlling interests	**6,425,300,361**	3,861,480,256	1,991,329,643
	₱15,912,380,378	₱9,641,100,639	₱8,710,065,063

See accompanying Notes to Consolidated Financial Statements.

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GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Treasury Shares (Note 22)	Retained Earnings (Note 22)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 10)	Net Unrealized Gain (Loss) on Remeasurements of Defined Benefit Plans (Note 28)	Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates (Note 8)	Equity in Translation Adjustments of Associates (Note 8)	Equity in Net Unrealized Loss on Remeasurements of Defined Benefit Plans of Associates (Note 28)	Other Equity Adjustments (Note 22)	Total	Attributable to Non-controlling Interests (Note 22)	Total Equity
Balance at January 1, 2014	₱1,743,000,000	₱46,694,658,660	(₱6,125,000)	₱21,801,822,521	₱80,294,836	(₱216,180,970)	₱4,687,958	₱417,142,069	(₱722,918,846)	₱729,053,992	₱70,525,435,220	₱22,038,319,659	₱92,563,754,879
Effect of business combination (Notes 22 and 31)	–	–	–	–	–	–	–	–	–	35,307,138	35,307,130	42,175,650	77,482,788
Acquisition of non-controlling interest (Notes 22 and 31)	–	–	–	–	–	–	–	–	–	(375,666,302)	(375,666,382)	(372,637,016)	(748,303,398)
Dividends declared (Note 22)	–	–	–	(522,885,000)	–	–	–	–	–	–	(522,885,000)	–	(522,885,000)
Sale of direct interest in a subsidiary (Note 22)	–	–	–	–	–	–	–	–	–	193,951,357	193,951,357	104,761,043	298,712,400
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(4,320,412,474)	(4,320,412,474)
Effect of equity call	–	–	–	–	–	–	–	–	–	–	–	2,145,416,006	2,145,416,806
Acquisition of treasury shares	–	–	3,850,000	–	–	–	–	–	–	–	3,850,000	–	3,850,000
Non-controlling interest on deposit for future stock subscription	–	–	–	–	–	–	–	–	–	–	–	531,907,700	531,907,700
Total comprehensive income	–	–	–	9,152,612,962	538,065,853	(203,092,571)	(82,889,729)	(25,685,843)	108,069,345	–	9,487,080,017	6,425,300,361	15,912,300,378
Balance at December 31, 2014	₱1,743,000,000	₱46,694,658,660	(₱2,275,000)	₱30,431,550,483	₱618,360,689	(₱419,273,541)	(₱78,201,771)	₱391,456,226	(₱614,849,501)	₱582,646,105	₱79,347,072,350	₱26,594,831,729	₱105,941,904,079
Balance at January 1, 2013	₱1,580,000,000	₱36,752,473,660	₱–	₱13,684,536,407	(₱6,606,601)	(₱57,332,052)	₱2,954,074,141	₱36,424,322	(₱502,969,032)	(₱681,066,182)	₱53,759,534,663	₱11,294,157,537	₱65,053,692,200
Issuance of capital stock (Note 22)	163,000,000	9,942,185,000	–	–	–	–	–	–	–	–	10,105,185,000	959,350,239	11,064,535,239
Effect of business combination (Note 31)	–	–	(6,125,000)	–	–	–	–	–	–	2,591,176	(3,533,824)	7,222,853,016	7,219,319,192
Dividends declared (Note 22)	–	–	–	(522,900,000)	–	–	–	–	–	–	(522,900,000)	–	(522,900,000)
Sale of indirect interest in a subsidiary (Note 22)	–	–	–	–	–	–	–	–	–	1,407,528,998	1,407,528,998	2,156,827,165	3,564,356,163
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(3,456,348,554)	(3,456,348,554)
Total comprehensive income	–	–	–	8,640,186,114	86,901,437	(158,848,918)	(2,949,386,183)	380,717,747	(219,949,814)	–	5,779,620,383	3,861,480,256	9,641,100,639
Balance at December 31, 2013	₱1,743,000,000	₱46,694,658,660	(₱6,125,000)	₱21,801,822,521	₱80,294,836	(₱216,180,970)	₱4,687,958	₱417,142,069	(₱722,918,846)	₱729,053,992	₱70,525,435,220	₱22,038,319,659	₱92,563,754,879
Balance at January 1, 2012	₱1,250,000,000	₱23,071,664,419	₱–	₱7,595,668,454	₱–	(₱79,839,700)	₱2,544,293,006	₱261,158,822	(₱362,408,777)	₱–	₱34,280,536,224	₱2,205,318,605	₱36,485,054,829
Issuance of capital stock (Note 22)	330,000,000	13,680,809,241	–	–	–	–	–	–	–	–	14,010,809,241	639,809,982	14,650,619,223
Effect of business combination (Note 31)	–	–	–	–	–	–	(68,620,040)	–	–	–	(68,620,040)	15,238,649,131	15,170,029,091
Acquisition of non-controlling interest (Note 31)	–	–	–	–	–	–	–	–	–	(681,066,182)	(681,066,182)	(5,235,856,759)	(5,916,922,941)
Dividends declared (Note 22)	–	–	–	(500,860,000)	–	–	–	–	–	–	(500,860,000)	–	(500,860,000)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(3,545,093,065)	(3,545,093,065)
Total comprehensive income	–	–	–	6,589,727,953	(6,606,601)	22,507,648	478,401,175	(224,734,500)	(140,560,255)	–	6,718,735,420	1,991,329,643	8,710,065,063
Balance at December 31, 2012	₱1,580,000,000	₱36,752,473,660	₱–	₱13,684,536,407	(₱6,606,601)	(₱57,332,052)	₱2,954,074,141	₱36,424,322	(₱502,969,032)	(₱681,066,182)	₱53,759,534,663	₱11,294,157,537	₱65,053,692,200

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱17,861,738,671**	₱14,333,920,597	₱8,934,961,314
Adjustments for:			
Equity in net income of associates and jointly controlled entities (Note 8)	**(3,420,496,386)**	(3,587,810,207)	(3,902,096,175)
Interest expense (Note 17)	**3,240,637,751**	3,462,323,309	1,749,782,179
Depreciation and amortization (Note 11)	**3,203,076,123**	2,857,274,685	1,629,115,327
Gain from loss of control in a subsidiary (Note 8)	–	–	(1,448,398,924)
Interest income (Note 23)	**(1,596,647,415)**	(1,429,029,216)	(866,431,011)
Gain on bargain purchase (Note 31)	–	–	(427,530,654)
Pension expense (Note 28)	**337,009,887**	329,461,750	105,727,646
Loss from initial recognition of financial asset (Notes 26 and 27)	–	275,000	94,224,170
Loss (gain) on revaluation of previously held interest (Note 31)	–	(2,046,209,717)	53,949,714
Dividend income (Note 23)	**(53,379,614)**	(77,277,481)	–
Gain on disposal of property and equipment (Notes 11 and 23)	**(90,170,461)**	(15,998,480)	(8,316,148)
Gain on sale of available-for-sale investments (Notes 10 and 23)	**(11,719,110)**	(8,522,850)	–
Provision for doubtful accounts (Note 26)	**195,221,699**	44,467,476	–
Loss on impairment of AFS (Note 26)	**10,219,296**	–	–
Unrealized foreign exchange losses (Note 26)	**1,106,204**	42,309,137	7,113,039
Operating income before changes in working capital	**19,676,596,645**	13,905,184,003	5,922,100,477
Decrease (increase) in:			
Short-term investments	**157,486,044**	(1,466,463,867)	–
Receivables	**(1,793,807,708)**	(3,567,427,696)	1,230,216,844
Reinsurance assets	**1,086,177,833**	(1,264,065,439)	–
Inventories	**(12,544,562,218)**	(1,241,257,020)	3,002,358
Due from related parties	**274,475,218**	(360,355,721)	877,422,046
Prepayments and other current assets	**602,445,853**	912,622,867	(4,058,602,627)
Increase (decrease) in:			
Accounts and other payables	**(891,290,864)**	3,247,434,285	(581,033,757)
Insurance contract liabilities	**(1,018,551,718)**	1,356,875,814	–
Customers' deposits	**705,001,592**	868,420,502	516,701,865
Due to related parties	**(12,339,991)**	(2,879,307)	(212,333,429)
Other current liabilities	**(1,732,347,398)**	(558,335,421)	693,497,586
Cash provided by operations	**4,509,283,288**	11,829,753,000	4,390,971,363
Dividends paid (Note 22)	**(4,775,079,474)**	(2,972,214,411)	(2,550,817,000)
Interest paid	**(2,955,450,666)**	(4,035,343,587)	(1,468,593,272)
Income tax paid	**(2,832,193,988)**	(1,031,375,223)	(383,256,129)
Interest received	**1,541,988,610**	1,498,796,846	749,895,600
Dividends received	**53,379,614**	833,163,900	157,156,316
Contributions to pension plan assets (Note 28)	**(128,837,564)**	(108,214,980)	–
Net cash provided by (used in) operating activities	**(4,586,910,180)**	6,014,565,545	895,356,878

(Forward)

APR 10 2015

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Disposal of property and equipment	**₱674,898,990**	₱160,733,099	₱50,915,037
Sale of available-for-sale investments	**565,512,917**	62,977,803	–
Settlement of deposits (Note 12)	–	2,085,000,000	2,000,000,000
Settlement of long-term cash investments (Note 27)	–	–	2,440,084,378
Additions to:			
Investments in associates and jointly controlled entities (Note 8)	**(3,031,440,108)**	(502,243,750)	(4,500,000,965)
Investment properties (Note 9)	**(87,139,476)**	(143,738,791)	(2,968,258,325)
Property and equipment (Note 11)	**(6,663,495,390)**	(7,025,386,058)	(1,152,938,297)
Available-for-sale investments	**(594,427,916)**	690,297,705	–
Intangible assets (Note 13)	**(11,966,724)**	(9,201,020)	(10,727,484)
Acquisition of subsidiary, net of cash acquired (Note 31)	**(281,560,366)**	2,677,274,289	7,903,548,151
Redemption of non-controlling interests in consolidated subsidiaries (Notes 22 and 31)	–	–	(5,916,922,941)
Decrease (increase) in other noncurrent assets	**(56,437,284)**	(200,078,395)	1,529,235,323
Net cash used in investing activities	**(9,486,055,357)**	(2,204,365,118)	(625,065,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of bonds payable	**11,875,378,311**	9,894,756,979	–
Loan availments	**7,659,598,455**	7,340,500,000	–
Issuance of capital stock (Note 22)	–	10,105,185,000	–
Proceeds from initial public offering (Note 22)	–	–	14,010,809,241
Payment of loans payable	**(5,800,381,750)**	(18,047,447,689)	(5,755,695,795)
Increase (decrease) in:			
Liabilities on purchased properties	**(808,517,026)**	1,739,801,352	2,580,574,771
Other noncurrent liabilities	**1,006,184,785**	858,005,716	–
Non-controlling interests (Note 22)	**2,677,324,506**	(45,092,694)	–
Net cash provided by financing activities	**16,609,587,281**	11,845,708,664	10,835,688,217
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,106,204)**	(42,309,137)	(7,113,039)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,535,515,540**	15,613,599,954	11,098,866,933
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**27,166,888,452**	11,553,288,498	454,421,565
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱29,702,403,992**	₱27,166,888,452	₱11,553,288,498

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

GT Capital Holdings, Inc. (the Parent Company) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2007. The primary purpose of the Parent Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop or otherwise dispose of real property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned.

The common shares of the Parent Company were listed beginning April 20, 2012 and have since been traded in the Philippine Stock Exchange, Inc. (PSE).

The ultimate parent of GT Capital Holdings, Inc. is Grand Titan Capital Holdings, Inc. (Grand Titan).

<u>Group Activities</u>
The Parent Company, Federal Land, Inc. (Fed Land) and Subsidiaries (Fed Land Group), Charter Ping An Insurance Corporation (Charter Ping An or Ping An), Toyota Motor Philippines Corporation (Toyota or TMPC) and Subsidiaries (Toyota Group), Global Business Power Corporation (GBPC) and Subsidiaries (GBPC Group) and Toyota Cubao, Inc. (TCI) and Subsidiary (TCI Group) are collectively referred herein as the "Group". The Parent Company, the holding company of the Fed Land Group (real estate business), Charter Ping An (non-life insurance business), Toyota Group (automotive business), GBPC Group (power generation business) and TCI Group (automotive business) is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations.

The principal business interests of the Fed Land Group are real estate development and leasing and selling properties and acting as a marketing agent for and in behalf of any real estate development company or companies. The Fed Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintaining a petroleum service station and food and restaurant service.

GBPC was registered with the Philippine SEC on March 13, 2002 primarily to invest in, hold, purchase, import, acquire (except land), lease, contract or otherwise, with the limits allowed for by law, any and all real and personal properties of every kind and description, whatsoever, and to do acts of being a holding company except to act as brokers dealers in securities.

Toyota Group is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of motor vehicles including vehicle parts, accessories and instruments.

Charter Ping An is engaged in the business of nonlife insurance which includes fire, motor car, marine hull, marine cargo, personal accident insurance and other products that are permitted to be sold by a nonlife insurance company in the Philippines.

TCI is engaged in purchasing, trading, exchanging, distributing, marketing, repairing and servicing automobiles, trucks and all kinds of motor vehicles and automobile products of every kind and description, motor vehicle parts, accessories, tools and supplies and equipment items.

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Co. (MBTC), Philippine AXA Life Insurance Corporation (AXA Philippines or Phil AXA), Toyota Manila Bay Corporation (TMBC) and Toyota Financial Services Philippines Corporation (TFSPC).

The registered office address of the Parent Company is at the 43rd Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa Street, 1227 Makati City.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis except for available-for-sale (AFS) investments which have been measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements of the Group comprise the financial statements of the Parent Company and the following wholly and majority-owned domestic subsidiaries:

		Direct Percentages of Ownership			Effective Percentages of Ownership		
	Country of	December 31			December 31		
	Incorporation	**2014**	2013	2012	**2014**	2013	2012
Fed Land and Subsidiaries	Philippines	**100.00**	100.00	100.00	**100.00**	100.00	100.00
Charter Ping An	-do-	**100.00**	66.67	–	**100.00**	74.97	–
TCI and Subsidiary	-do-	**52.01**	–	–	**52.01**	–	–
GBPC and Subsidiaries	-do-	**51.27**	50.89	50.89	**52.45**	53.16	62.98
Toyota and Subsidiaries	-do-	**51.00**	51.00	36.00	**51.00**	51.00	36.00

Fed Land's Subsidiaries

	Percentage of Ownership		
	2014	2013	2012
FLI - Management and Consultancy, Inc. (FMCI)	**100.00**	100.00	100.00
Baywatch Project Management Corporation (BPMC)	**100.00**	100.00	100.00
Horizon Land Property and Development Corp. (HLPDC)	**100.00**	100.00	100.00
Omni – Orient Management Corp. (Previously as Top Leader Property Management Corp.) (TLPMC)	**100.00**	100.00	100.00
Central Realty and Development Corp. (CRDC)	**75.80**	75.80	75.80
Federal Brent Retail, Inc. (FBRI)	**51.66**	51.66	51.66
Fedsales Marketing, Inc. (FMI)*	–	–	100.00
Harbour Land Realty & Development Corporation (HLRDC)**	–	–	100.00
Southern Horizon Development Corporation (SHDC)**	–	–	100.00
Omni-Orient Marketing Network, ~~Inc.~~ (OOMNI)*	–	–	87.80

* *On February 18, 2013, the BOD of Fed Land approved the merger of Fed Land and its two subsidiaries namely FMI and OOMNI, where Fed Land will be the surviving entity and the two subsidiaries will be the absorbed entities. The merger was approved by the Philippine SEC on November 29, 2013.*

** *On May 8, 2013, the BOD of HLPDC, HLRDC and SHDC approved the merger of the three entities where HLPDC will be the surviving entity and HLRDC and SHDC will be the absorbed entities. The merger was approved by the SEC on Octaber 21, 2013.*

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GBPC's Subsidiaries

	Percentage of Ownership	
	2014	2013
ARB Power Venture, Inc. (APVI)	**100.00**	100.00
Toledo Holdings Corp. (THC)	**100.00**	100.00
Toledo Cebu Int'l Trading Resources Corp. (TCITRC)	**100.00**	100.00
Toledo Power Company (TPC)	**100.00**	100.00
GBH Power Resources, Inc. (GPRI)	**100.00**	100.00
Global Energy Supply Corp. (GESC)	**100.00**	100.00
Mindanao Energy Development Corporation (MEDC)	**100.00**	100.00
Global Hydro Power Corporation (GHPC)	**100.00**	–
Global Renewables Power Corporation (GRPC)	**100.00**	–
Global Formosa Power Holdings, Inc. (GFPHI)	**93.20**	93.00
Panay Power Holdings Corp (PPHC)	**89.30**	89.30
Panay Power Corp. (PPC)	**89.30**	89.30
Panay Energy Development Corp. (PEDC)	**89.30**	89.30
Cebu Energy Development Corp. (CEDC)	**52.18**	52.18
GBH Cebu Limited Duration Company (GCLDC)	–	100.00

GCLDC was liquidated on December 1, 2014. GHPC and GRPC were incorporated on March 17, 2014 and April 8, 2014, respectively.

Toyota's Subsidiaries

	Percentage of Ownership
Toyota Makati, Inc. (TMI)	100.00
Lexus Manila, Inc. (LMI)	75.00
Toyota San Fernando Pampanga, Inc. (TSFI)	55.00

TCI has investments in Oxfordshire Holdings, Inc., a wholly owned subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. 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. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.

Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies except for Charter Ping An which uses the revaluation method in accounting for its condominium units included as part of 'Property and equipment' account in the consolidated statement of financial position. The carrying values of the condominium units are adjusted to eliminate the effect of revaluation and to recognize the related accumulated depreciation based on the original acquisition cost to align the measurement with the Group's accounting policy. All intragroup transactions, balances, income and expenses resulting from intragroup transactions and dividends are eliminated in full on consolidation.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not attributed, directly or indirectly, to the Parent Company. The interest of non-controlling shareholders may be initially measured at fair value or share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, NCI consists of the amount attributed to such interests at initial recognition and the NCI's share of changes in equity since the date of combination.

NCI are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if that results in the NCI having a deficit balance.

If the Group loses control over a subsidiary, it:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity;
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business Combinations Involving Entities Under Common Control
A business combination involving entities under common control is accounted for using the uniting of interest method, except when the acquisition is deemed to have commercial substance for the Group, in which case the business combination is accounted for under the acquisition method. The combined entities accounted for by the uniting of interests method reports the results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on assets, liabilities, revenues, and expenses for the periods presented, and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

Under the uniting of interest method, the acquirer accounts for the combination as follows:
- the assets and liabilities of the acquiree are consolidated using the existing carrying values instead of fair values;
- intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable PFRS;
- no amount is recognized as goodwill;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The acquiree's equity are included in the opening balances of the equity as a restatement and are presented as 'Effect of uniting of interest' in the consolidated statement of changes in equity. Cash considerations transferred on acquisition of a subsidiary under common control are deducted in the 'Retained earnings' at the time of business combination.

When evaluating whether an acquisition has commercial substance, the Group considers the following factors, among others:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as NCI or other third parties; and
- whether or not the transaction is conducted at fair value.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer elects whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Acquisition-related costs are expensed and included in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and liabilities of the acquiree 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. The Group also assesses whether assets or liabilities of the acquiree that are previously unrecognized in the books of the acquiree will require separate recognition in the consolidated financial statements of the Group at the acquisition date.

In a business combination achieved in stages, the Group remeasures its previously-held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in the consolidated statements of income. Any recognized changes in the value of its equity interest in the acquiree previously recognized in other comprehensive income are recognized by the Group in profit or loss, as if the previously-held equity interest are disposed of.

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 either in the consolidated statements of income or as changes to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that if known, would have affected the amounts recognized as at that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one year.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, over the fair value of the net assets acquired.

If after reassessment, the fair value of the net assets acquired exceeds the consideration transferred, the amount recognized for any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, the difference is recognized immediately in the consolidated statements of income as 'Gain on bargain purchase'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in the consolidated statements of income and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination from the acquisition date irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is not amortized but is reviewed for impairment at least annually. Any impairment losses are recognized immediately in profit of loss and is not subsequently reversed.

Where goodwill forms part of a CGU 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.

Change in Ownership without Loss of Control
Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures
The accounting policies are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which were adopted as of January 1, 2014.

The following new and amended standards and interpretations did not have any impact on the accounting policies, financial posititION or performance of the Company.

New and Amended Accounting Standards
- PAS 32, *Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PAS 39, *Financial Instruments: Recognition and Measurement – Novation of Derivatives of Derivatives and Continuation of Hedge Accounting* (Amendments)
- Philippine Interpretation IFRIC 21, *Levies*

Annual Improvements to PFRSs (2010 – 2012 cycle)
- PFRS 13, *Fair Value Measurement*

Annual Improvements to PFRSs (2011 – 2013 cycle)
- PFRS 1, *First-time Adoption of PFRS*

Standards that have been adopted and are deemed to have impact in the financial statements or performance of the Company are described below:

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement,* on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group's consolidated financial statements.

Significant Accounting Policies

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Fair Value Measurement
The Group measures financial instruments, such as AFS investments, at fair value at each consolidated statement of financial position date.

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

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

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

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell assets.

Initial recognition of financial instruments
All financial assets are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and financial liabilities includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2014 and 2013, the Group has no financial assets and financial liabilities at FVPL and HTM investments. The Group's financial instruments include loans and receivables, AFS investments and other financial liabilities.

Determination of fair value
The fair value for financial instruments traded in active markets as at the reporting date is based on their quoted market prices or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates.

'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 markets, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income under "Interest income" and "Interest expense" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the 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.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL. This accounting policy relates to the accounts in the consolidated statement of financial position 'Receivables', 'Due from related parties', 'Deposits', and 'Cash and cash equivalents'.

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as designated at FVPL, HTM investments, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS investments pertain to quoted and unquoted equity securities and other debt instruments.

After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously included in equity are included in the consolidated statement of income. Dividends on AFS equity instruments are recognized in the consolidated statement of income when the entity's right to receive payment has been established. Interest earned on holding AFS debt instruments are reported in the statement of income as 'Interest income' using the effective interest method.

The fair value of investments that are traded in active markets is determined by reference to quoted market bid prices at the close of business on the reporting date. The unquoted equity instruments are carried at cost less any impairment losses because fair value cannot be measured reliably due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Other financial liabilities
These are financial liabilities not designated at FVPL 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. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's 'Accounts and other payables', 'Long-term debt', 'Liabilities on purchased properties', 'Due to related parties' and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable). 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.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income continues to be recognized based on the original EIR of the asset.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as past due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost as at the reversal date.

AFS investments
For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity instruments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from the statement of changes in equity and recognized in the consolidated statement of income. Impairment losses on equity instruments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as 'Interest income' in the statement of income. If, in the subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

a. the rights to receive cash flows from the asset have expired;
b. 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
c. the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control 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 original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. 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.

Inventories
Real estate inventories
Property acquired that are being developed or constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate inventory. Real estate inventories consist of land and improvements, and condominium units held for sale.

Land and improvements consists of properties that is held for future real estate projects and are carried at the lower of cost or net realizable value (NRV). Cost includes the acquisition cost of the land and those costs incurred for development and improvement of the properties. Upon commencement of real estate project, the subject land is transferred to 'Condominium units held for sale'.

Costs of condominium units held for sale includes the carrying amount of the land transferred from 'Land and improvements' at the commencement of its real estate projects and those costs incurred for construction, development and improvement of the properties, including capitalized borrowing costs.

Gasoline retail, petroleum products and chemicals
Cost is determined using first-in, first-out method. The costs of oil, petroleum products and chemicals include cost incurred for acquisition and freight charges.

Power inventories
Inventories, at GBPC Group, which consist of coal, industrial fuel, lubricating oil, spare parts and supplies are stated at the lower of cost and NRV. Cost is determined using the weighted average method while the NRV is the current replacement cost. In determining the NRV, the Group considers any adjustment necessary for obsolescence.

Automotive inventories
These are inventories of the Toyota Group which are valued at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion, marketing and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials and spare parts	– Purchase cost on a weighted average cost
Finished goods and work-in-process	– Cost of direct material and labor and proportion of fixed and overhead manufacturing costs allocated based on normal operating capacity
Raw materials and spare parts in-transit	– Cost is determined using the specific identification method

Investments in Associates and Jointly Controlled Entities
This account includes advances for future stock acquisition on investee companies. Investments in associates and jointly-controlled entities are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a jointly-controlled entity of the Group. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

An investment is accounted for using the equity method from the day it becomes an associate or a jointly-controlled entity. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is included as income in the determination of the share in the earnings of the investee.

Under the equity method, the investments in and advances to associates and jointly-controlled entities are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value.

The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the investee companies and the Group's share on movements in the investee's OCI are recognized directly in OCI in the consolidated financial statements. The Group's share on total comprehensive income of an associate is shown in the consolidated statement of income and consolidated statement of comprehensive income. The aggregate of the Group's equity in net income of associates and jointly controlled entities is shown on the face of the consolidated statement of income as part of operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate and jointly controlled entities.

Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies, and for unrealized losses, to the extent that there is no evidence of impairment of the assets transferred. Dividends received from investee companies are treated as a reduction of the accumulated earnings included under 'Investments in associates and jointly controlled entities' account in the consolidated statement of financial position.

The Group discontinues applying the equity method when its investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates or jointly-controlled entities. When the investees subsequently report net income, the Group will resume applying the equity method but only after its equity in the net income equals the equity in net losses of associates and jointly-controlled entities not recognized during the period the equity method was suspended.

Upon loss of significant influence over the associates or joint control over the jointly controlled entities, the Group measures and recognizes any retained investments at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal in retained investments and proceeds from disposal in recognized in profit or loss.

Investment Properties
Investment properties consist of properties that are held to earn rentals and that are not occupied by the companies in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of the properties which is 25 years.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. 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 and only 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 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 and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use, including capitalized borrowing costs.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time that the relevant assets are completed and put into operational use.

Power plant construction in progress represents power plant complex under construction and is stated at cost. Cost of power plant construction in progress includes purchase price of the components, capitalized borrowing cost, cost of testing and other directly attributable cost of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. CIP is not depreciated until such time that the relevant assets are ready for use.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are calculated on the straight-line basis over the following EUL of the property and equipment as follows

	Years
Transportation equipment	5
Furniture, fixtures and equipment	5
Leasehold improvements	2 to 10 or lease term (whichever is shorter)
Machineries, tools and equipment	3 to 5
Building	20 to 40
Boilers and powerhouse	9 to 25
Turbine generators and desox system	9 to 25
Buildings and land improvements	9 to 25
Electrical distribution system	7 to 25
Other property and equipment	3 to 5

The assets' residual values, EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Transfers are made from property and equipment, when there is a change in use, evidenced by ending of owner-occupation, and with a view of sale.

Impairment or losses of items of property, plant and equipment, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their useful life. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite 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.

The Group's intangible assets consist of power purchase agreements, customer relationship, software costs and franchise. A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in the consolidated statement of income when the intangible asset is derecognized.

Power Purchase Agreements (PPA)
PPA pertain to the electricity power purchase agreements (EPPAs) which give GBPC the right to charge certain electric cooperatives for the electricity to be generated and delivered by GBPC. This is recognized initially at fair value which consists of the cost of the power generation and the fair value of future fee payments. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The PPA is amortized using the straight-line method over the estimated economic useful life which is the life of the EPPAs, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 4 to 25 years. The amortization period and the amortization method 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 are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Customer Relationship
Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers, which adds value to the operations of Toyota and enhances the latter's earnings potential. This is recognized initially at fair value and is assessed to have an indefinite useful life. Following initial recognition, the intangible asset is not amortized but assessed annually for impairment.

Franchise
Franchise fee is amortized over the franchise period which ranges from three (3) to five (5) years. Accumulated depreciation and amortization and provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Software Costs
Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of 3 to 5 years.

Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any. Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software.

Goodwill

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units 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 groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Impairment of Nonfinancial Assets).

Where goodwill forms part of a cash-generating unit 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 cash-generating unit retained.

Goodwill is presented together with the intangible assets in the consolidated statement of financial position.

Deposits

Deposits are stated at cost. Cost is the fair value of the asset given up at the date of transfer to the affiliates. This account is treated as a real option money to purchase and develop a property that is held by a related party or an equity instrument to be issued upon exercise of option. The deposit granted to affiliates charges an interest and other related expenses in lieu of the time value in use of option money granted to the affiliates (Note 23).

Impairment of Non-financial Assets

The Group assesses at each financial reporting date whether there is an indication that their nonfinancial assets (e.g. investments in associates and jointly controlled entities, investment properties, property and equipment, and intangible assets), may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

This accounting policy applies primarily to the Group's property and equipment and investment properties. Additional considerations for other non-financial assets are discussed below.

Investments in associates and jointly controlled entities
After application of the equity method, the Group determines whether it is necessary to recognize goodwill or any additional impairment loss with respect to the Group's net investment in its associates and jointly controlled entities. The Group determines at each financial reporting date whether there is any objective evidence that the investments in associates and jointly controlled entities are impaired.

If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and jointly controlled entities and the carrying cost and recognizes the amount in the consolidated statement of income.

Intangible assets
Except for customer relationship, where an indication of impairment exists, the carrying amount of intangible assets with finite useful lives is assessed and written down immediately to its recoverable amount. Customer relationship is reviewed for impairment annually, similar with goodwill, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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. The Group performs its annual impairment test of goodwill at the consolidated statement of financial position date.

Insurance Receivables
Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that

the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income.

Insurance receivables are derecognized under the derecognition criteria of financial assets.

Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists and that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is charged against profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized in the consolidated statement of income as part of commission income in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated insurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired, or when the contract is transferred to another party.

Deferred Acquisition Costs (DAC)

Commissions and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense as incurred.

Subsequent to initial recognition, these costs are amortized on a straight line basis using 24th method over the life of the contract except for the marine cargo where commissions from the last two months of the year are recognized as expense in the following year. Amortization is charged against consolidated statement of income. The unamortized acquisition costs are shown as 'Deferred acquisition costs' are presented under 'Prepayments and Other Current Assets' in the assets section of the statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to consolidated statement of income. DAC is also considered in the liability adequacy test for each end of the reporting period.

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the tax authority is included under 'Prepayments and other current assets' in the consolidated statement of financial position.

Assets Held for Sale
The Group classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are included under 'Prepayments and other current assets' in the consolidated statements of financial position.

Insurance Contract Liabilities
Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Provision for Unearned Premium
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums as part of "Insurance contract liabilities" and presented in the liabilities section of the statement of financial position. Premiums for short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considerd earned in the following year. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims Provision Incurred But Not Reported (IBNR) Losses
These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with the related claims handling cost and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money and includes provision for IBNR losses. The liability is derecognized when the contract is discharged, cancelled or has expired.

Liability Adequacy Test
At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, net of the related DAC assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to

the statement of comprehensive income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Customers' Deposits

The Group requires buyers of condominium units to pay a minimum percentage of the total selling price. The minimum percentage is on the basis of the level of buyer's commitment to pay and is part of the revenue recognition criteria. When the revenue recognition criteria are met, sales are, then, recognized and these deposits and downpayments will be applied against the related installment contracts receivable. In the event that the customer decides to terminate the purchase prior to recognition of sale, an amount equivalent to the cash surrender value of the deposit will be refunded to the buyer.

Customer's deposits consist of payment from buyers which have not reached the minimum required percentage and amounts that have not been applied against the related installment contract receivables.

Equity

The Group records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Capital stock

The Parent Company has issued common stock that is classified as equity. Incremental costs directly attributable to the issue of new common stock are shown in equity as a deduction, net of tax, from the proceeds. All other equity issuance costs are recognized as expense as incurred.

Where the Parent Company purchases its own common stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, and is included in equity attributable to the Parent Company's equity holders.

Additional paid-in capital

Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital also arises from additional capital contribution from the shareholders.

Deposits for future stock subscriptions

Deposits for future stock subscriptions are recorded based on the amounts received from stockholders and amounts of advances to be converted to equity.

Retained earnings

The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividend on common stock. Dividends on common stock are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Acquisition of Non-controlling Interest in a Subsidiary

Acquisition of non-controlling interest is accounted for as an equity transaction, whereby the difference between the fair value of consideration given and the share in the net book value of the net assets acquired is recognized in equity. When the consideration is less than the net assets acquired, the difference is recognized as a gain in the consolidated statement of income. In an acquisition without consideration involved, the difference between the share of the non-controlling interests in the net assets at book value before and after the acquisition is treated as transaction between equity owners.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Automotive operations

Revenue from automotive operations arises from sale of manufactured vehicles and trading of completely built-up vehicles and local and imported parts. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer (including certain "bill and hold" sales, wherein in the buyer takes title and accepts billing), usually on dispatch of goods.

Net fees

Net fees consist of energy fees for the energy and services supplied by the operating companies as provided for in their respective PPA or EPPA with respective customers. Energy fee is recognized based on actual delivery of energy generated and made available to customers multiplied by the applicable tariff rate, net of adjustments, as agreed upon between the parties. In case the actual energy delivered by PPC and GPRI to customers is less than the minimum energy off-take, PPC and GPRI shall reimburse their customers for the difference between the actual cost for sourcing the shortfall from another source and tariff rate, multiplied by the actual shortfall. On the other hand, if the customers fail to accept the minimum supply, the customers shall be subject to penalty equivalent to the cost of power unused or not accepted on an annual basis. For TPC, energy fee is recognized based on actual delivery of energy generated and made available to its customers, multiplied by the applicable tariff rate, net of adjustments, as agreed upon between TPC and its customers.

Real estate sales

Real estate revenue and cost from completed projects is accounted for using the full accrual method. The percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. When the sale of real estate does not meet the requirements for revenue recognition, the sale is accounted under the deposit method. Under this method, revenue is not recognized and the receivable from the buyer is not recorded. The real estate inventories continue to be reported in the consolidated statement of financial position as 'Inventories' and the related liability as deposit under 'Customers' deposits'.

Real estate revenue and cost from completed projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

When the sale of real estate does not meet the requirements for revenue recognition, the sale is accounted under the deposit method until all the conditions are met. Under this method, revenue is not recognized, the receivable from the buyer is not recorded and the cash received from buyers are presented under the 'Customers' deposits' account in the liabilities section of the consolidated statement of financial position. The related real estate inventories continue to be reported in the consolidated statement of financial position as 'Inventories'.

Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

Premiums revenue
Gross insurance written premiums comprise the total premiums receivable for the whole period cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy intercepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums for short-duration insurance contracts are recognized as revenue over the period of contracts using the twenty-fourth (24^{th}) method except for marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at the end of the reporting period is accounted for as Provision for unearned premiums and is shown as part of "Insurance contract liabilities" presented in the liabilities section of the consolidated statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are accounted for as deferred reinsurance premiums and are shown as part of 'Reinsurance assets' in the consolidated statement of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

Reinsurance commissions
Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method except for marine cargo where the deferred reinsurance commissions for the last two months of the year are considered earned the following year. The portion of the commissions that relate to the unexpired portions of the policies at end of the reporting period are accounted for as 'Deferred reinsurance commissions' and presented in the liabilities section of the consolidated statement of financial position.

Net premiums earned consist of gross earned premiums on insurance contracts (net of reinsurer's share of gross earned premiums on insurance contracts).

Interest income
Interest is recognized as it accrues using the effective interest method.

Rental income
Rental income under noncancellable leases is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Sale of goods
Sale of goods is recognized from retail customers at the point of sale in the stores. This is measured at the fair value of the consideration received, excluding (or 'net of,' or 'reduced for') discounts, returns, rebates and sales taxes.

Rendering of services
Service fees from installation of parts and repairs and maintenance of vehicles are recognized as revenue when the related services have been rendered.

Commission income
Commission income is recognized by reference to the percentage of collection of the agreed sales price or depending on the term of the sale as provided under the marketing agreement.

Management fees
Management fees from administrative, property management and other fees are recognized when services are rendered.

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

Other income
Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract. Other income also includes sale of scrap and sludge oil which is recognized when there is delivery of goods to the buyer and recovery from insurance which is recognized when the right to receive payment is established.

<u>Expense Recognition</u>
Cost of goods and services sold
Cost of goods sold for vehicles and spare parts includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the costs of storing and transporting the products. Vendor returns and allowances are generally deducted from cost of goods sold and services.

Other cost of goods sold includes Fed Land's gasoline and food products, and are recognized when goods are delivered which is usually at the point of sale in stores. Cost of services are recognized when services are rendered.

Cost of goods manufactured
Cost of goods manufactured includes the purchase price of the products manufactured, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location.

Commissions
Commissions paid to sales or 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. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. These are recorded as 'Prepaid expenses' under 'Prepayments and other current assets' account.

General and administrative expenses
General and administrative expenses constitute costs of administering the business and are expensed as incurred.

Power plant operation and maintenance expenses
Power plant operations mainly represent depreciation of power plants, costs of coal and start-up fuel. Repairs and maintenance mainly represent cost of materials and supplies consumed and the cost of restoration and maintenance of the power plants. Purchased power represents power purchased from National Power Corporation (NPC).

Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's project and construction department.

Benefits and claims
Benefits and claims consists of benefits and claims paid to policyholders, which includes changes in the valuation of Insurance contract liabilities, except for changes in the provision for unearned premiums which are recorded in insurance revenue. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Net insurance benefits and claims represent gross insurance contract benefits and claims and gross change in insurance contract liabilities less reinsurer's share.

Pension Costs
The Parent Company and its subsidiaries have funded, noncontributory defined benefit retirement plans, administered by trustees, covering their permanent employees.

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

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.

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries. 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 statements 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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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 only when reimbursement is virtually certain.

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 before twelve (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.

Income Tax

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 financial reporting dates.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefit of unused tax credits from MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax asset and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Foreign Currency Transactions

The Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. Each entity within the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions denominated in foreign currency are recorded using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at reporting date. Exchange gains or losses resulting from rate fluctuations upon actual settlement and from restatement at year-end are credited to or charged against current operations.

Segment Reporting

The Group'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 the Group's business segments is presented in Note 35.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs. 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 use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

Provisions
Provisions are recognized when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Decommissioning liability
The decommissioning liability arose from the Group's obligation, under the Environmental Compliance Certificates of certain subsidiaries of GBPC, to decommission or dismantle their power plant complex at the end of its useful lives. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of comprehensive income as an 'Accretion of decommissioning liability' under the 'Interest expense' account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the power plant complex. The amount deducted from the cost of the power plant complex, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the power plant complex, the excess shall be recognized immediately in the consolidated statement of comprehensive income.

Provision for product warranties
Provision for product warranties are recognized when sale of the related products are consummated. The best estimate of the provision is recorded based on three (3) year warranty coverage provided by the Group as part of the sold product. Reversals are made against provision for the expired portion.

Leases

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease term. Variable rent is recognized as an income based on the terms of the lease contract.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specific asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and the date of renewal or extension period for scenario (b).

Operating leases

Operating leases represent those leases which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Lease payments under an operating lease are recognized in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These 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 disclosed when an inflow of economic benefits is probable.

Events after Financial 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 in the notes to the consolidated financial statements when material.

Standards Issued But Not Yet Effective

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)

PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January1, 2015. It is not expected that this amendment would be relevant to the Group, since it has noncontributory defined benefit plan.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015.

PFRS 2, *Share-based Payment – Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a performance condition must contain a service condition
- a performance target must be met while the counterparty is rendering service
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group

- a performance condition may be a market or non-market condition
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment does not apply to the Group as it has no share-based payments.

PFRS 3, *Business Combinations –Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted).

The Group shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that: An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. These amendments are applied retrospectively and affect disclosures only.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Group's financial position or performance.

PAS 24, *Related Party Disclosures – Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

<u>Annual Improvements to PFRSs (2011-2013 cycle)</u>
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement – Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39. The amendment has no significant impact on the Group's financial position or performance.

PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment has no significant impact on the Group's financial position or performance.

Effective 2016 onwards
PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets– Clarification of Acceptable Methods of Depreciation and Amortization*(Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group since it does not use a revenue-based method to depreciate its non-current assets.

PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. It is not expected that the amendment would be relevant to the Group's consolidated financial statements.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

The Group shall consider this amendment for future joint arrangements.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The standard would not apply to the Group since it is an existing PFRS preparer.

PFRS 9, *Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before January 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.

IFRS 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

<u>Annual Improvements to PFRSs (2012-2014 cycle)</u>
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016.

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits – regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

3. Management's Judgments and Use of Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including future events that are believed to be reasonable under circumstances.

Judgments
In the process of applying the Group'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 consolidated financial statements:

Assessment of control over investees
The determination on whether the Group has control over an investee requires significant judgment. For this, the Group considers the following factors: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. In assessing whether the Group has power over the investee, the Group assesses whether it has existing rights that give it the current ability to direct the relevant activities of the investee.

Consolidation of TMPC
The Group holds 51.00% ownership interest and voting rights in TMPC. The remaining 49.00% are held by 3 shareholders. TMPC's Board of Directors (BOD) maintains the power to direct the major activities of TMPC while the Group has the ability to appoint the majority of the BOD. When determining control, management considered whether it has the ability to direct the relevant activities of TMPC to generate return for itself. Management concluded that it has the ability

based on its ability to appoint the majority of the BOD. The Group therefore accounts for TMPC as a subsidiary, consolidating its financial results for the reporting period.

Joint arrangements
The Group has investments in joint arrangements. The Group has joint control over these arrangements as under the contractual arrangements, unanimous consent is required from all the parties to the agreements for all relevant activities.

Revenue and cost recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- stage of completion of the project.

Collectibility of the sales price
In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 10.00% would demonstrate the buyer's commitment to pay.

Operating lease commitments – the Group as lessee
The Group has entered into a lease contract with its related parties with respect to the parcels of land where its retail malls are located. The Group has determined that all significant risks and rewards of ownership of the leased property remains to the lessor since the leased property, together with the buildings thereon, and all permanent fixtures, will be returned to the lessor upon termination of the lease.

Operating lease commitments – the Group as lessor
The Group entered into commercial property leases on its retail mall, investment properties and certain units of its real estate projects to different parties for a specific amount depending on the lease contracts. The Group has determined that it retains all significant risks and rewards of ownership on the properties as the Group considered among others the length of the lease as compared with the estimated life of the assets.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considered among others, the significance of the penalty, including the economic consequences to the lessee (Note 30).

Finance lease commitments – Group as lessee
The Group has entered into finance leases on certain parcel of land. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor transfers substantially all the risks and benefits incidental to ownership of the leased equipment to the Group thus, the Group recognized these leases as finance leases.

Impairment of AFS investments
The Group treats AFS investments as impaired when there has been a significant or prolonged decline or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more and 'prolonged' as greater than six months for quoted equity securities. In addition, the

Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Financial assets not quoted in an active market
The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Distinction between real estate inventories and investment properties
The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property is held for sale in the ordinary course of business (real estate inventories) or which are held primarily to earn rental and capital appreciation and are not occupied substantially for use by, or in the operations of the Group (investment properties).

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Contingencies
The Group is currently involved in a few legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Determining whether an arrangement contains a lease
The PPAs and EPPAs qualify as a lease on the basis that the Group sells all its output to the specified counterparties as per their respective agreements. The agreements calls for a take or pay arrangement where payment is made on the basis of the availability of the power plant complex and not on actual deliveries. The lease arrangement is determined to be an operating lease where a significant portion of the risks and rewards of ownership are retained by the Group. Accordingly, the power plant complex is recorded as part of property, plant and equipment and the fees billed to the specified counterparties are recorded as revenue.

Allocation of costs and expenses
Costs and expenses are classified as exclusive and common. Exclusive costs such as raw materials and direct labor are charged directly to the product line. Common costs and expenses are allocated using sales value.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation and uncertainty at the financial 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.

Revenue recognition
The Group's revenue recognition policies require 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 percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. The carrying amount of installment contracts receivables amounted to ₱7.55 billion and ₱5.82 billion as of December 31, 2014 and 2013, respectively (Note 5). The Group recognized real estate sales in 2014, 2013 and 2012 amounting to ₱5.84 billion, ₱4.70 billion and ₱2.13 billion, respectively.

Estimating allowance for impairment losses
The Group reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of financial position and any changes thereto in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (industry, customer type, customer location, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2014 and 2013, the carrying values of these assets are as follows:

	2014	2013
Receivables (Note 5)	**₱21,119,578,787**	₱17,379,453,331
Due from related parties (Note 27)	**170,629,476**	849,398,310

Evaluating net realizable value of inventories
Inventories are valued at the lower of cost and net realizable value. The Group reviews its inventory to assess NRV at least annually. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value 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 expense for any period would differ if different judgments were made or different estimates were utilized.

Gasoline retail, petroleum products and chemicals
The Group provides allowance for inventory losses whenever utility of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes (i.e., pre-termination of contracts). The allowance account is reviewed regularly to reflect the appropriate valuation in the financial records.

The carrying value of the Group's inventories amounted to ₱31.43 billion and ₱20.81 billion as of December 31, 2014 and 2013, respectively (Note 6).

Estimating useful lives of property and equipment, investment properties and intangibles assets
The Group determines the Estimate Useful Life (EUL) of its property and equipment, investment properties, and intangibles assets based on the period over which the assets are expected to be available for use. The Group reviews annually the EUL of property and equipment, investment properties and intangible assets based on factors that include asset utilization, internal technical evaluation, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of property and equipment, investment properties and intangible assets would increase the recorded depreciation and amortization expense.

Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers which lay out the principal terms upon which its dealers agree to do business. Management assessed the useful life of the customer relationship to be indefinite since management is of the view that there is no foreseeable limit to the period over which the customer relationship is expected to generate net cash inflows to Toyota.

The said assessment is based on the track record of stability for the auto industry and the Toyota brand. Added to this is the commitment of management to continue to invest for the long term, to extend the period over which the intangible asset is expected to continue to provide economic benefits.

As of December 31, 2014 and 2013, the carrying values of investment property, property and equipment, intangible assets from power purchase agreements, customer relationship, software costs and franchise are as follow:

	2014	2013
Investment properties (Note 9)	**₱8,642,628,922**	₱8,328,668,533
Property and equipment (Note 11)	**44,800,727,933**	41,163,427,981
Power purchase agreements - net (Note 13)	**7,721,413,554**	8,199,068,543
Customer relationship (Note 13)	**3,883,238,361**	3,883,238,361
Software costs - net (Note 13)	**19,816,621**	15,814,615
Franchise - net (Note 13)	**1,367,500**	1,583,333

Evaluating asset impairment
The Group reviews investment properties, investments in and advances to associates and jointly controlled entities, input VAT, creditable withholding tax, property and equipment, power purchase agreements, software costs, franchise and other noncurrent assets for impairment. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in and advances to associates and jointly controlled entities, property and equipment, software cost and franchise. The following table sets forth the carrying values of investment properties, investments in associates and jointly controlled entities, input VAT, creditable withholding tax, property and equipment, power purchase agreements, software costs, franchise and other noncurrent assets as of December 31, 2014 and 2013:

	2014	2013
Investment properties (Note 9)	**₱8,642,628,922**	₱8,328,668,533
Investments in associates and jointly controlled entities (Note 8)	**47,451,418,711**	40,559,463,758
Input VAT (Note 7)	**2,077,923,616**	3,092,442,775
Creditable withholding taxes (Note 7)	**496,404,153**	1,213,867,634
Property and equipment (Note 11)	**44,800,727,933**	41,163,427,981
Power purchase agreements - net (Note 13)	**7,721,413,554**	8,199,068,543
Customer relationship (Note 13)	**3,883,238,361**	3,883,238,361
Software - net (Note 13)	**19,816,621**	15,814,615
Franchise - net (Note 13)	**1,367,500**	1,583,333
Other noncurrent assets (Note 14)	**634,065,630**	1,202,989,799

Estimating impairment of AFS investments
The Group treats AFS investments as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more of the cost of AFS and 'prolonged' if greater than six months. In addition, the Group evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for

unquoted equities. The Group also considers the ability of the investee company to provide dividends.

The carrying amounts of AFS investments amounted to ₱4.13 billion and ₱3.11 billion as of December 31, 2014 and 2013, respectively (Note 10). The change in fair value of AFS investments is recorded in the consolidated statements of comprehensive income. Net unrealized gain on available-for-sale investments amounted to ₱618.36 million and ₱80.29 million as of December 31, 2014 and 2013. As of December 31, 2014 and 2013, impairment loss on AFS investments amounted to ₱10.22 million and nil, respectively (Note 26).

Impairment of goodwill and intangible assets with indefinite useful life
The Group conducts an annual review for any impairment in value of goodwill and intangible assets with indefinite useful life (i.e., customer relationship). Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The Group uses the weighted average cost of capital in discounting the expected cash flows from specific CGUs.

Refer to Note 13 for the details regarding the carrying values of the Group's goodwill and intangible assets as well as details regarding the impairment review and assessment.

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax asset 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 asset to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred income tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

The recognized and unrecognized deferred tax assets on temporary differences of the Group are disclosed in Note 29.

Estimating the decommissioning liability
The Group has a legal obligation to decommission or dismantle its power plant asset at the end of its useful life. The Group recognizes the present value of the obligation to dismantle the power plant asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

Cost estimates expressed at current price levels at the date of the estimate are discounted using a rate of interest ranging from 3.90% to 5.97% per annum to take into account the timing of payments. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense which is included under 'Interest expense' in the consolidated statement of comprehensive income.

Changes in the decommissioning liability that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of comprehensive income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates. The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Decommissioning liability amounted to ₱287.26 million and ₱192.66 million as of December 31, 2014 and 2013, respectively (Note 21).

Estimating pension and other retirement benefits
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 28 to the consolidated statement of financial position and include among others, discount rates, expected returns on plan assets 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, 2014 and 2013, the present value of defined benefit obligations amounted to ₱3.52 billion and ₱2.82 billion, respectively. The carrying values of pension liability and expense are disclosed in Note 28.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Fair value of retained interest in BLRDC
In June 2012, Fed Land lost control on BLRDC, the latter becoming a jointly controlled entity. Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The Group used the fair values of the contributed land properties and on-going construction less fair values of liabilities for the purpose of valuing the Group's retained interest. The valuation technique applied in estimating the value of Group's retained interest is based on the Cost Approach.

Claims liability arising from insurance contracts
For nonlife insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claims settlement trends to predict future claims settlement trends. At each end of the reporting period, prior year claims estimates are assessed for adequacy and changes made are charged to provision.

Nonlife insurance claims provisions are not discounted for the time value of money.

The main assumption underlying the estimation of the claims provision is that the Group's past development experience can be used to project future claims development and hence, ultimate claims cost. Historical claims development is mainly analyzed by accident years, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projects are based.

The carrying values of provision for outstanding claims and IBNR amounted to ₱3.68 billion and ₱4.92 billion as of December 31, 2014 and 2013, respectively (Note 16).

Provision for product warranties
Estimated warranty costs are provided at the time of sale. The provision is based on the estimated costs of future servicing the products sold, the costs of which are not recoverable from customers. A provision is recognized for expected warranty claims on products sold during the last two (2) years, based on past experience of the level of returns and repairs. It is expected that most of these costs will be incurred in the next financial year and all will be incurred within three (3) years as of the reporting date.

As of December 31, 2014 and 2013, provision for product warranty amounted to ₱181.96 million and ₱288.75 million, respectively (Note 21).

Assessment of linked transactions
The acquisition of a non-controlling interest is accounted for as a linked transaction when it arises from the same transaction as that at which control was gained. The Group considers the following factors in assessing a linked transaction:

- the option over the remaining interest and subsequent acquisition is not negotiated separately by non-controlling shareholders;
- the offer period is for a short period; and
- the price per share offered for subsequent increases is fixed and consistent with the price paid for the controlling interest.

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

	2014	2013
Cash on hand	**₱32,312,324**	₱5,742,556
Cash in banks (Note 27)	**17,170,401,145**	4,651,051,201
Cash equivalents (Note 27)	**12,499,690,523**	22,510,094,695
	₱29,702,403,992	₱27,166,888,452

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates ranging from 0.50% to 3.75% in 2014 and 0.25% to 4.50% in 2013.

Short-term Investments
These represent the Group's foreign currency and peso-denominated time deposits, as well as money market placements, with original maturities of more than three (3) months and up to 12 months and earn interest at the respective short-term investment rates, ranging from 0.20% to 2.00% in 2014 and 0.20% to 3.00% in 2013.

5. Receivables

This account consists of:

	2014	2013
Trade receivables	**₱8,488,706,494**	₱8,032,978,324
Installment contracts receivables	**7,545,443,471**	5,819,661,101
Insurance receivables	**2,042,080,123**	1,622,829,840
Nontrade receivables	**1,151,619,498**	325,024,812
Loans receivable	**700,231,199**	719,934,106
Accrued rent and commission income	**368,846,035**	335,682,637
Dividends receivable (Note 27)	**240,000,000**	240,000,000
Accrued interest receivable	**103,696,004**	49,037,199
Others	**695,367,933**	257,845,584
	21,335,990,757	17,402,993,603
Less allowance for credit losses	**216,411,970**	23,540,272
	₱21,119,578,787	₱17,379,453,331

Total receivables shown in the consolidated statements of financial position follow:

	2014	2013
Current portion	**₱16,222,612,447**	₱12,450,904,615
Noncurrent portion	**4,896,966,340**	4,928,548,716
	₱21,119,578,787	₱17,379,453,331

Noncurrent receivables consist of:

	2014	2013
Trade receivables	**₱463,783,493**	₱674,164,980
Installment contracts receivables	**3,732,951,648**	3,534,449,630
Loans receivable	**700,231,199**	719,934,106
	₱4,896,966,340	₱4,928,548,716

Trade Receivables
The details of trade receivables follow:

	2014	2013
Current:		
Power	**₱3,582,913,275**	₱3,723,957,882
Automotive	**4,442,009,726**	3,634,855,462
	8,024,923,001	7,358,813,344
Noncurrent:		
Power	**463,783,493**	674,164,980
	₱8,488,706,494	₱8,032,978,324

Trade receivables for power pertain to outstanding billings for energy fees and passed through fuel costs arising from the delivery of electricity, while trade receivables for automotive pertain to receivables from sale of vehicles and/or parts and services.

Trade receivables are noninterest-bearing and generally have 30 days to 1 year term.

Installment Contracts Receivables
Installment contracts receivables pertain to receivables from the sale of condominium units. Titles to the sold condominium units are transferred to the buyers only upon full payment of the contract price.

The details of installment contracts receivables follow:

	2014	2013
Installment contracts receivables	**₱8,603,493,109**	₱6,683,498,838
Less: unearned interest income	**1,058,049,638**	863,837,737
	7,545,443,471	5,819,661,101
Less: noncurrent portion	**3,732,951,648**	3,534,449,630
Current portion	**₱3,812,491,823**	₱2,285,211,471

Installment contracts receivables are collected over a period of one (1) to ten (10) years and are noninterest-bearing. The fair value upon initial recognition is derived using the discounted cash flow methodology using discount rates ranging from 8.00% to 12.00% in 2014 and 2013.

Movements in the unearned interest income in 2014 and 2013 follow:

	2014	2013
Balance at beginning of year	**₱863,837,737**	₱492,093,032
Additions	**1,351,608,825**	1,120,891,300
Accretion (Note 23)	**(1,157,396,924)**	(749,146,595)
Balance at end of year	**₱1,058,049,638**	₱863,837,737

Insurance Receivables
The details of insurance receivable follow:

	2014	2013
Premiums receivable and agents' balances	**₱1,109,826,848**	₱921,004,162
Reinsurance recoverable on paid losses	**852,193,366**	617,226,869
Bonds recoverable on paid losses	**33,617,614**	30,702,317
Due from ceding companies	**40,783,619**	51,004,663
Funds held by ceding companies	**5,658,676**	2,891,829
	₱2,042,080,123	₱1,622,829,840

Premiums receivable and agents balances arise from unpaid premiums from policy holders and intermediaries, due from ceding companies are premiums receivable for reinsuring the policies, while recoverable on paid losses are the share of ceding companies for the claims paid to the insured during the year. The amount of funds held by ceding companies is a percentage of the premiums, as required by the Insurance Commission. The Group's insurance receivables are all due within one year.

Nontrade Receivables
Nontrade receivables mainly consist of vehicle acquisition plan loans extended to employees which are collectible within one (1) year and expenses of the affiliates which were shouldered by the Group (Note 27).

Loans Receivable
Loans receivable from various counterparties pertain to long-term receivables as follow:

	2014	2013
Real estate	**₱626,844,230**	₱618,547,138
Power	**73,386,969**	101,386,968
Balance at end of year	**₱700,231,199**	₱719,934,106

Loans receivable for real estate relate to a loan agreement (Loan) with Cathay International Resources Corp. (Borrower), an affiliate. On December 21, 2012, Fed Land agreed to lend to the Borrower a total amount of ₱705.00 million with a nominal and effective interest rate of 3.15% and 4.81%, respectively. The loan will mature on the tenth year anniversary from the date of execution of the agreement (Note 27). Fed Land used discounted cash flow analyses to measure the fair value of the Loan. The 'Day 1' difference from this receivable amounting to ₱94.22 million in 2012 was recorded under 'General and administrative expense' in the consolidated statement of comprehensive income (Note 26). Accretion of interest in 2014 and 2013 amounted to ₱7.35 million and ₱7.92 million, respectively.

Loan receivables for power pertain to GBPC's loan to PECO as assistance to build a transmission line payable in equal monthly installment within five (5) years commencing on the sixth month after the date of the last release of the loan balance subject to an interest rate of 9.00% per annum.

Accrued Rent and Commission Income
Accrued rent and commission income from real estate business pertain to rent and commission from third party real estate developers already earned but not yet collected, with a 15 to 30 days term.

Dividends Receivable
Dividends receivable pertains to receivable from Federal Land Orix Corporation (FLOC) for dividends but not yet paid as of December 31, 2014 (Note 27).

Others
Other receivables include receivable from employees, accrued interest receivable, receivable from Bureau of Internal Revenue (BIR) and management fee receivables.

Allowance for Credit Losses
Changes in the allowance for credit losses on receivables are as follows:

	December 31, 2014			
	Trade Receivables	**Insurance Receivables**	**Other Receivables**	**Total**
Balance at beginning of year	**₱215,500**	**₱13,968,802**	**₱9,355,970**	**₱23,540,272**
Provision for credit losses (Note 26)	**2,440,842**	**2,336,708**	**190,444,149**	**195,221,699**
Write-off	**(2,350,001)**	**–**	**–**	**(2,350,001)**
Balance at end of year	**₱306,341**	**₱16,305,510**	**₱199,800,119**	**₱216,411,970**
Individual impairment	**₱306,341**	**₱–**	**₱199,800,119**	**₱200,106,460**
Collective impairment	**–**	**16,305,510**	**–**	**16,305,510**
	₱306,341	**₱16,305,510**	**₱199,800,119**	**₱216,411,970**
Gross amount of receivables individually impaired before deducting any impairment allowance	**₱54,985,085**	**₱16,305,509**	**₱2,815,201**	**₱74,105,795**

	December 31, 2013			
	Trade Receivables	Insurance Receivables	Other Receivables	Total
Balance at beginning of year	₱–	₱–	₱4,617,424	₱4,617,424
Provision for credit losses (Note 26)	300,000	13,968,802	8,288,966	22,557,768
Write-off	(84,500)	–	(3,550,420)	(3,634,920)
Balance at end of year	₱215,500	₱13,968,802	₱9,355,970	₱23,540,272
Individual impairment	₱215,500	₱–	₱9,355,970	₱9,571,470
Collective impairment	–	13,968,802	–	13,968,802
	₱215,500	₱13,968,802	₱9,355,970	₱23,540,272
Gross amount of receivables individually impaired before deducting any impairment allowance	₱9,923,816	₱-	₱30,028,493	₱39,952,309

6. Inventories

This account consists of:

	2014	2013
At cost		
Real estate		
Land and improvements	**₱18,825,067,741**	₱9,684,589,236
Condominium units held for sale	**5,267,587,244**	5,324,507,924
Construction in progress	**1,324,802,315**	1,116,298,814
Gasoline retail and petroleum products (Note 25)	**5,769,494**	7,940,644
Food (Note 25)	**934,674**	1,310,005
Power		
Coal	**289,631,702**	561,574,604
Industrial fuel and lubricating oil	**158,736,907**	84,575,238
Automotive		
Finished goods	**2,314,179,575**	909,282,096
Work-in-process	**52,269,353**	63,490,932
Raw materials in transit	**1,205,376,918**	1,701,716,946
	29,444,355,923	19,455,286,439
At NRV		
Power		
Spare parts and supplies	**580,238,875**	509,302,236
Automotive		
Spare parts	**1,401,794,020**	848,716,319
	1,982,032,895	1,358,018,555
	₱31,426,388,818	₱20,813,304,994

A summary of movements in real estate inventories (excluding gasoline retail, petroleum products and food) follows:

	2014			
	Condominium unit held for sale	Land and improvements	Construction in progress	Total
Balance at beginning of the year	₱5,324,507,924	₱9,684,589,236	₱1,116,298,814	₱16,125,395,974
Construction and development costs incurred	831,755,965	–	3,382,205,969	4,213,961,934
Land acquired during the year	–	8,884,422,878	–	8,884,422,878
Borrowing costs capitalized	387,731,010	–	321,918,979	709,649,989
Cost of sales during the year	(4,333,871,992)	–	–	(4,333,871,992)
Transfer from construction in progress to condominium units for sale	3,042,977,425	–	(3,042,977,425)	–
Land developed during the period	14,486,912	(252,126)	(14,234,786)	–
Transfers to and from investment property (Note 9)	–	256,307,753	(438,409,236)	(182,101,483)
Balance at end of the year	₱5,267,587,244	₱18,825,067,741	₱1,324,802,315	₱25,417,457,300

	2013			
	Condominium unit held for sale	Land and improvements	Construction in progress	Total
Balance at beginning of the year	₱5,848,513,798	₱4,670,153,960	₱629,766,101	₱11,148,433,859
Construction and development costs incurred	405,958,415	–	2,643,199,811	3,049,158,226
Land acquired during the year	–	3,530,124,671	–	3,530,124,671
Borrowing costs capitalized	256,062,423	–	43,203,175	299,265,598
Cost of sales during the year	(3,666,932,487)	–	–	(3,666,932,487)
Transfer from construction in progress to condominium units for sale	2,273,251,417	–	(2,273,251,417)	–
Land developed during the period	72,352,773	(547,826,286)	475,473,513	–
Transfers to and from investment property (Note 9)	135,301,585	2,032,136,891	(402,092,369)	1,765,346,107
Balance at end of the year	₱5,324,507,924	₱9,684,589,236	₱1,116,298,814	₱16,125,395,974

In 2014 and 2013, Fed Land acquired parcels of land amounting to ₱8.88 billion and ₱3.53 billion, respectively, to be held either for sale or for future land development.

Fed Land's capitalized borrowing costs in its real estate inventories amounted to ₱389.72 million and ₱144.69 million in 2014 and 2013, respectively, for loans specifically used to finance Fed Land's project construction with interest rates ranging from 3.35% to 6.27% and 3.25% to 7.09% in 2014 and 2013, respectively. Also, Fed Land's capitalized borrowing costs in respect of its general borrowing amounted to ₱319.93 million and ₱154.58 million in 2014 and 2013, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 7.34% in 2014 and 2013. Said capitalized interest is added to 'Condominium units held for sale' account and recognized as expense upon the sale of condominium units.

Among the land owned by Fed Land is a parcel of land with a total cost of ₱175.96 million with an area of 5,484 square meters located at Bonifacio Global City, Fort Bonifacio, Taguig City. Said parcel was subject to deed of assignment in favor of BLRDC (formerly MHC) dated December 21, 2011. In 2012, this parcel of land became the contribution of the Fed Land to BLRDC upon execution of the Stockholders' Agreement with Orix Corporation (Orix) (Note 8).

Inventories charged to current operations amounted to ₱78.32 billion, ₱50.64 billion and ₱10.15 billion in 2014, 2013 and 2012, respectively.

Allowance for inventory write-down on automotive spare parts inventories follows:

	2014	2013
Beginning balance	**₱145,819,600**	₱140,990,193
Provision for inventory write-down	**17,467,493**	26,912,531
Reversal	**-**	(3,166,859)
Write-off of scrap inventories	**(31,790,786)**	(18,916,265)
	₱131,496,307	₱145,819,600

7. Prepayments and Other Current Assets

This account consists of:

	2014	2013
Input value-added tax (VAT)	**₱2,077,923,616**	₱3,092,442,775
Advances to contractors and suppliers	**1,514,884,735**	741,106,996
Creditable withholding taxes	**496,404,153**	1,213,867,634
Prepaid expenses	**603,802,975**	468,805,828
Deferred acquisition cost	**308,804,931**	216,376,278
Ad valorem tax	**266,145,432**	113,935,646
Advances to officers, employees and agents (Note 27)	**49,574,060**	67,970,674
Assets held for sale	**18,487,212**	15,020,002
Others	**132,261,782**	39,699,917
	₱5,468,288,896	₱5,969,225,750

Input VAT arises from the Group's purchases of goods and services and will be applied against output VAT on sales in the succeeding periods.

Advances to contractors and suppliers pertain to the Group's advances and initial payments for the purchase of construction materials and supplies and contractor services. These are liquidated every progress billing payments and will be due and demandable upon breach of contract.

Creditable withholding taxes (CWT) are attributable to taxes withheld by third parties arising from net fees, service fees, real estate revenue, auto sales and rental income.

Prepaid expenses mainly include unamortized commission expense for incomplete real estate units and prepayments for supplies, taxes and licenses, rentals and insurance.

Deferred acquisition cost pertains to costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, and are deferred to the extent that they are recoverable out of future revenue margins.

The ad-valorem tax represents advance payments to the BIR. This is applied against taxes on the manufacture and importation of vehicles which generally occurs within one (1) year from the date the ad-valorem taxes are paid.

Advances to officers and employees amounting to ₱38.30 million and ₱56.56 million as of December 31, 2014 and 2013, respectively, pertain mainly to cash advances for business-related expenses. Advances to officers and employees are liquidated within 30 days after incurrence of expense. Cash advances to agents amounting to ₱11.27 million and ₱11.41 million as of December 31, 2014 and 2013, respectively, pertain to mobilization funds granted to agents to finance their sales-related needs. These advances are subjected to liquidation within 30 days after the release of cash advance.

Assets held for sale pertains to amounts recoverable on account of losses on direct business of Charter Ping An. These recoveries are available for immediate sale in its present condition and its sale are highly probable. In 2014 and 2013, the Company is committed to a plan to sell the asset and is actively locating a buyer.

Others include deferred import charges, marginal deposits set aside for payment to the contractors and suppliers, security deposit for operating leases, and for power delivery and ancillary services, and deposit for purchase of external services and materials.

8. Investments in Associates and Joint Controlled Entities

This account consists of:

	2014	2013
Investments in associates	**₱39,994,616,085**	₱35,917,641,690
Investments in jointly controlled entities	**7,456,802,626**	4,641,822,068
	₱47,451,418,711	₱40,559,463,758

The movements in the Group's investments in associates follow:

	2014	2013
Cost		
Balance at beginning of year	**₱25,123,825,347**	₱26,691,517,245
Reclassification to advances to associate	**(100,000)**	–
Acquisitions/additional investments during the year	–	4,537,085,322
Attributable to indirect interest - business combination		
Previously held interest	–	(14,944,346)
Sale of indirect interest	–	3,564,356,163
Effect of business combination achieved in stages	–	(9,654,189,037)
Balance at end of year	**25,123,725,347**	25,123,825,347
Accumulated equity in net income		
Balance at beginning of year	**14,316,511,275**	14,132,466,033
Attributable to indirect interest - business combination	**(1,624,957)**	(79,082,449)
Equity in net income for the year	**5,361,790,713**	4,043,232,848
Unrealized upstream gain on sale of Toyota	–	(863,773,221)
Unrealized gain on sale of properties (Note 27)	**(2,091,373,578)**	–
Effect of business combination achieved in stages	–	(2,916,331,936)
Elimination of unrealized gain on sale of shares of stock to GT Capital	**(329,137,950)**	–
Balance at end of year	**17,256,165,503**	14,316,511,275
Dividends received		
Balance at beginning of year	**(3,225,860,989)**	(4,498,007,592)
Dividends received during the year	**(953,447,182)**	(755,886,419)
Effect of business combination achieved in stages	–	2,028,033,022
Balance at end of year	**(4,179,308,171)**	(3,225,860,989)

(Forward)

	2014	2013
Accumulated equity in other comprehensive income		
Balance at beginning of year	**(₱296,833,943)**	₱2,487,529,431
Equity in other comprehensive loss for the year	**(320,125,622)**	(738,740,864)
Realized gain (loss) from sale of AFS investments of associates	**319,619,393**	(2,026,061,414)
Reversal of accumulated equity in other comprehensive income of previously held interest to profit or loss	–	(8,634,834)
Elimination of equity take up of indirect interest	–	2,962,073
Effect of business combination achieved in stages	–	(13,888,335)
Balance at end of year	**(297,340,172)**	(296,833,943)
Effect of elimination of intragroup profit	**2,091,373,578**	–
	₱39,994,616,085	₱35,917,641,690

The movements in the Group's investment in jointly controlled entities follow:

	2014	2013
Cost		
Balance at beginning of year	**₱4,138,644,833**	₱3,636,401,083
Acquisitions/additional investments	**2,617,256,250**	502,243,750
Balance at end of year	**6,755,901,083**	4,138,644,833
Accumulated equity in net income		
Balance at beginning of year	**747,432,110**	339,081,530
Equity in net income for the year	**480,842,158**	408,350,580
Balance at end of year	**1,228,274,268**	747,432,110
Dividends received		
Balance at beginning of year	**(240,000,000)**	(240,000,000)
Dividends declared during the year	**(240,000,000)**	–
Balance at end of year	**(480,000,000)**	(240,000,000)
Accumulated equity in other comprehensive income		
Balance at beginning of year	**(4,254,875)**	–
Equity in other comprehensive income for the year	–	(4,254,875)
Balance at end of year	**(4,254,875)**	(4,254,875)
Effect of elimination of intragroup profit	**(43,117,850)**	–
	₱7,456,802,626	₱4,641,822,068

Details regarding the Group's associates and jointly controlled entities follow:

	Nature of Business	Country of Incorporation	Effective Ownership 2014	2013
Associates:				
MBTC	Banking	Philippines	**25.11**	25.11
Phil AXA	Insurance	-do-	**25.33**	25.31
Crown Central Properties Corporation (CCPC)	Real estate	-do-	**48.00**	48.00
Global Luzon Energy Development Corporation (GLEDC)	Power	-do-	**49.00**	49.00
Jointly controlled entities:				
BLRDC	Real estate	-do-	**70.00**	70.00
FLOC	-do-	-do-	**60.00**	60.00
TMBC	Automotive Operations	-do-	**60.00**	40.75
TFSPC	Financing	-do-	**40.00**	–

The carrying values of the Group's investments in associates and jointly controlled entities follow:

	2014	2013
Associates:		
MBTC	**₱38,918,728,635**	₱34,852,200,333
Phil AXA	**1,004,835,578**	995,808,466
CCPC	**71,051,872**	69,532,891
GLEDC	**–**	100,000
	39,994,616,085	35,917,641,690
Jointly controlled entities:		
BLRDC	**3,922,244,544**	3,628,015,056
TFSPC	**2,430,126,977**	–
TMBC	**768,156,946**	499,615,736
FLOC	**336,274,159**	514,191,276
	7,456,802,626	4,641,822,068
	₱47,451,418,711	₱40,559,463,758

The following table summarizes cash dividends declared and paid by the Group's associates and jointly controlled entities:

	Declaration date	Per share	Total (in millions)	Record Date	Payment Date
2014					
MBTC	**March 26, 2014**	**₱1.00**	**₱2,745**	**May 7, 2014**	**May 16, 2014**
Phil AXA	**October 23, 2014**	**89.10**	**1,043**	**October 23, 2014**	**November 26, 2014**
FLOC	**December 17, 2014**	**0.73**	**400**	**December 31, 2014**	**January 31, 2015**
2013					
MBTC	January 23, 2013	₱1.00	₱2,111	March 8, 2013	April 3, 2013
Phil AXA	October 16, 2013	134.96	891	October 16, 2013	November 14, 2013
FLOC	October 25, 2013	0.73	400	December 31, 2013	January 10, 2014

Investment in TFSPC

On August 29, 2014, GT Capital signed a Sale and Purchase Agreement with MBTC and Philippine Savings Bank (PSBank), a majority owned subsidiary of MBTC, to purchase their respective shares in TFSPC representing 15.00% and 25.00%, respectively, of ownership interest for an aggregate consideration of ₱2.10 billion.

On September 26, 2014 and November 27, 2014, the Parent Company remitted ₱70.00 million and ₱210.00 million, respectively to TFSPC in response to the latter's equity call upon its stockholders.

Investment in TMBC
On December 18, 2013, the Parent Company acquired 101.87 million common shares of TMBC for a total consideration of ₱502.24 million, representing 40.75% of TMBC's outstanding capital stock.

On March 4, 2014 the Parent Company acquired 48.12 million common shares of TMBC from FMIC, a majority owned subsidiary of MBTC, for a total purchase price of ₱237.26 million. The acquisition represents 19.25% of TMBC's outstanding capital stock and raised the Parent Company's ownership interest in TMBC to 60.00%.

The Parent Company assessed that it has joint control over TMBC based on the existing contractual arrangement among TMBC's shareholders.

Investment in BLRDC
Fed Land and Morano Holdings Corporation Omnibus Agreement
On January 25, 2012, the SEC approved the change in corporate name from Morano Holdings Corporation to BLRDC.

On December 8, 2011, Fed Land and Orix executed a memorandum of agreement (MOA) whereby each party will contribute a combination of cash and properties to BLRDC in exchange for shares of stock of BLRDC. Both Fed Land and Orix intended to develop "Project Land" which will be composed of developments in three main projects, namely (1) Residential condominium project (2) Hotel/office building, and (3) Operation of the Hotel.

On December 21, 2011, Fed Land, BLRDC and Orix (Parties) entered into the Omnibus Subscription Agreement (OSA) which sets out the Parties' mutual understanding as to the subscription to, and the issuance of, shares of stock of BLRDC to Fed Land and Orix, and various other agreements regarding the respective contributions of Fed Land and Orix to BLRDC, and their understanding in respect of such other matters as are hereinafter set forth. The OSA sets forth the tranches of contributions from the investors and the equivalent shares that will be transferred to the respective parties.

Simultaneously on December 21, 2011, Fed Land and Orix, also entered into a Shareholder Agreement (SA). The SA will govern their relationship as the shareholders of BLRDC as well as their respective rights and obligations in relation to BLRDC. The SA specifies that the Parties agree that their shareholding ratio in BLRDC shall be 70.00% for Fed Land and 30.00% for Orix (Shareholding Ratio). The Parties shall infuse additional capital into BLRDC in accordance with the Shareholding Ratio. The SA shall take effect upon the execution of the SA by the Parties, provided that the SA shall cease to become binding on the Parties if the closing does not take place under specific conditions of the SA or the SEC does not approve BLRDC's application for the amendment of its Articles of Incorporation.

All conditions were met on June 8, 2012, which is the date of the loss of control of Fed Land on BLRDC, the latter ceasing to be its subsidiary and becoming a jointly controlled entity. Effective such date, the ownership of the Parent company on BLRDC became 70.00%, while that of Orix is 30.00%.

The retained interest was measured at fair value and the difference of such fair value and the cost of the asset given up by Fed Land is recognized as 'Gain from loss of control on a subsidiary' amounting to ₱1.45 billion in the consolidated statement of income. From the date of joint control, Fed Land recognized its share in equity in net earnings of BLRDC in the consolidated statements of income. For periods prior to loss of control, the financial statements of BLRDC were still consolidated and prior year financial statements before loss of control was not restated.

Investment in MBTC

In 2011, FMIC, a majority owned subsidiary of MBTC participated in a bond exchange transaction under the liability management exercise of the Philippine government. The SEC granted an exemptive relief from the existing tainting rule on HTM investments under PAS 39, *Financial Instruments: Recognition and Measurement,* while the BSP also provided the same exemption for prudential reporting to the participants. Following the exemption granted, the 2014 and 2013 consolidated financial statements of MBTC have been prepared in compliance with Philippine GAAP. For the purpose of computing the Group's share in 2014 and 2013 net income and other comprehensive income of MBTC, certain adjustments were made in the Group's 2014 and 2013 consolidated financial statements to comply with PFRS.

The following tables present the financial information of the Group's associates and jointly controlled entities as of and for the years ended December 31, 2014 and 2013 (amounts in millions):

	Associates		Jointly Controlled Entities				
	MBTC**	Phil AXA**	Others*	FLOC	BLRDC	TMBC	TFSPC**
2014							
Current assets			₱199	₱1,669	₱6,186	₱1,846	
Noncurrent assets			26	175	2,058	511	
Total assets	₱1,604,540	₱68,070	225	1,844	8,244	2,357	₱39,425
Current liabilities			67	1,057	1,991	1,645	
Noncurrent liabilities			–	234	1,099	52	
Total liabilities	1,445,755	63,983	67	1,291	3,090	1,697	35,582
Net assets	₱158,785	₱4,087	₱158	₱553	₱5,154	₱660	₱3,843
Revenues	₱74,894	₱6,396	₱23	₱420	₱1,990	₱11,268	₱2,434
Expenses	45,773	4,769	17	273	1,337	11,122	1,993
2013							
Current assets			₱224	₱1,849	₱4,805	₱1,380	
Noncurrent assets			30	449	1,563	528	
Total assets	₱1,378,569	₱54,951	254	2,298	6,368	1,908	₱–
Current liabilities			98	1,347	1,521	1,333	
Noncurrent liabilities			–	94	76	44	
Total liabilities	1,235,864	50,895	98	1,441	1,597	1,377	–
Net assets	₱142,705	₱4,056	₱156	₱857	₱4,771	₱531	₱–
Revenues	₱78,924	₱5,596	₱32	₱866	₱1,525	₱9,441	₱–
Expenses	49,497	4,208	23	543	935	9,321	

* *Others comprise financial information for CCPC and GLEDC.*
** *MBTC, Phil AXA and TFSPC do not present classified statements of financial position.*

Fair Value of Investment in Associates and Jointly Controlled Entities
Phil AXA, CCPC, and GLEDC, as well as TMBC, BLRDC and FLOC are private companies and there are no quoted market prices available for their shares. As of December 31, 2014 and 2013, the fair value of the Group's investment in MBTC, which is listed on the PSE, amounted to ₱57.17 billion and ₱52.07 billion, respectively.

The net assets and liabilities of MBTC and Phil AXA consist mainly of financial assets and financial liabilities.

As of December 31, 2014 and 2013, the Group has no share on commitments and contingencies of its associates and jointly controlled entities.

The financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interests held by non-controlling interests

	Nature of Business	Direct Ownership 2014	Direct Ownership 2013	Effective Ownership 2014	Effective Ownership 2013
GBPC	Power	**48.73**	49.11	**47.55**	46.84
TMPC	Motor	**49.00**	49.00	**49.00**	49.00

Carrying value of material non-controlling interests

	2014	2013
GBPC	**₱7,769,510,264**	₱14,374,650,215
TMPC	**8,570,422,039**	7,239,677,863

Net income for the period allocated to material non-controlling interests

	2014	2013
GBPC	**₱2,389,477,262**	₱1,879,867,504
TMPC	**3,590,291,318**	1,987,847,150

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2014 and 2013 (amounts in millions):

	2014		2013	
	GBPC	**TMPC**	GBPC	TMPC
Statement of Financial Position				
Current assets	**₱22,077**	**₱22,430**	₱17,126	₱20,801
Non-current assets	**46,367**	**4,276**	42,749	4,240
Current liabilities	**10,834**	**11,694**	10,830	13,110
Non-current liabilities	**27,834**	**3,086**	25,310	2,644
Dividends paid to non-controlling interests	**962**	**2,258**	982	1,467
Statement of Comprehensive Income				
Revenues	**19,227**	**105,104**	17,055	80,250
Expenses	**(15,707)**	**(95,028)**	(14,093)	(75,980)
Net income	**3,520**	**10,076**	2,962	4,270
Total comprehensive income (loss)	**4,270**	**7,254**	3,273	(32)
Statement of Cash Flows				
Net cash provided by operating activities	**6,480**	**5,799**	5,884	4,253
Net cash used in investing activities	**(4,751)**	**(743)**	(4,604)	(2,564)
Net cash provided by (used in) financing activities	**3,686**	**(4,088)**	(1,925)	607

Limitation on dividend declaration of associates and joint ventures

Phil AXA

Section 195 of the Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

MBTC

The BSP requires banks to keep certain levels of regulatory capital and liquid assets, limit their exposures to other parts of the Group and comply with other regulatory ratios.

In the ordinary course of the Group's business, the Parent Company issues guarantee for the completion of Fed Land's ongoing real estate projects (Note 36).

As of December 31, 2014 and 2013, there were no agreements entered into by the associates and jointly controlled entities of the Group that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from other entities within the Group.

As of December 31, 2014 and 2013, accumulated equity in net earnings amounting to ₱13.83 billion and ₱11.60 billion, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

9. Investment Properties

The composition and rollforward analysis of this account follow:

	December 31, 2014		
	Land and Improvements	Building and Improvements	Total
Cost			
At January 1	₱4,796,602,102	₱3,926,129,903	₱8,722,732,005
Effect of business combination	301,367,000	–	301,367,000
Additions	7,551,786	79,587,690	87,139,476
At December 31	5,105,520,888	4,005,717,593	9,111,238,481
Accumulated Depreciation			
At January 1	61,713,968	332,349,504	394,063,472
Depreciation (Note 11)	377,589	74,168,498	74,546,087
At December 31	62,091,557	406,518,002	468,609,559
Net Book Value at December 31	₱5,043,429,331	₱3,599,199,591	₱8,642,628,922

	December 31, 2013		
	Land and Improvements	Building and Improvements	Total
Cost			
At January 1	₱4,884,012,384	₱3,052,135,164	₱7,936,147,548
Effect of business combination	2,298,668,751	109,523,022	2,408,191,773
Additions	–	143,738,791	143,738,791
Transfers (Note 6)	(2,386,079,033)	620,732,926	(1,765,346,107)
At December 31	4,796,602,102	3,926,129,903	8,722,732,005
Accumulated Depreciation			
At January 1	–	120,570,577	120,570,577
Effect of business combination	61,713,968	101,732,698	163,446,666
Depreciation (Note 11)	–	110,046,229	110,046,229
At December 31	61,713,968	332,349,504	394,063,472
Net Book Value at December 31	₱4,734,888,134	₱3,593,780,399	₱8,328,668,533

Certain parcels of land were transferred to the 'Inventories' account with a carrying amount of ₱2.39 billion as of December 31, 2013. The transferred properties are intended for the construction of condominium units held for sale.

Various parcels of land are leased to several individuals and corporations including related parties. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit. Rent income recognized from these properties amounted to ₱764.49 million, ₱592.04 million and ₱233.44 million in 2014, 2013 and 2012, respectively (Note 30).

The depreciation of the investment properties amounted to ₱74.55 million, ₱110.05 million and ₱11.79 million in 2014, 2013 and 2012, respectively.

The aggregate fair value of the Group's investment properties amounted to ₱11.14 billion and ₱10.84 billion as of December 31, 2014 and 2013, respectively. The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued in February 2012.

10. Available-for-sale Investments

This account consists of:

	2014	2013
Equity securities		
Quoted	**₱2,549,232,004**	₱1,497,970,179
Unquoted	**480,655,253**	480,269,424
Quoted debt securities	**1,096,992,874**	1,132,556,640
	₱4,126,880,131	₱3,110,796,243

Unquoted AFS investments are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable valuation of arriving at a reliable fair value.

Unquoted AFS investments in Toyota Autoparts Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounted to ₱466.20 million as of December 31, 2014 and 2013. Also included in the balance are AFS investments of Fed Land, TCI and Charter Ping An amounting to ₱9.94 million, ₱0.39 million and ₱0.06 million, respectively.

Unquoted AFS of Fed Land pertain to preferred shares of a utility company issued to the Group in connection with its subscription to the electricity services of the said utility company needed for Fed Land's real estate projects. The said preferred shares have no active market and the Group does not intend to dispose these investments since these are directly related to the continuity of its business.

Quoted debt securities follow:

	2014	2013
Government debt securities	**₱780,975,000**	₱850,098,893
Private debt securities	**316,017,874**	282,457,747
	₱1,096,992,874	₱1,132,556,640

Movements in the net unrealized gain on AFS investments follow:

	2014		
	Attributable to Parent Company	**Non-controlling Interest**	**Total**
Balance at beginning of year	**₱80,294,836**	**₱89,564,687**	**₱169,859,523**
Net changes shown in other comprehensive income			
Fair value changes on AFS investments	**549,784,963**	**443,042,200**	**992,827,163**
Realized gain on sale on AFS investments (Note 23)	**(11,719,110)**	–	**(11,719,110)**
	538,065,853	**443,042,200**	**981,108,053**
Balance at end of year	**₱618,360,689**	**₱532,606,887**	**₱1,150,967,576**

	2013		
	Attributable to Parent Company	Non-controlling Interest	Total
Balance at beginning of year	(₱6,606,601)	(₱3,883,398)	(₱10,489,999)
Net changes shown in other comprehensive income			
Fair value changes on AFS investments	95,424,287	93,448,085	188,872,372
Realized gain on sale on AFS investments (Note 23)	(8,522,850)	–	(8,522,850)
	86,901,437	93,448,085	180,349,522
Balance at end of year	₱80,294,836	₱89,564,687	₱169,859,523

11. Property and Equipment

The composition and rollforward analysis of this account follow:

2014	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Boilers and Powerhouse	Turbine Generations and Desox System	Building and Land Improvements	Electrical Distribution System	Other Property and Equipment	Construction-in-Progress	Total
Cost												
At January 1	₱334,291,177	₱273,297,816	₱509,458,860	₱3,052,220,271	₱1,633,060,925	₱11,671,118,365	₱9,930,393,331	₱5,153,731,419	₱3,187,686,385	₱3,031,851,009	₱5,963,349,748	₱44,740,459,306
Effect of business combination	19,068,940	49,514,221	–	33,495,253	–	–	–	234,728,520	–	–	–	336,806,934
Additions	145,788,919	98,064,158	49,843,103	94,186,694	72,280,850	89,026,099	–	86,363,884	2,583,527	717,419,686	5,307,938,470	6,663,495,390
Disposals and reclassifications	(132,048,254)	(21,363,151)	131,361	98,448,854	–	8,079,438,003	52,096,595	89,613,634	(19,040,259)	78,109,191	(8,953,255,957)	(727,869,983)
At December 31	367,100,782	399,513,044	559,433,324	3,278,351,072	1,705,341,775	19,839,582,467	9,982,489,926	5,564,437,457	3,171,229,653	3,827,379,886	2,318,032,261	51,012,891,647
Accumulated Depreciation and Amortization												
At January 1	96,103,353	147,463,089	277,534,666	142,543,080	14,400,934	1,765,429,020	368,227,707	252,223,055	187,461,732	325,644,689	–	3,577,031,325
Effect of business combination	10,786,815	44,397,823	–	23,565,900	–	–	–	56,828,812	–	–	–	135,579,350
Depreciation and amortization (Note 26)	119,111,900	53,186,760	54,885,382	142,290,596	7,671,328	1,367,207,304	121,230,437	203,705,470	120,524,759	452,880,560	–	2,642,694,496
Disposals and reclassifications	(88,680,925)	(14,811,990)	(21,349)	(1,237)	–	(10,134,600)	–	763,714	(4,195,065)	(26,060,005)	–	(143,141,457)
At December 31	137,321,143	230,235,682	332,398,699	308,398,339	22,072,262	3,122,501,724	489,458,144	513,521,051	303,791,426	752,465,244	–	6,212,163,714
Net Book Value at December 31	₱229,779,639	₱169,277,362	₱227,034,625	₱2,969,952,733	₱1,683,269,513	₱16,717,080,743	₱9,493,031,782	₱5,050,916,406	₱2,867,438,227	₱3,074,914,642	₱2,318,032,261	₱44,800,727,933

2013	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Boilers and Powerhouse	Turbine Generations and Desox System	Building and Land Improvements	Electrical Distribution System	Other Property and Equipment	Construction-in-Progress	Total
Cost												
At January 1	₱48,867,374	₱112,810,917	₱494,438,287	₱2,634,682,810	₱175,145,134	₱11,661,088,901	₱9,877,136,313	₱4,179,564,803	₱3,168,273,800	₱2,221,304,306	₱564,892,115	₱35,138,204,760
Effect of business combination	205,459,032	59,449,421	13,805,644	279,214,470	1,398,469,052	–	–	764,517,969	–	113,827,529	199,755,087	3,034,498,204
Additions	63,925,576	54,105,938	14,839,327	16,987,177	56,446,739	126,433,092	69,891,143	189,550,071	19,412,585	63,916,515	6,349,877,895	7,025,386,058
Disposals and reclassifications	16,039,195	46,931,540	(13,624,398)	121,335,814	3,000,000	(116,403,628)	(16,634,125)	20,098,576	–	632,802,659	(1,151,175,349)	(457,629,716)
At December 31	334,291,177	273,297,816	509,458,860	3,052,220,271	1,633,060,925	11,671,118,365	9,930,393,331	5,153,731,419	3,187,686,385	3,031,851,009	5,963,349,748	44,740,459,306
Accumulated Depreciation and Amortization												
At January 1	26,783,347	92,930,356	252,454,364	28,230,621	10,171,328	737,258,193	127,227,870	80,742,221	73,912,104	47,265,727	–	1,476,976,131
Depreciation and amortization (Note 26)	125,360,140	39,589,966	34,852,024	127,554,317	4,229,606	1,089,745,609	256,487,354	186,725,842	113,549,628	283,752,460	–	2,261,846,946
Disposals and reclassifications	(56,040,134)	14,942,767	(9,771,722)	(13,241,858)	–	(61,574,782)	(15,487,517)	(15,245,008)	–	(5,373,498)	–	(161,791,752)
At December 31	96,103,353	147,463,089	277,534,666	142,543,080	14,400,934	1,765,429,020	368,227,707	252,223,055	187,461,732	325,644,689	–	3,577,031,325
Net Book Value at December 31	₱238,187,824	₱125,834,727	₱231,924,194	₱2,909,677,191	₱1,618,659,991	₱9,905,689,345	₱9,562,165,624	₱4,901,508,364	₱3,000,224,653	₱2,706,206,320	₱5,963,349,748	₱41,163,427,981

The property and equipment of CEDC, property and equipment of TPC (except TPC1A's construction in progress), and the property and equipment (except non-utility assets) of PPC and PEDC, with aggregate carrying value of ₱39.18 billion and ₱32.44 billion as of December 31, 2014 and 2013, respectively, have been mortgaged/pledged as security for their long-term debt (Note 17).

Construction-in-progress pertains to the accumulated cost incurred for the PEDC Unit 3 Expansion which was started in 2012 and is expected to be completed in 2015.

Gain on disposal of property and equipment amounted to ₱90.17 million, ₱16.00 million and ₱8.32 million in 2014, 2013 and 2012, respectively (Note 23).

Details of depreciation and amortization follow:

	2014	2013	2012
Property and equipment	**₱2,642,694,496**	₱2,261,846,946	₱1,293,948,792
Intangible assets (Note 13)	**485,835,540**	485,381,510	323,376,065
Investment properties (Note 9)	**74,546,087**	110,046,229	11,790,470
	₱3,203,076,123	₱2,857,274,685	₱1,629,115,327

Breakdown of depreciation and amortization in the consolidated statements of income follow:

	2014	2013	2012
Power plant operation and maintenance expenses (Note 24)	**₱1,756,195,944**	₱1,678,551,135	₱1,255,133,738
Cost of goods manufactured	**388,080,484**	234,483,648	–
Cost of rental (Notes 30)	**172,061,483**	73,281,106	5,744,033
General and administrative expenses (Note 26)	**886,738,212**	870,958,796	368,237,556
	₱3,203,076,123	₱2,857,274,685	₱1,629,115,327

12. Deposits

In 2011, the Group entered into an option agreement with its various affiliates for the exclusive rights for three (3) years either (a) to purchase the property, (b) to purchase shares of stock of the third party which own the property, (c) to develop the property as developer in a joint venture with a third party or (d) to undertake a combination of any of the foregoing, as may be agreed upon by the parties.

In 2012, option agreements with Kabayan Realty Corporation, Titan Resources Corporation and Hill Realty and Development amounting to ₱500.00 million, ₱1.00 billion and ₱500.00 million, respectively were terminated and settled in cash. There were no outstanding option deposits as of December 31, 2014 and 2013. These deposits carried a 7.34% interest in 2013 and 2012. Interest income recognized amounted to ₱263.85 million and ₱257.74 million in 2013 and 2012, respectively (Note 23).

13. Goodwill and Intangible Assets

Goodwill and intangible assets consist of:

	2014	2013
Power purchase agreements – net (Note 31)	**₱7,721,413,554**	₱8,199,068,543
Goodwill (Note 31)	**6,179,724,903**	6,175,311,202
Customer relationship (Note 31)	**3,883,238,361**	3,883,238,361
Software costs – net	**19,816,621**	15,814,615
Franchise – net	**1,367,500**	1,583,333
	₱17,805,560,939	₱18,275,016,054

Goodwill

Goodwill comprises the excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Goodwill in relation to acquisitions has been attributed to the following CGUs:

			2014		
	Toyota	Ping An	THC	TCI	Total
Cost					
Balances at beginning of year	₱5,596,956,193	₱554,153,981	₱24,201,028	₱–	₱6,175,311,202
Additions through business combinations	–	–	–	4,413,701	4,413,701
Balances at end of year	₱5,596,956,193	₱554,153,981	₱24,201,028	₱4,413,701	₱6,179,724,903

			2013		
	Toyota	Ping An	THC	TCI	Total
Cost					
Balances at beginning of year	₱–	₱–	₱24,201,028	₱–	₱24,201,028
Additions through business combinations	5,596,956,193	554,153,981	–	–	6,151,110,174
Balances at end of year	₱5,596,956,193	₱554,153,981	₱24,201,028	₱–	₱6,175,311,202

Toyota

The recoverable amount of Toyota CGU was based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections in 2014 is 11.19%. Cash flows beyond the four-year period are extrapolated using a steady growth rate of 1.00%. The carrying value of goodwill amounted to ₱5.60 billion as of December 31, 2014. No impairment loss was recognized for goodwill arising from the acquisition of Toyota.

The calculations of value in use for the Toyota CGU are most sensitive to the following assumptions:

- Budgeted gross margins – Gross margins are based on vehicle models mix per dealer and the foreign exchange movements between the Philippine Peso versus the United States (US) Dollar and the Japanese Yen versus the US Dollar.
- Growth rate – The projected growth rate is based on a conservative steady growth rate that does not exceed the compounded annual growth rate for the global automotive industry; and
- Pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the value-in-use of Toyota, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

Ping An
As of December 31, 2013, goodwill arising from the acquisition of Ping An was determined provisionally as the Parent Company had to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the said acquisition. No changes were made to the provisional values as the impact of additional information subsequently obtained was not significant to affect the preliminary values (Note 31).

The recoverable amount of Ping An CGU was based on value in use calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 12.61%. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 3.50%. The carrying value of goodwill amounted to ₱554.15 million as of December 31, 2014. No impairment loss was recognized the goodwill arising from the acquisition of Ping An.

The calculations of value in use for Ping An CGU are most sensitive to the following assumptions:

- Expected future cash inflows
- Growth rate; and
- Pre-tax discount rate - Discount rates reflect management's best estimate of the risks associated with the specific CGU.

Regarding the assessment of the value-in-use of Ping An, using the same projected cash flows, impairment will be recognized when either of the following is applied:

- Pre-tax discount rate is greater than 13.47%;
- Free cash flows to equity decreased by more than 8.85%; or
- Growth rate is less than 2.33%.

THC
On September 25, 2012, GBPC acquired 60.00% interest in THC from Yorktown Properties, Inc.

The fair values of the net assets of THC including its wholly owned subsidiary, TCITRC, as of acquisition date, are as follows:

Current assets	₱90,212,519
Current liabilities	(409,039,220)
Noncurrent assets	316,386,650
Noncurrent liabilities	(38,094,996)
Total	(40,535,047)
At 60%	(24,321,028)
Consideration paid	120,000
Goodwill	(₱24,201,028)

Consideration:

Cash acquired	₱24,569,910
Paid	(120,000)
Net cash acquired	₱24,449,910

TCI
The recoverable amount of TCI CGU was based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 10.67%. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 6.1 %. The carrying value of goodwill amounted to ₱4.41 million as of December 31, 2014. No impairment loss was recognized for goodwill arising from the acquisition of TCI.

The calculations of value-in-use for TCI CGU are most sensitive to the following assumptions:

- expected future cash inflows;
- growth rate; and
- pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU.

Regarding the assessment of the value-in-use of TCI, using the same projected cash flows, impairment will be recognized when either of the following is applied:

- Pre-tax discount rate is greater than 11.94%;
- Free cash flows to equity decreased by more than 18.89%; or
- Growth rate is less than 5.00%.

Power Purchase Agreements
Power purchase agreements pertain to the EPPA with certain electric cooperatives (Note 31). The EPPAs were accounted for as intangible assets as GBPC has the right to charge the electric cooperatives for the electricity to be generated and delivered by GBPC.

The rollforward analysis of the Group's power purchase agreements is as follows:

	2014	2013
Balance at beginning of year	**₱8,199,068,543**	₱8,676,723,532
Amortization (Note 11)	**(477,654,989)**	(477,654,989)
Balance at end of year	**₱7,721,413,554**	₱8,199,068,543

Customer Relationship
Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers which lay out the principal terms upon which its dealers agree to do business. Toyota's relationship with its top dealers adds value to the operations of Toyota and enhances the latter's earnings potential. Management assessed the useful life of the customer relationship to be indefinite since management is of the view that there is no foreseeable limit to the period over which the customer relationship is expected to generate net cash inflows to Toyota.

The recoverable amount of the customer relationship of the Group was based on value-in-use calculations using earnings projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to earnings projections in 2014 is 11.19%.

Cash flows beyond the forecast period are extrapolated using a steady growth rate of 1.00%. The carrying value of the customer relationship amounted to ₱3.88 billion as of December 31, 2014 and 2013, respectively. No impairment loss was recognized for the customer relationship arising from the acquisition of Toyota.

The value-in-use calculations for the customer relationship are most sensitive to the following assumptions:

- Attrition rate – Sales to key customers for the four-year period are computed by taking into account a 5.00% attrition rate or 95.00% retention rate;
- EBIT margin on key customers – A 7.00% EBIT margin was used in projecting the net operating profit on sales to key customers for the four-year period; and
- Pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the value-in-use of Toyota's customer relationship, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

Software Cost
The Group's software costs pertain to software cost and licenses.

The rollforward analysis of the Group's software cost is as follows:

	2014	2013
Cost		
Balance at beginning of year	**₱58,291,141**	₱48,048,186
Additions	**11,966,724**	7,501,020
Effect of business combination	–	142,609
Reclassification	–	2,599,326
	70,257,865	58,291,141
Accumulated Amortization		
Balance at beginning of year	**42,476,526**	33,762,025
Amortization (Note 11)	**7,964,718**	7,609,854
Reclassification	–	1,104,647
	50,441,244	42,476,526
Net Book Value	**₱19,816,621**	₱15,814,615

Franchise
Franchise fee pertains to the Fed Land Group's operating rights for its fast food stores with estimated useful lives of three (3) to five (5) years.

The amortization of the franchise fee amounting to ₱0.22 million, ₱0.12 million and ₱0.07 million in 2014, 2013 and 2012, respectively, is included in the 'General and administrative expenses' account in the consolidated statements of income (Note 26).

The rollforward analysis of the Group's franchise fee is as follows:

	2014	2013
Cost		
Balance at beginning and end of year	**₱2,500,000**	₱800,000
Additions	–	1,700,000
	2,500,000	2,500,000
Accumulated Amortization		
Balance at beginning of year	**916,667**	800,000
Amortization (Note 11)	**215,833**	116,667
	1,132,500	916,667
Net Book Value	**₱1,367,500**	₱1,583,333

Details of amortization of intangible assets are as follows (Note 11):

	2014	2013	2012
Power purchase agreements	**₱477,654,989**	₱477,654,989	₱318,436,659
Software cost	**7,964,720**	7,609,854	4,866,709
Franchise	**215,833**	116,667	72,697
	₱485,835,542	₱485,381,510	₱323,376,065

14. Other Noncurrent Assets

This account consists of:

	2014	2013
Rental and other deposits	**₱342,836,340**	₱511,712,824
Deferred input VAT	**267,586,069**	297,304,581
Retirement asset	**3,519,970**	–
Advances to contractors	–	300,318,756
Others	**20,123,251**	93,653,638
	₱634,065,630	₱1,202,989,799

Rental and other deposits include rental deposits for the leased offices of the Group and deposits for the initial set-up of the services rendered by public utility companies. Rental deposits are to be applied on the last month's rent of the lease contract. Other deposits include option deposit paid by Fed Land to MBTC amounting to ₱100.00 million for the deposit on purchase of land (Note 27).

15. Accounts and Other Payables

This account consists of:

	2014	2013
Trade payables	**₱6,853,201,261**	₱8,014,607,566
Telegraphic transfers and drafts and acceptances payable	**4,321,184,608**	4,493,193,586
Accrued expenses	**3,271,526,699**	3,011,227,283
Deferred output tax	**2,003,009,515**	2,454,049,984
Accrued interest payable	**604,933,456**	389,752,174
Accrued commissions	**486,037,865**	367,772,684
Insurance payable	**433,111,602**	296,242,243
Customer advances	**293,691,646**	7,453,929
Royalty payable	**289,718,824**	263,115,241
Retentions payable	**100,150,602**	500,417,643
Others	**623,400,420**	1,039,145,072
	₱19,279,966,498	₱20,836,977,405

The details of trade payables are as follows:

	2014	2013
Automotive	**₱2,591,371,061**	₱3,493,615,820
Power	**2,154,470,280**	1,693,367,153
Real estate	**1,888,084,213**	2,566,768,429
Insurance	**217,451,725**	254,494,500
Others	**1,823,982**	6,361,664
	₱6,853,201,261	₱8,014,607,566

The details of accrued expenses are as follows:

	2014	2013
Dealers' incentives, supports and promotions	**₱1,235,340,678**	₱1,088,028,773
Regulatory fees and charges	**667,264,771**	396,080,238
Employee benefits	**471,942,276**	259,177,317
Importation costs	**174,720,365**	174,720,365
Utilities and services	**134,739,841**	305,265,580
Freight, handling and transportation	**62,047,375**	63,696,689
Taxes	**60,000,000**	31,807,047
Rent	**12,162,000**	–
Professional fees	**8,229,196**	8,060,906
Management and marketing fees	**6,624,497**	–
Others	**438,455,700**	684,390,368
	₱3,271,526,699	₱3,011,227,283

Trade payables of automotive pertain to the purchase of raw materials, spare parts and vehicles which are non-interest bearing and are normally settled on one (1) to 30 days term.

Trade payables for real estate pertain to billings received from contractors for construction costs incurred on a per project basis and commissaries for food products ordered.

Trade payables for power pertain to billing received from suppliers of fuels.

Telegraphic transfers and drafts and acceptance payable pertain to the liabilities of Toyota Group arising from importations of materials, spare parts and/or vehicles. These payables are normally settled after a 30 day term.

Accrued expenses are non-interest bearing and are normally settled within a 15 to 60 day term.

Accrued regulatory fees and charges mainly pertain to expenses related to the benefit of host communities (Energy regulation 1-94). It also includes accrued charges that arise due to differences in interpretations of regulatory provisions applicable to the power industry.

Deferred output tax pertains mostly to VAT on the uncollected portion of the contract price of sold units.

Accrued interest payables are normally settled within a 15 to 60 day term.

Accrued commissions are settled within one year.

Royalty payables represent cost of license for the use of technical know-how and information on data. The fees are calculated at 6.00% of the local value-added (LVA) of vehicles under production The LVA represents the selling price less all costs for the knock-down parts, related taxes such as excise and sales tax and a certain percentage of administrative and selling costs. The fees also include charges from related affiliates and third party suppliers representing initial costs of testing materials and trial parts and tools, sample molds and jigs that were utilized to test TMP's present technical feasibility for the commercial production of newer car models.

Retentions payable represent a portion of construction cost withheld by the Fed Land Group and paid to the contractors upon completion of the project. Retentions payable due beyond one year are presented as noncurrent payable (Note 21).

Others include refunds from cancelled sales from Fed Land and other government-related payables which are non-interest bearing and are normally settled within one (1) year. These also include insurance premiums payable and other non-interest bearing payables which are all due within one (1) year.

16. Insurance Contract Liabilities

Insurance contract liabilities as of December 31, 2014 and 2013 may be analyzed as follows:

		2014	
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**
Provision for claims reported and loss adjustment expenses	**₱3,638,296,663**	**₱3,069,881,873**	**₱568,414,790**
Provision for IBNR	**40,000,000**	**–**	**40,000,000**
Total claims reported and IBNR	**3,678,296,663**	**3,069,881,873**	**608,414,790**
Provision for unearned premiums	**1,986,736,740**	**809,518,104**	**1,177,218,636**
Total insurance contract liabilities	**₱5,665,033,403**	**₱3,879,399,977**	**₱1,785,633,426**

	2013		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Provision for claims reported and loss adjustment expenses	₱4,880,806,880	₱4,202,944,603	₱677,862,277
Provision for IBNR	43,005,989	19,437,256	23,568,733
Total claims reported and IBNR	4,923,812,869	4,222,381,859	701,431,010
Provision for unearned premiums	1,759,772,251	743,195,951	1,016,576,300
Total insurance contract liabilities	₱6,683,585,120	₱4,965,577,810	₱1,718,007,310

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

	2014		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**
At January 1	**₱4,923,812,869**	**₱4,222,381,859**	**₱701,431,010**
Claims incurred during the year	**1,589,212,462**	**821,404,795**	**767,807,667**
Increase (decrease) in IBNR	**(3,005,990)**	**(19,437,256)**	**16,431,266**
Claims paid during the year	**(2,831,722,678)**	**(1,954,467,525)**	**(877,255,153)**
	₱3,678,296,663	**₱3,069,881,873**	**₱608,414,790**

	2013		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
At January 1	₱2,756,746,169	₱2,193,590,449	₱563,155,720
Claims incurred during the year	3,434,886,806	2,670,480,016	764,406,790
Increase (decrease) in IBNR	408,135	18,797,206	(18,389,071)
Claims paid during the year	(1,268,228,241)	(660,485,812)	(607,742,429)
	₱4,923,812,869	₱4,222,381,859	₱701,431,010

Provision for unearned premiums may be analyzed as follows:

	2014		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**
At January 1	**₱1,759,772,251**	**₱743,195,951**	**₱1,016,576,300**
New policies written during the year	**4,002,512,699**	**2,090,383,212**	**1,912,129,487**
Premiums earned during the year	**(3,775,548,210)**	**(2,024,061,059)**	**(1,751,487,151)**
	₱1,986,736,740	**₱809,518,104**	**₱1,177,218,636**

	2013		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
At January 1	₱1,495,239,517	₱648,447,981	₱846,791,536
New policies written during the year	3,513,871,960	1,690,294,716	1,823,577,244
Premiums earned during the year	(3,249,339,226)	(1,595,546,746)	(1,653,792,480)
	₱1,759,772,251	₱743,195,951	₱1,016,576,300

In addition, reinsurance assets consist of the following:

	2014	2013
Reinsurance recoverable on unpaid losses	**₱3,069,881,873**	₱4,222,381,859
Deferred reinsurance premiums	**809,518,104**	743,195,951
	₱3,879,399,977	₱4,965,577,810

17. Short-term, Long-term Debt and Bonds Payable

This account consist of:

	2014					
		Long-term debt				
	Short-term debt	**Corporate notes**	**Loans payable**	**Subtotal**	**Bonds payable**	**Total**
Parent Company	**₱–**	**₱–**	**₱–**	**₱–**	**₱21,980,000,000**	**₱21,980,000,000**
Fed Land Group	**260,000,000**	**4,975,000,000**	**8,600,000,000**	**13,575,000,000**	**-**	**13,835,000,000**
Toyota Group	**1,452,000,000**	**–**	**239,003,963**	**239,003,963**	**–**	**1,691,003,963**
GBPC Group	**–**	**–**	**31,628,582,351**	**31,628,582,351**	**–**	**31,628,582,351**
TCI	**635,000,000**	**–**	**–**	**–**	**–**	**635,000,000**
	2,347,000,000	**4,975,000,000**	**40,467,586,314**	**45,442,586,314**	**21,980,000,000**	**69,769,586,314**
Less: deferred financing cost	**-**	**–**	**264,509,767**	**264,509,767**	**205,280,338**	**469,790,105**
	2,347,000,000	**4,975,000,000**	**40,203,076,547**	**45,178,076,547**	**21,774,719,662**	**69,299,796,209**
Less: current portion of long-term debt	**–**	**25,000,000**	**3,035,558,380**	**3,060,558,380**	**–**	**3,060,558,380**
	₱2,347,000,000	**₱4,950,000,000**	**₱37,167,518,167**	**₱42,117,518,167**	**₱21,774,719,662**	**₱66,239,237,829**

	2013					
		Long-term debt				
	Short-term debt	Corporate notes	Loans payable	Subtotal	Bonds payable	Total
Parent Company	₱800,000,000	₱–	₱–	₱–	₱9,980,000,000	₱10,780,000,000
Fed Land Group	–	11,600,000,000	2,130,000,000	13,730,000,000	–	13,730,000,000
Toyota Group	875,500,000	–	233,900,704	233,900,704	–	1,109,400,704
GBPC Group	68,500,000	–	30,295,581,216	30,295,581,216	–	30,364,081,216
	1,744,000,000	11,600,000,000	32,659,481,920	44,259,481,920	9,980,000,000	55,983,481,920
Less: deferred financing cost	–	–	310,872,924	310,872,924	96,911,692	407,784,616
	1,744,000,000	11,600,000,000	32,348,608,996	43,948,608,996	9,883,088,308	55,575,697,304
Less: current portion of long-term debt	–	–	3,364,221,245	3,364,221,245	–	3,364,221,245
	₱1,744,000,000	₱11,600,000,000	₱28,984,387,751	₱40,584,387,751	₱9,883,088,308	₱52,211,476,059

Short-term debt

Parent Company Short-term Loans

As of December 31, 2013, the Parent Company had outstanding peso-denominated loans to affiliated and non-affiliated banks amounting to ₱0.30 billion and ₱0.50 billion, respectively. These loans were obtained in 2013 and carry an annual interest rate of 2.60% and 2.25% for affiliated and non-affiliated bank loans, respectively. Both loans were paid in 2014.

Toyota Group Short term loans

These are unsecured short-term loans obtained from various non-affiliated local banks for Toyota Group's working capital requirements with terms of one (1) year or less and bears annual fixed interest rates ranging from 2.90% to 3.50% in 2014 and 3.50% to 4.00% in 2013.

Fed Land Group Short term Loans

These are unsecured short-term borrowings over sixty (60) to one hundred eighty (180) day terms obtained from a non-affiliated local bank for Fed Land Group's working capital requirements with interest rates ranging from 3.50% to 5.50% in 2014.

TCI Short term loans
These are unsecured short-term borrowings over ninety (90) to one hundred twenty (120) day terms obtained from various non-affiliated local banks to finance the working capital requirements with interest ranging from 2.72% to 3.00% in 2014.

GBPC Short term loans
In 2013, GESC entered into unsecured loan agreements from various non-affiliated local banks amounting to ₱68.50 million for its working capital requirements with terms of one (1) year or less and bears annual fixed interest rates ranging from 3.00% to 4.00%. These loans were paid in 2014.

Fed Land- Corporate Notes
₱6.60 Billion Corporate Notes
On March 18, 2011, Fed Land entered into a Notes Facility Agreement ("Corporate Notes") with various institutions whereby Fed Land issued a ₱6.60 billion worth of fixed rate notes payable in five years with 7.10% interest per annum to finance ongoing projects, working capital and for general corporate purposes. FMIC and MBTC – Trust Banking Group were the 'Notes Facility Agent'. On December 22, 2014, Fed Land prepaid the ₱6.6 Billion Corporate Notes and paid pre-termination fees of ₱42.68 million.

₱5.0 Billion Corporate Notes
On June 24, 2013, the BOD of Fed Land authorized Fed Land to issue, offer and sell peso denominated fixed rate Corporate Notes at a principal amount of ₱3.00 billion to ₱5.00 billion subject to an over subscription option. On July 5, 2013, the Group issued ₱4.00 billion notes with 5.57% interest rate maturing on July 5, 2020 and an additional ₱1.00 billion notes with 6.27% interest rate maturing on July 5, 2023. The proceeds from the issuance were used to finance ongoing projects. As of December 31, 2014 and 2013, outstanding balance amounted to ₱4.98 billion and ₱5.00 billion, respectively. As of December 31, 2013, the current portion amounted to ₱25.00 million is presented as a current liability.

The agreements covering the above mentioned Notes provide for restrictions and requirements with respect to, among others, declaration or making payment of cash dividends/retirement of shares (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization.

As of December 31, 2014 and 2013, the Group has complied with the loan covenants. Interest expenses incurred in 2014 and 2013 amounted to ₱216.82 million and ₱426.92 million, respectively.

Fed Land Long-term Loans
On December 22, 2014, Fed Land entered into a long term loan agreements with non-affiliated local banks amounting ₱6.6 billion. The loan will be paid as follows: ₱2.00 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.84% per annum; ₱1.50 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.85% per annum; ₱2.00 billion payable at 40% quarterly payment starting at the end of 5th year and 60% on maturity date with fixed interest rate of 5.67% per annum; ₱1.10 billion payable at 40% quarterly payment at the end of 5th year to 9th year and 60% on maturity date with fixed interest rate of 5.05% per annum.

In 2011, Fed Land obtained a peso-denominated loan amounting to ₱2.00 billion from MBTC with interest at prevailing market rate ranging from 3.75% to 4.00% plus a spread of 85-100 basis points, payable in lump sum after 5 years. Said loan is secured by a Phil Exim Guarantee.

Loans payable - GBPC
As of December 31, 2014 and 2013, GBPC's loans payable are from the following entities:

	2014	2013
CEDC	**₱12,502,573,122**	₱14,101,829,408
PEDC	**11,762,750,960**	13,081,580,889
TPC	**7,000,000,000**	2,350,000,000
PPC	**363,258,269**	762,170,919
	31,628,582,351	30,295,581,216
Less current portion	**3,035,558,380**	3,234,221,245
	₱28,593,023,971	₱27,061,359,971

CEDC, PEDC and TPC
On June 18, 2009, CEDC entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to ₱16.00 billion to partially finance the construction of its power plant. The agreement includes Project Loan Facility Agreement, Project Accounts Agreement, Mortgage Agreement, Pledge Agreement and Assignment Agreement.

On February 26, 2010, PEDC entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to ₱14.00 billion to partially finance the on-going construction of the Panay Expansion Project. The agreement includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement.

On March 7, 2013, TPC entered into an Omnibus Agreement (the Agreement) with various lenders in the aggregate principal amount of up to ₱7.00 billion (the Facility) to partially finance the on-going construction of the expansion project. The Agreement includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement.

According to the agreements entered by CEDC and PEDC, CEDC and PEDC are required to meet certain financial ratios, such as debt-to-equity ratio and core equity ratio. As of December 31, 2014 and 2013, CEDC, PEDC and TPC have complied with all the required financial ratios.

Interest expense incurred in connection with the aforementioned loans amounted to ₱1.18 billion and ₱1.40 billion in 2014 and 2013, respectively, for CEDC and ₱1.12 billion and ₱1.23 billion in 2014 and 2013, respectively, for PEDC. Interest expense capitalized as part of construction cost amounted to ₱47.97 million for TPC.

The CEDC, PEDC and TPC's loans are secured by (i) a real estate mortgage on all present and future assets, including the parcels of land where their power plants are located owned by THC, a related party, (ii) chattel mortgage on all present and future movable properties, (iii) pledge agreement on the shares of Global Formosa and Abovant in CEDC and shares of PPHC in PEDC, and shareholder advances and subordinated loans, if any, (iv) assignment agreement on CEDC's and PEDC's future revenues and (v) grantee rights of TPC for special use agreement in protected areas no. 2008-003 issued by the DENR - regional office no. VII on March 18, 2009. The chattel mortgage shall cover to the extent of principal amount of ₱100.00 million for both CEDC and PEDC.

As of December 31, 2014 and 2013, the movement of the deferred financing cost is as follows:

	2014	2013
Balances at beginning of year	**₱310,872,934**	₱314,528,032
Additions	**851,250**	38,589,676
Amortization	**(47,214,417)**	(42,244,774)
Balances at end of year	**₱264,509,767**	₱310,872,934

The agreements prohibit CEDC, PEDC and TPC to amend or modify its charter documents if any such amendment or modification would have a material adverse effect; assign or otherwise transfer, terminate, amend, or grant any waiver or forbearance or exercise any election under any material provision of the agreements or project document; make any prepayment, whether voluntary or involuntary, or repurchase of any long-term debt or make any repayment of any such long-term debt other than those allowed in the agreements unless, in any such case, it shall at the option of any lender contemporaneously make a proportionate prepayment or repayment of the principal amount then outstanding of the Lender's outstanding participation in the loan. The agreements also prohibit CEDC, PEDC and TPC to acquire by lease any property or equipment, or to acquire rights-of-way to any property, which may have a material adverse effect; enter into contract of indebtedness except those permitted under the agreement such as indebtedness incurred in the ordinary course of business; and form or have any subsidiaries, advances or investments and issue preferred shares, unless certain conditions are complied with. Moreover, CEDC, PEDC and TPC are prohibited from entering into contract of merger or consolidation unless CEDC, PEDC and TPC are the surviving entities and after giving effect to such event, no event of default will result), selling, leasing or disposing all or any of its property (unless in the ordinary course of the business) where such conveyance, sale or lease would have a material adverse effect to CEDC, PEDC and TPC.

Events of Default include, among others, failure to pay when due the principal or interest due and any other amount payable under the Agreement; revocation, withdrawal, or modification of any government approval required to be obtained by CEDC, PEDC and TPC in a manner which would have a material adverse effect; Global Formosa and Abovant, and PPHC cease to maintain 51.00% of CEDC and PEDC, respectively, or cease to maintain management control over CEDC, PEDC and TPC, respectively; and failure to comply with the required financial ratios.

If any of the events of default occurs and is continuing, the trustee or the facility agent, as the case maybe, shall immediately give CEDC, PEDC and TPC written notice of such fact and inform the lenders. Without prejudice to the cure periods allowed under the Agreement, and upon written request by the majority lenders, the Facility Agent shall take one or more of the following actions:

i. declare the principal of, and all accrued interest on, payable with respect to the loan under the Facility to be, and the same shall thereupon become, immediately due and payable without any further notice and without any presentment, demand or protest; and/or
ii. declare any undrawn portion of the Facility to be terminated, whereupon such portion of the Facility shall be forthwith terminated.

The Group is in compliance with the loan covenants as of December 31, 2014 and 2013.

PPC

MBTC Loans

On November 6, 2009, PPC entered into a ₱300.00 million, Seven (7)-Year Term Loan Agreement with MBTC. Proceeds from the loan were used to settle the BDO loan in 2009. This loan bears interest at the 3-month T-bill rate plus a 2.00% spread and is covered by a Mortgage Trust Indenture. PPC's power plant is mortgaged for the aforementioned obligations.

As of December 31, 2014 and 2013, a portion of the long-term loan amounting to ₱42.86 million which will mature within one (1) year from the reporting date, is presented as current liability.

Interest charged to operations related to this loan amounted to ₱3.64 million and ₱3.83 million in 2014 and 2013, respectively.

On August 24, 2006, PPC entered into a ₱1.20 billion, Ten-Year Term Loan Agreement with MBTC, to finance its general corporate requirements. This loan is covered by a Mortgage Trust Indenture. In March 2007, Section 1.01 of the ₱1.20 billion, Ten-Year Term Loan Agreement was amended increasing loan facility from ₱1.20 billion to ₱1.36 billion and changing the reference rate from MART1 rate to PDST-F rate.

As of December 31, 2014 and 2013, a portion of the long-term loan amounting to ₱153.85 million and ₱153.85 million maturing within one (1) year from the reporting date, are presented as current liability.

Interest charged to operations related to this loan amounted to ₱11.33 million and ₱14.77 million in 2014 and 2013, respectively.

In accordance with the loan agreements with MBTC, PPC is restricted from performing certain corporate acts without the prior consent of MBTC, the more significant of which relate to entering into merger or consolidation where PPC is not the surviving entity, declaring dividends to stockholders, acting as guarantor or surety of obligation and acquiring treasury stock. PPC is also required to maintain certain financial ratios.

As of December 31, 2014 and 2013, PPC has complied with the required financial ratios, i.e. current ratio of 1:1.

FMIC Loans

The FMIC loan agreements consist of ten (10)-year promissory notes. The proceeds of these peso-denominated loans were used to fund the construction of the power plant. PPC's power plant is mortgaged for the aforementioned obligations. The loan agreements provide events that constitute an event of default. The terms indicated that if any other obligations of PPC are not paid when due or a default in the performance or observance of any instrument or agreement, FMIC may consequently declare the commitment to be terminated and declare all unpaid amounts to be due and payable without presentment, demand, protest or further notice of any kind. PPC is also required to maintain certain financial ratios.

Of the ₱865.00 million principal loans from FMIC, ₱350.00 million was secured by a pledge or mortgage of any asset or property of the Corporation. The ₱515.00 million balance was secured by chattel mortgage. PPC met the required debt-to-equity and current ratio requirements of the loan agreements.

The loan was fully paid in January 2014. Current portion of the loans as of December 31, 2013 presented as current liability amounted to ₱200.85 million. Total interest charged to operations related to these loans amounted to ₱21.34 million in 2013.

The total carrying value of the property, plant and equipment of GBPC pledged as collateral for the above-mentioned loans are as follows:

	2014	2013
CEDC	**₱15,870,893,826**	₱16,583,742,703
PEDC	**12,869,169,047**	13,407,691,423
TPC	**8,243,494,667**	–
PPC	**2,196,931,639**	2,444,811,773
	₱39,180,489,179	₱32,436,245,899

Loans Payable - TMPC
As of December 31, 2014, this account consists of unsecured long-term debt to the following:

	2014	2013
TAPI	**₱77,520,916**	₱76,623,085
Others	**161,483,047**	157,277,619
	₱239,003,963	₱233,900,704

The loan from TAPI bears a fixed interest rate of 4.2% per annum. This loan is for a period of five (5) years up to February 26, 2016 which is automatically renewed upon maturity for another period of five (5) to ten (10) years (Note 27).

The other long-term unsecured interest-bearing loans consist of a 2.7% interest-bearing ten-year term loan which will mature on September 28, 2015 and a 2.7% interest-bearing ten-year term loan which will mature on October 23, 2016. These loans are automatically renewed upon maturity for another ten years.

The loan covenants restrict TMPC from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. TMPC is not required to maintain any financial ratios under the mentioned loan agreements. Interest expense on these loans amounted to ₱7.8 million for both 2014 and 2013.

Bonds Payable - Parent Company
₱10.00 billion GT Capital bonds due 2020 and 2023
On February 13, 2013, the Parent Company issued ₱10.00 billion 7-year and 10-year bonds due on February 27, 2020 and February 27, 2023, respectively with an interest rate of 4.84% and 5.09% respectively. Gross and net proceeds amounted to ₱10.00 billion and ₱9.90 billion, respectively, net of deferred financing cost of ₱0.10 billion. Said bonds were listed on February 27, 2013.

The net proceeds will be utilized for general corporate requirements which may include, but shall not be limited to the following:

	(Amounts in millions)
Funding of various equity calls	
Toledo plant, to be completed within 2013	₱1,900
Panay plant, to be completed within 2014	3,900
Refinancing of corporate notes due on November 25, 2013	4,200
	₱10,000

Prior to the relevant maturity dates, the Parent Company may redeem (in whole but not in part) any series of the outstanding bonds on every anniversary dates, or the immediately succeeding banking day if such is not a banking day, starting on the fourth (4th) anniversary date for the 7-year bonds and the seventh (7th) anniversary date for the 10-year bonds (the relevant Optional Redemption Dates). The Parent Company shall give no less than thirty (30) but not more than sixty (60) days prior written notice of its intention to redeem the bonds at the relevant Optional Redemption Date.

₱12.00 billion GT Capital bonds due 2019, 2021 and 2024

On July 24, 2014, the Parent Company issued ₱12.00 billion bonds with tenors of 5-year, 7-year and 10-year due November 7, 2019 (Series A Bonds), August 7, 2021 (Series B Bonds) and August 7, 2024 (Series C Bonds), respectively with interest rates of 4.7106%, 5.1965% and 5.625% respectively. Gross and net proceeds amounted to ₱12.00 billion and ₱11.88 billion, respectively, net of deferred financing cost incurred of ₱0.12 billion. Said bonds were listed on August 7, 2014.

The net proceeds will be utilized for general corporate requirements which may include, but shall not be limited to any or all of the following:

	(Amounts in millions)
Partial Financing of Ongoing Projects	
Veritown Fort	₱6,222
Metropolitan Park	1,778
Refinancing of outstanding loans	3,610
Working Capital	390
	₱12,000

Prior to the relevant maturity dates, the Parent Company may redeem in whole but not in part the Series B or Series C Bonds on every anniversary dates, or the immediately succeeding banking day if such is not a banking day, starting on: (i) for the series B bonds: the third (3rd) month after the fifth (5^{th}) anniversary from issue date and (ii) for the series C bonds: the seventh (7th) anniversary from issue date (the relevant Optional Redemption Dates). The Parent Company shall give no less than thirty (30) but not more than sixty (60) days prior written notice of its intention to redeem the bonds, which notice shall be irrevocable and binding upon the Parent Company to effect such early redemption of the bonds on the Early Redemption Option Date stated in such notice.

As of December 31, 2014 and 2013, the movement of the deferred financing cost is as follows:

	2014	2013
Balances at beginning of year	**₱96,911,692**	₱–
Additions	**124,621,689**	105,243,020
Amortization	**(16,253,043)**	(8,331,328)
Balances at end of year	**₱205,280,338**	₱96,911,692

Both bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio of 2.3 to 1.0. As of December 31, 2014 and 2013, the Parent Company has complied with its bond covenants. Total interest expense incurred on bonds payable in 2014 and 2013 amounted to ₱762.95 million (including amortization of deferred financing cost of ₱16.25 million) and ₱430.01 million, (including amortization of deferred financing cost amounting to ₱8.33 million), respectively.

Required Financial Ratios
The table below presents a summary of the financial ratios required to be maintained by each entity within the Group under existing loan agreements.

Entity	**Financial Ratio**	**Required Ratio**
TPC	Debt-to-Equity Ratio (DER)	70:30
PPC	Current Ratio	1:1
PPC	DER	70:30
PEDC	DER	70:30
PEDC	Debt Service Coverage Ratio (DSCR)	1.0x
CEDC	DER	70:30
CEDC	DSCR	1.0x
Fed Land - Corporate Notes	DER	2:1
GT Capital - Parent Company Bonds	DER	2.3:1

As of December 31, 2014 and 2013, the Group has complied with the foregoing financial ratios.

18. Customers' Deposits

The Group requires buyers of condominium units to pay a minimum percentage of the total selling price before it enters into a sale transaction. In relation to this, the customers' deposits represent payment from buyers which have not reached the minimum required percentage. When the revenue recognition criteria are met, sales are recognized and these deposits and down payments will be applied against the related installment contracts receivable. In the event that the customer decides to terminate the purchase prior to recognition of sale, an amount equivalent to the repossessed value of deposit less charges and penalties incurred will be refunded to the buyer.

This account also includes excess of collections over the recognized receivables based on percentage of completion. As of December 31, 2014 and 2013, the balance of this account amounted to ₱2.55 billion and ₱1.84 billion, respectively.

19. Other Current Liabilities

This account consists of:

	2014	2013
Withholding taxes payable	**₱327,885,524**	₱225,449,595
Due to holders of non-controlling interest	**283,527,322**	378,463,322
VAT payable	**163,006,609**	250,358,476
Deferred reinsurance commission	**92,231,704**	36,163,708
Others	**15,029,437**	16,234,880
	₱881,680,596	₱906,669,981

The amount due to holders of non-controlling interest pertains to advances of CEDC from Abovant Holdings, Inc. which owns 44.00% of CEDC. Others pertain to payables on utilities, contracted maintenance and security agencies and regulatory premium or contribution payable of the Group. These are normally payable within one (1) year.

20. Liabilities on Purchased Properties

Liabilities on purchased properties are payables to various real estate property sellers. Under the terms of the agreements executed by Fed Land covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to Fed Land only upon full payment of the real estate loans.

In 2013, various parcels of land were acquired by Fed Land for a total consideration aggregating ₱2.57 billion. The outstanding obligation pertaining to these transactions amounted to 1.03 billion and ₱1.70 billion as of December 31, 2014 and 2013, respectively.

In 2012, Fed Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in thirteen (13) years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2014 and 2013 amounted to ₱2.48 billion and ₱2.62 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱3.51 million and ₱4.32 billion as of December 31, 2014 and 2013, respectively.

21. Other Noncurrent Liabilities

This account consists of:

	2014	2013
Provisions	**₱1,638,026,051**	₱1,325,728,442
Retention payable - noncurrent portion	**504,750,145**	–
Decommissioning liability	**287,259,498**	192,660,472
Refundable and other deposits	**214,807,318**	114,017,770
Finance lease obligation - net of discount amounting to ₱127.70 million in 2014 and 2013	**9,603,626**	10,354,921
	₱2,654,446,638	₱1,642,761,605

Provisions consist of:

	2014	2013
Claims and assessments	**₱1,436,068,868**	₱666,701,662
Product warranties	**181,957,183**	288,752,780
Corporate social responsibility (CSR) activities	**20,000,000**	370,274,000
	₱1,638,026,051	₱1,325,728,442

Retentions payable represent a portion of construction cost withheld by the Group and paid to the contractors after an agreed period commencing the completion of the project.

PPC, PEDC, CEDC, TPC and GPRI have legal obligations to decommission or dismantle their power plant assets at the end of their useful lives. In this regard, PPC, PEDC, CEDC, TPC and GPRI established their respective provisions to recognize estimated decommissioning liability.

Changes in the decommissioning liability are as follows:

	2014	2013
Balances at beginning of year	**₱192,660,472**	₱183,491,180
Effect of business combination	**89,098,777**	–
Accretion expense for the year	**5,500,249**	7,569,160
Provisions during the year	–	1,600,132
Balances at end of year	**₱287,259,498**	₱192,660,472

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from five (5) to ten (10) years. Rental deposits are obtained to secure faithful compliance of tenants' obligation under the lease contract and to answer for unpaid bills of lessees affecting the leased premises, any damage to the leased premises, and other similar costs. Rental deposits may also be applied for the unpaid rentals upon termination of the lease contract.

22. Equity

Capital stock and additional paid-in capital

As of December 31, 2014 and 2013, the paid-up capital consists of the following:

	2014	2013
Common stock - ₱10 par value		
Authorized - 500,000,000 shares		
Issued and outstanding	**₱1,743,000,000**	₱1,743,000,000
Additional paid-in capital	**46,694,658,660**	46,694,658,660
	₱48,437,658,660	₱48,437,658,660

The movements in the issued and outstanding common stock follow:

	2014		2013	
	Number of shares	**Amount**	Number of shares	Amount
Balance at beginning of year	**174,300,000**	**₱1,743,000,000**	158,000,000	₱1,580,000,000
Issuance of shares of stocks	–	–	16,300,000	163,000,000
Balance at end of year	**174,300,000**	**₱1,743,000,000**	174,300,000	₱1,743,000,000

The Parent Company's common shares with par value of ₱10.00 were listed on the Philippine Stock Exchange on April 20, 2012.

On October 23, 2014, the Board of Directors approved the proposed amendment to Article SEVENTH of the Parent Company's Amended Articles of Incorporation to create a new class of shares – Voting Preferred Shares, to be taken from existing authorized capital stock of Five Billion Pesos (₱5.00 billion). The Voting Preferred Shares of stock shall be voting, non-cumulative, non-participating and non-convertible with the following features, rights and privileges:

a. The Issue value shall be determined by the Board of Directors at the time of the issuance of the shares;
b. The Dividend Rate shall be determined by the Board of Directors at the time of the issuance of the shares, equivalent to 3-year PDST R2 to be repriced every 10 years and payable annually;

c. The Voting Preferred Shares shall be non-cumulative and the holders thereof are entitled to the payment of current but not past dividends;
d. The Voting Preferred Shares shall be non-participating in any other of further dividends beyond that specifically payable on the shares;
e. The Voting Preferred Shares shall be redeemable at par value, at the sole option of the Corporation, under terms and conditions approved by the Board of Directors;
f. Holders of Voting Preferred Shares shall be entitled to one vote for each share in his name on the books of the Corporation;
g. Holders of Voting Preferred Shares shall have no pre-emptive rights to any issue of shares, Common or Preferred;
h. The Voting Preferred Shares will not be listed at and will not be tradeable in the Philippine Stock Exchange; and
i. Other features, rights and privileges determined by the Board of Directors.

As of December 31, 2014 and 2013, the total number of stockholders of the Parent Company is 73 and 74, respectively.

Retained earnings
On December 15, 2014, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱6.00 billion to be earmarked for the additional investments in Series B Perpetual Preferred Shares of Fed Land within 2015.

On March 11, 2014, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱3.00 billion earmarked for the following:

Project Name	Timeline	Amount
Equity call from GBPC for plant expansions	2014	₱2.00 billion
Acquisition of investments	2014-2015	1.00 billion
		₱3.00 billion

Said appropriation was reversed in 2014 upon completion of the expansion and acquisition.

Details of the Parent Company's dividend distributions out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
March 11, 2014	₱3.00	₱522.90	April 8, 2014	May 2, 2014
August 12, 2013	3.00	522.90	September 10, 2013	October 2, 2013
September 12, 2012	3.17	500.86	September 28, 2012	October 22, 2012
August 5, 2011	4.00	500.00	August 31, 2011	September 9, 2011
April 8, 2010	2.00	250.00	March 25, 2010	April 15, 2010
October 12, 2010	2.00	250.00	October 31, 2010	November 22, 2010

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the Parent Company's retained earnings as of December 31, 2014 and 2013.

In addition, certain amount of retained earnings is required to be maintained to enable the Group to meet certain financial ratios as stipulated in the loan covenants.

Details of dividend declarations of the Group's subsidiaries follow:

	Date of declaration	Total amount (in millions)	Record date	Payment date
Fed Land	December 12, 2014	₱100.00	December 31, 2014	February 28, 2015
	February 18, 2013	100.00	December 31, 2012	March 20, 2013
	December 23, 2011	180.00	November 30, 2011	December 23, 2011
GBPC	November 20, 2014	2,200.00	December 31, 2014	April 2015
	December 2, 2013	2,000.00	October 31, 2013	June 30, 2014
	December 17, 2012	2,870.00	December 3, 2012	March 31, 2013
	August 11, 2012	1,050.00	July 31, 2012	August 31, 2012
Toyota	April 29, 2014	4,608.60	December 31, 2013	May 2014
	April 11, 2013	2,994.11	December 31, 2012	April 12, 2013

Treasury shares
As of December 31, 2014 and 2013, treasury shares of the Group pertain to 5,000 shares and 10,000 shares of the Parent Company held by Ping An with original acquisition cost of ₱2.28 million and ₱6.13 million, respectively.

Other equity adjustments
2014
Charter Ping An
On January 27, 2014, the Parent Company acquired the remaining 33.33% equivalent to 1.71 million shares of Charter Ping An's outstanding capital stock from FMIC for a total consideration of ₱712.00 million. Prior to the said acquisition, the Parent Company's ownership interest in Charter Ping An was at 66.67%. This acquisition was accounted for as an equity transaction in the consolidated financial statements and resulted in the recognition of negative other equity adjustments amounting to ₱375.67 million.

TCI
On April 23, 2014, the Parent Company acquired 0.20 million shares equivalent to 0.26% of TCI for a total consideration of ₱1.00 million, resulting to 89.31% direct ownership over TCI. This acquisition was accounted for as an equity transaction and resulted in the recognition of negative other equity adjustments amounting to ₱0.42 million.

In June 2014, the Parent Company subscribed to 33.00 million shares of TCI for a total consideration of ₱33.00 million, resulting to 92.48% direct ownership over TCI. The acquisition was accounted for as an equity transaction resulting in the recognition of negative other equity adjustment amounting to ₱24.79 million.

On June 23, 2014, the Parent Company sold 45.00 million shares of TCI to Mitsui for a total consideration of ₱298.71 million. This represents 40.47% of TCI's outstanding capital stock. As a result, the Parent Company's direct ownership over TCI is 52.01% as of September 30, 2014. This acquisition was accounted for as an equity transaction and resulted in the recognition of other equity adjustments amounting to ₱193.95 million.

GBPC
On May 28, 2014, the Parent Company subscribed to 7.22 million shares of GBPC, representing an additional 0.38% direct ownership of GBPC. With this transaction, the Parent Company's direct ownership over GBPC increased from 50.89% to 51.27%. This acquisition was accounted

for as an equity transaction and resulted in the recognition of other equity adjustments amounting to ₱60.52 million.

The aforementioned transactions were accounted for as changes in ownership without loss of control and are accounted for as equity transactions, which are presented under equity attributable to the Parent Company in the consolidated statement of financial position, representing the excess of the consideration paid over the carrying amount of the non-controlling interests acquired at the acquisition date. Total negative other equity adjustments recognized from these acquisitions and sale for the period amounted to ₱146.41 million.

2013

GBPC

On June 27, 2013, First Metro Investment Corporation (FMIC), the investment banking arm of MBTC, concluded a Share Sale and Purchase Agreement with Orix Corporation (ORIX) covering the sale of 200.00 million shares of GBPC owned by FMIC to ORIX at a price of ₱7.15 billion. Subsequently on October 22, 2013, FMIC and Meralco PowerGen Corporation (MGen) signed a Shareholders' Agreement to complete the sale of an additional 200.00 million shares of GBPC from FMIC to MGen for a total consideration of ₱7.15 billion. The transactions reduced the Parent Company's indirect ownership over GBPC from 12.23% to 2.27%. The disposals were accounted as equity transactions in the consolidated financial statements since the Parent Company did not lose control over GBPC even after the sale of the indirect interests.

The Group recognized other equity adjustments totaling ₱1.41 billion, presented under equity attributable to equity holders of the Parent Company in the consolidated statement of financial position, representing the excess of the considerations received over the carrying amount of the indirect interests sold.

2012

GBPC

On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.20 million. This increased the Parent Company's direct ownership over GBPC from 34.41% to 39.00% (Note 31). This also resulted in the recognition of negative equity adjustment amounting to ₱54.78 million representing the excess of cost consideration over the carrying amount of non-controlling interest acquired (Note 31).

On September 12, 2012, the Parent Company acquired from a third party an additional 66,145,700 GBPC common shares, representing 11.89% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition increased the Parent Company's direct holdings in GBPC from 39.00% to 50.89%. This acquisition resulted to a negative equity adjustment amounting to ₱112.93 million representing the excess of the cost consideration over the carrying amount of non-controlling interest acquired (Note 31).

Fed Land

On May 3, 2012, the Parent Company acquired the remaining 20.00 million common shares of Fed Land representing 20.00% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.70 billion, thereby increasing the direct ownership of the Parent Company in Fed Land from 80.00% to 100.00%. As of May 3, 2012, the carrying amount of the 20.00% non-controlling interest in Fed Land amounted to ₱2.20 billion. The acquisition of 20.00% of Fed Land also resulted in the recognition of a negative equity adjustment amounting to ₱513.36 million representing the excess of cost consideration over the carrying amount of non-controlling interest (Notes 2 and 31).

Effect of uniting of interest on HLRC and CRDC
The net effect of uniting of interest on the acquisition of HLRC and CRDC amounted to ₱104.26 million as of December 31, 2011. This represents the difference between the Fed Land's aggregate consideration transferred on the acquisition and the respective HLRC and CRDC's equity as of December 31, 2010 attributable to parent and to non-controlling interest as of the time of the combination (Note 31).

The aggregate cost of investment of ₱420.00 million is presented as a reduction to the net assets pooled to the Group's financial statements at the time of combination for the year ended December 31, 2011.

Non-controlling interests
The following table presents the rollforward of non-controlling interests:

	2014	2013
Beginning balance	**₱22,038,319,659**	₱11,294,157,537
Share of non-controlling interest shareholders on:		
Net income	**5,998,528,767**	3,890,464,362
Other comprehensive income (loss)	**426,771,595**	(28,984,106)
Equity call of subsidiaries	**2,145,416,806**	–
Deposit for future subscription of subsidiaries	**531,907,700**	–
Sale of direct interest in a subsidiary	**104,761,043**	–
Effect of business combination (Note 31)	**42,175,650**	7,222,853,016
Acquisition of non-controlling interests in consolidated subsidiaries	**(372,637,017)**	–
Cash dividends paid to non-controlling interest shareholders	**(4,320,412,474)**	(3,456,348,554)
Issuance of capital stock	–	959,350,239
Sale of indirect interest in a subsidiary	–	2,156,827,165
	₱26,594,831,729	₱22,038,319,659

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding effect of uniting of interest. The Group's sources of capital are capital stock and retained earnings. No changes were made in the objectives, policies or processes in 2014 and 2013.

The Parent Company considers total equity as its capital amounting to ₱55.89 billion and ₱52.83 billion as of December 31, 2014 and 2013, respectively.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

23. Interest and Other Income

Interest Income
This account consists of:

	2014	2013	2012
Interest income on:			
Installment contract receivable (Note 5)	**₱1,157,396,924**	₱749,146,595	₱279,445,937
Cash and cash equivalents (Note 4)	**301,682,842**	92,743,951	325,248,088
AFS debt instruments	**67,748,446**	12,613,367	–
Short-term investments (Note 4)	**32,290,327**	310,626,708	–
Deposits (Note 12)	–	263,850,062	257,736,632
Others	**37,528,876**	48,533	4,000,354
	₱1,596,647,415	₱1,429,029,216	₱866,431,011

Interest on deposit represents reimbursement of interest expense incurred by Fed Land from option money granted to affiliates (Notes 12 and 27).

Other Income
This account consists of:

	2014	2013	2012
Real estate forfeitures, charges and penalties	**₱433,649,664**	₱123,201,267	₱88,118,947
Gain on disposal of property and equipment	**90,170,461**	15,998,480	8,316,148
Management fee (Note 27)	**86,398,531**	85,211,246	41,142,177
Dividend income	**53,379,614**	77,277,481	23,304,907
Other underwriting income	**40,132,341**	7,658,264	–
Disposal of defective units	**12,471,807**	7,074,435	–
Gain on sale of shares	**11,719,110**	8,522,850	–
Recovery from insurance	–	38,008,663	–
Refund of rental payments	–	21,228,274	–
Others	**416,546,385**	153,461,056	101,568,619
	₱1,144,467,913	₱537,642,016	₱262,450,798

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

Management fee includes services rendered by Fed Land in the administration of different projects related to the joint venture (Note 27).

Other underwriting income pertains to the fronting fees earned by the Charter Ping An for fronting arrangements made during the year with several agencies and intermediaries.

Others include ancillary income amounting to ₱250.48 million in 2014. Ancillary income represents incentives received by Toyota dealers from financing institutions for vehicles sold to financing customers and from insurance companies for policies written for buyers.

Others also include charges from tenants of Fed Land pertaining to electricity and other utilities; these were recorded by Fed Land as other income upon receipt of the payments from the tenants.

24. Power Plant Operation and Maintenance Expenses

This account consists of:

	2014	2013
Power plant operations expenses	**₱8,097,643,363**	₱7,836,783,183
Purchased power	**1,223,384,633**	567,745,347
Repairs and maintenance	**1,006,684,450**	540,907,411
	₱10,327,712,446	₱8,945,435,941

25. Cost of Goods Manufactured and Cost of Goods and Services Sold

Cost of goods manufactured consists of:

	2014	2013
Raw materials, beginning	**₱528,430,068**	₱567,478,665
Purchases	**21,821,722,994**	17,531,617,445
Total materials available for production	**22,350,153,062**	18,099,096,110
Less: Raw materials, end	**885,226,867**	528,430,068
Raw materials placed in process	**21,464,926,195**	17,570,666,042
Direct labor	**312,436,032**	229,166,773
Manufacturing overhead	**2,414,273,389**	1,980,663,593
Total cost of goods placed in process	**24,191,635,616**	19,780,496,408
Work-in-process, beginning	**53,027,159**	79,583,854
Total Cost of goods in process	**24,244,662,775**	19,860,080,262
Less: Work-in-process, ending	**43,355,195**	53,027,159
Total cost of goods manufactured	**24,201,307,580**	19,807,053,103
Finished goods, beginning	**42,685,755**	252,177,779
Total goods available for sale/transfer	**24,243,993,335**	20,059,230,882
Less: Finished goods, ending	**20,406,380**	42,685,755
Other transfers	**10,154,788**	30,444,994
	₱24,213,432,167	₱19,986,100,133

Cost of goods and services sold consists of:

	2014	2013	2012
Beginning inventory			
Automotive	**₱2,899,063,311**	₱4,340,087,864	₱–
Gasoline, retail and petroleum products	**7,940,644**	9,786,694	8,367,927
Food	**1,310,005**	2,351,541	2,160,335
	2,908,313,960	4,352,226,099	10,528,262
Add: Net purchases	**71,668,974,131**	43,419,704,745	642,162,033
Total inventories available for sale	**74,577,288,091**	47,771,930,844	652,690,295
Less: ending inventory (Note 6)			
Automotive	**2,855,485,176**	2,899,063,311	–
Gasoline, retail and petroleum products	**5,769,494**	7,940,644	9,786,694
Food	**934,674**	1,310,005	2,351,541
	71,715,098,747	44,863,616,884	640,552,060
Cost adjustments	**(1,613,895,392)**	(20,203,084)	–
Internal and other transfers	**(338,862,582)**	(142,500,998)	–
Direct labor	**6,661,707**	18,856,187	16,173,326
Overhead (Note 30)	**827,784,474**	749,690,677	24,185,460
	₱70,596,786,954	₱45,469,459,666	₱680,910,846

Overhead includes rent expense and common usage and service area charges.

26. General and Administrative Expenses

This account consists of:

	2014	2013	2012
Salaries, wages and employee benefits (Notes 27 and 28)	**₱2,635,664,640**	₱1,838,461,064	₱956,203,320
Advertising and promotions	**2,046,650,153**	2,167,375,730	165,656,540
Taxes and licenses	**1,224,789,084**	1,056,855,033	502,873,719
Commissions	**1,106,053,052**	478,915,030	189,703,924
Depreciation and amortization (Note 11)	**886,738,212**	870,958,796	368,237,556
Donation and contributions	**429,645,388**	18,465,510	3,802,056
Delivery and Handling	**360,511,590**	212,067,754	–
Light, water and other utilities	**285,109,704**	256,631,497	101,664,069
Outside services	**265,267,059**	344,401,523	91,369,952
Insurance	**205,844,360**	182,788,839	111,422,840
Provision for credit losses (Note 5)	**195,221,699**	22,557,768	849,036
Repairs and maintenance	**181,633,148**	189,607,784	69,575,384
Administrative and management fees	**168,637,706**	336,429,533	248,497,988
Transportation and travel	**158,956,014**	121,320,096	45,834,907
Professional fees	**131,502,460**	194,519,779	173,760,643
Office supplies	**111,003,094**	69,822,935	26,589,448
Rent	**109,702,266**	52,084,746	52,366,000
Entertainment, amusement and recreation	**62,670,675**	66,459,026	51,924,135
Participation fee	**–**	59,659,478	–
Royalty and service fees	**58,457,183**	13,582,752	5,865,917
Communications	**53,953,395**	41,284,806	10,850,899
Loss on impairment of AFS	**10,219,296**	–	–
Provisions for inventory obsolescence (Note 6)	**9,819,141**	26,912,531	–
Unrealized foreign exchange loss	**1,106,204**	42,309,137	7,113,039
Provisions for claims and assessments	**–**	168,366,015	–
IPO - related expenses (Note 22)	**–**	–	165,183,396
Loss from initial recognition of financial asset (Note 5)	**–**	275,000	94,224,170
Others	**795,621,861**	448,449,457	109,707,956
	₱11,494,777,384	₱9,280,561,619	₱3,553,276,894

Donations and contributions pertain to real properties and fund given to TMP School of Technology to finance its building construction and operations.

Other expenses include membership and subscription fees, dealer development, corporate events and contractual services.

27. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, jointly controlled entities, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

The Group, in its regular conduct of its business, has entered into transactions with its associate and other related parties principally consisting of cash advances for reimbursement of expenses, merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates. Transactions with related parties are made at normal market prices.

As of December 31, 2014 and 2013, the Group has not made any provision for probable losses 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.

The following table shows the related party transactions included in the consolidated financial statements.

	December 31, 2014		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Ultimate Parent			
Trade receivable	₱46,405	₱46,405	Management fee; 30 day term
Management income	40,179		Management fee income for the period October 2014 to December 2014
Associates			
Cash and cash equivalents	483,036,715	23,141,633,630	Savings, current and time deposit accounts with annual interest ranging from 0.50% to 3.75%; unsecured; no impairment
Interest receivable	2,860,521	2,860,521	Interest from cash and cash equivalents
Interest income	127,870,581		Interest income from cash and cash equivalents
Trade receivable	4,647,572,248	148,006,406	Non-interest bearing; 30 days term; unsecured; no impairment
Deposit	1,200	1,200	Unsecured; no impairment
Nontrade receivable	826,594,686	593,139,199	Non-interest bearing; unsecured; no impairment
Accrued rent income	32,817,096	2,970,513	Unsecured; no impairment
Advances from officers, employees, and agents	49,574,060	49,574,060	Non-interest bearing; 30 days
Other noncurrent assets	100,000,000	100,000,000	Non-interest bearing; due and demandable
Due from related parties	36,358,696	36,358,696	Unsecured; no impairment
Inventories	8,884,422,878	8,884,422,878	
Investments in associates and joint ventures	787,500,000	787,500,000	Purchase of additional investment in jointly controlled entities
AFS equity securities	5,411,670	35,255,658	Unsecured; no impairment
Trade payable	222,680,511	19,767,430	Non-interest bearing, 45 days term; unsecured; no impairment

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2014		
Loans payable	₱936,069,580	₱9,057,004,147	GBP-Interest bearing with interest ranging from 2.42% to 10.37%; secured / FLI-Interest bearing with interest ranging from 3.25% to 7.10%;
Accrued interest payable	138,638,163	138,638,163	Interest on loans
Interest expense	423,434,616		Interest on loans
Due to related parties	2,604,765	2,604,765	Unsecured; no impairment
Accrued expense	24,822	24,822	Unsecured; no impairment
Dividend income	953,832,205		Dividend income from investments
Insurance expense	80,522		Life insurance premium
Miscellaneous expense	379,539		Retainer's and trustee fee
Jointly controlled entities			
Dividend receivable	240,000,000	240,000,000	Dividend receivable from FLOC
Rent receivable	16,622,941	1,324,661	Unsecured; no impairment
Due to related parties		10,915	Unsecured; no impairment
Trade receivables	1,737,500	1,737,500	Non-interest bearing; 30 days term; unsecured; no impairment
Trade payable	219,249,359	19,761,770	Non-interest bearing, 45 days term; unsecured; no impairment
Other related parties			
Cash and cash equivalents	230,594,153	6,599,369,136	Short-term investments with interest rates ranging from 1.30% to 1.60%
Interest income	4,952,035		Interest from cash and cash equivalents
Trade receivable	143,749,203	1,177,782,966	Non-interest bearing; 30 days term; unsecured; no impairment
Due from related parties	284,609,708.22	134,270,780	Non-interest bearing; due and demandable
Other current assets		7,641,889	Unsecured; no impairment
AFS debt securities	12,672,280.00	42,376,789	7 years, 5.68% to 5.75%; 10 years, 7.1875%; unsecured; no impairment
AFS equity securities	7,641,889	7,641,889	Unsecured; no impairment
Interest income	22,732,473		Interest income from AFS securities
Rent receivable	76,972,783	5,113,345	Non-interest bearing; due and demandable; unsecured; no impairment
Rent income	3,302,321		
Loans receivable	7,877,666	626,8,44,230	Interest bearing of 3.15%; Payable in 2022; unsecured
Trade payable	25,977,476	37,154,605	Non-interest bearing, 45 days term; unsecured; no impairment
Loans payable		759,831,933	With interest ranging from 3.75% to 4%; Payable in 2015; unsecured; no impairment
Accrued interest payable		16,982,478	Interest on loans
Long-term payable	3,284,260	78,626,700	Interest bearing, 3.00% interest; payable annually until 2026; unsecured
Due to related parties	9,735,226	173,429,743	Non-interest bearing; unsecured
Royalty payable	27,143,182	289,718,823	Unsecured; no impairment
Other payable	23,066,961	21,506,332	Underwriting fee; unsecured: no impairment
Dividends payable		1,072,060,000	Dividends payable to FMIC, ORIX and MGEN
Dividend income	24,471,481		Dividend income from TAPI
Miscellaneous expense	195,602		IT services fee
Receivable - others	68,920,430	46,951,956	Management fee pertains to management fee being charged by the Parent Company to BLRDC and FLOC for the consultancy services
Investment in associates and jointly controlled entities	1,549,756,250	1,549,756,250	Acquisition of 19.25% of TMEC from FMIC; acquisition of 25% of TFS from PSBank
Deferred financing cost	23,052,261	17,276,752	Acquisition of GT Tower from PSC
Liabilities on purchased properties	931,284,327	3,511,859,098	Unsecured with interest rate of 3.15% payable on 2022; no impairment.
Donation	350,274,000		Donation to Toyota Motor Philippines Foundation
Key management personnel			
Other payable and accrued expense	1,087,741	1,087,741	Unsecured; no impairment
Rent income	418,125		Income from employees for car plans
Salaries and employee benefits	79,020,802		Salaries and benefits to employees
Director's fee	16,515,833		Per diems and bonuses to directors
Short-term employee benefits	513,774,208		
Post employee benefits	50,596,622		

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2013		
Subsidiaries			
Due from related parties	₱300,000,000		Non-interest bearing; due and demandable
Other current assets	861,123	₱861,123	Receivable from subsidy of expenses; non-interest bearing; due and demandable
Associates			
Cash and cash equivalents	8,545,042,319	15,952,344,446	Savings, current and time deposit account with annual interest ranging 0.5% to 5%; Unsecured; no impairment
Interest income	124,126,178		Interest income from cash and cash equivalents
Advances to officers, employees and agents		67,970,674	Non-interest bearing; 30 days
Rental deposits	12,226,933		Guarantee Deposit on Properties
Due from related parties	4,523,347		Receivable on sale of property; unremitted collections
Investments in associates and jointly controlled entities	502,243,750	23,578,612,738	Purchase of additional investment in associate
AFS equity securities		29,843,988	Unsecured; no impairment
Accrued expense	51,866	51,866	Retainer's fee of an associate as stock and transfer agent and group life insurance premium of an associate
Accrued interest payable	1,776,667	1,776,667	Accrued interest on loans with an annual interest ranging from 2.60% to 10.35% per annum
Loans payable	8,293,073,727	300,000,000	Short term loans from an associate at 2.6-3.5% per annum; secured
Interest income	287,445,669		Interest bearing at prevailing market rate; due and demandable; unsecured, no impairment
Dividend income	263,107		Dividend income from investments in MBTC
Management fee income	58,807,050		Management fee earned from MBTC and FMIC
Interest expense	83,058,611		Interest bearing at prevailing market rate; due and demandable
Miscellaneous expense	1,344,866		Retaineers fees and trust fees incurred
Jointly controlled entities			
Dividend receivable	240,000,000	240,000,000	Dividend receivable from FLOC
Accounts payable	6,961,000	6,961,000	Payable to TMBC 30 to 60 days, non-interest-bearing
Other related parties			
Cash and cash equivalents	326,595,093		Interest bearing at prevailing market rate; due and demandable; Unsecured with no impairment.
Interest income	5,066,377		Interest income from cash and cash equivalents
Due from related parties	24,661,448	845,695,500	Non-interest bearing; due and demandable
Deposits	805,354	–	With interest of 7.34%; option agreement will expire on December 31, 2013; Unsecured with no impairment.
AFS debt securities		29,704,509	7 years, 5.68% to 5.75%; 10 years, 7.1875%; Unsecured; no impairment
Interest income	1,729,316		Interest income from AFS securities
Loans receivable		618,547,138	
Accrued expense	17,790,333	45,000	Telemarketing charges with Metrobank Card Corporation
Loans payable	1,037,320,579	2,000,000,000	With interest ranging from 3.75% to 4%; Payable in 2015
Interest expense	76,799,829		Interest expense from loans payable
Due to related parties		188,385,414	Non-interest bearing; due and demandable
Liabilities on purchased properties	2,570,937,500	4,320,376,123	Unsecured with interest rate of 3.15% payable on 2022; no impairment.
Interest expense	117,206,668		Interest expense on purchased properties
Dividend income	982,200,000		Dividend income earned from FMIC and ORIX
Miscellaneous expense	59,693,036		Participation fee paid to the ultimate parent company in the private placement exercise

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2013		
Key management personnel			
Rent income	₱310,982		Income from employees for car plans
Salaries and employee benefits	68,948,180		Salaries and benefits to employees
Director's fee	11,795,000		Per diems and bonuses to directors

Details of the transactions with affiliates are as follows:

Land for development
In 2014, Fed Land acquired parcels of land amounting to ₱8.88 billion from MBTC to be held either for sale or for future land development (Note 6).

Operating advances
Due from and to related parties consist mostly of operating advances which are noninterest-bearing and due and demandable.

Long-term loans receivable
In 2012, Fed Land entered into a loan agreement with Cathay International Resources Corp. (Borrower). Fed Land agrees to lend to the Borrower a total amount of ₱705.00 million with nominal interest rate of 3.15% annually. This loan will mature on the tenth year anniversary from the date of the execution of the agreement. The outstanding balance of long-term loans receivable as of December 31, 2014 amounted to ₱626.01 million in 2012.

The interest expense from Day 1 difference recorded under 'General and administrative expenses' in the consolidated statements of income amounted to ₱94.22 million in 2012.

Fed Land
In 2011, Fed Land entered into an option agreement with its various affiliates (Grantor), whereby the Grantor grants and gives Fed Land the exclusive rights, for a period of three years to either (a) purchase the Property, (b) purchase the shares of stock of the Grantor which owns the Property, (c) to develop the property as Developer in joint venture with the Grantor's affiliates or (d) to undertake combination of any of the foregoing, as may be agreed upon the parties. There were no outstanding deposits in 2014 and 2013.

In addition, the Grantor will reimburse Fed Land for its interest expense, borrowing cost and related expenses incurred in obtaining the option money. The Group recognized interest income amounting to nil and ₱263.85 million in 2014 and 2013, respectively.

Affiliated bank loans
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 3.75% to 4.50% per annum in 2014 and 6.52% to 6.78% per annum in 2013 and 2012, respectively.

Management fee
Management fee amounting to ₱78.26 million, ₱70.18 million and ₱41.14 million in 2014, 2013 and 2012, respectively, pertains to the income received from a joint venture of Fed Land with FLOC and MBTC (Note 23).

Lease agreements
In 2011, Fed Land also leased its mall to some of its associates and affiliates. The lease term ranged from 5 to 10 years. The rental income on these leases amounted to ₱175.54 million and ₱127.32 million for 2014 and 2013, respectively (Note 30).

Compensation of key management personnel for the years ended December 31, 2014, 2013 and 2012 follow:

	2014	2013	2012
Short-term employee benefits	**₱513,774,208**	₱111,560,155	₱195,072,227
Post employment benefits	**50,596,622**	49,782,006	7,607,244
	₱564,370,830	₱161,342,161	₱202,679,471

Transactions with the Group Retirement Funds
The retirement funds of the subsidiaries' employees are being managed and maintained by MBTC as trustee bank. The total carrying amount and fair value of the retirement funds as of December 31, 2014 and 2013 amounted to ₱1.25 billion and ₱1.11 billion, respectively. The assets and investments of the fund include cash and cash equivalents, investments in government securities and equity securities, among others.

The following tables show the amounts of related party transactions of the Group with the retirement funds of the subsidiaries' employees as of December 31, 2014 and 2013:

	December 31, 2014		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Associate			
Savings deposit		**₱122,273**	Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment;
Time deposit		**22,541,000**	With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment
Investment in equity securities		**12,285,825**	Unsecured with no impairment
Interest income	**₱179,484**		Income earned from savings deposit
Gain on sale of shares	**351,188**		Income from sale of shares
Mark-to-market gain		**1,800,980**	Gain from mark-to-market of shares
Parent			
Investment in equity securities		**6,792,578**	Unsecured with no impairment
Gain on sale			Income from sale of shares
Mark-to-market gain		**737,939**	Gain from mark-to-market of shares

	December 31, 2013		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Associate			
Savings deposit		₱276,533	Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment;
Time deposit		14,100,000	With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment
Investment in equity securities		7,101,096	Unsecured with no impairment
Interest income	₱219,568		Income earned from savings deposit
Gain on sale of shares	1,370,769		Income from sale of shares
Mark-to-market gain	287,396		Gain from mark-to-market of shares

(Forward)

Category	December 31, 2013 Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Parent			
Investment in equity securities	₱–	₱5,087,480	Unsecured with no impairment
Gain on sale	2,877,808		Income from sale of shares
Mark-to-market gain	310,175		Gain from mark-to-market of shares

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

28. Pension Plan

The Group provides defined benefit pension plans for substantially all of its employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. Actuarial valuations are made at least every one to three years.

Principal actuarial assumptions used to determine pension obligations follow:

		2014 Actuarial Assumptions		
	Date of Actuarial Valuation	**Expected Return on Plan Assets**	**Salary Rate Increase**	**Discount Rate**
Real estate	**December 31, 2014**	**3.50%**	**8.00%**	**4.74%**
Power	**-do-**	**5.00%**	**10.00%**	**4.45%-4.78%**
Non-life insurance	**-do-**	**7.00%**	**10.00%**	**4.69%**
Automotive	**-do-**	**9.00%**	**6.00%-7.00%**	**4.47%**
Financial	**-do-**	**5.00%**	**7.00%**	**4.62%**

		2013 Actuarial Assumptions		
	Date of Actuarial Valuation	Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2013	3.50%	6.25%	5.65%
Power	-do-	5.00%	8.00%	4.66% - 6.14%
Non-life insurance	-do-	7.00%	10.00%	4.99%
Automotive	-do-	9.00%	5.00%-7.00%	4.90%-6.11%
Financial	-do-	–	8%	5.43%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

Net retirement liability (asset) included in the statement of financial position follow:

	2014	2013
Retirement asset (Note 14)	**(₱3,519,970)**	₱–
Retirement liability	**2,260,951,566**	1,703,632,361
Net retirement liability	**₱2,257,431,596**	₱1,703,632,361

The net pension liability and asset recognized in the Group's statements of financial position are as follows:

	2014													
									Remeasurements in other comprehensive income					
	January 1, 2014	Effect of business combination	Balance after business combination	Net benefit cost Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions paid	December 31, 2014
Present value of defined benefit obligation	₱2,816,779,368	₱93,945,209	₱2,910,724,577	₱257,570,566	₱141,407,329	₱398,977,895	(₱97,684,357)	₱–	₱94,294,853	₱–	₱211,888,265	₱306,183,118	₱–	₱3,518,201,233
Fair value of plan assets	(1,113,147,007)	(1,335,251)	(1,114,482,258)	–	(54,914,268)	(54,914,268)	47,845,498	8,192,030	–	–	–	8,192,030	(147,410,639)	(1,260,769,637)
Net defined benefit liability	₱1,703,632,361	₱92,609,958	₱1,796,242,319	₱257,570,566	₱86,493,061	₱344,063,627	(₱49,838,859)	₱8,192,030	₱94,294,853	₱–	₱211,888,265	₱314,375,148	(₱147,410,639)	₱2,257,431,596

	2013													
									Remeasurements in other comprehensive income					
	January 1, 2013	Effect of business combination	Balance after business combination	Net benefit cost Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions paid	December 31, 2013
Present value of defined benefit obligation	₱631,313,168	₱2,157,293,976	₱2,788,607,144	₱227,983,529	₱146,203,647	₱374,187,176	(₱72,836,781)	₱–	₱4,750,767	(₱94,712,871)	(₱183,216,067)	(₱273,178,171)	₱–	₱2,816,779,368
Fair value of plan assets	(98,701,895)	(873,565,502)	(972,267,397)	–	(44,725,426)	(44,725,426)	20,163,736	(8,102,940)	–	–	–	(8,102,940)	(108,214,980)	(1,113,147,007)
Net defined benefit liability	₱532,611,273	₱1,283,728,474	₱1,816,339,747	₱227,983,529	₱101,478,221	₱329,461,750	(₱52,673,045)	(₱8,102,940)	₱4,750,767	(₱94,712,871)	(₱183,216,067)	(₱281,281,111)	(₱108,214,980)	₱1,703,632,361

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	2014	2013
Cash and cash equivalents	**₱54,945,935**	₱74,857,144
Investment in government securities	**778,894,544**	693,457,738
Investment in equity securities	**207,712,497**	162,728,547
Investment in debt and other securities	**111,832,371**	63,800,661
Receivables	**85,976,479**	7,851,213
Investment in mutual funds	**21,367,780**	15,241,230
Others	**40,031**	95,210,474
	₱1,260,769,637	₱1,113,147,007

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

		2014	2013
	Possible Fluctuations	**Increase (Decrease)**	Increase (Decrease)
Discount rates	**+1%**	**(₱349,500,517)**	(₱489,919,722)
	-1%	**421,150,209**	607,053,371
Turnover rate	**+1%**	**(43,200,300)**	(34,624,950)
	-1%	**48,113,600**	38,705,250
Future salary increase rate	**+1%**	**508,596,489**	599,310,655
	-1%	**(406,848,534)**	(490,661,296)

The Group expects to contribute ₱110.47 million to its defined benefit pension plan in 2015.

The average duration of the defined benefit retirement liability at the end of the reporting period is 14.76 years for the Group.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2014
Less than 1 year	**₱98,921,792**
More than 1 year to 5 years	**792,311,084**
More than 5 years to 10 years	**2,507,973,173**
More than 10 years to 15 years	**2,929,247,232**
More than 15 years to 20 years	**2,503,297,344**
More than 20 years	**10,166,855,799**

The Group does not currently have any asset-liability matching study.

29. **Income Taxes**

Provision for income tax account consists of:

	2014	2013	2012
Current	**₱2,934,761,193**	₱1,736,415,071	₱120,152,710
Deferred	**(278,599,568)**	17,579,768	144,923,530
Final	**54,435,318**	49,275,282	22,574,356
	₱2,710,596,943	₱1,803,270,121	₱287,650,596

The components of the Group's deferred taxes as of December 31, 2014 and 2013 are as follow:

Net deferred tax asset:

	2014	2013
Deferred tax asset on:		
Retirement benefit obligation	**₱628,794,162**	₱485,285,082
Unrealized gain on sale of land	**627,412,073**	–
Warranties payable and other provisions	**237,613,907**	269,892,617
Allowance for impairment losses	**67,698,603**	39,970,139
Decommissioning liability	**65,692,699**	57,798,142
NOLCO	**56,430,236**	97,235,999
Allowance for probable losses	**50,749,305**	229,086,607
Accrued expenses	**50,608,915**	40,316,088
Unearned premiums	**46,264,047**	42,523,751
Capitalized commissioning income	**96,505,237**	95,097,784
Deferred gross profit	**21,924,938**	–
Others	**34,194,947**	40,527,930
	1,983,889,069	1,397,734,139
Deferred tax liability on:		
Deferred acquisition costs	**92,641,479**	64,912,883
Deferred financing cost	**57,263,434**	69,834,890
Dismantling costs	**40,085,039**	36,125,990
Capitalized custom duties	**20,724,088**	–
Capitalized borrowing cost	**7,804,674**	7,517,847
Fair value adjustment on acquisition - by Parent	–	33,707,943
Others	**39,194,850**	76,463,200
	257,713,564	288,562,753
Net deferred tax asset	**₱1,726,175,505**	₱1,109,171,386

Net deferred tax liability:

	2014	2013
Deferred tax asset on:		
Excess of cost over fair value of investment property	**₱125,300,151**	₱115,469,258
Accrued expenses	**95,732,185**	9,499,022
Retirement benefit obligation	**33,085,137**	32,109,122
Prepaid commission	**29,504,227**	29,504,227
Interest expense on Day 1 loss	**23,698,386**	26,061,686
Fair value adjustment on acquisition - by Parent	**–**	34,087,631
Others	**48,369,019**	24,490,336
	355,689,105	271,221,282
Deferred tax liability on:		
Fair value adjustment on acquisition - by Parent	**2,972,074,225**	2,850,921,020
Excess of book basis over tax basis of deferred gross profit	**270,948,611**	50,482,992
Capitalized borrowing cost and guarantee fees	**270,822,176**	201,128,200
Fair value adjustment on acquisition - by subsidiaries	**206,688,774**	226,373,419
Unamortized discount on long term payable	**110,792,792**	107,832,042
Lease differential	**20,376,662**	9,344,048
Others	**36,139,688**	76,880,407
	3,887,842,928	3,522,962,128
Net deferred tax liability	**₱3,532,153,823**	₱3,251,740,846

The Group has deductible temporary differences for which deferred tax asset has not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized.

As of December 31, 2014, 2013 and 2012, the Group's unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2014	₱974,274,770	₱–	₱974,274,770	2017
2013	1,052,769,050	–	1,052,769,050	2016
2012	968,338,310	–	968,338,310	2015
2011	632,568,376	632,568,376	–	2014
	₱3,627,950,506	₱632,568,376	₱2,995,382,130	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2013	₱217,786	₱–	₱217,786	2016
2012	446,800	–	446,800	2015
2011	17,559	17,559	–	2014
	₱682,145	₱17,559	₱664,586	

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2014	2013	2012
Provision for income tax computed at statutory rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Income subjected to final tax	**(0.54)**	(0.22)	(0.18)
Nondeductible interest and other expenses	**0.74**	0.62	(0.03)
Change in unrecognized deferred tax assets	**2.55**	2.50	–
Nontaxable income	**(11.26)**	(12.91)	(26.57)
Operating income within ITH	**(6.31)**	(7.41)	–
	15.18%	12.58%	3.22%

Board of Investments (BOI) Incentives

Fed Land

The BOI issued a Certificate of Registrations as a New Developer of Mass Housing Project for its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three to four years. The projects namely: Marquinton-Cordova Tower and The Oriental Place are entitled to ITH in years 2008 to 2012, The Capital Towers-Beijing, Marquinton Gardens Terraces-Toledo, Oriental Gardens-Lilac and Peninsula Garden Midtown Homes-Tower A are entitled to ITH in years 2009 to 2013, Oriental Garden Heights - A, B and C in 2010 to 2014, Marquinton Garden Terraces - Valderrama Tower in 2010 to 2013, Peninsula Garden Midtown Homes (PGMH) - Maple Tower and Tropicana Garden City - Ibiza Tower are entitled to ITH from 2012 to 2015 and PGMH - Narra is entitled to ITH from 2014 to 2017.

CEDC

CEDC was registered with the BOI on a pioneer status under Executive Order No. 226 or the Omnibus Investments Code of 1987 on June 25, 2008, initially under the name of GBPC. On February 18, 2009, BOI granted the transfer of its registration from GBPC to CEDC. BOI incentives include, among others, an income tax holiday of six (6) years from December 2010 or actual start of commercial operations, whichever is earlier, and zero percent duty importation of capital equipment, spare parts and accessories from date of registration up to June 16, 2011. CEDC started commercial operations on February 26, 2011. Its paid-up capital amounted to ₱554.40 million as of December 31, 2012.

TPC

Toledo Power Co. ("TPC"), as expanding operator of an 82MW Coal-Fired Power Plant (TPC 1A), was registered with the BOI on a pioneer status under Executive Order No. 226 or the Omnibus Investments Code of 1987 on October 23, 2012. BOI incentives include, among others, an income tax holiday of three (3) years from December 2014 or actual start of commercial operations, whichever is earlier and zero percent duty importation of capital equipment, spare parts, and accessories from date of effectivity of Executive Order No. 70 and its Implementing Rules and Regulations for a period of five (5) years reckoned from the date of its registration or until the expiration of EO 70, whichever is earlier. TPC began delivery of power from TPC 1A on February 26, 2015.

PEDC
PEDC was registered with BOI under the provisions of the Omnibus Investments Code as a new operator of a 246MW coal-fired power generation plant in Iloilo City under BOI Certificate of Registration No. 2008-171 dated July 24, 2008, initially under the name of GBPC. It has been transferred under PEDC's name after its incorporation. Under the terms of its registration, PEDC is subject to certain requirements, principally: (a) that PEDC should start operations no later than December 2011, (b) that PEDC should increase its authorized, subscribed, and paid-up capital stock to at least ₱4.45 billion and (c) that PEDC should secure a Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) prior to the start of its commercial operations. PEDC declared commercial operations on March 26, 2011. As of December 31, 2012, PEDC had paid-up capital of ₱554.40 million.

30. Lease Commitment

The Group as a lessee
The Group is a party under various lease agreements including the lease of premises occupied by the head office, office space leased for the Group's branches, land leased for Fed Land Group's mall and gasoline station and lease of parking spaces with terms ranging from 1 to 10 years. Rent expense included under "General and administrative expenses amounted to₱109.70 million, ₱52.08 million and ₱52.37 million, respectively (Note 26). Rental incurred on the lease of land for its mall and gasoline stations are presented as 'Overhead' and included in the "Cost of goods and services sold" account, amounting to ₱20.56 million and ₱30.97 million and ₱24.19 million in 2014 and 2013, respectively (Note 25).

As of December 31, 2014 and 2013, the future minimum rental payments are as follows:

	2014	2013
Within one year	**₱49,780,921**	₱39,201,598
After one year but not more than five years	**151,124,572**	98,891,027
More than five years	**365,160,285**	–
	₱566,065,778	₱138,092,625

The Group as a lessor
The Group has entered into commercial property leases on its investment properties consisting of office spaces, land, mall and parking spaces with lease terms ranging from 5 to 10 years. The Group's rental income on these leases amounted to ₱764.49 million, ₱592.04 million and ₱233.44 million, in 2014, 2013 and 2012, respectively (Note 9). The cost of rental services amounting ₱270.09 million, ₱113.15 million and ₱5.74 million in 2014, 2013 and 2012, respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses.

As of December 31, 2014 and 2013, the future minimum receipts from these lease commitments are as follows:

	2014	2013
Within one year	**₱954,270,511**	₱527,362,863
After one year but not more than five years	**2,384,112,193**	1,202,054,987
More than five years	**1,497,684,816**	254,680,118
	₱4,836,067,520	₱1,984,097,968

31. Business Combinations

2014

Acquisition of TCI

In March 2014 the Parent Company acquired an aggregate of ₱69.62 million common shares of TCI for a total purchase price of ₱347.40 million. The acquisition represents 89.05% of the TCI's outstanding capital stock. The Parent Company assessed that it has control over TCI through its ability to direct the relevant activities and accounted for TCI as a subsidiary.

The acquisition was accounted for as a business combination using the acquisition method. The Group engaged a third party valuer to conduct the purchase price allocation. The Group elected to measure the non-controlling interest at the proportionate share of the non-controlling interest in the identifiable net assets of TCI.

The fair values of the identifiable assets and liabilities of TCI as of acquisition date are as follows:

Assets	
Cash and cash equivalents	₱65,843,434
Receivables	489,139,851
Inventories	116,777,335
Other current assets	101,508,995
Available-for-sale investments	711,019
Property and equipment	201,227,584
Investment properties	301,367,000
Deferred tax assets	23,933,097
Other noncurrent assets	837,272
	1,301,345,587
Liabilities	
Accounts and other payables	254,455,022
Loans payable	497,000,000
Pension liability	93,357,542
Deferred tax liability	71,367,274
	916,179,838
Net assets	₱385,165,749

The gross contractual amount of receivables acquired amounted to ₱489.14 million. The aggregate consideration transferred consists of:

Cash consideration	₱347,403,800
Fair value of non-controlling interests	42,175,650
	₱389,579,450

The business combination resulted in goodwill computed as follows:

Total consideration transferred	₱389,579,450
Less: fair value of identifiable net assets	385,165,749
Goodwill	₱4,413,701

Goodwill arising from the acquisition of TCI is allocated to the operations of TCI. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition, TCI contributed gross revenues and net income amounting to ₱4.20 billion and ₱7.00 million, respectively.

If the business combination had taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2014 would have been ₱144.20 billion and ₱9.16 billion, respectively.

2013

Acquisition of Toyota

On January 17, 2013, the Parent Company and MBTC executed a Deed of Absolute Sale for the acquisition of 2,324,117 common shares of stock of Toyota from MBTC as provided in the MOU for a total consideration of ₱4.54 billion. This represented an additional 15.00% of Toyota's outstanding capital stock and increased the Parent Company's shareholdings in Toyota to 51.00%.

The acquisition of Toyota was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's 36.00% direct ownership interest over Toyota was regarded as the previously held interest and remeasured at fair value.

The Group engaged a third party valuer to conduct a purchase price allocation. The Group elected to measure the non-controlling interest in Toyota at the proportionate share of the non-controlling interest in the fair value of the identifiable net assets of Toyota, amounting to ₱6.88 billion.

The fair values of the identifiable assets and liabilities of Toyota as of acquisition date were finalized as follows:

Assets	
Cash and cash equivalents	₱8,581,503,619
Receivables	2,384,910,913
Inventories	5,256,937,104
AFS investments	560,349,347
Prepayments and other current assets	657,124,867
Property, plant and equipment	3,168,629,863
Investment properties	2,251,349,832
Deferred tax assets	421,764,219
Other non-current assets	337,258,975
Intangible assets - customer relationship (Note 13)	3,883,238,361
	27,503,067,100
Liabilities	
Accounts payable and accrued expenses	10,873,614,987
Loans payable	290,000,000
Income tax payable	51,952,821
Long-term debt	229,481,790
Deferred tax liability	2,232,084,208
	13,677,133,806
Total identifiable net assets at fair value	₱13,825,933,294

The gross contractual amount of receivable acquired amounted to ₱2.44 billion.

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱6,879,802,794
Fair value of previously held interest	8,006,101,371
Cash consideration	4,536,985,322
	₱19,422,889,487

The fair value of the previously held interest of ₱1,435.33 per share was based on the valuation of a third party valuer. The Company recognized gain on the revaluation of the previously held interest amounting to ₱1.99 billion reflected under the 'Gain (loss) on revaluation of previously held interest' account in the consolidated statement of income.

The business combination resulted in a goodwill amounting to ₱5.60 billion computed as follows:

Total consideration transferred	₱19,422,889,487
Less: Fair value of identifiable net assets including intangible assets	13,825,933,294
Goodwill	₱5,596,956,193

Goodwill arising from the acquisition of Toyota Group is allocated entirely to the operations of Toyota. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition, the Toyota Group has contributed gross revenues of ₱75.13 billion and net income amounting to ₱3.94 billion to the Group. If the business combination with Toyota had taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2013 would have been ₱111.04 billion and ₱8.67 billion, respectively.

Acquisition of Charter Ping An

On October 10, 2013, GT Capital acquired 2,334,434 common shares of Ping An from Ty family investment holding companies at a fixed price of ₱614.3 per share for a total consideration of ₱1.4 billion. The acquisition represented 66.7% of the firm's outstanding capital stock. The Parent Company has effective ownership over Ping An of 74.97% (66.67% direct holdings and 8.30% indirect ownership). The Parent Company's 8.30% indirect ownership came from its 25.11% direct interest in MBTC which has 99.23% direct interest in FMIC. FMIC, in turn, has 33.33% direct interest in Ping An.

On June 19, 2012 and April 23, 2013, the BOD and the stockholders of Ping An approved the amendment of the Articles of Incorporation for the purpose of increasing the authorized capital stock and the declaration of 1.62 million stock dividends equivalent to ₱162.50 million. On October 18, 2013, the Securities and Exchange Commission approved the application for the increase in Ping An's authorized capital stock from ₱350.00 million to ₱1.00 billion consisting of 10.00 million common shares with par value of ₱100.00 per share. The ₱162.50 million stock dividend equivalent to 1.62 million common shares represented the minimum 25.00% subscribed and paid-up capital for the above-mentioned increase in authorized capital stock.

The acquisition of Ping An was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's indirect ownership interest over Ping An through its associate MBTC which owns 99.23% of FMIC which in turn owns 33.33% of Ping An before the business combination date was regarded as the previously held interest and remeasured at fair value. As of

December 31, 2013, the accounting for the business combination was determined provisionally as the Parent Company has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the acquisition. The Group elected to measure the non-controlling interest in Ping An at the proportionate share of the non-controlling interest in the identifiable net assets of Ping An. In October 2014, the Parent Company finalized its purchase price allocation. There were no changes in the provisional values as the additional information subsequently obtained was not significant to affect the preliminary values.

The fair values of the identifiable assets and liabilities of Ping An as of acquisition date are as follows:

Assets	
Cash and cash equivalents	₱52,376,512
Short-term investments	874,410,676
Receivables	1,615,879,399
Reinsurance assets	3,701,512,371
Deferred acquisition cost	221,204,997
Prepayments and other current assets	25,589,459
AFS investments	1,208,433,444
Property, plant and equipment	195,469,447
Other non-current assets	18,736,582
	7,913,612,887
Liabilities	
Accounts payable and accrued expenses	618,336,186
Insurance contract liabilities	5,326,709,306
Insurance payable	373,629,735
Deferred reinsurance commission	44,005,499
Income tax payable	43,944,818
Other current liabilities	68,066,431
Pension liability	29,707,977
Deferred tax liability	38,535,272
	6,542,935,224
Total identifiable net assets at fair value	₱1,370,677,663

Total contractual amount of receivables amounted to ₱1.64 billion.

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱343,050,222
Fair value of previously held interest	162,160,900
Cash consideration	1,419,620,522
	₱1,924,831,644

The fair value of the previously held interest is ₱557.84 per share. The Company recognized a gain on the revaluation of the previously held interest amounting to ₱59.5 million reported under the 'Gain (loss) on revaluation of previously held interest' account in the 2013 consolidated statement of income.

The business combination resulted in a goodwill amounting to ₱554.15 million computed as follows:

Total consideration transferred	₱1,924,831,644
Less: Fair value of identifiable net assets	1,370,677,663
Goodwill	₱554,153,981

None of the goodwill is expected to be deductible for income tax purposes. Goodwill arising from the acquisition of Charter Ping An is allocated to the operations of Charter Ping An. From the date of acquisition, Charter Ping An contributed gross revenues totaling ₱547.84 million and net income amounting to ₱34.58 million to the Group. If the business combination with Charter Ping An had taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2013 would have been ₱106.70 billion and ₱8.76 billion, respectively.

Common Control Business Combination

On February 18, 2013, the BOD approved the merger of Federal Land with its two subsidiaries namely: Fedsales Marketing, Inc. and Omni-Orient Marketing Network, Inc. wherein Federal Land will be the surviving entity and the two (2) subsidiaries will be the absorbed entities. The application for merger was filed and approved by the Philippine SEC on November 29, 2013.

As a result of the merger, non-controlling interest amounting to ₱2.59 million arising from the previous consolidation of OOMNI in Fed Land was reversed and reflected as part of 'Other equity adjustment' account in the consolidated statement of financial position.

Also on May 8, 2013, the BOD of HLRDC, SHDC and HLPDC approved the merger of the three (3) entities where HLPDC will be the surviving entity and HLRDC and SHDC will be the absorbed entities. The application for merger was filed and approved by the Philippine SEC on October 21, 2013.

2012

Acquisition of GBPC

As of December 31, 2011, the Parent Company had an indirect interest of 7.61% over GBPC through its investment in MBTC-FMIC. The Parent Company also had deposits for future subscription (DFS) amounting to ₱3.40 billion while FMIC had DFS to GBPC amounting to ₱5.59 billion.

On December 9, 2011, as part of the Parent Company's plan to acquire control over GBPC, the Parent Company and GBPC entered into a Subscription Agreement which provided that for the planned increase of ₱760.00 million in GBPC's authorized capital stock, the Parent Company shall subscribe to and purchase, and GBPC agrees to issue and sell, 117,067,800 shares with par value of ₱100.00 per share, for a total consideration of ₱3.40 billion.

On January 16, 2012, the SEC approved the application for the increase in authorized capital stock and reduction in the par value of common shares of GBPC from ₱100.00 per share to ₱1.00 per share. Upon approval of the increase, the Parent Company's DFS in GBPC was converted into 117,067,800 common shares representing interest of 21.04% in GBPC while FMIC's DFS was converted to 195,058,600 common shares representing interest of 35.06% in GBPC and a corresponding increase of 4.48% in the Parent Company's indirect interest over GBPC.

On February 15 and 16, 2012, the Parent Company entered into a Deed of Absolute Sale with a third party to acquire and transfer 35,504,900 and 38,863,000 common shares of GBPC, respectively, with the third party as the seller and the Parent Company as the buyer for a consideration amounting to ₱1.24 billion and ₱1.36 billion, respectively. Such shares aggregating to 74,367,900 common shares represent 13.37% interest over GBPC.

In summary, the Parent Company acquired an additional 11.89% direct interest over GBPC for a total direct interest of 50.89%.

The acquisition of GBPC was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's indirect ownership interest over GBPC through its associate MBTC which owns 98.06% of FMIC which in turn owns 38.09% of GBPC before the business combination date was regarded as the previously held interest and remeasured at fair value.

The Group engaged a third party valuer to conduct a purchase price allocation. The fair value of the identifiable assets and liabilities was finalized in April 2013. The Group elected to measure the non-controlling interest in GBPC at the proportionate share of the non-controlling interest in the identifiable net assets of GBPC.

The fair values of the identifiable assets and liabilities of GBPC as of acquisition date were finalized as follows:

Assets	
Cash and cash equivalents	₱10,506,427,392
Receivables	3,935,964,042
Inventories	895,882,766
Prepayments and other current assets	1,212,354,008
Receivables from affiliates	427,605,411
Property, plant and equipment	33,492,302,035
Investments and other non-current assets	3,077,687,617
Intangible assets (Note 13)	8,995,160,191
	62,543,383,462
Liabilities	
Accounts payable and accrued expenses	3,103,143,856
Long-term debt	34,260,023,586
Other liabilities	854,225,652
Deferred tax liability	593,256,587
	38,810,649,681
Total identifiable net assets at fair value	₱23,732,733,781

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱15,238,649,131
Fair value of previously held interest	690,643,951
Cash consideration and cost of indirect interest	7,375,910,045
	₱23,305,203,127

The fair value of the previously held interest of ₱37.81 per share was based on the valuation of the third party valuer. The Company recognized a loss on the revaluation of the previously held interest amounting to ₱53.95 million.

The business combination resulted in a gain on bargain purchase amounting to ₱427.53 million computed as follows:

Total consideration transferred	₱23,305,203,127
Less: Fair value of identifiable net assets including intangible assets	23,732,733,781
Gain on bargain purchase	(₱427,530,654)

Acquisition of Non-Controlling Interest

2014

Ping An

On January 27, 2014, the Parent Company completed the acquisition of 100.00% ownership interest in Charter Ping An The Parent Company purchased the remaining 33.33% (represented by 1.71 million shares) of Charter Ping An's outstanding capital stock from FMIC for a total consideration of ₱712.00 million.

TCI

On April 23, 2014, the Parent Company acquired 200,000 shares of TCI for a total consideration of ₱1.00 million, resulting to 89.31% ownership over TCI.

GBPC

On May 28, 2014, the Parent Company subscribed to 7,217,470 shares of GBPC, representing an additional 0.38% of GBPC. With this transaction, the Parent Company's direct ownership over GBPC increased from 50.89% to 51.27%.

These acquisitions were accounted for as change in ownership without loss of control and are accounted for as equity transactions. Total negative other equity adjustments recognized from these acquisitions amounted to ₱315.67 million (Note 22).

2012

GBPC

On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.20 million. This increased the Parent Company's direct ownership over GBPC to 39.00%.

On September 12, 2012, the Parent Company acquired from a third party an additional 66,145,700 GBPC common shares, representing 11.89% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition increased the Parent Company's direct holdings in GBPC to 50.89%.

Fed Land

On May 3, 2012, the Parent Company acquired the remaining 20.00 million common shares of Fed Land representing 20.00% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.70 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80.00% to 100.00%.

These acquisitions were accounted for as change in ownership without loss of control and are accounted for as equity transactions. Total negative other equity adjustments recognized from these acquisitions amounted to ₱681.07 million (Note 22).

32. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents and Other current assets (short-term cash investments)
The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities these instruments.

Receivables
The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to 12.00% as of December 31, 2014 and 2013, respectively. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan and determined that the carrying amount of the loans receivable was not materially different from its calculated fair value.

Due from and to related parties
The carrying amounts approximate fair values due to short term in nature. Related party receivables and payables are due and demandable.

AFS investments unquoted
These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

AFS investments quoted
Fair value of quoted AFS investment is based on the quoted market bid prices at the close of business on the reporting date.

Accounts and other payables
The fair values of accounts and other payables and loans payable approximate the carrying amounts due to the short-term nature of these transactions.

Loans payable
Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. The interest rates used ranged from 2.27% to 10.35% and 3.75% to 7.10% for the year ended December 31, 2014 and 2013, respectively.

Liabilities on purchased properties
Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred on December 20, 2012 with 3.00% interest per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

		2014			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Loans and receivables					
Installment contracts receivable	**₱7,545,443,471**	**₱–**	**₱–**	**₱11,056,454,369**	**₱11,056,454,369**
AFS investments					
Government securities	**780,975,000**	**–**	**780,975,000**	**–**	**780,975,000**
Quoted debt securities	**316,017,874**	**316,017,874**	**–**	**–**	**316,017,874**
Quoted equity securities	**2,549,232,004**	**2,549,232,004**	**–**	**–**	**2,549,232,004**
Total Financial Assets	**₱11,191,668,349**	**₱2,865,249,878**	**₱780,975,000**	**₱11,056,454,369**	**₱14,702,679,247**
Non-Financial Assets					
Investment properties	**₱8,642,628,922**	**₱–**	**₱–**	**₱11,141,367,000**	**₱11,141,367,000**
Financial Liabilities					
Loans payable	**₱47,525,076,547**	**₱–**	**₱49,161,870,376**	**₱–**	**₱49,161,870,376**
Bonds payable	**21,774,719,662**	**21,516,574,800**	**–**	**–**	**21,516,574,800**
Total Financial Liabilities	**₱69,299,796,209**	**₱21,516,574,800**	**₱49,161,870,376**	**₱–**	**₱70,678,445,176**

		2013			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables					
Installment contracts receivable	₱5,819,661,101	₱–	₱–	₱7,690,378,192	₱7,690,378,192
AFS investments					
Government securities	850,098,893	–	850,098,893	–	850,098,893
Quoted debt securities	282,457,747	282,457,747	–	–	282,457,747
Quoted equity securities	1,497,970,179	1,497,970,179	–	–	1,497,970,179
Total Financial Assets	₱8,450,187,920	₱1,780,427,926	₱850,098,893	₱7,690,378,192	₱10,320,905,011
Non-Financial Assets					
Investment properties	₱8,328,668,533	₱–	₱–	₱10,840,000,000	₱10,840,000,000
Financial Liabilities					
Loans payable	₱45,692,608,996	₱–	₱47,609,127,777	₱–	₱47,609,127,777
Bonds payable	9,903,088,308	–	9,994,354,200	–	9,994,354,200
Total Financial Liabilities	₱55,595,697,304	₱–	₱57,603,481,977	₱–	₱57,603,481,977

As of December 31, 2014 and 2013, other than bonds payable, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued in February 2012.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group:

	Valuation Techniques	Significant Unobservable Inputs
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Building and Land Improvements	Cost Approach and Market Data Approach	Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

Valuation Techniques

Market Data Approach — A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

Cost Approach — A process of determining the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation on physical wear and tear, and obsolescence.

Significant Unobservable Inputs

Reproduction Cost New — The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.

Size — Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.

Shape — Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.

Location — Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.

Time Element — "An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.

Discount — Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Significant Unobservable Inputs

Corner influence	Bounded by two (2) roads.

33. **Financial Risk Management and Objectives**

The Group's principal financial instruments are composed of cash and cash equivalents, receivables, due from related parties, AFS investments, accounts and other payable, due to/from related parties, and loans payable.

Exposures to credit, liquidity and foreign currency, interest rate risks arise in the normal course of the Group's business activities. 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.

The use of financial derivative instruments (if any) is solely for the management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Credit Risk

The Group's credit risks are primarily attributable to its financial assets. To manage credit risks, the Group maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets comprise cash and cash equivalents, receivables, due from related parties and AFS investments. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

a. *Maximum exposure to credit risk after taking into account collateral held or other credit enhancements*

As of December 31, 2014 and 2013, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium units collateral is greater than the carrying value of the installment contracts receivable.

b. *Credit quality per class of financial assets*

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and long term cash investment-based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 120 days past due.

AFS investments - quoted AFS investments is based on the quoted market bid prices at the close of business on the reporting date while the unquoted financial assets are unrated.

The table below shows the credit quality per class of financial assets based on the Group's rating system:

	December 31, 2014						
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents* (Note 4)	₱29,670,091,668	₱–	₱–	₱29,670,091,668	₱–	₱–	₱29,670,091,668
Short-term Investments	1,308,977,823	–	–	1,308,977,823	–	–	1,308,977,823
Receivables (Note 5)							
Trade receivables	6,051,526,630	1,512,795,581	473,077,928	8,037,400,139	396,321,270	54,985,085	8,488,706,494
Installment contracts receivable	3,651,540,871	2,597,104,037	680,654,196	6,929,299,104	614,493,519	1,650,848	7,545,443,471
Insurance receivables	1,554,999,127	–	–	1,554,999,127	470,775,487	16,305,509	2,042,080,123
Nontrade receivables	798,210,161	312,916,686	40,492,651	1,151,619,498	–	–	1,151,619,498
Loans receivable	700,231,199	–	–	700,231,199	–	–	700,231,199
Dividends receivable	240,000,000	–	–	240,000,000	–	–	240,000,000
Accrued rent and commission income	328,924,716	5,291,002	3,501,609	337,717,327	14,752,513	16,376,195	368,846,035
Others	625,986,178	743,048	–	626,729,226	65,823,506	2,815,201	695,367,933
Due from related parties (Note 27)	163,779,149	6,850,327	–	170,629,476	–	–	170,629,476
AFS investments (Note 10)							
Equity securities							
Quoted	2,516,915,182	–	–	2,516,915,182	–	32,316,822	2,549,232,004
Unquoted	480,655,253	–	–	480,655,253	–	-	480,655,253
Quoted debt securities	1,096,992,874	–	–	1,096,992,874	–	–	1,096,992,874
	₱49,188,830,831	₱4,435,700,681	₱1,197,726,384	₱54,822,257,896	₱1,562,166,295	₱124,449,660	₱56,508,873,851

**Excludes cash on hand amounting to ₱32,312,324*

	December 31, 2013						
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents* (Note 4)	₱27,161,145,896	₱–	₱–	₱27,161,145,896	₱–	₱–	₱27,161,145,896
Short-term Investments	1,466,463,867	–	–	1,466,463,867	–		1,466,463,867
Receivables (Note 5)							
Trade receivables	7,412,130,179			7,412,130,179	610,924,329	9,923,816	8,032,978,324
Installment contracts receivable	2,301,427,513	2,412,942,503	628,024,445	5,342,394,461	475,615,793	1,650,847	5,819,661,101
Insurance receivables	1,622,829,840	–	–	1,622,829,840	–	–	1,622,829,840
Accrued rent and commission income	335,682,637	–	–	335,682,637	–	–	335,682,637
Loans receivable	719,934,106	–	–	719,934,106	–	–	719,934,106
Dividends receivable	240,000,000	–	–	240,000,000	–	–	240,000,000
Nontrade receivables	198,940,565			198,940,565			198,940,565
Others	309,890,868	15,183,102	835,903	325,909,873	77,028,664	30,028,493	432,967,030
Due from related parties (Note 27)	849,398,310	–	–	849,398,310	–	–	849,398,310
AFS investments (Note 10)							
Equity securities							
Quoted	1,497,970,179	–	–	1,497,970,179	–	–	1,497,970,179
Unquoted	480,269,424	–	–	480,269,424	–	–	480,269,424
Quoted debt securities	1,132,556,640	–	–	1,132,556,640	–	–	1,132,556,640
	₱45,728,640,024	₱2,428,125,605	₱628,860,348	₱48,785,625,977	₱1,163,568,786	₱41,603,156	₱49,990,797,919

**Excludes cash on hand amounting to ₱5,742,556*

As of December 31, 2014 and 2013, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

	December 31, 2014								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Cash and cash equivalents (Note 4)	₱29,702,403,992	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱29,702,403,992
Short-term investment	1,308,977,823	–	–	–	–	–	–	–	1,308,977,823
Receivables (Note 5)									
Trade receivable	8,037,400,139	157,932,318	79,560,518	20,246,303	129,698,547	8,883,584	396,321,270	54,985,085	8,488,706,494
Installment contracts receivable	6,929,299,104	176,664,445	106,455,836	66,918,739	32,809,729	231,644,770	614,493,519	1,650,848	7,545,443,471
Insurance Receivables	1,554,999,127	86,186,395	72,640,437	42,327,294	269,621,361	–	470,775,487	16,305,509	2,042,080,123
Loans receivable	700,231,199	–	–	–	–	–	–	–	700,231,199
Dividend receivable	240,000,000	–	–	–	–	–	–	–	240,000,000
Accrued rent and commission income	337,717,327	9,191,523	1,525,958	1,362,476	2,672,556	–	14,752,513	16,376,195	368,846,035
Non-trade receivable	1,151,619,498	–	–	–	–	–	–	–	1,151,619,498
Others	626,729,226	558,893	26,684,543	1,154,865	37,425,205	–	65,823,506	2,815,201	695,367,933
Due from related parties (Note 27)	170,629,476	–	–	–	–	–	–	–	170,629,476
AFS investments (Note 10)									
Equity securities									
Quoted	2,516,915,182	–	–	–	–	–	–	32,316,822	2,549,232,004
Unquoted	480,655,253	–	–	–	–	–	–	–	480,655,253
Quoted debt securities	1,096,992,874	–	–	–	–	–	–	–	1,096,992,874
	₱54,854,570,220	₱430,533,574	₱286,867,292	₱132,009,677	₱472,227,398	₱240,528,354	₱1,562,166,295	₱124,449,660	₱56,541,186,175

	December 31, 2013								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Cash and cash equivalents (Note 4)	₱27,166,888,452	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱27,166,888,452
Short-term investment	1,466,463,867	–	–	–	–	–	–	–	1,466,463,867
Receivables (Note 5)									
Trade receivable	7,521,518,936	209,793,262	108,323,500	3,326,557	181,297,997	6,474,437	509,215,753	2,243,635	8,032,978,324
Installment contracts receivable	5,342,394,460	96,681,907	52,542,331	61,146,857	27,909,477	237,335,220	475,615,792	1,650,849	5,819,661,101
Insurance Receivables	1,051,504,220	92,906,206	39,502,507	41,582,476	359,865,628	–	533,856,817	37,468,803	1,622,829,840
Loans receivable	719,934,106	–	–	–	–	–	–	–	719,934,106
Dividend receivable	240,000,000	–	–	–	–	–	–	–	240,000,000
Accrued rent and commission income	335,682,637	–	–	–	–	–	–	–	335,682,637
Non-trade receivable	198,940,565	–	–	–	–	–	–	–	198,940,565
Others	413,486,694	738,053	1,440,010	1,269,083	13,717,989	2,315,201	19,480,336	–	432,967,030
Due from related parties (Note 27)	849,398,310	–	–	–	–	–	–	–	849,398,310
AFS investments (Note 10)									
Equity securities									
Quoted	1,497,970,179	–	–	–	–	–	–	–	1,497,970,179
Unquoted	480,269,424	–	–	–	–	–	–	–	480,269,424
Quoted debt securities	1,124,248,174	–	–	–	–	–	–	8,308,466	1,132,556,640
	₱48,408,700,024	₱400,119,428	₱201,808,348	₱107,324,973	₱582,791,091	₱246,124,858	₱1,538,168,698	₱49,671,753	₱49,996,540,475

Liquidity risk
The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. 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. To serve as back-up liquidity, management develops variable funding alternatives either by issuing debt or raising capital.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

	December 31, 2014			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	₱29,702,403,992	₱–	₱–	₱29,702,403,992
Short-term investments (Note 4)	1,308,977,823	–	–	1,308,977,823
Receivables (Note 5)				
Trade receivable	7,966,096,507	522,609,987	–	8,488,706,494
Installment contracts receivable	4,482,961,600	3,008,904,575	53,577,296	7,545,443,471
Insurance receivable	2,042,080,123	–	–	2,042,080,123
Nontrade receivable	1,151,619,498	–	–	1,151,619,498
Accrued rent income	302,047,117	–	–	302,047,117
Dividend receivable	240,000,000	–	–	240,000,000
Accrued interest receivable	103,696,004	–	–	103,696,004
Loans receivable	94,622,500	159,202,519	446,406,180	700,231,199
Accrued commissions	66,798,918	–	–	66,798,918
Others	321,222,172	52,287,759	21,858,002	395,367,933
Due from related parties (Note 27)	170,629,476	–	–	170,629,476
AFS investments (Note 10)				
Equity Securities				
Quoted	2,549,232,004	–	–	2,549,232,004
Unquoted	480,655,253	–	–	480,655,253
Debt	25,660,458	348,921,191	722,411,225	1,096,992,874
Total undiscounted financial assets	₱51,008,703,445	₱4,091,926,031	₱1,244,252,703	₱56,344,882,179
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade	₱6,678,480,896	₱–	₱174,720,365	₱6,853,201,261
Telegraphic transfers and drafts and acceptances payable	4,321,184,608	–	–	4,321,184,608
Accrued expenses	3,268,666,729	2,859,970	–	3,271,526,699
Dividends payable	2,034,256,000	–	–	2,034,256,000
Customer's deposit	2,549,222,602	–	–	2,549,222,602
Accrued interest	604,933,456	–	–	604,933,456
Accrued commissions	486,037,865	–	–	486,037,865
Insurance payable	433,111,602	–	–	433,111,602
Customer advances	293,691,646	–	–	293,691,646
Royalty payable	289,718,824	–	–	289,718,824
Retentions payable	100,150,602	504,750,145	–	604,900,747
Others	923,400,420	–	–	923,400,420
Loans payable (Note 17)	7,928,909,953	32,981,475,173	16,993,066,030	57,903,451,156
Bonds payable (Note 17)	1,125,505,600	12,217,227,750	16,731,031,933	30,073,765,283
Due to related parties (Note 27)	176,045,423	–	–	176,045,423
Liabilities on purchased properties	783,028,773	1,981,589,087	747,241,237	3,511,859,097
Total undiscounted financial liabilities	₱31,996,344,999	₱47,687,902,125	₱34,646,059,565	₱114,330,306,689
Liquidity Gap	₱19,012,358,446	(₱43,595,976,094)	(₱33,401,806,862)	(₱57,985,424,510)

**Excludes cash on hand amounting to ₱32,312,324*

	December 31, 2013			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	₱28,416,018,465	₱–	₱–	₱28,416,018,465
Short-term investments (Note 4)	2,016,387,817	–	–	2,016,387,817
Receivables (Note 5)				
Trade receivable	8,032,978,324	–	–	8,032,978,324
Installment contracts receivable	2,771,155,157	3,859,481,354	52,862,327	6,683,498,838
Insurance receivables	1,622,829,840	–	–	1,622,829,840
Loans receivable	30,091,649	156,598,649	804,630,064	991,320,362
Dividends receivable	240,000,000	–	–	240,000,000
Accrued commission income	335,682,637	–	–	335,682,637
Nontrade receivables	198,940,565	–	–	198,940,565
Others	432,967,030	–	–	432,967,030
Due from related parties (Note 27)	849,398,310	–	–	849,398,310
AFS investments (Note 10)				
Equity Securities				
Quoted	–	–	1,497,970,179	1,497,970,179
Unquoted	–	–	480,269,424	480,269,424
Debt	31,074,450	285,979,794	836,013,777	1,153,068,021
Total undiscounted financial assets	₱44,977,524,244	₱4,302,059,797	₱3,671,745,771	₱52,951,329,812
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade	₱8,014,607,566	₱–	₱–	₱8,014,607,566
Telegraphic transfers and drafts and acceptance payable	4,493,193,586	–	–	4,493,193,586
Accrued expenses	3,011,227,283	–	–	3,011,227,283
Deferred output tax	2,454,049,984	–	–	2,454,049,984
Accrued interest	389,752,174	–	–	389,752,174
Accrued commissions	367,772,684	–	–	367,772,684
Insurance payable	296,242,243	–	–	296,242,243
Customer advances	293,691,646	–	–	293,691,646
Royalty payable	289,718,824	–	–	289,718,824
Retentions payable	500,417,643	–	–	500,417,643
Others	1,046,599,001	–	–	1,046,599,001
Loans payable (Note 17)	1,092,492,332	36,613,052,569	17,335,750,224	55,041,295,125
Bonds payable (Note 17)	489,175,200	1,956,700,800	11,268,212,840	13,714,088,840
Due to related parties (Note 27)	188,385,414	–	–	188,385,414
Liabilities on purchased properties	–	1,486,916,469	3,873,645,362	5,360,561,831
Total undiscounted financial liabilities	₱22,927,325,580	₱40,056,669,838	₱32,477,608,426	₱95,461,603,844
Liquidity Gap	₱22,050,198,664	(₱35,754,610,041)	(₱28,805,862,655)	(₱42,510,274,032)

**Excludes cash on hand amounting to ₱5,742,556*

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate.

The Group's foreign currency-denominated financial instruments are included in cash and cash equivalents and short-term investments. Cash and cash equivalents denominated in foreign currency amounted to US$0.25 million and JP¥11.72 million as of December 31, 2014 and US$8.55 million and JP¥3.24 million as of December 31, 2013. Short-term investments denominated in foreign currency amounted to US$27.98 million and JP¥90.0 million as of December 31, 2014 and US$27.31 million and JP¥76.00 million as of December 31, 2013.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱44.72 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.37 to JP¥1.00 as at December 31, 2014 and ₱44.40 to US$1.00 and ₱41.05 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.42 to JP¥1.00 as at December 31, 2013.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2014 and 2013. There is no other impact on the Group's equity other than those already affecting the statements of comprehensive income.

		Increase (Decrease) in Income Before Tax		
Reasonably Possible Change		**2014**	2013	2012
US$	**₱1.00**	**₱19,757,813**	(₱2,510,102,063)	₱6,236,619
	(1.00)	**(19,757,813)**	2,510,102,063	(6,236,619)
JP¥	7.2%	**1,903,306**	1,692,262	–
	(7.2%)	**(1,903,306)**	(1,692,262)	–

Interest rate risk
The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

	Increase (decrease) in income before tax		
Reasonably Possible Changes in Interest Rates	**2014**	2013	2012
100 basis points (bps)	**(₱174,841,512)**	(₱155,702,489)	(₱174,197,246)
100 bps	**174,841,512**	155,702,489	174,197,246

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits.

Equity price risk
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of AFS investments held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

	Percentage change in PSEi	Increase (decrease) in total comprehensive income
2014	**Increase by 23.31%**	**₱55,482,569**
	Decrease by 23.31%	**(55,482,569)**
2013	Increase by 23.31%	79,769,658
	Decrease by 23.31%	(79,769,658)

34. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the years ended December 31, 2014 and 2013 were computed as follows:

	2014	2013	2012
Net income attributable to Parent Company	**₱9,152,612,962**	₱8,640,186,114	₱6,589,727,953
Weighted average number of shares	**174,300,000**	173,853,425	148,081,967
	₱52.51	₱49.70	₱44.50

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

35. Operating Segments

Segment Information
For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry;
- Power is engaged mainly in the generation and distribution of electricity; and
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;

Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments).

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

Segment Assets
Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

The following tables present the financial information of the operating segments of the Group (amounts in thousands) as of and for the years ended December 31, 2014 and 2013:

	December 31, 2014					
	Real Estate	Financial Institution	Automotive Operations	Power*	Others	Total
Revenue	₱6,423,592	₱1,751,356	₱108,816,378	₱18,973,393	₱–	₱135,964,719
Other income	1,420,376	190,471	428,952	139,948	(3,231)	2,176,516
Equity in net income of associates and jointly controlled entities	357,895	2,988,262	74,403	(63)	–	3,420,497
	8,201,863	4,930,089	109,319,733	19,113,278	(3,231)	141,561,732
Cost of goods and services sold	539,929	–	70,056,858	–	–	70,596,787
Cost of goods manufactured	–	–	24,213,432	–	–	24,213,432
Cost of rental	270,092	–	–	–	–	270,092
Cost of real estate sales	4,333,872	–	–	–	–	4,333,872
Power plant operation and maintenance	–	–	–	8,571,517	–	8,571,517
Net insurance benefits	–	784,239	–	–	–	784,239
General and administrative expenses	1,833,798	1,110,074	5,020,964	5,103,405	182,732	13,250,973
	6,977,691	1,894,313	99,291,254	13,674,922	182,732	122,020,912
Earnings before interest and taxes	1,224,172	3,035,776	10,028,479	5,438,356	(185,963)	19,540,820
Depreciation and amortization	246,034	39,812	587,956	2,324,167	5,107	3,203,076
EBITDA	1,470,206	3,075,588	10,616,435	7,762,523	(180,856)	22,743,896
Interest income	1,170,292	75,450	192,041	105,164	18,610	1,561,557
Interest expense	(472,185)	367	(120,690)	(1,848,305)	(799,825)	(3,203,076)
Depreciation and amortization	(246,034)	(39,812)	(587,956)	(2,324,166)	(5,107)	(2,642,934)
Pretax income	1,922,279	3,111,593	10,099,830	3,695,216	(967,178)	17,861,739
Provision for income tax	(426,332)	597,516	(2,766,770)	(111,289)	(3,722)	(2,710,597)
Net income	₱1,495,947	₱3,709,109	₱7,333,060	₱3,583,927	(₱970,900)	15,151,142
Segment assets	₱51,855,156	₱50,441,921	₱52,922,850	₱20,310,272	₱42,732,927	₱218,263,126
Segment liabilities	₱21,947,418	₱7,019,071	₱24,966,013	₱40,310,443	₱18,078,276	₱112,321,221

* *Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱154.53 million*

	December 31, 2013					
	Real Estate	Financial Institution	Automotive Operations	Power*	Others	Total
Revenue	₱5,359,112	₱504,585	₱74,358,719	₱16,944,069	₱–	₱97,166,485
Other income	1,042,486	43,263	109,054	100,182	2,069,099	3,364,084
Equity in net income of associates and jointly controlled entities	410,249	3,058,216	119,345	–	–	3,587,810
	6,811,847	3,606,064	74,587,118	17,044,251	2,069,099	104,118,379
Cost of goods and services sold	619,600	–	44,849,860	–	–	45,469,460
Cost of goods manufactured	–	–	19,986,100	–	–	19,986,100
Cost of real estate sales	3,666,932	–	–	–	–	3,666,932
Power plant operation and maintenance	–	–	–	8,945,436	–	8,945,436
Net insurance benefits	–	289,525	–	–	–	289,525
General and administrative expenses	1,732,919	235,939	4,282,206	2,842,079	300,568	9,393,711
	6,019,451	525,464	69,118,166	11,787,515	300,568	87,751,164
Earnings before interest and taxes	792,396	3,080,600	5,468,952	5,256,736	1,768,531	16,367,215
Depreciation and amortization	164,248	5,785	190,432	2,492,320	4,489	2,857,274
EBITDA	956,644	3,086,385	5,659,384	7,749,056	1,773,020	19,224,489
Interest income	1,043,592	16,252	177,061	133,561	58,563	1,429,029
Interest expense	(620,928)	(420)	(87,282)	(2,153,906)	(599,787)	(3,462,323)
Depreciation and amortization	(164,248)	(5,785)	(190,432)	(2,492,320)	(4,489)	(2,857,274)
Pretax income	1,215,060	3,096,432	5,558,731	3,236,391	1,227,307	14,333,921
Provision for income tax	203,969	3,640	1,506,595	77,353	11,713	1,803,270
Net income	₱1,011,091	₱3,092,792	₱4,052,136	₱3,159,038	₱1,215,594	₱12,530,651
Segment assets	₱27,310,535	₱8,239,989	₱29,179,086	₱50,586,094	₱77,044,142	₱192,359,846
Segment liabilities	₱24,655,375	₱7,897,017	₱17,957,456	₱38,519,309	₱10,766,934	₱99,796,091

** Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱196.97 million*

Geographical Information
The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2014	2013
Domestic	**₱131,358,969,893**	₱95,585,094,803
Foreign	**11,764,318,345**	10,106,201,620
	₱143,123,288,238	₱105,691,296,423

In 2012, all of the Group's consolidated revenues to external customers are derived from the domestic market.

36. Contingencies

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

In order to partially guarantee the completion of Fed Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of ₱1.36 billion and ₱901.82 million as of December 31, 2014 and 2013, respectively.

37. Events after the Reporting Date

Investment in Fed Land Preferred Shares–Series B
On January 20, 2015 and February 16, 2015, the Parent Company disbursed funds totaling ₱3.50 billion and ₱2.50 billion, respectively representing its deposit for future stock subscription of Fed Land's Preferred Shares–Series B.

Amendment of Articles of Incorporation to Create Voting Preferred Shares of Stock
On January 9, 2015, the stockholders of the Parent Company by the affirmative vote of over two-thirds (2/3) of the outstanding capital stock of the Parent Company, approved the amendment of Article Seventh of the Parent Company's Articles of Incorporation by creating of a new class of shares – voting preferred shares, taken out of the Parent Company's existing and unissued portion of the Authorized Capital Stock. The Amended Articles of Incorporation was approved by the Securities and Exchange Commission on February 18, 2015.

Voting Preferred Shares Stock Rights Offering
On March 13, 2015, the BOD of the Parent Company approved the issuance of 174,300,000 Voting Preferred Shares with a par value of Ten Centavos (₱0.10) per share through a 1:1 Stock Rights Offering, to all stockholders of record as of March 25, 2015, to be offered from April 1 to 8, 2015 and will be issued on April 13, 2015.

Amendment of Articles of Incorporation to Create Perpetual Preferred Shares of Stock
On March 13, 2015, the BOD of the Parent Company approved the amendment of Article SEVENTH of its Amended Articles of Incorporation to create a new class of shares (Perpetual Preferred Shares). The authorized capital stock of the Corporation of Five Billion Pesos (₱5,000,000,000.00) in lawful money of the Philippines, will be divided into Two Hundred Ninety Eight Million, Two Hundred Fifty Seven Thousand (298,257,000) Common Shares with a par value of Ten Pesos (₱10.00) per share, Twenty Million (20,000,000) Perpetual Preferred Shares with a par value of One Hundred Pesos (₱100.00) per share and One Hundred Seventy Four Million Three Hundred Thousand (174,300,000) Voting Preferred Shares with a par value of Ten Centavos (₱0.10) per share.

The Perpetual Preferred Shares shall have the following features, rights and privileges:

a. The Issue Value and Dividend Rate shall be determined by the BOD at the time of the issuance thereof;

b. The Perpetual Preferred Shares shall be entitled to the payment of current as well as any accrued or unpaid dividends before any dividends can be paid to the holders of Common Shares. No dividend shall be declared or paid on the Common Shares unless the full accumulated dividends on all the Perpetual Preferred Shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Corporation;

c. The holders of Perpetual Preferred Shares shall have preference over holders of Common Shares in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary;

d. The Perpetual Preferred Shares shall not be entitled to vote, except in those cases specifically provided by law;

e. The Perpetual Preferred Shares shall be non-participating in any other further dividends beyond that specifically payable thereon;

f. The Perpetual Preferred Shares shall be non-convertible to common shares or Voting Preferred Shares;

g. The Perpetual Preferred Shares shall be redeemable at the option of the Corporation under such terms that the Board may approve at the time of the issuance thereof;

h. The Perpetual Preferred Shares shall have no pre-emptive rights to any issue of shares, common or preferred; and

i. Other features, rights and privileges as determined by the BOD.

Declaration of cash dividends
On March 13, 2015, the BOD of the Parent Company approved the declaration of cash dividends of ₱3.00 per share to all stockholders of record as of April 17, 2015 which shall be payable on May 4, 2015.

38. Approval for the Release of the Financial Statements

The accompanying financial statements of the Company were approved and authorized for issue by the Company's BOD on March 13, 2015.

39. Notes to Cash Flows Statements

Below are the noncash operating, investing and financing transactions of the Company:

	2014	2013	2012
Transfers from investment property to inventories (Note 6)	**(₱182,101,483)**	₱1,765,346,107	₱368,314,414
Transfers from property and equipment to inventories (Note 6)	**–**	–	855,240
Borrowing cost capitalized to inventories (Note 6)	**709,649,989**	299,265,598	332,926,798
Conversion of deposit for future stock subscription (Note 8)	**–**	–	3,397,120,759
Indirect interest included in the consideration for the business combination:			
Fair value of previously held interest (Note 31)	**–**	8,168,271,296	690,643,951
Additional indirect interest (Note 8)	**–**	–	1,375,910,045
Fair value of net assets acquired from business combinations (Note 31):			
Assets			
Receivables	**489,139,851**	4,000,790,312	3,935,964,042
Inventories	**116,777,335**	5,256,937,104	895,882,766
Reinsurance assets	**–**	3,701,512,371	–
Prepayments and other current assets	**101,508,995**	903,919,323	1,212,354,008
Due from related parties	**–**	–	427,605,411
Available-for-sale investments	**711,019**	2,643,193,467	–
Investment properties	**301,367,000**	2,251,349,832	–
Property, plant and equipment	**201,227,584**	3,364,099,310	33,492,302,035
Investments in associates and jointly controlled entities	**–**	–	3,077,687,617
Intangible assets		10,034,348,535	8,995,160,191
Deferred tax assets		421,764,219	–
Other non-current assets	**837,272**	356,077,960	–
Liabilities			
Accounts payable and accrued expenses	**254,455,022**	11,865,580,908	3,103,143,854
Loans payable	**497,000,000**	–	–
Other current liabilities	**–**	207,969,569	–
Long-term debt	**–**	229,481,790	34,260,023,586
Other noncurrent liabilities	**93,357,542**	(29,707,977)	854,225,652
Deferred tax liability - from fair value change	**71,367,274**	2,270,619,482	593,256,587

SGV
Building a better
working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.
43rd Floor, GT Tower International
Ayala Avenue corner H.V. dela Costa St.
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GT Capital Holdings, Inc. and Subsidiaries as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 included in this Form 17-A and have issued our report thereon dated March 13, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1, As Amended (2011) and Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751290, January 5, 2015, Makati City

March 13, 2015

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2014

GT CAPITAL HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2014

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		₱4,395,979,371
Add: Net income actually earned during the period		
Net income during the period closed to Retained earnings	₱3,587,614,044	
Less: Non-actual/unrealized income net of tax	–	
Add: Non actual losses	–	3,587,614,044
Subtotal		7,983,593,415
Add (Less):		
Appropriations during the period	(9,000,000,000)	
Reversal of appropriation upon completion of the expansion and acquisition	3,000,000,000	
Dividend declaration during the period	(522,900,000)	(6,522,900,000)
Total Retained Earnings, end available for dividend declaration`		₱1,460,693,415

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS
FOR THE YEAR ENDED DECEMBER 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓			
PFRSs Practice Statement Management Commentary		✓			
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓	
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓	
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓	
	Amendments to PFRS 1: Government Loans			✓	
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓	
PFRS 2	Share-based Payment			✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓	
	Amendment to PFRS 2: Definition of Vesting Condition			✓	
PFRS 3 (Revised)	Business Combinations	✓			
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination				✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements				✓
PFRS 4	Insurance Contracts	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓			
	Amendment to PFRS 5: Changes in methods of disposal				✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PFRS 7: Transition	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓	
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Amendments to PFRS 7: Additional Hedge Accounting Disclosures (and consequential amendments) Resulting From the Introduction of the Hedge Accounting Chapter in PFRS 9				✓
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	
PFRS 8	Operating Segments	✓			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets				✓
	Amendment to PFRS 8: Aggregation of segments, reconciliation of the total of the reportable segments' assets to the entity's assets				✓
PFRS 9	Financial Instruments				✓
	Financial Instruments: Classification and Measurement of Financial Assets				✓
	Financial Instruments: Classification and Measurement of Financial Liabilities				✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Reissue to Incorporate a Hedge Accounting Chapter and Permit Early Application of the Requirements for Presenting in Other Comprehensive Income the "Own Credit" Gains or Losses on Financial Liabilities Designated under the Fair Value Option without Early Applying the Other Requirements of PFRS 9				✓
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition				✓
PFRS 10	Consolidated Financial Statements	✓			
	Amendments to PFRS 10: Transition Guidance	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PFRS 10: Investment Entities	✓			
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture				✓
PFRS 11	Joint Arrangements	✓			
	Amendments to PFRS 11: Transition Guidance	✓			
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations				✓
PFRS 12	Disclosure of Interests in Other Entities	✓			
	Amendments to PFRS 12: Transition Guidance	✓			
	Amendments to PFRS 12: Investment Entities	✓			
PFRS 13	Fair Value Measurement	✓			
	Amendment to PFRS 13: Short-term Receivables and Payables				✓
	Amendment to PFRS 13: Portfolio Exception				✓
PFRS 14	Regulatory Deferral Accounts			✓	
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosures	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
	Amendment to PAS 1: Comparative Information	✓			
PAS 2	Inventories	✓			
PAS 7	Statement of Cash Flows	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
PAS 10	Events after the Balance Sheet Date	✓			
PAS 11	Construction Contracts	✓			
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓	
PAS 16	Property, Plant and Equipment	✓			
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization				✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19	Employee Benefits	✓			
	Amendments to PAS 19: Employee Benefits	✓			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution				✓
	Amendments to PAS 19: Discount Rate: Regional Market Issue				✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			
	Amendment: Net Investment in a Foreign Operation			✓	
PAS 23 (Revised)	Borrowing Costs	✓			
PAS 24 (Revised)	Related Party Disclosures	✓			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓	
PAS 27	Consolidated and Separate Financial Statements	✓			
PAS 27 (Amended)	Separate Financial Statements	✓			
	Amendments for investment entities	✓			
	Amendments to PAS 27: Equity Method in Separate Financial Statements				✓
PAS 28 (Amended)	Investments in Associates	✓			
	Investments in Associates and Joint Ventures	✓			
PAS 29	Financial Reporting in Hyperinflationary Economies			✓	
PAS 31	Interests in Joint Ventures (Replaced by PFRS 11)	✓			
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendment to PAS 32: Classification of Rights Issues	✓			
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
PAS 33	Earnings per Share	✓			
PAS 34	Interim Financial Reporting	✓			
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'				✓
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
	Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓	
	Amendments to PAS 39: The Fair Value Option	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓	
	Amendment to PAS 39: Eligible Hedged Items			✓	
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓	
PAS 40	Investment Property	✓			
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner–Occupied Property				✓
PAS 41	Agriculture			✓	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓			
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓			
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓	
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓	
IFRIC 8	Scope of PFRS 2			✓	
IFRIC 9	Reassessment of Embedded Derivatives			✓	
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓	
IFRIC 10	Interim Financial Reporting and Impairment	✓			
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓			
IFRIC 12	Service Concession Arrangements			✓	
IFRIC 13	Customer Loyalty Programmes	✓			
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓			
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓			
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓	
IFRIC 17	Distributions of Non-cash Assets to Owners	✓			
IFRIC 18	Transfers of Assets from Customers	✓			
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓			
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓	
IFRIC 21	Levies			✓	
SIC-7	Introduction of the Euro			✓	
SIC-10	Government Assistance – No Specific Relation to Operating Activities			✓	
SIC-12	Consolidation – Special Purpose Entities			✓	
	Amendment to SIC – 12: Scope of SIC 12			✓	
SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	✓			
SIC-15	Operating Leases – Incentives	✓			
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	✓			
SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders			✓	
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓			
SIC-29	Service Concession Arrangements: Disclosures.			✓	
SIC-31	Revenue – Barter Transactions Involving Advertising Services			✓	
SIC-32	Intangible Assets – Web Site Costs	✓			

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E
FOR THE YEAR ENDED DECEMBER 31, 2014

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Equity securities				
Quoted	Various	₱2,549,232,004	₱2,549,232,004	₱938,881,963
Unquoted	Various	480,655,253	480,655,253	24,471,481
Quoted debt securities	Various	1,096,992,874	1,096,992,874	61,355,701

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
C.C. Afable	Assistant Vice President	₱182,681	₱–	(₱78,163)	₱–	₱78,163	₱26,355	₱104,518
M.T. Agustin	Manager	–	270,000	(43,649)	–	48,813	177,538	226,351
A.R. Alcid	Senior Manager	–	464,106	(181,435)	–	52,376	230,295	282,671
C.T. Alfonso	Senior Manager	287,036	–	(53,841)	–	53,840	179,355	233,195
M.N. Amistoso	Manager	251,561	–	(56,092)	–	56,032	139,437	195,469
B.E. Ang	Vice President	381,715	–	(77,811)	–	77,811	226,093	303,904
N.M. Galicia	Assistant Vice President	195,469	–	(59,488)	–	59,488	76,493	135,981
D.R. De Leon	Manager	262,255	–	(54,630)	–	54,630	152,995	207,625
M.G. Estuista	Manager	–	300,000	(26,124)	–	52,901	220,975	273,876
E.M, Gabriel	Senior Manager	–	300,000	(21,715)	–	52,638	225,647	278,285
K.D. Guades	Manager	200,000	–	(35,361)	–	35,360	129,279	164,639
D.C. Hernandez	Assistant Vice President	285,702	–	(71,840)	–	71,840	142,022	213,862
S.C. Iyog	Assistant Vice President	323,795	–	(81,418)	–	81,418	160,959	242,377
E.O. Madrinan	Manager	203,904	–	(57,734)	–	57,734	88,436	146,170
M.P. Mag-isa	Senior Manager	–	250,000	(18,078)	–	43,647	188,275	231,922
G.I. Mauricio	Assistant Vice President	–	363,500	(64,268)	–	66,045	233,187	299,232
P.N. Moralde	Assistant Vice President	233,646	–	(69,058)	–	69,058	95,530	164,588
S.A. Nunez	Assistant Vice President	361,000	–	(69,319)	–	69,319	222,362	291,681
A.S. Peralta	Assistant Vice President	301,702	–	(68,795)	–	68,795	164,112	232,907
E.P. Santos	Manager	228,561	–	(57,447)	–	57,447	113,667	171,114
C.B. Tolentino	Senior Manager	246,959	–	(56,312)	–	56,313	134,334	190,647
E.D. Trinidad	Assistant Vice President	358,795	–	(67,301)	–	67,301	224,193	291,494
M. Basilio	Vice President - Vehicle Sales Service	448,021	258,756	(93,500)	–	352,256	261,021	613,277
A. Carolino	Manager	229,166	26,400	(55,000)	–	81,400	119,166	200,566
J. Dizon	Sales Manager	254,604	53,534	(60,500)	–	114,034	133,604	247,638
M. Gerona	Sr. Sales Manager	277,292	35,891	(60,500)	–	96,391	156,292	252,683

(Forward)

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
J. Ingco	Sales Manager	₱265,833	₱–	(₱55,000)	₱–	₱55,000	₱155,833	₱210,833
N. Po	Vice President - Purchasing	340,083	7,251	(77,000)	–	270,334	–	270,334
J.N. Ramirez	Vice President	–	193,000	(70,575)	–	122,425	–	122,425
M.B. Hermosa	Manager	59,779	110,000	(64,189)	–	105,590	–	105,590
R.M. Reveche	Assistant Vice President	–	193,000	–	–	193,000	–	193,000
R.D. Baga	Assistant Manager	325,720	–	(134,038)	–	142,316	49,366	191,682
A. Quijano	Assistant Manager	–	365,000	(91,626)	–	92,712	180,662	273,374
E.L. Dayao	SVP-Corporate and Admin Services	3,385,689	–	(415,245)	–	454,274	2,516,170	2,970,444
S.A. Bontoc	GL/Payroll Officer	1,442,459	–	(54,721)	–	59,864	1,327,874	1,387,738
M. Madriñan	HRAT Officer	1,429,956	–	(75,144)	–	82,209	1,272,603	1,354,812
R.B. Obrero	AVP-Controllership	957,717	400,000	(578,781)	–	418,700	360,236	778,936
I. Paulino Jr.	Plant Manager	–	400,000	–	–	80,000	320,000	400,000
M.M. Paulino	Senior Finance Manager	–	350,000	(23,333)	–	70,000	256,667	326,667
E. Encarnacion	AVP-Controllership	400,000	–	(80,000)	–	80,000	240,000	320,000
M.L. Blanco	AVP-HRAT	400,000	–	(80,000)	–	80,000	240,000	320,000
J. Dela Cruz	AVP-BD	–	396,000	(76,667)	–	80,000	239,333	319,333
A.F. Aguinaldo	SM - Business Development	–	350,000	(32,083)	–	70,000	247,917	317,917
J.G. Co	Senior Coal Trading Manager	–	350,000	(52,500)	–	70,000	227,500	297,500
M.F. Limbo	Audit Manager	–	350,000	(64,167)	–	70,000	215,833	285,833
G. Buising	Power Sales Manager	–	300,000	(17,500)	–	60,000	222,500	282,500
N.N. Divina	Finance & Accounting Manager	–	300,000	(25,000)	–	60,000	215,000	275,000
A.G. Suganob	QA / QC Manager	–	300,000	(32,500)	–	60,000	207,500	267,500
N.M. Teologo	CEMA Manager	–	300,000	(32,500)	–	60,000	207,500	267,500
E.A. Cereneo	Operations & Maintenance Manager	–	300,000	(32,500)	–	60,000	207,500	267,500
C. Chavez	Purchasing Manager	–	263,000	–	–	60,000	203,000	263,000
E.S. Latiza	HR/Training Manager	–	322,500	(64,500)	–	64,500	193,500	258,000
S.F. Diaz	Assistant to the EVP-Engineering & Operations	300,000	–	(60,000)	–	60,000	180,000	240,000
T.B. Yanong	Operations & Maintenance Manager	285,000	–	(60,000)	–	60,000	165,000	225,000
R. Magalso	Accounting Manager	267,500	–	(60,000)	–	60,000	147,500	207,500
J. Barsales	Planning Manager	–	215,000	(35,000)	–	60,000	120,000	180,000
E.R. Sarino	Deputy Plant Manager	240,000	–	(60,000)	–	60,000	120,000	180,000
D.D. Erasan	Finance & Accounting Manager	240,000	–	(60,000)	–	60,000	120,000	180,000

(Forward)

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
J.M. Covar	Senior Planning Officer	₱239,167	₱–	(₱70,000)	₱–	₱70,000	₱99,167	₱169,167
G.A. Altamira	Senior Commercial Operations Manager	236,775	–	(69,300)	–	69,300	98,175	167,475
J.B. Lora	Quality Assurance / IMS Specialist	207,500	–	(60,000)	–	60,000	87,500	147,500
B. Policarpio	AVP-Legal	195,416	–	(70,000)	–	70,000	55,416	125,416
A.S. Matabang	Corporate Security Manager	183,750	–	(70,000)	–	70,000	43,750	113,750
E.M. Cabatingan	Maintenance & SCADA Manager	–	102,500	–	–	60,000	42,500	102,500
A.A. Fernandez	O&M Manager - Carmen	161,958	–	(59,800)	–	59,800	42,358	102,158

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements:

Name of debtor	Relationship	Balance at beginning of period	Net Transaction	Current	Not Current	Balance at end of period	Eliminations	GT Capital Balance
Federal Land, Inc.	Subsidiary of GT Capital Holdings, Inc.	₱–	₱100,000,000	₱100,000,000	₱–	₱100,000,000	(₱100,000,000)	₱–
Global Business Power Corporation	Subsidiary of GT Capital Holdings, Inc.	–	1,127,940,000	1,127,940,000	–	1,127,940,000	(1,127,940,000)	–
Baywatch Project Management Corp.	Subsidiary of Federal Land, Inc.	12,781,394	1,218,606	14,000,000	–	14,000,000	(14,000,000)	–
Horizon Land Property Development Corp.	-do-	3,598,173,143	231,893,498	3,830,066,641	–	3,830,066,641	(3,830,066,641)	–
Fedsales Marketing, Inc.	-do-	19,299,101	(19,299,101)	-	–	–	–	–
Central Realty & Dev't Corp	-do-	447,500,000	(15,000,000)	432,500,000	–	432,500,000	(432,500,000)	–
OMNI Orient Marketing, Inc.	-do-	27,959,802	(23,959,802)	4,000,000	–	4,000,000	(4,000,000)	–
Horizon Land Property Development Corp.	-do-	8,470,679	(4,311,867)	4,158,812	–	4,158,812	(4,158,812)	–
Global Bosiness Power Corporation	Parent Company of GBPC Group	–	1,642,638	1,642,638	–	1,642,638	(1,642,638)	–
GBH Cebu Limited Duration Company	Subsidiary of Global Business Power Corp	917,867	1,628,967	2,546,834	–	2,546,834	(2,546,834)	–
Cebu Energy Development Corp	-do-	513,691,377	870,794,044	1,384,485,421	–	1,384,485,421	(1,384,485,421)	–
Global Energy Sopply Corp	-do-	57,599,889	51,956,829	109,556,718	–	109,556,718	(109,556,718)	–

(Forward)

Name of debtor	Relationship	Balance at beginning of period	Net Transaction	Current	Not Current	Balance at end of period	Eliminations	GT Capital Balance
Global Formosa Power Holdings, Inc.	-do-	₱–	₱882,604,000	₱882,604,000	₱–	₱882,604,000	(₱882,604,000)	₱–
GBH Power Resources, Inc.	-do-	–	391,516	391,516	–	391,516	(391,516)	–
Mindanao Energy Development Corp	-do-	–	74,331	74,331	–	74,331	(74,331)	–
Panay Energy Development Corp.	-do-	50,188,555	1,227,069,152	1,277,257,707	–	1,277,257,707	(1,277,257,707)	–
Panay Power Corp	-do-	21,679,118	11,433,690	33,112,808	–	33,112,808	(33,112,808)	–
Panay Pnwer Holdings, Corp.	-do-	–	1,250,200,000	1,250,200,000	–	1,250,200,000	(1,250,200,000)	–
Toledo Cebu International Resources Corp.	-do-	41,967,720	1,341,528	43,309,248	–	43,309,248	(43,309,248)	–
Toledo Holdings, Cnrp	-do-	177,136,879	200,758,595	377,895,474	–	377,895,474	(377,895,474)	–
Toledo Power Company	-do-	55,827,467	232,027,089	287,854,556	–	287,854,556	(287,854,556)	–
Toyota San Fernando Pampanga, Inc	Subsidiary of Toyota Motors Philippines, Corp.	36,422,052	10,662,133	47,084,185	–	47,084,185	(47,084,185)	–
Toyota Makati, Inc.	-do-	121,097,604	(173,808,319)	(52,710,715)	–	(52,710,715)	52,710,715	–
Lexus Manila, Inc	-do-	25,001,702	(48,532,962)	(23,531,260)	–	(23,531,260)	23,531,260	–
Oxfordshire Holdings, Corp.	Subsidiary of Toyota Cubao, Inc.	–	9,445,277	9,445,277	–	9,445,277	(9,445,277)	–
		₱5,215,714,349	₱5,928,169,842	₱11,143,884,191	₱–	₱11,143,884,191	(₱11,143,884,191)	₱–

Schedule D. Intangible Assets - Other Assets

Description (i)	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Power purchase agreements	₱8,199,068,543	₱–	(₱477,654,989)	₱–	₱–	₱7,721,413,554
Goodwill	6,175,311,202	4,413,701	–		–	6,179,724,903
Customer relationship	3,883,238,361	–	–	–	–	3,883,238,361
Software cost and license	15,814,615	11,966,724	(7,964,718)	–	–	19,816,621
Franchise	1,583,333	–	(215,833)	–	–	1,367,500
	₱18,275,016,054	₱16,380,425	(₱485,835,540)	₱–	₱–	₱17,805,560,939

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Bonds payable	₱10,000,000,000	₱–	₱9,893,565,841
Bonds payable	12,000,000,000	–	11,881,153,821
	22,000,000,000	–	21,774,719,662
Note Facility Agreement	4,975,000,000	25,000,000	4,950,000,000
Loans payable	6,600,000,000	–	6,600,000,000
Loans payable	2,000,000,000	–	2,000,000,000
CEDC Omnibus Loan Agreement*	16,000,000,000	1,786,046,374	10,607,394,793
PEDC Omnibus Loan Agreement*	14,000,000,000	1,052,803,760	10,591,054,252
TPC Omnibus Loan Agreement*	7,000,000,000	–	6,963,515,136
PPC Loan Agreement (for Panay)*	1,569,271,600	196,708,246	166,550,023
Toyota Autoparts Philippines, Inc	78,626,700	–	77,520,916
TRP, Inc.	91,000,000	–	89,275,367
Philippine HKR, Inc.	76,200,000	–	72,207,680
	52,390,098,300	3,060,558,380	42,117,518,167
	₱74,390,098,300	₱3,060,558,380	₱63,892,237,829

**Includes deferred financing cost amounting to ₱264,509,767*

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
Metropolitan Bank & Trust Co.	₱2,000,000,000	₱2,000,000,000
Metropolitan Bank & Trust Co.	7,993,073,738	7,057,004,147
First Metro Investment Corporation	1,037,320,579	759,831,933
Toyota Autoparts Philippines, Inc	76,623,085	77,520,916

Schedule G. Guarantees of Securities of Other Issuers

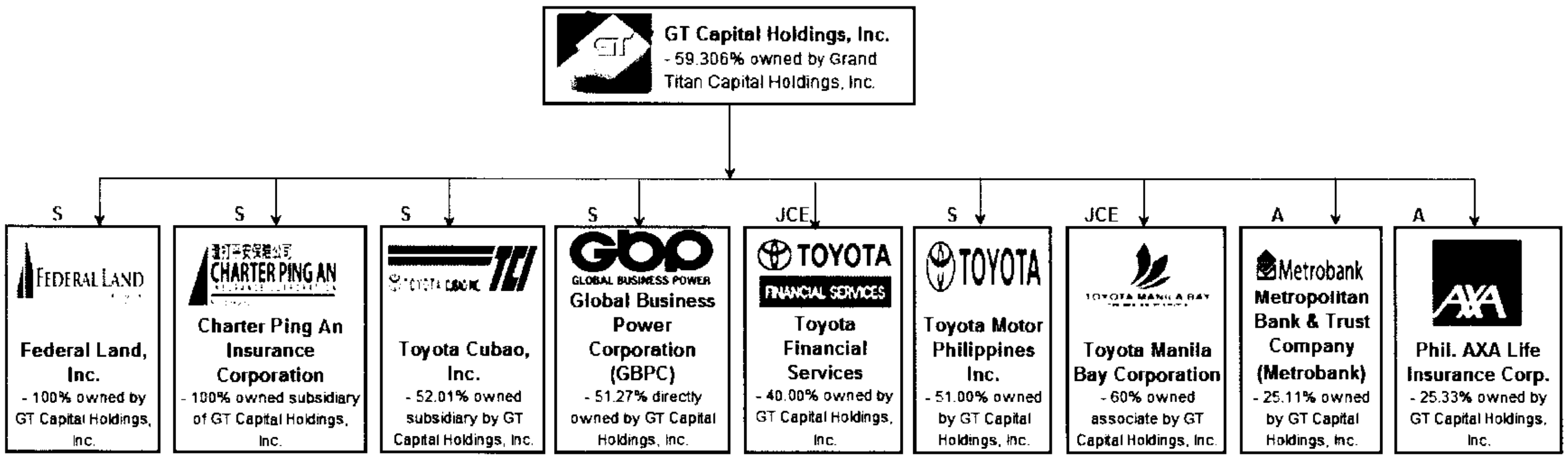
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
None				

Schedule H. Capital Stock

Title of issue	Number of Shares authorized	Number of Shares issued and outstanding and 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
Common	500,000,000	174,300,000	–	5,000	589,800	–

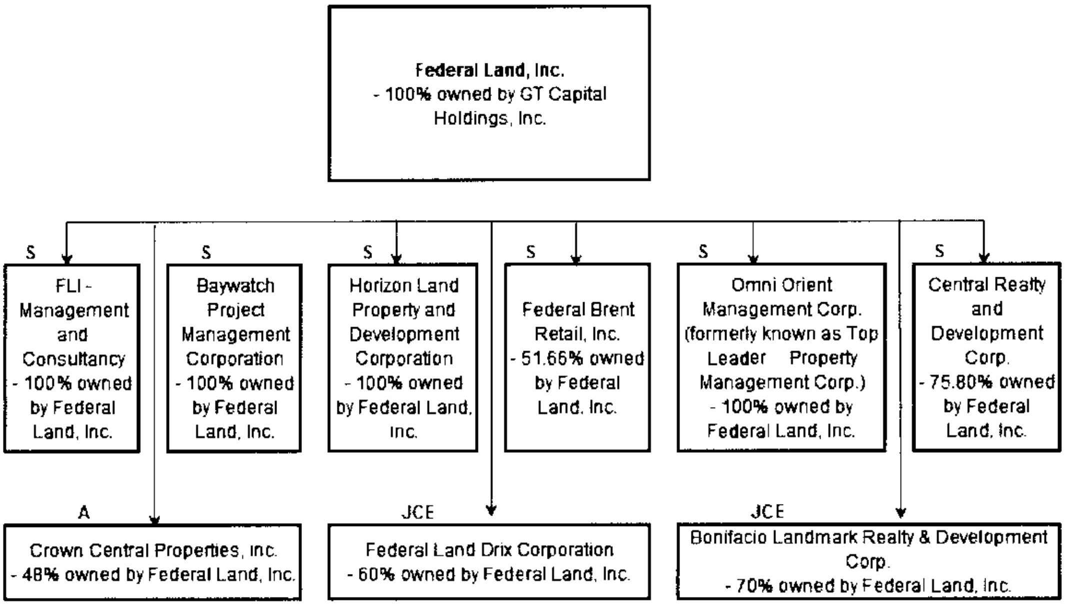
GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF RELATIONSHIP BETWEEN AND AMONG THE PARENT COMPANY AND ITS ULTIMATE PARENT, SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES
FOR THE YEAR ENDED DECEMBER 31, 2014



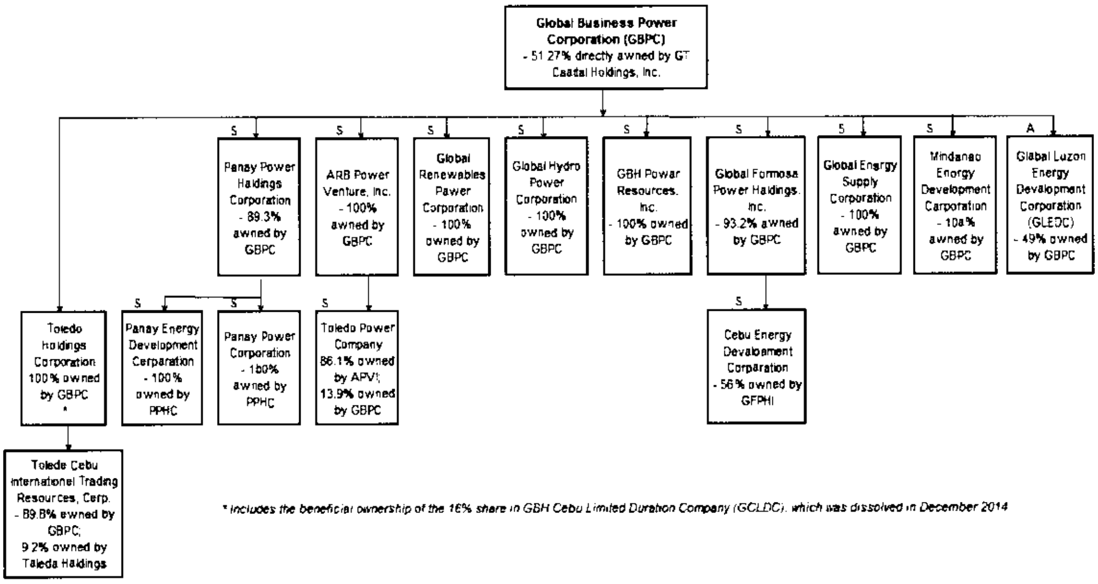
LEGEND:
Subsidiary (S)
Associate (A)
Jointly Controlled Entity (JCE)

FEDERAL LAND, INC.
SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES
AS OF DECEMBER 31, 2014



LEGEND:
Subsidiary (S)
Associate (A)
Jointly Controlled Entity (JCE)

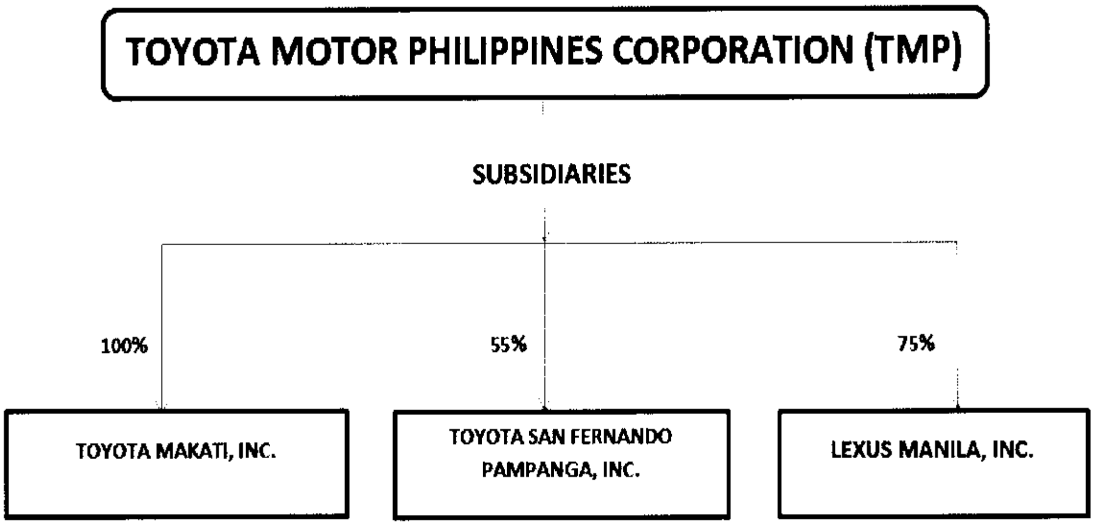
GLOBAL BUSINESS POWER CORPORATION
SUBSIDIARIES AND ASSOCIATE
AS OF DECEMBER 31, 2014



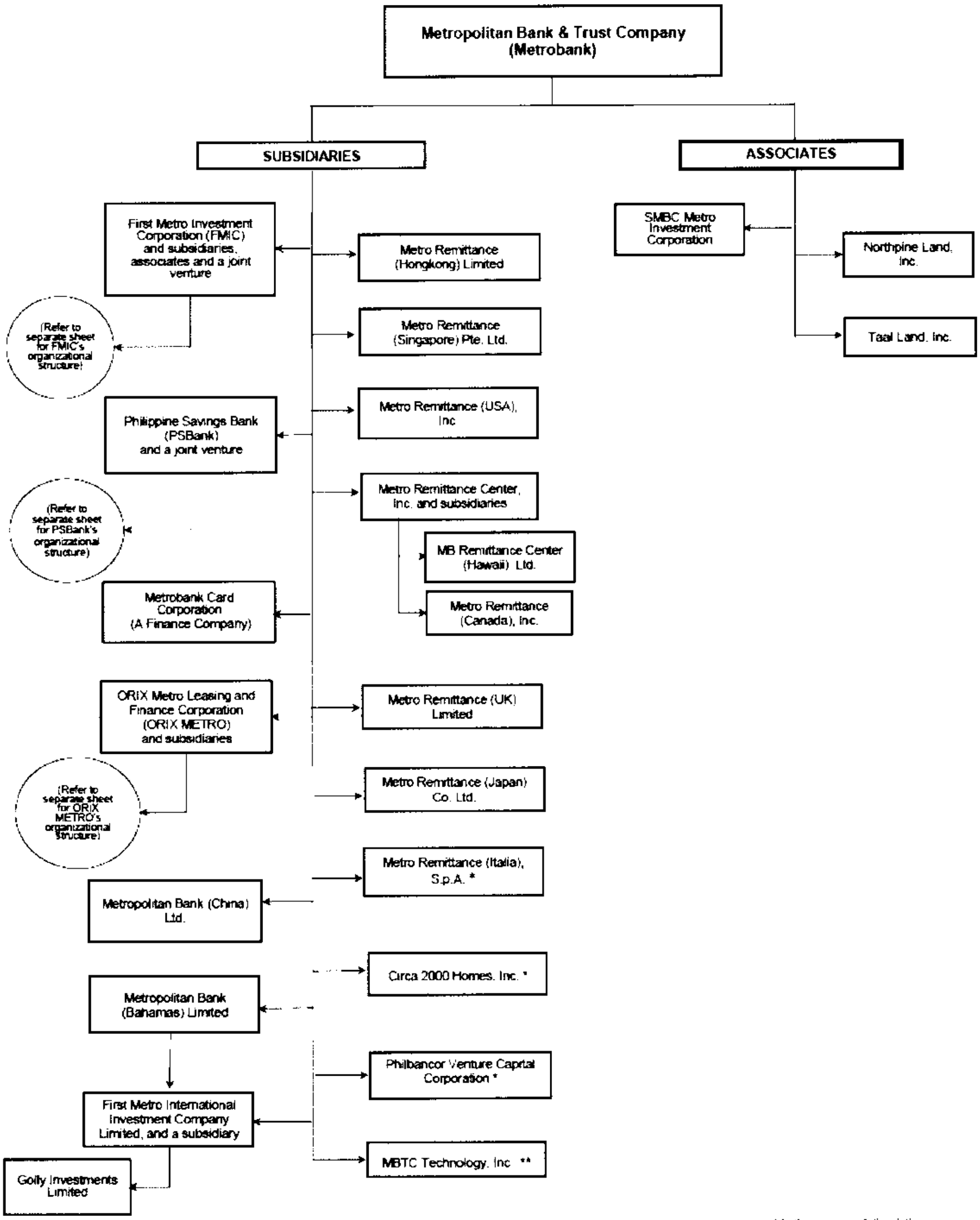
** includes the beneficial ownership of the 16% share in GBH Cebu Limited Duration Company (GCLDC), which was dissolved in December 2014*

LEGEND:
Subsidiary (S)
Associate (A)

TOYOTA MOTOR PHILIPPINES CORPORATION
SUBSIDIARIES
AS OF DECEMBER 31, 2014



METROPOLITAN AND BANK TRUST COMPANY
SUBSIDIARIES
AS OF DECEMBER 31, 2014



** In the process of dissolution*
*** In the process of liquidation*

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in millions except %)	2014	2013
Liquidity Ratio		
Current ratio	**2.37**	1.88
Current assets	**₱88,179**	₱73,682
Current liabilities	**37,253**	39,193
Solvency Ratio		
Total liabilities to total equity ratio	**1.06**	1.08
Total liabilities	**112,321**	99,796
Total equity	**105,942**	92,564
Debit to equity ratio	**0.69**	0.65
Total debt	**72,812**	59,896
Total equity	**105,942**	92,564
Asset to Equity Ratio		
Asset equity ratio	**2.75**	2.73
Total assets	**218,263**	192,360
Equity attributable to Parent Company	**79,347**	70,525
Interest Rate Coverage Ratio*		
Interest rate coverage ratio	**6.02**	4.73
Earnings before interest and taxes (EBIT)	**19,506**	16,367
Interest expense	**3,241**	3,462
Profitability Ratio		
Return on average assets	**4.46%**	5.25%
Net income attributable to Parent Company	**9,153**	8,640
Average assets	**205,311**	164,672
Return on Average Equity	**12.21%**	13.90%
Net income attributable to Parent Company	**9,153**	8,640
Average equity attributable to Parent Company	**74,936**	62,142
Income before income tax	**17,862**	14,334
Interest expense	**3,241**	3,462
Interest income	**1,597**	1,429
EBIT	**19,506**	16,367

*computed as EBIT/Interest Expense

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

DETAILS OF THE USE OF PROCEEDS OF THE COMPANY'S BOND OFFERING FOR THE PERIOD AUGUST 7, 2014 TO DECEMBER 31, 2014

(Amounts in millions)

Gross proceeds	₱12,000
Less: Offer-related fees and expenses	125
Net Proceeds	₱11,875
Use of Proceeds	
Repayment of short-term loans payable including accrued interest	₱1,801
Acquisition of 4,000,000 shares of Toyota Financial Services Philippines Corporation (TFSPC)	2,100
Full payment of subscription to Federal Land Inc. preferred shares	7,500
Funding of TFSPC equity call	280
Payment of interest expense on bonds	281
	11,962
Less: Internally generated funds	87
	₱11,875

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Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Metropolitan Bank & Trust Company
Metrobank Plaza, Sen. Gil J. Puyat Avenue
Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Metropolitan Bank & Trust Company and Subsidiaries (the Group) and of Metropolitan Bank & Trust Company (the Parent Company), which comprise the statements of financial position as at December 31, 2014 and 2013 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Group's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Philippines for banks for the Group and Philippine Financial Reporting Standards for the Parent Company as described in Note 2 to the financial statements, and for such internal control as the Group's management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2014 and 2013 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with the accounting principles generally accepted in the Philippines for banks as described in Note 2 to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2014 and 2013 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-A (Group A),
July 1, 2013, valid until June 30, 2016
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751306, January 5, 2015, Makati City

February 25, 2015

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Millions)

	Consolidated		Parent Company	
	December 31			
	2014	2013	**2014**	2013
ASSETS				
Cash and Other Cash Items	**₱34,943**	₱29,742	**₱30,733**	₱26,532
Due from Bangko Sentral ng Pilipinas (Note 16)	**215,253**	166,774	**174,259**	143,724
Due from Other Banks	**38,200**	26,275	**25,583**	8,947
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (Notes 7 and 26)	**119,839**	122,011	**108,441**	96,872
Financial Assets at Fair Value Through Profit or Loss (Note 8)	**45,935**	55,441	**29,850**	36,140
Available-for-Sale Investments (Note 8)	**207,711**	273,429	**179,375**	226,943
Held-to-Maturity Investments (Note 8)	**129,076**	38,425	**110,777**	38,358
Loans and Receivables (Note 9)	**759,481**	611,064	**589,993**	456,895
Investments in Subsidiaries (Note 11)	**–**	–	**26,276**	24,882
Investments in Associates and a Joint Venture (Note 11)	**2,589**	6,274	**428**	578
Property and Equipment (Note 10)	**16,231**	15,756	**10,456**	10,296
Investment Properties (Note 12)	**10,037**	13,125	**6,229**	9,504
Deferred Tax Assets (Note 28)	**6,831**	7,190	**5,273**	6,333
Goodwill (Note 11)	**5,201**	5,206	**–**	–
Other Assets (Note 14)	**13,213**	7,857	**9,507**	4,696
	₱1,604,540	₱1,378,569	**₱1,307,180**	₱1,090,700
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 31)				
Demand	**₱187,285**	₱150,694	**₱169,851**	₱134,788
Savings	**406,767**	362,915	**390,509**	348,244
Time	**576,152**	502,659	**475,818**	407,722
Long-Term Negotiable Certificates	**14,250**	–	**14,250**	–
	1,184,454	1,016,268	**1,050,428**	890,754
Bills Payable and Securities Sold Under Repurchase Agreements (Notes 17 and 31)	**140,399**	127,204	**62,345**	45,993
Derivative Liabilities (Note 8)	**3,071**	4,452	**3,054**	4,452
Manager's Checks and Demand Drafts Outstanding	**4,653**	3,927	**3,399**	2,816
Income Taxes Payable	**1,191**	676	**591**	267
Accrued Interest and Other Expenses (Note 18)	**9,874**	8,507	**7,514**	6,002
Bonds Payable (Note 19)	**11,444**	11,643	**–**	–
Subordinated Debts (Note 20)	**29,452**	8,628	**22,344**	4,497
Deferred Tax Liabilities (Note 28)	**457**	479	**–**	–
Other Liabilities (Note 21)	**60,760**	54,080	**35,789**	28,860
	1,445,755	1,235,864	**1,185,464**	983,641

(Forward)

	Consolidated		Parent Company	
	December 31			
	2014	2013	**2014**	2013
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Common stock (Note 23)	**₱54,896**	₱54,896	**₱54,896**	₱54,896
Hybrid capital securities (Note 23)	**6,351**	6,351	**6,351**	6,351
Capital paid in excess of par value	**19,312**	19,312	**19,312**	19,312
Surplus reserves (Note 24)	**1,371**	1,235	**1,371**	1,235
Surplus (Notes 23 and 24)	**72,258**	55,525	**45,265**	30,903
Treasury stock (Note 23)	**(30)**	–	**–**	–
Remeasurement losses on retirement plan (Note 27)	**(2,440)**	(2,870)	**(2,028)**	(2,617)
Net unrealized loss on available-for-sale investments (Note 8)	**(2,394)**	(481)	**(2,609)**	(2,133)
Equity in other comprehensive income of associates (Note 11)	**260**	272	**–**	–
Translation adjustment and others (Notes 8 and 11)	**545**	647	**(842)**	(888)
	150,129	134,887	**121,716**	107,059
Non-controlling Interest	**8,656**	7,818	**–**	–
	158,785	142,705	**121,716**	107,059
	₱1,604,540	₱1,378,569	**₱1,307,180**	₱1,090,700

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Millions, Except Earnings Per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	2014	2013	2012
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 31)	**₱39,829**	₱35,537	₱32,728	**₱20,361**	₱18,156	₱17,652
Trading and investment securities (Note 8)	**14,995**	11,415	10,463	**12,951**	9,106	7,118
Interbank loans receivable and securities purchased under resale agreements (Note 31)	**4,145**	2,417	551	**3,029**	1,705	269
Deposits with banks and others	**325**	523	1,274	**108**	282	499
	59,294	49,892	45,016	**36,449**	29,249	25,538
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 31)	**9,299**	7,556	8,756	**6,588**	4,975	5,679
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 17, 19, 20 and 31)	**4,232**	4,067	5,406	**1,263**	873	1,389
	13,531	11,623	14,162	**7,851**	5,848	7,068
NET INTEREST INCOME	**45,763**	38,269	30,854	**28,598**	23,401	18,470
Profit from assets sold (Notes 10 and 12)	**10,200**	894	1,119	**9,815**	643	1,118
Service charges, fees and commissions (Note 31)	**8,898**	8,640	8,123	**3,483**	3,555	3,527
Trading and securities gain - net (Notes 8 and 31)	**3,305**	17,182	6,680	**699**	8,586	1,706
Leasing (Notes 12, 13 and 31)	**1,894**	1,638	1,380	**238**	243	207
Gain on sale of investment in associates (Notes 8, 11 and 31)	**1,225**	7,388	–	**638**	–	–
Income from trust operations (Notes 24 and 29)	**1,186**	1,071	853	**1,139**	1,057	841
Dividends (Notes 11 and 31)	**262**	435	156	**3,147**	10,006	1,773
Gain on sale of non-current asset held for sale (Note 31)	–	3,440	3,403	–	4,201	4,164
Foreign exchange gain (loss) - net (Note 31)	**(102)**	(2,266)	3,636	**(357)**	(2,575)	3,380
Miscellaneous (Note 25)	**2,263**	2,233	874	**973**	421	373
TOTAL OPERATING INCOME	**74,894**	78,924	57,078	**48,373**	49,538	35,559
Compensation and fringe benefits (Notes 27 and 31)	**17,245**	15,634	14,406	**12,268**	11,018	10,385
Taxes and licenses	**7,052**	8,131	5,268	**4,413**	4,167	3,162
Provision for credit and impairment losses (Note 15)	**4,849**	10,722	4,478	**7**	5,294	777
Depreciation and amortization (Notes 10, 12 and 14)	**2,566**	2,400	2,188	**1,057**	1,112	1,028
Occupancy and equipment-related cost (Note 13)	**2,442**	2,225	2,107	**1,405**	1,286	1,215
Amortization of software costs (Note 14)	**330**	284	236	**146**	139	120
Miscellaneous (Note 25)	**11,289**	10,101	9,170	**6,980**	6,162	5,964
TOTAL OPERATING EXPENSES	**45,773**	49,497	37,853	**26,276**	29,178	22,651
INCOME BEFORE SHARE IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE	**29,121**	29,427	19,225	**22,097**	20,360	12,908
SHARE IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE (Note 11)	**443**	1,477	2,548	–	–	–
INCOME BEFORE INCOME TAX	**29,564**	30,904	21,773	**22,097**	20,360	12,908
PROVISION FOR INCOME TAX (Note 28)	**6,459**	6,748	3,856	**4,355**	3,646	1,760
NET INCOME	**₱23,105**	₱24,156	₱17,917	**₱17,742**	₱16,714	₱11,148
Attributable to:						
Equity holders of the Parent Company (Note 32)	**₱20,113**	₱22,488	₱15,399			
Non-controlling Interest	**2,992**	1,668	2,518			
	₱23,105	₱24,156	₱17,917			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱7.15**	₱8.02	₱5.44*			

*Restated to include the effect of stock dividend issued in 2013 (Note 23).

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	**2014**	2013	2012
Net Income	**₱23,105**	₱24,156	₱17,917	**₱17,742**	₱16,714	₱11,148
Other Comprehensive Income (Loss) for the Year, Net of Tax						
Items that may not be reclassified to profit or loss:						
Change in remeasurement loss on retirement plan	**363**	(897)	(556)	**589**	(740)	(519)
Items that may be reclassified to profit or loss:						
Change in net unrealized gain (loss) on available-for-sale investments (Note 8)	**(2,015)**	(2,917)	(2,517)	**(476)**	(3,746)	(764)
Change in equity in other comprehensive income of associates	**(12)**	(498)	330	**–**	–	–
Translation adjustment and others (Notes 8 and 11)	**(1,182)**	1,746	(2,099)	**46**	406	(340)
	(3,209)	(1,669)	(4,286)	**(430)**	(3,340)	(1,104)
Total Comprehensive Income for the Year	**₱20,259**	₱21,590	₱13,075	**₱17,901**	₱12,634	₱9,525
Attributable to:						
Equity holders of the Parent Company	**₱18,516**	₱19,740	₱12,256	**₱17,901**	₱12,634	₱9,525
Non-controlling Interest	**1,743**	1,850	819	**–**	–	–
	₱20,259	₱21,590	₱13,075	**₱17,901**	₱12,634	₱9,525

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
(In Millions)

	Consolidated												
	Equity Attributable to Equity Holders of the Parent Company												
	Common Stock (Note 23)	Hybrid Capital Securities (Note 23)	Capital Paid In Excess of Par Value	Surplus Reserves (Note 24)	Surplus (Notes 23 and 24)	Treasury Stock (Note 23)	Remeasurement Losses on Retirement Plan (Note 27)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 8)	Equity in Other Comprehensive Income of Associates (Note 11)	Translation Adjustment and Others (Notes 8 and 11)	Total	Non-controlling Interest	Total Equity
Balance as at January 1, 2014	**₱54,896**	**₱6,351**	**₱19,312**	**₱1,235**	**₱55,525**	**₱–**	**(₱2,870)**	**(₱481)**	**₱272**	**₱647**	**₱134,887**	**₱7,818**	**₱142,705**
Total comprehensive income for the year	–	–	–	–	20,113	–	430	(1,913)	(12)	(102)	18,516	1,743	20,259
Transfer to surplus reserves	–	–	–	136	(136)	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	(2,745)	–	–	–	–	–	(2,745)	(905)	(3,650)
Coupon payment of hybrid capital securities (Note 32)	–	–	–	–	(499)	–	–	–	–	–	(499)	–	(499)
Parent Company shares held by a mutual fund subsidiary	–	–	–	–	–	(30)	–	–	–	–	(30)	–	(30)
Balance at December 31, 2014	**₱54,896**	**₱6,351**	**₱19,312**	**₱1,371**	**₱72,258**	**(₱30)**	**(₱2,440)**	**(₱2,394)**	**₱260**	**₱545**	**₱150,129**	**₱8,656**	**₱158,785**
Balance as at January 1, 2013	₱42,228	₱6,351	₱19,312	₱1,108	₱48,418	₱–	(₱2,011)	₱2,439	₱757	(₱869)	₱117,733	₱6,976	₱124,709
Total comprehensive income for the year	–	–	–	–	22,488	–	(859)	(2,920)	(485)	1,516	19,740	1,850	21,590
Transfer to surplus reserves	–	–	–	127	(127)	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	(2,111)	–	–	–	–	–	(2,111)	(1,008)	(3,119)
Stock dividend	12,668	–	–	–	(12,668)	–	–	–	–	–	–	–	–
Coupon payment of hybrid capital securities (Note 32)	–	–	–	–	(475)	–	–	–	–	–	(475)	–	(475)
Balance at December 31, 2013	₱54,896	₱6,351	₱19,312	₱1,235	₱55,525	₱–	(₱2,870)	(₱481)	₱272	₱647	₱134,887	₱7,818	₱142,705
Balance as at January 1, 2012	₱42,228	₱6,351	₱19,312	₱1,002	₱35,712	₱–	(₱1,460)	₱4,460	₱433	₱26	₱108,064	₱6,684	₱114,748
Total comprehensive income for the year	–	–	–	–	15,399	–	(551)	(2,021)	324	(895)	12,256	819	13,075
Transfer to surplus reserves	–	–	–	106	(106)	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	(2,111)	–	–	–	–	–	(2,111)	(527)	(2,638)
Coupon payment of hybrid capital securities (Note 32)	–	–	–	–	(476)	–	–	–	–	–	(476)	–	(476)
Balance at December 31, 2012	₱42,228	₱6,351	₱19,312	₱1,108	₱48,418	₱–	(₱2,011)	₱2,439	₱757	(₱869)	₱117,733	₱6,976	₱124,709

Parent Company

	Common Stock (Note 23)	Hybrid Capital Securities (Note 23)	Capital Paid In Excess of Par Value	Surplus Reserves (Note 24)	Surplus (Notes 23 and 24)	Remeasurement Losses on Retirement Plan (Note 27)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 8)	Translation Adjustment and Others (Notes 8 and 11)	Total Equity
Balance at January 1, 2014	**₱54,896**	**₱6,351**	**₱19,312**	**₱1,235**	**₱30,903**	**(₱2,617)**	**(₱2,133)**	**(₱888)**	**₱107,059**
Total comprehensive income for the year	–	–	–	–	**17,742**	**589**	**(476)**	**46**	**17,901**
Transfer to surplus reserves	–	–	–	**136**	**(136)**	–	–	–	–
Cash dividends	–	–	–	–	**(2,745)**	–	–	–	**(2,745)**
Coupon payment of hybrid capital securities (Note 32)	–	–	–	–	**(499)**	–	–	–	**(499)**
Balance at December 31, 2014	**₱54,896**	**₱6,351**	**₱19,312**	**₱1,371**	**₱45,265**	**(₱2,028)**	**(₱2,609)**	**(₱842)**	**₱121,716**
Balance at January 1, 2013	₱42,228	₱6,351	₱19,312	₱1,108	₱29,570	(₱1,877)	₱1,613	(₱1,294)	₱97,011
Total comprehensive income for the year			–	–	16,714	(740)	(3,746)	406	12,634
Transfer to surplus reserves	–	–	–	127	(127)	–			–
Cash dividends	–		–	–	(2,111)	–	–	–	(2,111)
Stock dividend	12,668	–	–	–	(12,668)	–	–	–	–
Coupon payment of hybrid capital securities (Note 32)	–	–	–	–	(475)	–	–	–	(475)
Balance at December 31, 2013	₱54,896	₱6,351	₱19,312	₱1,235	₱30,903	(₱2,617)	(₱2,133)	(₱888)	₱107,059
Balance at January 1, 2012	₱42,228	₱6,351	₱19,312	₱1,002	₱21,115	(₱1,358)	₱2,377	(₱954)	₱90,073
Total comprehensive income for the year	–	–	–	–	11,148	(519)	(764)	(340)	9,525
Transfer to surplus reserves	–	–	–	106	(106)	–			–
Cash dividends	–	–	–		(2,111)	–		–	(2,111)
Coupon payment of hybrid capital securities (Note 32)	–	–	–	–	(476)	–	–	–	(476)
Balance at December 31, 2012	₱42,228	₱6,351	₱19,312	₱1,108	₱29,570	(₱1,877)	₱1,613	(₱1,294)	₱97,011

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	**2014**	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱29,564**	₱30,904	₱21,773	**₱22,097**	₱20,360	₱12,908
Adjustments for:						
Provision for credit and impairment losses (Note 15)	**4,849**	10,722	4,478	**7**	5,294	777
Trading and securities gain on available-for-sale investments (Note 8)	**(1,862)**	(12,833)	(7,096)	**(965)**	(4,816)	(4,004)
Depreciation and amortization (Notes 10, 12 and 14)	**2,566**	2,400	2,188	**1,057**	1,112	1,028
Share in net income of associates and a joint venture (Note 11)	**(443)**	(1,477)	(2,548)	**-**	–	–
Profit from assets sold (Notes 10 and 12)	**(10,200)**	(894)	(1,119)	**(9,815)**	(643)	(1,118)
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	**(748)**	(649)	(139)	**(54)**	(61)	(122)
Amortization of software costs (Note 14)	**330**	284	236	**146**	139	120
Amortization of discount on subordinated debts and bonds payable	**16**	29	42	**4**	20	35
Unrealized market valuation loss (gain) on financial assets and liabilities at FVPL	**(334)**	(4,624)	3,747	**(391)**	(3,691)	3,721
Dividends (Note 11)	**(262)**	(435)	(156)	**(3,147)**	(10,006)	(1,773)
Gain on sale of non-current asset held for sale (Note 31)	**–**	(3,440)	(3,403)	**–**	(4,201)	(4,164)
Net loss on sale/dissolution of investment in subsidiaries (Note 11)	**–**	–	–	**–**	1	14
Gain on sale of investment in associates (Note 11)	**(1,225)**	(7,388)	-	**(638)**	–	–
Changes in operating assets and liabilities:						
Decrease (increase) in:						
Financial assets at fair value through profit or loss	**8,480**	19,958	(63,989)	**5,305**	23,201	(53,016)
Loans and receivables	**(153,622)**	(95,041)	(73,989)	**(132,554)**	(61,553)	(48,037)
Other assets	**(5,730)**	245	(2,217)	**(5,216)**	1,191	(1,257)
Increase (decrease) in:						
Deposit liabilities	**168,186**	277,574	57,701	**159,674**	256,335	52,783
Manager's checks and demand drafts outstanding	**726**	438	879	**583**	84	777
Accrued interest and other expenses	**1,367**	166	1,142	**1,512**	95	1,360
Other liabilities	**7,021**	12,920	11,191	**7,495**	2,366	5,612
Net cash generated from (used in) operations	**48,679**	228,859	(51,279)	**45,100**	225,227	(34,356)
Dividends received	**579**	716	2,981	**3,147**	10,006	1,773
Income taxes paid	**(5,608)**	(5,482)	(3,706)	**(2,971)**	(3,347)	(1,437)
Net cash provided by (used in) operating activities	**43,650**	224,093	(52,004)	**45,276**	231,886	(34,020)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Available-for-sale investments	**(218,572)**	(982,284)	(481,008)	**(187,532)**	(882,101)	(408,144)
Held-to-maturity investments	**(106,377)**	(23,798)	(21,577)	**(88,319)**	(23,798)	(19,303)
Property and equipment (Note 10)	**(3,073)**	(3,293)	(3,841)	**(1,447)**	(1,560)	(2,208)
Additional investments in subsidiaries and associates (Note 11)	**–**	(959)	(644)	**(1,452)**	(41)	(41)
Proceeds from sale of:						
Available-for-sale investments	**285,284**	877,988	503,669	**235,636**	759,206	424,436
Property and equipment	**739**	1,299	585	**645**	954	430

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	**2014**	2013	2012
Investments in subsidiaries and associates (Note 11)	**₱2,812**	₱14,308	₱314	**₱788**	₱–	₱71
Investment properties (Note 12)	**13,412**	3,059	4,090	**12,495**	2,402	3,287
Non-current asset held for sale (Note 31)	–	4,537	4,500	–	4,537	4,500
Increase in interbank loans receivable and securities purchased under resale agreements (Note 26)	**(2,815)**	(492)	(3,380)	**(2,815)**	(492)	(3,380)
Proceeds from maturity of held-to-maturity investments	**15,727**	6,932	17,583	**15,899**	6,932	15,277
Net cash provided by (used in) investing activities	**(12,863)**	(102,703)	20,291	**(16,102)**	(133,961)	14,925
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlements of bills payable	**(2,072,980)**	(1,767,989)	(983,041)	**(1,763,584)**	(1,271,929)	(467,160)
Availments of bills payable and securities sold under repurchase agreement	**2,086,175**	1,798,085	980,491	**1,779,936**	1,301,699	469,783
Repayments of subordinated debts (Note 20)	**(4,500)**	(6,800)	(8,500)	**(4,500)**	(5,500)	(8,500)
Proceeds from issuance of:						
Bonds payable (Note 19)	–	–	6,958	–	–	–
Subordinated debts (Note 20)	**25,315**	1,170	2,968	**22,344**	–	–
Cash dividends paid (Note 23)	**(3,650)**	(3,119)	(2,638)	**(2,745)**	(2,111)	(2,111)
Coupon payment of hybrid capital securities (Note 23)	**(499)**	(475)	(476)	**(499)**	(475)	(476)
Acquisition of Parent Company shares by a mutual fund subsidiary (Note 23)	**(30)**	–	–	–	–	–
Net cash provided by (used in) financing activities	**29,831**	20,872	(4,238)	**30,952**	21,684	(8,464)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**60,618**	142,262	(35,951)	**60,126**	119,609	(27,559)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**29,742**	24,382	20,954	**26,532**	21,540	16,985
Due from Bangko Sentral ng Pilipinas	**166,774**	131,278	156,537	**143,724**	111,515	146,636
Due from other banks	**26,275**	22,996	32,761	**8,947**	7,873	13,310
Interbank loans receivable and securities purchased under resale agreements (Note 26)	**117,175**	19,048	23,403	**92,036**	10,702	2,258
	339,966	197,704	233,655	**271,239**	151,630	179,189
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**34,943**	29,742	24,382	**30,733**	26,532	21,540
Due from Bangko Sentral ng Pilipinas	**215,253**	166,774	131,278	**174,259**	143,724	111,515
Due from other banks	**38,200**	26,275	22,996	**25,583**	8,947	7,873
Interbank loans receivable and securities purchased under resale agreements (Note 26)	**112,188**	117,175	19,048	**100,790**	92,036	10,702
	₱400,584	₱339,966	₱197,704	**₱331,365**	₱271,239	₱151,630

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	**2014**	2013	2012
Interest paid	**₱13,436**	₱11,663	₱14,371	**₱7,701**	₱5,904	₱7,316
Interest received	**59,389**	48,836	44,714	**36,654**	27,985	25,133

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Metropolitan Bank & Trust Company (the Parent Company) is a universal bank incorporated in the Philippines on April 6, 1962. The Securities and Exchange Commission (SEC) approved the renewal of its Certification of Incorporation until April 6, 2057 on November 19, 2007.

In November 1980, the SEC approved and certified the listing of its shares and on February 26, 1981, the listing and trading took effect in Makati Stock Exchange, Inc. and Manila Stock Exchange which unified and now, The Philippine Stock Exchange, Inc. (PSE). The universal banking license was granted by the Philippine Central Bank, now Bangko Sentral ng Pilipinas (BSP) on August 21, 1981.

The Parent Company and its subsidiaries (the Group) are engaged in all aspects of banking, financing, leasing, real estate and stock brokering through a network of about 2,000 local and international branches, subsidiaries, representative offices, remittance correspondents and agencies. As a bank, the Parent Company provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, trading and remittances, and trust services. Its principal place of business is at Metrobank Plaza, Sen. Gil J. Puyat Avenue, Makati City.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that have been measured at fair value.

The financial statements of the Parent Company and Philippine Savings Bank (PSBank) include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under Basis of Consolidation.
The financial statements are presented in PHP, and all values are rounded to the nearest million pesos (₱000,000), except when otherwise indicated.

Statement of Compliance

The financial statements of the Group have been prepared in compliance with the accounting principles generally accepted in the Philippines for banks or Philippine GAAP for banks. As discussed in Note 8, in 2011, First Metro Investment Corporation (FMIC), a majority-owned subsidiary of the Parent Company, participated in a bond exchange transaction under the liability management exercise of the Philippine Government. The SEC granted an exemptive relief from the existing tainting rule on held-to-maturity (HTM) investments under Philippine Accounting

Standard (PAS) 39, *Financial Instruments: Recognition and Measurement,* while the BSP also provided the same exemption for prudential reporting to the participants. Following this exemption, the basis of preparation of the financial statements of the availing entities shall not be Philippine Financial Reporting Standards (PFRS) but should be the prescribed financial reporting framework for entities which are given relief from certain requirements of the PFRS. Except for the aforementioned exemption which is applied starting 2011, the financial statements of the Group have been prepared in compliance with the PFRS.

The financial statements of the Parent Company have been prepared in compliance with the PFRS.

Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and of its subsidiaries and are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly and majority-owned foreign and domestic subsidiaries of the Parent Company in 2014 and 2013 (Note 11):

Subsidiary	Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Markets:			
Domestic:			
FMIC and Subsidiaries	Philippines	99.23	PHP
PSBank	Philippines	75.98	PHP
Metrobank Card Corporation (A Finance Company) (MCC)	Philippines	60.00	PHP
ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries	Philippines	59.85	PHP
Foreign:			
Metropolitan Bank (China) Ltd. (MBCL)	China	100.00	Chinese Yuan
Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)	The Bahamas	100.00	USD
First Metro International Investment Company Limited (FMIIC) and Subsidiary	Hong Kong	99.85	Hong Kong Dollar (HKD)
Remittances:			
Metro Remittance (Hong Kong) Limited (MRHL)	Hong Kong	100.00	HKD
Metro Remittance (Singapore) Pte. Ltd. (MRSPL)	Singapore	100.00	Singapore Dollar
Metro Remittance (UK) Limited (MR UK)	United Kingdom	100.00	Great Britain Pound
Metro Remittance (USA), Inc. (MR USA)	United States of America (USA)	100.00	USD
Metro Remittance Center, Inc. (MRCI)	USA	100.00	USD
Metro Remittance (Japan) Co. Ltd. (MR Japan)	Japan	100.00	Japanese Yen
Metro Remittance (Italia), S.p.A. (MR Italia)*	Italy	100.00	Euro
Real Estate:			
Circa 2000 Homes, Inc. (Circa)*	Philippines	100.00	PHP
Others:			
Philbancor Venture Capital Corporation (PVCC)*	Philippines	60.00	PHP
MBTC Technology, Inc. (MTI)**	Philippines	100.00	PHP

* In process of dissolution.

** Dissolution approved by SEC on June 24, 2014; in process of liquidation.

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation (Note 31). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Group or the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interest; (c) derecognizes the related other comprehensive income recorded in equity and recycles the same to statement of income or retained earnings; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in statement of income; and (g) reclassifies the Parent Company's share of components previously recognized in other comprehensive income (OCI) to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Entity with Significant Influence over the Group
GT Capital Holdings, Inc. (GT Capital) holds 25.11% of the total shares of the Parent Company as of December 31, 2014 and 2013 (Note 31).

Non-controlling Interest
Non-controlling interest represents the portion of profit or loss and the net assets not held by the Group and 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 equity attributable to the Parent Company. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

Changes in Accounting Policies and Disclosures
The Group applied, for the first time, the following applicable new and revised accounting standards. Unless otherwise indicated, these new and revised accounting standards have no impact to the Group. Except for these standards and amended PFRS which were adopted as of January 1, 2014, the accounting policies adopted are consistent with those of the previous financial year.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current year.

Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This interpretation has no significant impact on the Group's financial position or performance.

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group since none of the entities in the Group qualifies as an investment entity under PFRS 10.

Annual Improvements to PFRSs (2010 - 2012 cycle)
In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group's financial position or performance.

Significant Accounting Policies

<u>Foreign Currency Translation</u>
Transactions and balances
For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

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

FCDU, foreign branches and subsidiaries
As at the reporting date, the assets and liabilities of foreign branches and subsidiaries and FCDU of the Parent Company and PSBank are translated into the Parent Company's presentation currency (the PHP) at PDS closing rate prevailing at the statement of financial position date, and their income and expenses are translated at PDS weighted average rate (PDSWAR) for the year. Exchange differences arising on translation are taken to statement of comprehensive income. Upon disposal of a foreign entity or when the Parent Company ceases to have control over the subsidiaries or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement
The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 5.

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 (i.e., an exit price). 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.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid - ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by 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.

The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for non-recurring measurement, such as investment properties.

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.

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

Date of recognition

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

Initial recognition of financial instruments

All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities valued at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, AFS investments, and loans and receivables while financial liabilities are classified as financial liabilities at FVPL and financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

'Day 1' difference

Where the transaction price in a non-active market is different with 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 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 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.

Derivatives recorded at FVPL
The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps (IRS), call options, non-deliverable forwards (NDF) and other interest rate derivatives. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in 'Trading and securities gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Hedge accounting
For the purpose of hedge accounting, hedges are classified primarily as either: (a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); or (b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge); or (c) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow, or net investment hedge provided certain criteria are met.

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 or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedge
The effective portion of the gain or loss on the hedging instrument is recognized directly as 'Translation adjustment and others' in the statement of comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in the statement of income.

Amounts recognized as other comprehensive income are transferred to the statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in the statement of comprehensive income are transferred to the statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss. If the related transaction is no longer expected to occur, the amount is recognized in the statement of income.

Hedge effectiveness testing
To qualify for hedge accounting, the Group requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness),

and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method that the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. The Group applies the dollar-offset method using hypothetical derivatives in performing hedge effectiveness testing. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other in the range of 80.00% to 125.00%. Any hedge ineffectiveness is recognized in the statement of income.

Embedded derivatives
The Group has certain derivatives that are embedded in host financial (such as structured notes and debt instruments) and non-financial (such as lease and service agreements) contracts. These embedded derivatives include interest rate derivatives in debt instruments which include structured notes and foreign currency derivatives in debt instruments and lease agreements.

Embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes being reported through profit or loss, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets or liabilities at FVPL, when their economic risks and characteristics are not clearly and closely related to those of their respective host contracts, and when a separate instrument with the same terms as the embedded derivatives would meet the definition of a derivative. The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows.

Financial assets or financial liabilities held for trading
Financial assets or financial liabilities held for trading are recorded in the statement of financial position at fair value. Changes in fair value relating to the held for trading positions are recognized in 'Trading and securities gain - net'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense' respectively, while dividend income is recorded in 'Dividends' when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

AFS investments
AFS investments include debt and equity instruments. Equity investments classified under AFS investments are those which are neither classified as held-for-trading (HFT) nor designated at FVPL. Debt securities are those that do not qualify to be classified as HTM investments or loans and receivables, are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and are included in the statement of comprehensive income as 'Net unrealized gain on AFS investments'.

When the security is disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading and securities gain - net' in the statement of income. Gains and losses on disposal are determined using the average cost method.

Interest earned on holding AFS investments are reported as 'Interest income' using the effective interest rate (EIR) method. Dividends earned on holding AFS investments are recognized in the statement of income as 'Dividends' when the right of the payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for credit and impairment losses' in the statement of income.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments unless for sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

After initial measurement, these investments are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in statement of income when the HTM investments are derecognized or impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency-denominated HTM investments are recognized in the statement of income.

The Group follows Philippine GAAP for banks in accounting for its HTM investments in the consolidated financial statements. Under Philippine GAAP for banks, the gain on exchange on FMIC's participation in the domestic bond exchange was deferred and amortized over the term of new bonds (see Statement of Compliance discussion).

Loans and receivables
This accounting policy relates to the statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and securities purchased under resale agreements (SPURA)' and 'Loans and receivables'. These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'other financial assets held for trading', designated as AFS investments or 'financial assets designated at FVPL'.

Loans and receivables include purchases made by MCC's cardholders which are collected on installments and are recorded at the cost of the items purchased plus interest covering the installment period which is initially credited to unearned discount, shown as a deduction from 'Loans and receivables'.

Loans and receivables also include ORIX Metro's lease contracts receivable and notes receivable financed which are stated at the outstanding balance, reduced by unearned lease income and unearned finance income, respectively.

After initial measurement, 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA' and 'Loans and receivables', are subsequently measured at amortized cost using the EIR method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the statement of income.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under 'Deposit liabilities', 'Bills payable' or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of 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.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated at FVPL, are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in case of a written put option to an asset that is measured at fair value, the extent of the

Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Repurchase and reverse repurchase agreements
Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as securities sold under repurchase agreements (SSURA) included in 'Bills Payable and SSURA' and is considered as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

Impairment of Financial Assets
The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost such as loans and receivables, due from other banks, and HTM investments, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For individually assessed financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Provision for credit and impairment losses' in the statement of income.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in property prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The Group also uses the Net Flow Rate method to determine the credit loss rate of a particular delinquency age bucket based on historical data of flow-through and flow-back of loans across specific delinquency age buckets. The allowance for credit losses is determined based on the results of the net flow to write-off methodology. Net flow tables are derived from monitoring of monthly peso movements between different stage buckets, from 1-day past due to 180-day past due. The net flow to write-off methodology relies on the last 12 months of net flow tables to establish a percentage ('net flow rate') of accounts receivable that are current or in any state of delinquency (i.e., 30, 60, 90, 120, 150 and 180 day past due) as of reporting date that will eventually result in write-off. The gross provision is then computed based on the outstanding balances of the receivables as of statement of financial position date and the net flow rates determined for the current and each delinquency bucket. This gross provision is reduced by the estimated recoveries, which are also based on historical data, to arrive at the required allowance for credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS investments
In case of quoted equity investments classified as 'AFS investments', this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from the statement of comprehensive income and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in the statement of comprehensive income.

In case of unquoted equity investments classified as 'AFS investments', the amount of the impairment is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

In case of debt instruments classified as 'AFS investments', impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Restructured loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This 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 subject 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 in 'Provision for credit and impairment losses' in the statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Terminal Value of Leased Assets and Deposits on Finance Leases
The terminal value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the terminal value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group concluded that it is acting as a

principal in all of its revenue arrangements except for certain trading transactions. The following specific recognition criteria must also be met before revenue is recognized:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including 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 carrying amount is recorded as 'Interest income'.

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.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a 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 up to interest income over the installment terms and is computed using the EIR method.

Fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

a. Fee income earned from services that are provided over a certain period of time
Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, commission income, credit related fees, asset management fees, portfolio and other management fees, and advisory fees. Loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan.

b. Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as underwriting fees, corporate finance fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Leasing income - Finance lease
The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income. Residual values represent estimated proceeds from the disposal of equipment at the time lease is estimated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed using the EIR method.

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

Trading and securities gain - net
Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL and gains and losses from disposal of financial assets held for trading, AFS and HTM investments.

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

Discounts earned and awards revenue on credit cards
Discounts are taken up as income upon receipt from member establishments of charges arising from credit availments by the Group's cardholders and other credit companies' cardholders when Group is acting as an acquirer. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments. This account also includes interchange income from transactions processed by other acquirers through VISA Inc. (Visa) and MasterCard Incorporated (MasterCard) and service fee from cash advance transactions of cardholders.

MCC operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of MCC. The points can then be redeemed for free products subject to a minimum number of points being obtained. Consideration received is allocated between the discounts earned, interchange fee and the points earned, with the consideration allocated to the points equal to its fair value. The fair value is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

Income on direct financing leases and receivables financed
Income on loans and receivables financed with short-term maturities is recognized using the EIR method. Interest and finance fees on finance leases and loans and receivables financed with long-term maturities and the excess of the aggregate lease rentals plus the estimated terminal value of the leased equipment over its cost are credited to unearned discount and amortized over the term of the note or lease using the EIR method.

Underwriting fees, commissions, and sale of shares of stock
Underwriting fees and commissions are accrued when earned. Income derived from sales of shares of stock is recognized upon sale.

Gain on sale of investment in an associate
Upon loss of significant influence over an 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.

Gain on sale of non-current asset held for sale
The gain or loss arising from the sale of non-current asset held for sale is included in profit or loss when the item is derecognized. The gain or loss arising from the derecognition of non-current asset held for sale is determined as the difference between the net disposal proceeds and its carrying amount on the date of the transaction.

Other income
Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and the collectibility of the sales price is reasonably assured. Revenue on sale of residential and commercial units is recognized only upon completion of the project. Payments received before completions are included under 'Miscellaneous liabilities'.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and interbank loans receivable and SPURA with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Property and Equipment
Land is stated at cost less any impairment in value and depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met but excludes repairs and maintenance costs.

Building under construction (BUC) is stated at cost and includes cost of construction and other direct costs. BUC is not depreciated until such time that the relevant asset is completed and put into operational use.

Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements.

The range of estimated useful lives of property and equipment follows:

Buildings	25 to 50 years
Furniture, fixtures and equipment	2 to 5 years
Leasehold improvements	5 to 20 years

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Investments in Subsidiaries, Associates and a Joint Venture (JV)
Investment in subsidiaries
Subsidiaries pertain to all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights.

Investment in associates
Associates pertain to all entities 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. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

Investment in a JV
A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a JV is accounted for under the equity method of accounting. The Group's investment in a JV represents the 40.00% interest of PSBank in Sumisho Motor Finance Corporation (SMFC).

Under the equity method, an investment in an associate or a JV is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or JV. Goodwill relating to an associate and a JV is included in the carrying value of the investment and is not amortized. When the Group increases its ownership interest in an associate or a JV that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate or JV and the existing interest in the associate or JV is not remeasured. The Group's share in an associate or a JV's post-acquisition profits or losses is recognized in the statement of income while its share of post-acquisition movements in the associate or JV's equity reserves is recognized directly in the statement of comprehensive income. When the Group's share of losses in an associate or a JV equals or exceeds its interest in the associate or JV, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or JV. Profits and losses resulting from transactions between the Group and an associate or JV are eliminated to the extent of the Group's interest in the associate or JV.

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

In the Parent Company financial statements, investments in subsidiaries, associates and a JV are carried at cost less allowance for impairment losses.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under '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 dation in payment (dacion en pago). Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in 'Profit from assets sold' in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties based on appraisal reports but not to exceed 50 years for buildings and condominium units.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Non-Current Assets Held for Sale (NCAHFS)

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification (Note 11).

Interest in Joint Operations

The Group is a party to joint operations whereby it contributed parcels of land for development into residential and commercial units. In respect of the Group's interest in the joint operations, the Group recognizes the following: (a) the assets that it controls and the liabilities that it incurs; and (b) the expenses that it incurs and its share of the income that it earns from the sale of units by the joint operations. The assets contributed to the joint operations are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale (Note 14).

Chattel Mortgage Properties

Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and impairment in value. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be 5 years.

Subordinated Notes

Subordinated notes issued by SPVs (presented as 'Investment in SPVs' under 'Other assets' in the Parent Company financial statements) are stated at amortized cost reduced by an allowance for credit losses. The allowance for credit losses is determined based on the difference between the outstanding principal amount and the recoverable amount which is the present value of the future cash flow expected to be received as payment for the subordinated notes.

Intangible Assets

Intangible assets include software costs and exchange trading right (included under 'Miscellaneous assets') presented under 'Other assets'.

Software costs
Software costs are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over three to five years on a straight-line basis. Costs associated with maintaining the computer software programs are recognized as expense when incurred. Software costs are carried at cost less accumulated amortization.

Exchange trading right
Exchange trading right is a result of the PSE conversion plan to preserve access of FMIC's subsidiary to the trading facilities and continue transacting business in the PSE. The exchange trading right has an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows. It is carried at the amount allocated from the original cost to the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less any allowance for impairment losses. FMIC's subsidiary does not intend to sell the exchange trading right in the near future.

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. With respect to investments in associates and a JV, goodwill is included in the carrying amounts of the investments. Following initial recognition, goodwill is measured at cost net of impairment losses (see accounting policy on Impairment of Non-financial Assets).

Impairment of Non-financial Assets
Property and equipment, investments in subsidiaries, associates and a JV, investment properties, and chattel mortgage properties
At each statement of financial position date, the Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation 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.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually at statement of financial position date either individually or at the cash generating unit level, as appropriate. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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 cash generating unit (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 statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its impairment test of goodwill annually.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Residual Value of Leased Assets and Deposits on Lease Contracts
The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Group as lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term. Contingent rental payables are recognized as expense in the year in which they are incurred.

Group as lessor
Finance leases, where the Group transfers substantially all the risks and benefits incidental to the ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. A lease receivable is recognized at an amount equivalent to the net investment (asset cost) in the lease. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Retirement Cost
The Group has a non-contributory defined benefit retirement plan except for FMIIC and its subsidiary which follow the defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme (MPFS). The retirement cost of the Parent Company and most of its subsidiaries is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year.

The net defined benefit 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 (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 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 independent qualified actuaries.

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.

Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income.

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

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

The Group'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. Payments to the defined contribution retirement benefit plans and the MPFS are recognized as expenses when employees have rendered service entitling them to the contributions.

Equity

When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against surplus. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed stocks.

Surplus represents accumulated earnings of the Group less dividends declared.

Own equity instruments which are reacquired (treasury stocks) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Capital paid in excess of par value'. Voting rights related to treasury stocks are nullified for the Group and no dividends are allocated to them respectively. When the stocks are retired, the Common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to capital paid in excess of par value at the time the stocks were issued and to surplus for the remaining balance.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes
Current taxes
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 taxing authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred taxes
Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
b. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized except:
a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income 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 in 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 statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are recognized in other comprehensive income and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings Per Share
Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year. The Group does not have dilutive potential common shares.

Dividends on Common Shares
Cash dividends on common shares are recognized as a liability and deducted from the equity when approved by the Board of Directors (BOD) of the Parent Company and the BSP while stock dividends are deducted from equity when approved by BOD, shareholders of the Parent Company and the BSP. Dividends declared during the year but are approved by the BSP after the statement of financial position date are dealt with as a subsequent event.

Coupon Payment on Hybrid Capital Securities
Coupon payment on hybrid capital securities (HT1 Capital) is treated as dividend for financial reporting purposes, rather than interest expense and deducted from equity when due, after the approval by the BOD of the Parent Company and the BSP.

Debt Issue Costs
Issuance, underwriting and other related costs incurred in connection with the issuance of debt instruments are deferred and amortized over the terms of the instruments using the EIR method. Unamortized debt issuance costs are included in the related carrying amount of the debt instrument in the statement of financial position.

Capital Securities Issuance Costs
Issuance, underwriting and other related costs incurred in connection with the issuance of the capital securities are treated as a reduction of equity.

Events after the Statement of Financial Position Date
Post year-end events that provide additional information about the Group's position at the statement of financial position date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting
The Group'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 6.

Fiduciary Activities
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company, PSBank and FMIC act in a fiduciary capacity such as nominee, trustee or agent.

Standards Issued but not yet Effective

The Group intends to adopt the following standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards to have significant impact on its financial statements.

New Standards

PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement.* PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

PFRS 14, *Regulatory Deferral Accounts*
This is an interim standard aimed at enhancing the comparability of financial reporting by entities that are engaged in rate-regulated activities. It allows first-time adopters to continue to recognize amounts related to rate regulation in accordance with the previous GAAP requirements when they adopt IFRS. The standard which becomes effective on January 1, 2016, is not applicable to the Group.

Amendments
PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*
The revised PAS 16 and PAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to PAS 16 explicitly prohibits revenue-based depreciation of property, plant and equipment while the amendments to PAS 38 introduce a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reason that there are multiple factors that influence revenue and that not all these factors are related to the way the asset is used or consumed. The revised standards are effective for periods beginning January 1, 2016, with earlier application permitted.

PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture - Change in Financial Reporting for Bearer Plants*
The amendments require entities to account for bearer plants in the same way as property, plant and equipment in PAS 16, *Property, Plant and Equipment,* because their operation is similar to that of manufacturing, bringing them within the scope of PAS 16, instead of PAS 41. The produce growing on bearer plants will remain within the scope of PAS 41. The amended standards are effective for annual periods beginning on or after January 1, 2016, with earlier applications permitted. The amendments are not applicable to the Group.

PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after January 1, 2015.

PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
The amendments provide guidance on how to account for acquisition of an interest in a joint operation that constitutes a business, and apply the relevant principles of IFRS 3 and other IFRS in accounting for business combination as well as the disclosures required by such IFRS. The amendments shall be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain

or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

Annual Improvements to PFRSs (2010 - 2012 cycle)
The Annual Improvements to PFRSs (2010 - 2012 cycle) which will take effect for annual periods beginning on or after January 1, 2015, contain non-urgent but necessary amendments to the following standards:

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after January 1, 2015. This amendment does not apply to the Group as it has no share-based payments.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after January 1, 2015. The Group shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are applied retrospectively and affect disclosures only.

Revaluation Method (Amendments to PAS 16 and PAS 38 - *Proportionate Restatement of Accumulated Depreciation and Amortization)*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, and intangible assets, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation or amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation or amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are applied retrospectively and affect disclosures only.

Annual Improvements to PFRSs (2011 - 2013 cycle)
The Annual Improvements to PFRSs (2011 - 2013 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2012 - 2014 cycle)
The Annual Improvements to PFRSs (2012 - 2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits - Regional Market Issue regarding Discount Rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

PFRS 9, *Financial Instruments* - Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is

separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting.

PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.

The Group conducted an evaluation of the financial impact of the adoption of PFRS 9 based on the audited financial statements as of December 31, 2013 and decided not to early adopt PFRS 9 in its 2014 financial reporting.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

a. Consolidation of subsidiaries

The determination whether the Group has control over an investee company requires significant judgment. The Group considers that the following criteria are all met, including: (a) an investor has the power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's return.

In accordance with PFRS 10, the Group included the accounts of First Metro Save and Learn Balance Fund, Inc. (FMSALBF) and First Metro Save and Learn Equity Fund, Inc. (FMSALEF), collectively the "Funds", in its consolidated financial statements. The Group re-assessed the control conclusion for these Funds. Although the ownership is less than half of the voting power of these investees, the Group has control due to its power to direct the relevant activities of the Funds through First Metro Asset Management Inc. (FAMI), a subsidiary of FMIC, which acts as the fund manager of the Funds. Further, the Group has the exposure to variable returns from its investments and its ability to use its power over the Funds to affect their returns.

b. *Existence of significant influence over an associate with less than 20.00% ownership*
As discussed in Note 11, there are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation in the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

c. *HTM investments*
The classification under HTM investments requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire portfolio as AFS investments. The investments would therefore be measured at fair value and not at amortized cost. In 2014 and 2013, the Group follows Philippine GAAP for banks in accounting for HTM investments in the consolidated financial statements (Notes 2 and 8).

In addition, as discussed in Note 8, the Group's management has determined that the change in intention on certain HTM investments of PSBank and FMIC in response to the significant increase in the regulatory capital requirements of the BSP is an isolated event that is beyond the Group's control and is non-recurring and could not have been reasonably anticipated.

d. *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives (Note 5).

e. *Financial assets not quoted in an active market*
The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

f. Embedded derivatives
Where a hybrid instrument is not classified as financial assets or liabilities at FVPL, the Group evaluates whether the embedded derivative should be bifurcated and accounted for separately.

This includes assessing whether the embedded derivative has a close economic relationship to the host contract.

g. Leases
Operating lease
Group as lessor
The Group has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Group as lessee
The Group has entered into lease on premises it uses for its operations. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties.

Finance lease
The Group has determined, based on an evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset, lease term is for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borne by the lessee), that it has transferred all significant risks and rewards of ownership of the properties it leases out on finance leases.

h. Functional currency
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following: (a) the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled); (b) the currency in which funds from financing activities are generated; and (c) the currency in which receipts from operating activities are usually retained.

i. Contingencies
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to this proceeding (Note 30).

Estimates

a. *Credit losses of loans and receivables*

The Group reviews its loan portfolios and receivables to assess impairment on a semi-annual basis with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers. In determining whether credit losses should be recorded in the statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates in the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The carrying values of loans and receivables and the related allowance for credit losses of the Group and the Parent Company are disclosed in Note 9. In 2014, 2013 and 2012, provision for credit losses on loans and receivables amounted to ₱4.8 billion, ₱8.7 billion and ₱4.3 billion, respectively, for the Group and ₱7.3 million, ₱3.3 billion and ₱0.7 billion, respectively, for the Parent Company (Note 15).

b. *Fair values of structured debt instruments and derivatives*

The fair values of structured debt instruments and derivatives that are not quoted in active markets are determined using valuation techniques such as discounted cash flow analysis and standard option pricing models. The models incorporate various inputs including the credit quality of counterparties. Where valuation techniques are used to determine fair values, they are reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used and to the extent practicable, models use only observable data. Changes in assumptions about these factors could affect reported fair value of financial instruments. Credit valuation adjustments (CVA) are applied to over-the-counter derivative instruments where the theoretical base spread is discounted using the relevant yield curve as discount rate. The effect of such CVA on the marked-to-market value of derivatives is not material. Refer to Note 5 for the information on the fair values of these investments and Note 8 for information on the carrying values of these instruments.

c. *Valuation of unquoted equity securities*

The Group's investments in equity securities that do not have quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment losses.

As of December 31, 2014 and 2013, the carrying value of unquoted AFS equity securities amounted to ₱3.5 billion for the Group and ₱0.1 billion for both years for the Parent Company (Note 8).

d. *Impairment of AFS equity securities*
The Group determines that AFS equity securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20.00% or more of the original cost of investment, and 'prolonged', greater than 12 months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As of December 31, 2014 and 2013, allowance for impairment losses on AFS equity securities amounted to ₱525.9 million and ₱568.3 million, respectively, for the Group and ₱162.0 million and ₱178.0 million, respectively, for the Parent Company. As of December 31, 2014 and 2013, the carrying value of AFS equity securities (included under AFS investments) amounted to ₱7.8 billion and ₱6.4 billion, respectively, for the Group and ₱349.4 million and ₱325.1 million, respectively, for the Parent Company (Notes 8 and 15).

e. *Recognition of deferred income taxes*
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized net deferred tax assets and unrecognized deferred tax assets for the Group and the Parent Company are disclosed in Note 28.

f. *Present value of retirement liability*
The cost of defined retirement pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date. The present values of the retirement liability of the Group and the Parent Company are disclosed in Note 27.

g. *Impairment of non-financial assets*
Property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs and chattel mortgage properties
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following: 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; and c) significant negative industry or economic trends. The Group uses the higher of fair value less costs to sell and VIU in determining recoverable amount. The carrying values of the property and equipment, investments in subsidiaries and associates and a JV, investment properties, software costs and chattel mortgage properties of the Group and the Parent Company are disclosed in Notes 10, 11, 12 and 14, respectively.

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 statement of income. The Group estimated the discount rate used for the computation of the net present value by reference to industry cost of capital. Future cash flows from the business are estimated based on the theoretical annual income of the CGU. Average growth rate was derived from the average increase in annual income during the last 5 years. The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. In 2014 and 2013, the applicable pre-tax discount rate applied to cash flow projections is 14.09% and 16.78%, respectively. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows.

The Parent Company has undergone reorganizations of various units and has changed its business plans which affected the recoverable amount of the CGUs to which the goodwill relates. In 2013, the Parent Company fully impaired its goodwill amounting to ₱1.2 billion (Note 11).

As of December 31, 2014 and 2013, goodwill amounted to ₱5.2 billion for the Group (Note 11).

4. Financial Risk and Capital Management

Introduction
The Group has exposure to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks.

Risk management framework
The BOD has overall responsibility for the oversight of the Parent Company's risk management process. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. Supporting the BOD in this function are certain Board-level committees such as Risk Oversight Committee (ROC), Audit Committee (AC) and senior management committees through the Executive Committee, Asset and Liability Committee (ALCO) and Policy Committee.

The AC is responsible for monitoring compliance with the Parent Company's risk management policies and procedures, and for reviewing the adequacy of risk management practices in relation to the risks faced by the Parent Company. The AC is assisted in these functions by the Internal Audit Group (IAG). IAG undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the AC.

The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management processes but are structured similar to that of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group. Risk management policies adopted by the subsidiaries and affiliates are aligned with the Parent Company's risk policies. As a background, to further promote compliance with PFRS and Basel II and to prepare for Basel III, the Parent Company created a Risk Management Coordinating Council composed of the risk officers of the Parent Company and its financial institution subsidiaries.

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, for market segmentation, and industry concentrations, and by monitoring exposures in relation to such limits. The same is true for treasury-related activities. Each business unit is responsible for the quality of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. Regular reviews and audits of business units and credit processes are undertaken by IAG and Risk Management Group (RSK).

Management of credit risk

The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (e.g., investment securities issued by either sovereign or corporate entities) or enter into either market-traded or over-the-counter derivatives, either through implied or actual contractual agreements (i.e., on- or off-balance sheet exposures). The Parent Company manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual obligor or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit/financial assessment, risk grading and reporting and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities;
- Limiting concentrations of exposure to counterparties and industries (for loans), and by issuer (for investment securities);
- Utilizing the Internal Credit Risk Rating System (ICRRS) in order to categorize exposures according to the risk profile. The risk grading system is used for determining impairment provisions against specific credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation; and
- Monitoring compliance with approved exposure limits.

Borrowers, counterparties or group of related accounts across the Group are aggregated and managed by the Parent Company's Institutional Banking Sector as the "Control Unit". Group Limits for conglomerates are set-up and approved to guide subsidiaries and affiliates of the Group. Consolidated exposures are regularly reported to senior management and the ROC.

The ICRRS contains the following:

a. Borrower Risk Rating (BRR) - an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations when it falls due. The assessment is described below:

Component	Description	Credit Factor Weight
Financial Condition	Refers to the financial condition of the borrower based on audited financial statements as indicated by certain financial ratios. The Financial Factor Evaluation is conducted manually.	40.00%
Industry Analysis	Refers to the prospects of the industry as well as the company's performance and position in the industry.	30.00%
Management Quality	Refers to the management's ability to run the company successfully.	30.00%

b. Facility Risk Factor (FRF) - determined for each individual facility considering the term of the facility, security arrangement and quality of documentation. This factor can downgrade or upgrade the BRR based on the elements relating to cover (collateral including pledged cash deposits and guarantee), quality of documentation and structure of transactions.

c. Adjusted Borrower Risk Rating - combination of BRR and FRF.

Maximum exposure to credit risk after collateral held or other credit enhancements

An analysis of the maximum credit risk exposure relating to on balance sheet assets is shown below:

	Consolidated							
	2014				2013			
	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk
Interbank loans receivable and SPURA	₱96,527	₱98,394	₱96,400	₱127	₱94,548	₱95,623	₱94,476	₱72
Loans and receivables - net								
Receivables from customers								
Commercial loans	158,815	267,870	143,280	15,535	139,566	254,828	124,524	15,042
Residential mortgage loans	73,160	156,799	72,996	164	62,364	135,727	61,953	411
Auto loans	63,158	106,900	62,773	385	53,933	91,979	53,532	401
Trade	34,821	34,368	34,210	611	29,678	28,806	28,806	872
Others	3,471	3,476	3,394	77	1,336	1,307	1,278	58
	333,425	569,413	316,653	16,772	286,877	512,647	270,093	16,784
Unquoted debt securities	350	661	350	–	–	–	–	–
Accounts receivable	–	–	–	–	1	1	–	1
Accrued interest receivable	2,533	1,976	1,377	1,156	1,986	2,042	1,440	546
Sales contract receivable	420	1,140	409	11	408	882	368	40
	336,728	573,190	318,789	17,939	289,272	515,572	271,901	17,371
Total	₱433,255	₱671,584	₱415,189	₱18,066	₱383,820	₱611,195	₱366,377	₱17,443

	Parent Company							
	2014				2013			
	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk
Interbank loans receivable and SPURA	₱95,460	₱97,239	₱95,333	₱127	₱79,872	₱79,938	₱79,800	₱72
Loans and receivables - net								
Receivables from customers								
Commercial loans	136,906	239,450	122,738	14,168	116,254	224,374	102,262	13,992
Residential mortgage loans	39,131	92,673	38,967	164	34,350	81,393	33,939	411
Auto loans	17,672	41,878	17,300	372	15,970	36,338	15,579	391
Trade	34,821	34,368	34,210	611	29,678	28,806	28,806	872
Others	1,664	1,624	1,592	72	1,287	1,229	1,229	58
	230,194	409,993	214,807	15,387	197,539	372,140	181,815	15,724
Accrued interest receivable	1,771	614	614	1,157	1,354	809	809	545
Sales contract receivable	174	615	166	8	136	319	101	35
	232,139	411,222	215,587	16,552	199,029	373,268	182,725	16,304
Total	₱327,599	₱508,461	₱310,920	₱16,679	₱278,901	₱453,206	₱262,525	₱16,376

The maximum exposure to credit risks for the other financial assets is limited to the carrying value as of December 31, 2014 and 2013.

The following tables show the effect of rights of set-off associated with the recognized financial assets and financial liabilities.

				Effect of Remaining Rights of Set-Off (including rights to set-off financial collateral) offsetting criteria		
Financial assets recognized by type	Gross Carrying Amounts (before offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statement of Financial Position	Financial Instruments	Fair Value of Financial Collateral	Net Exposure
Consolidated						
2014						
Derivative assets	₱139,700	₱136,901	₱2,799	₱631	₱–	₱2,168
SPURA	96,826	–	96,826	–	96,700	126
	₱236,526	₱136,901	₱99,625	₱631	₱96,700	₱2,294
2013						
Derivative assets	₱114,506	₱110,734	₱3,772	₱1,298	₱–	₱2,474
SPURA	94,548	–	94,548	–	94,476	72
	₱209,054	₱110,734	₱98,320	₱1,298	₱94,476	₱2,546
Parent Company						
2014						
Derivative assets	₱139,244	₱136,455	₱2,789	₱631	₱–	₱2,158
SPURA	95,042	–	95,042	–	94,915	127
	₱234,286	₱136,455	₱97,831	₱631	₱94,915	₱2,285
2013						
Derivative assets	₱112,264	₱108,506	₱3,758	₱1,298	₱–	₱2,460
SPURA	79,324	–	79,324	–	79,252	72
	₱191,588	₱108,506	₱83,082	₱1,298	₱79,252	₱2,532
Financial liabilities recognized by type						
Consolidated						
2014						
Derivative liabilities	₱89,646	₱86,575	₱3,071	₱631	₱–	₱2,440
SSURA	42,748	–	42,748	–	42,748	–
	₱132,394	₱86,575	₱45,819	₱631	₱42,748	₱2,440
2013						
Derivative liabilities	₱115,897	₱111,466	₱4,431	₱1,298	₱–	₱3,133
SSURA	25,117	–	25,117	–	25,098	19
	₱141,014	₱111,466	₱29,548	₱1,298	₱25,098	₱3,152
Parent Company						
2014						
Derivative liabilities	₱87,909	₱84,855	₱3,054	₱631	₱–	₱2,423
SSURA	40,248	–	40,248	–	40,248	–
	₱128,157	₱84,855	₱43,302	₱631	₱40,248	₱2,423
2013						
Derivative liabilities	₱115,897	₱111,466	₱4,431	₱1,298	₱–	₱3,133
SSURA	22,180	–	22,180	–	22,180	–
	₱138,077	₱111,466	₱26,611	₱1,298	₱22,180	₱3,133

Excessive risk concentration
Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, internal rating buckets, and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits.

Concentration of risks of financial assets with credit risk exposure
An analysis of concentrations of credit risk at the reporting date based on carrying amount is shown below:

	Consolidated				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2014					
Concentration by Industry					
Financial and insurance activities	₱43,503	₱373,296	₱22,099	₱95,843	₱534,741
Manufacturing	168,807	–	1,322	10,630	180,759
Wholesale and retail trade, repair of motor vehicles, motorcycles	121,196	–	775	15,332	137,303
Real estate activities	121,199	–	4,898	713	126,810
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	151,013	–	953	48	152,014
Transportation and storage, information and communication	36,159	–	7,661	4,219	48,039
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	54,183	–	9,037	1,846	65,066
Construction	23,012	–	242	609	23,863
Accommodation and food service activities	15,327	–	4	6	15,337
Agricultural, forestry and fishing	12,022	–	26	682	12,730
Others****	26,626	–	336,234	7,252	370,112
	773,047	373,296	383,251	137,180	1,666,774
Less allowance for credit losses	16,450	4	529	9,961	26,944
	₱756,597	₱373,292	₱382,722	₱127,219	₱1,639,830
Concentration by Location					
Philippines	₱752,654	₱315,868	₱335,145	₱134,089	₱1,537,756
Asia	19,990	32,575	25,210	3,085	80,860
USA	121	20,664	10,360	6	31,151
Europe	163	4,036	5,740	–	9,939
Others	119	153	6,796	–	7,068
	773,047	373,296	383,251	137,180	1,666,774
Less allowance for credit losses	16,450	4	529	9,961	26,944
	₱756,597	₱373,292	₱382,722	₱127,219	₱1,639,830
2013					
Concentration by Industry					
Financial and insurance activities	₱38,353	₱315,062	₱16,614	₱10,764	₱380,793
Manufacturing	124,090	–	1,891	9,652	135,633
Wholesale and retail trade, repair of motor vehicles, motorcycles	96,062	–	99	9,402	105,563
Real estate activities	102,998	–	3,124	563	106,685
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	130,305	–	868	69,611	200,784
Transportation and storage, information and communication	36,505	–	3,197	4,936	44,638

(Forward)

	Consolidated				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	₱42,953	₱–	₱7,830	₱408	₱51,191
Construction	16,462	–	524	6,160	23,146
Accommodation and food service activities	12,764	–	–	82	12,846
Agricultural, forestry and fishing	6,258	–	–	47	6,305
Others****	18,888	–	333,716	2,176	354,780
	625,638	315,062	367,863	113,801	1,422,364
Less allowance for credit losses	16,626	2	568	9,956	27,152
	₱609,012	₱315,060	₱367,295	₱103,845	₱1,395,212
Concentration by Location					
Philippines	₱603,058	₱270,127	₱328,670	₱111,403	₱1,313,258
Asia	22,075	34,245	15,445	2,047	73,812
USA	328	4,281	15,973	351	20,933
Europe	102	4,258	4,038	–	8,398
Others	75	2,151	3,737	–	5,963
	625,638	315,062	367,863	113,801	1,422,364
Less allowance for credit losses	16,626	2	568	9,956	27,152
	₱609,012	₱315,060	₱367,295	₱103,845	₱1,395,212

	Parent Company				
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Others*****	**Total**
2014					
Concentration by Industry					
Financial and insurance activities	**₱40,634**	**₱308,283**	**₱12,265**	**₱10,088**	**₱371,270**
Manufacturing	**161,499**	**–**	**196**	**10,630**	**172,325**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**108,079**	**–**	**19**	**15,332**	**123,430**
Real estate activities	**87,757**	**–**	**167**	**703**	**88,627**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**58,818**	**–**	**953**	**48**	**59,819**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**51,830**	**–**	**4,100**	**1,846**	**57,776**
Transportation and storage, information and communication	**29,535**	**–**	**7,047**	**4,219**	**40,801**
Construction	**18,149**	**–**	**1**	**555**	**18,705**
Accommodation and food service activities	**15,006**	**–**	**3**	**6**	**15,015**
Agricultural, forestry and fishing	**10,202**	**–**	**3**	**683**	**10,888**
Others****	**14,555**	**–**	**295,410**	**6,198**	**316,163**
	596,064	**308,283**	**320,164**	**50,308**	**1,274,819**
Less allowance for credit losses	**8,955**	**–**	**162**	**9,961**	**19,078**
	₱587,109	**₱308,283**	**₱320,002**	**₱40,347**	**₱1,255,741**
Concentration by Location					
Philippines	**₱592,416**	**₱269,789**	**₱277,200**	**₱47,233**	**₱1,186,638**
Asia	**3,062**	**13,806**	**20,207**	**3,070**	**40,145**
USA	**269**	**20,513**	**10,244**	**5**	**31,031**
Europe	**198**	**4,023**	**5,740**	**–**	**9,961**
Others	**119**	**152**	**6,773**	**–**	**7,044**
	596,064	**308,283**	**320,164**	**50,308**	**1,274,819**
Less allowance for credit losses	**8,955**	**–**	**162**	**9,961**	**19,078**
	₱587,109	**₱308,283**	**₱320,002**	**₱40,347**	**₱1,255,741**

	Parent Company				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2013					
Concentration by Industry					
Financial and insurance activities	₱32,007	₱249,543	₱10,384	₱10,354	₱302,288
Manufacturing	114,839	–	166	9,651	124,656
Wholesale and retail trade, repair of motor vehicles, motorcycles	88,753	–	22	9,402	98,177
Real estate activities	70,242	–	4	557	70,803
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	50,273	–	868	16	51,157
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	40,872	–	3,532	408	44,812
Transportation and storage, information and communication	28,577	–	2,121	4,936	35,634
Construction	12,174	–	–	6,106	18,280
Accommodation and food service activities	12,120	–	–	82	12,202
Agricultural, forestry and fishing	4,125	–	–	47	4,172
Others****	10,511	–	284,522	1,443	296,476
	464,493	249,543	301,619	43,002	1,058,657
Less allowance for credit losses	9,650	–	178	9,956	19,784
	₱454,843	₱249,543	₱301,441	₱33,046	₱1,038,873
Concentration by Location					
Philippines	₱460,238	₱224,024	₱265,173	₱40,842	₱990,277
Asia	3,615	15,051	12,876	1,811	33,353
USA	421	4,118	15,795	349	20,683
Europe	144	4,199	4,038	–	8,381
Others	75	2,151	3,737	–	5,963
	464,493	249,543	301,619	43,002	1,058,657
Less allowance for credit losses	9,650	–	178	9,956	19,784
	₱454,843	₱249,543	₱301,441	₱33,046	₱1,038,873

* Comprised of Due from BSP, Due from other banks and Interbank loans receivable and SPURA.
** Comprised of Financial assets at FVPL, AFS investments and HTM investments.
*** Comprised of applicable accounts under Other assets, financial guarantees and loan commitments and other credit related liabilities.
**** Includes government-issued debt securities.

Credit quality per class of financial assets

The credit quality of financial assets is assessed and managed using external and internal ratings.

Loans and receivables

The credit quality is generally monitored using the 10-grade ICRRS which is integrated in the credit process particularly in provision for credit losses. Probability of default (PD) models are used in parallel to the ICRRS. The models are assessed and recalibrated as needed. Validation of the individual borrower's risk rating is performed by the Credit Group to maintain accurate and consistent risk ratings across the credit portfolio. The credit quality with the corresponding ICRRS Grade and description of commercial loans follows:

<u>High Grade</u>

1 - Excellent

An excellent rating is given to a borrower with a very low probability of going into default and with high degree of stability, substance and diversity. Borrower has access to raise substantial amounts of funds through public market at any time; very strong debt service capacity and has conservative balance sheet ratios. Track record in profit terms is very good. Borrower exhibits highest quality under virtually all economic conditions.

2 - Strong
This rating is given to borrowers with low probability of going into default in the coming year. Normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrower has good access to public markets to raise funds. Have a strong market and financial position with a history of successful performance. Overall debt service capacity is deemed very strong; critical balance sheet ratios are conservative. Concerned multinationals or local corporations are well capitalized.

Standard Grade
3 - Good
This rating is given to smaller corporations with limited access to public capital markets or to alternative financial markets. Access is however limited to favorable economic and/or market conditions. While probability of default is quite low, it bears characteristics of some degree of stability and substance. However, susceptibility to cyclical changes and more concentration of business risk, by product or market, may be present. Typical is the combination of comfortable asset protection and an acceptable balance sheet structure. Debt service capacity is strong.

4 - Satisfactory
A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater. Volatility of earnings and overall performance: normally has limited access to public markets. Borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. Combination of reasonable sound asset and cash flow protection: debt service capacity is adequate. Reported profits in the past year and is expected to report a profit in the current year.

5 - Acceptable
An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels. Risk is still acceptable as there is sufficient cash flow either historically or expected for the future; new business or projected finance transaction; an existing borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within an acceptable period can be expected.

Substandard Grade
6 - Watchlist
This rating is given to a borrower that belongs to an unfavorable industry or has company-specific risk factors which represent a concern. Operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance. Borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility. Borrower which incurs net losses and has salient financial weaknesses, reflected on statements specifically in profitability. Credit exposure is not at risk of loss at the moment but performance of the borrower has weakened and unless present trends are reversed, could lead to losses.

7 - Especially Mentioned
This rating is given to a borrower that exhibits potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus, increase credit risk to the Bank.

<u>Impaired</u>
8 - Substandard
These are loans or portions, thereof which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. There exists the possibility of future losses to the Bank unless given closer supervision. Borrower has well-defined weaknesses or weaknesses that jeopardize loan liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

9 - Doubtful
This rating is given to a nonperforming borrower whose loans or portions thereof have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

10 - Loss
This rating is given to a borrower whose loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

The credit quality of consumer loan applicants are currently evaluated using PD models.

For booked consumer loans, the description of credit quality is as follows:

<u>High Grade</u>
Good credit rating
This rating is given to a good repeat client with very satisfactory track record of its loan repayment (paid at least 50.00%) and whose account did not turn past due during the entire term of the loan.

<u>Standard Grade</u>
Good
A good rating is given to accounts which did not turn past due for 90 days and over.

Limited
This rating is given to borrowers who have average track record on loan repayment (paid less than 50.00%) and whose account did not turn past due for 90 days and over.

<u>Substandard Grade</u>
Poor
A poor rating is given to accounts who reached 90 days past due regardless of the number of times and the number of months past due.

Poor litigation
This rating is given to accounts that were past due for 180 days and over and are currently being handled by lawyers.

<u>Impaired</u>
Poor repossessed
This rating is given to accounts whose collaterals were repossessed.

Poor written-off
This rating is given to accounts that were recommended for write-off.

Trading and investment securities
In ensuring quality investment portfolio, the Parent Company uses the credit risk rating from the published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies. Presented here is Moody's rating - equivalent S&P rating and other rating agencies applies:

Credit Quality	External Rating								
High grade	Aaa	Aa1	Aa2	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2				
Substandard grade	B3	Caa1	Caa2	Caa3	Ca	C			
Impaired	D								

The following table shows the credit quality of financial assets:

	Consolidated				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2014					
Neither past due nor impaired	**₱745,692**	**₱373,296**	**₱381,284**	**₱127,219**	**₱1,627,491**
Past due but not impaired	**14,933**	**–**	**–**	**–**	**14,933**
Impaired	**12,422**	**–**	**1,967**	**9,961**	**24,350**
Gross	**773,047**	**373,296**	**383,251**	**137,180**	**1,666,774**
Less allowance for credit losses	**16,450**	**4**	**529**	**9,961**	**26,944**
Net	**₱756,597**	**₱373,292**	**₱382,722**	**₱127,219**	**₱1,639,830**
2013					
Neither past due nor impaired	₱598,241	₱315,062	₱366,000	₱103,845	₱1,383,148
Past due but not impaired	13,164	–	–	–	13,164
Impaired	14,233	–	1,863	9,956	26,052
Gross	625,638	315,062	367,863	113,801	1,422,364
Less allowance for credit losses	16,626	2	568	9,956	27,152
Net	₱609,012	₱315,060	₱367,295	₱103,845	₱1,395,212

	Parent Company				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2014					
Neither past due nor impaired	**₱588,191**	**₱308,283**	**₱319,934**	**₱40,347**	**₱1,256,755**
Past due but not impaired	**348**	–	–	–	**348**
Impaired	**7,525**	–	**230**	**9,961**	**17,716**
Gross	**596,064**	**308,283**	**320,164**	**50,308**	**1,274,819**
Less allowance for credit losses	**8,955**	**–**	**162**	**9,961**	**19,078**
Net	**₱587,109**	**₱308,283**	**₱320,002**	**₱40,347**	**₱1,255,741**
2013					
Neither past due nor impaired	₱454,309	₱249,543	₱301,366	₱33,046	₱1,038,264
Past due but not impaired	623	–	–	–	623
Impaired	9,561	–	253	9,956	19,770
Gross	464,493	249,543	301,619	43,002	1,058,657
Less allowance for credit losses	9,650	–	178	9,956	19,784
Net	₱454,843	₱249,543	₱301,441	₱33,046	₱1,038,873

* Comprised of Due from BSP, Due from other banks and Interbank loans receivable and SPURA.
** Comprised of Financial assets at FVPL, AFS investments and HTM investments.
*** Comprised of applicable accounts under Other assets, financial guarantees and loan commitments and other credit related liabilities.

The table below shows the credit quality per class of financial assets that are neither past due nor individually impaired (gross of allowance for credit losses):

	Consolidated				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
2014					
Loans and advances to banks					
Due from BSP	₱215,253	₱–	₱–	₱–	₱215,253
Due from other banks	33,535	3,910	–	755	38,200
Interbank loans receivable and SPURA	115,158	2,186	–	2,499	119,843
	363,946	6,096	–	3,254	373,296
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	26,849	2,329	–	–	29,178
Private	1,793	763	46	1,323	3,925
Equity securities - quoted	4,324	4,729	738	–	9,791
Derivative assets	973	146	–	1,922	3,041
	33,939	7,967	784	3,245	45,935
AFS investments					
Debt securities					
Government	165,755	7,214	37	336	173,342
Private	8,486	6,614	–	11,639	26,739
Subtotal	174,241	13,828	37	11,975	200,081
Equity securities					
Quoted	7	799	1,628	286	2,720
Unquoted	–	3,298	99	75	3,472
Subtotal	7	4,097	1,727	361	6,192
	174,248	17,925	1,764	12,336	206,273
HTM investments					
Government bonds	27,088	1,990	–	–	29,078
Private bonds	849	2,522	–	–	3,371
Treasury notes	96,582	–	–	45	96,627
	124,519	4,512	–	45	129,076
Loans and receivables					
Receivables from customers					
Commercial loans	154,254	311,495	30,590	–	496,339
Residential mortgage loans	28,737	38,400	1,620	–	68,757
Auto loans	39,470	16,558	85	–	56,113
Trade	4,829	30,150	1,201	–	36,180
Others	67,466	8,007	101	127	75,701
	294,756	404,610	33,597	127	733,090
Unquoted debt securities	1,291	925	-	–	2,216
Accrued interest receivable	4,978	1,315	119	224	6,636
Accounts receivable	802	323	–	1,726	2,851
Sales contract receivable	211	–	1	184	396
Other receivables	3	2	–	498	503
	302,041	407,175	33,717	2,759	745,692
Others	85,553	–	–	41,666	127,219
	₱1,084,246	₱443,675	₱36,265	₱63,305	₱1,627,491
2013					
Loans and advances to banks					
Due from BSP	₱148,132	₱18,642	₱–	₱–	₱166,774
Due from other banks	19,279	6,734	–	262	26,275
Interbank loans receivable and SPURA	105,332	12,647		4,034	122,013
	272,743	38,023	–	4,296	315,062
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	30,494	8,873	–	–	39,367
Private	1,177	684	–	471	2,332
BSP	19	–	–	–	19
Equity securities - quoted	4,610	4,938	89	–	9,637
Derivative assets	1,547	211	–	2,328	4,086
	37,847	14,706	89	2,799	55,441

(Forward)

	Consolidated				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
AFS investments					
Debt securities					
Government	₱202,368	₱37,027	₱31	₱6,094	₱245,520
Private	8,976	4,319	–	8,236	21,531
Subtotal	211,344	41,346	31	14,330	267,051
Equity securities					
Quoted	453	889	–	247	1,589
Unquoted	–	3,277	148	69	3,494
Subtotal	453	4,166	148	316	5,083
	211,797	45,512	179	14,646	272,134
HTM investments					
Government bonds	37,437	22	–	921	38,380
Treasury notes	45	–	–	–	45
	37,482	22	–	921	38,425
Loans and receivables					
Receivables from customers					
Commercial loans	120,700	231,249	35,302	–	387,251
Residential mortgage loans	19,458	38,694	1,811	–	59,963
Auto loans	28,541	19,755	120	–	48,416
Trade	6,650	21,632	1,490	–	29,772
Others	51,895	6,714	208	98	58,915
	227,244	318,044	38,931	98	584,317
Unquoted debt securities	1,620	2,342	–	133	4,095
Accrued interest receivable	4,731	964	755	246	6,696
Accounts receivable	872	17	12	1,510	2,411
Sales contract receivable	231	–	18	161	410
Other receivables	–	183	–	129	312
	234,698	321,550	39,716	2,277	598,241
Others	70,091	6	–	33,748	103,845
	₱864,658	₱419,819	₱39,984	₱58,687	₱1,383,148

	Parent Company				
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**Total**
2014					
Loans and advances to banks					
Due from BSP	**₱174,259**	**₱–**	**₱–**	**₱–**	**₱174,259**
Due from other banks	**25,424**	**5**	**–**	**154**	**25,583**
Interbank loans receivable and SPURA	**105,942**	**–**	**–**	**2,499**	**108,441**
	305,625	**5**	**–**	**2,653**	**308,283**
Financial assets at FVPL					
HFT debt securities					
Government	**21,765**	**2,050**	**–**	**–**	**23,815**
Private	**1,277**	**484**	**–**	**1,288**	**3,049**
Derivative assets	**963**	**102**	**–**	**1,921**	**2,986**
	24,005	**2,636**	**–**	**3,209**	**29,850**
AFS investments					
Debt securities					
Government	**151,957**	**3,287**	**37**	**336**	**155,617**
Private	**7,745**	**4,030**	**–**	**11,633**	**23,408**
Subtotal	**159,702**	**7,317**	**37**	**11,969**	**179,025**
Equity securities					
Quoted	**7**	**–**	**–**	**214**	**221**
Unquoted	**–**	**–**	**–**	**61**	**61**
Subtotal	**7**	**–**	**–**	**275**	**282**
	159,709	**7,317**	**37**	**12,244**	**179,307**
HTM investments					
Government bonds	**12,228**	**1,967**	**–**	**–**	**14,195**
Treasury notes	**96,582**	**–**	**–**	**–**	**96,582**
	108,810	**1,967**	**–**	**–**	**110,777**

(Forward)

	Parent Company				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Loans and receivables					
Receivables from customers					
Commercial loans	₱127,725	₱302,234	₱30,321	₱–	₱460,280
Residential mortgage loans	1,224	37,572	751	–	39,547
Auto loans	1,772	15,992	24	–	17,788
Trade	4,829	30,150	1,201	–	36,180
Others	26,307	427	–	–	26,734
	161,857	386,375	32,297	–	580,529
Unquoted debt securities	–	–	–	–	–
Accrued interest receivable	4,031	1,150	111	223	5,515
Accounts receivable	–	–	–	1,813	1,813
Sales contract receivable	–	–	–	171	171
Other receivables	–	–	–	163	163
	165,888	387,525	32,408	2,370	588,191
Others	–	–	–	40,347	40,347
	₱764,037	₱399,450	₱32,445	₱60,823	₱1,256,755
2013					
Loans and advances to banks					
Due from BSP	₱143,724	₱–	₱–	₱–	₱143,724
Due from other banks	8,785	57	–	105	8,947
Interbank loans receivable and SPURA	92,838	–	–	4,034	96,872
	245,347	57	–	4,139	249,543
Financial assets at FVPL					
HFT debt securities					
Government	30,421	–	–	–	30,421
Private	781	464	–	472	1,717
BSP	19	–	–	–	19
Derivative assets	1,547	107	–	2,329	3,983
	32,768	571	–	2,801	36,140
AFS investments					
Debt securities					
Government	199,959	–	31	6,093	206,083
Private	8,062	4,237	–	8,236	20,535
Subtotal	208,021	4,237	31	14,329	226,618
Equity securities					
Quoted	–	7	–	182	189
Unquoted	–	–	–	61	61
Subtotal	–	7	–	243	250
	208,021	4,244	31	14,572	226,868
HTM investments					
Government bonds	37,437	–	–	921	38,358
	37,437	–	–	921	38,358
Loans and receivables					
Receivables from customers					
Commercial loans	92,510	220,978	34,536	–	348,024
Residential mortgage loans	801	34,802	641	–	36,244
Auto loans	1,348	14,700	21	–	16,069
Trade	6,420	21,632	1,490	–	29,542
Others	16,623	429	–	–	17,052
	117,702	292,541	36,688	–	446,931
Unquoted debt securities	–	–	–	133	133
Accrued interest receivable	4,248	376	741	246	5,611
Accounts receivable	–	–	–	1,461	1,461
Sales contract receivable	–	–	–	145	145
Other receivables	–	–	–	28	28
	121,950	292,917	37,429	2,013	454,309
Others	266	–	–	32,780	33,046
	₱645,789	₱297,789	₱37,460	₱57,226	₱1,038,264

Notes:

1. *Accounts are presented gross of allowance for credit losses but net of unearned interest and discount.*
2. *For classification by grade, refer to Risk Rating Table for Investments (based on Moody's Rating Scole) as guide.*

Breakdown of restructured receivables from customers by class are shown below:

	Consolidated 2014	Consolidated 2013	Parent Company 2014	Parent Company 2013
Commercial loans	**₱3,284**	₱3,326	**₱2,850**	₱2,830
Residential mortgage loans	**231**	605	**37**	525
Auto loans	**89**	1	**2**	–
Others	**171**	69	**–**	–
	₱3,775	₱4,001	**₱2,889**	₱3,355

Aging analysis of past due but not impaired loans and receivables is shown below:

Consolidated	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
2014						
Receivables from customers						
Commercial loans	**₱176**	**₱37**	**₱25**	**₱5**	**₱69**	**₱312**
Residential mortgage loans	**2,912**	**933**	**323**	**219**	**218**	**4,605**
Auto loans	**4,077**	**1,639**	**697**	**684**	**664**	**7,761**
Trade	**–**	**–**	**–**	**–**	**5**	**5**
Others	**249**	**617**	**486**	**72**	**302**	**1,726**
Receivables from customers - net of unearned discounts and capitalized interest	**7,414**	**3,226**	**1,531**	**980**	**1,258**	**14,409**
Accrued interest receivable	**65**	**32**	**18**	**23**	**27**	**165**
Accounts receivable	**8**	**1**	**2**	**283**	**24**	**318**
Sales contract receivable	**9**	**4**	**5**	**2**	**21**	**41**
	₱7,496	**₱3,263**	**₱1,556**	**₱1,288**	**₱1,330**	**₱14,933**
2013						
Receivables from customers						
Commercial loans	₱173	₱137	₱68	₱47	₱232	₱657
Residential mortgage loans	2,191	664	224	135	1,018	4,232
Auto loans	3,261	1,193	472	373	988	6,287
Trade	–	–	–	1	–	1
Others	589	420	28	86	442	1,565
Receivables from customers - net of unearned discounts and capitalized interest	6,214	2,414	792	642	2,680	12,742
Accrued interest receivable	40	20	11	12	35	118
Accounts receivable	3	4	1	3	274	285
Sales contract receivable	–	–	–	6	13	19
	₱6,257	₱2,438	₱804	₱663	₱3,002	₱13,164

Parent Company	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
2014						
Receivables from customers						
Commercial loans	**₱–**	**₱–**	**₱–**	**₱3**	**₱55**	**₱58**
Residential mortgage loans	**–**	**–**	**–**	**9**	**182**	**191**
Auto loans	**–**	**–**	**–**	**–**	**76**	**76**
Trade	**–**	**–**	**–**	**–**	**5**	**5**
Others	**3**	**–**	**–**	**–**	**1**	**4**
Receivables from customers - net of unearned discounts and capitalized interest	**3**	**–**	**–**	**12**	**319**	**334**
Accrued interest receivable	**–**	**–**	**–**	**–**	**3**	**3**
Sales contract receivable	**–**	**–**	**–**	**–**	**11**	**11**
	₱3	**₱–**	**₱–**	**₱12**	**₱333**	**₱348**

	Parent Company					
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
2013						
Receivables from customers						
Commercial loans	₱51	₱87	₱65	₱42	₱95	₱340
Residential mortgage loans	6	–	–	–	197	203
Auto loans	–	–	–	–	70	70
Trade	–	–	–	1	–	1
Others	–	–	–	–	5	5
Receivables from customers - net of unearned discounts and capitalized interest	57	87	65	43	367	619
Accrued interest receivable	–	–	1	–	3	4
	₱57	₱87	₱66	₱43	₱370	₱623

The Group holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. Collateral usually is not held against investment securities, and no such collateral was held as of December 31, 2014 and 2013.

Liquidity Risk
Liquidity risk is defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they become due.

The Group manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning.

Specifically for the Parent Company, it utilizes a diverse range of sources of funds, although short-term deposits made with its network of domestic branches comprise the majority of such funding. To ensure that funding requirements are met, the Parent Company manages its liquidity risk by holding sufficient liquid assets of appropriate quality. It also maintains a balanced loan portfolio that is repriced on a regular basis. Deposits with banks are made on a short-term basis.

In the Parent Company, the Treasury Group uses liquidity forecast models to estimate its cash flow needs based on its actual contractual obligations under normal and extraordinary circumstances. RSK generates Maximum Cumulative Outflow (MCO) reports on a monthly basis to estimate short- and long-term net cash flows of the bank under business-as-usual and stress parameters. The Group's financial institution subsidiaries (excluding insurance companies) prepare their respective MCO reports. These are reported to the Parent Company's ROC on a monthly basis.

Financial assets
Analysis of equity securities at FVPL into maturity groupings is based on the expected date on which these assets will be realized. For other financial assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realized.

Financial liabilities
The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

The table below summarizes the maturity profile of financial instruments and gross-settled derivatives based on contractual undiscounted cash flows.

	Consolidated						
	On demand	Up to 1 month	1 to 3 Months	3 to 6 months	6 to 12 months	Beyond 1 Year	Total
2014							
Financial Assets							
Cash and other cash items	₱34,943	₱–	₱–	₱–	₱–	₱–	₱34,943
Due from BSP	184,453	30,808	–	–	–	–	215,261
Due from other banks	36,032	788	1,193	185	–	3	38,201
Interbank loans receivable and SPURA	–	110,575	5,989	849	2,670	–	120,083
Financial assets at FVPL							
HFT investments	279	–	31,197	65	–	–	31,541
Derivative assets*							
Trading:							
Receive	–	36,658	18,030	17,282	3,540	1,000	76,510
Pay	–	(36,531)	(17,859)	(17,132)	(3,531)	(475)	(75,528)
	–	127	171	150	9	525	982
AFS investments	–	181	1,006	2,362	5,892	235,754	245,195
HTM investments	–	128	407	115	294	215,003	215,947
Loans and receivables							
Receivables from customers	28,005	137,839	96,999	66,440	78,898	488,762	896,943
Unquoted debt securities	–	14	20	320	762	2,555	3,671
Accounts receivable	3,736	95	528	3	26	29	4,417
Accrued interest receivable	6,883	8	330	260	247	591	8,319
Sales contract receivable	47	49	62	18	46	383	605
Other receivables	13	47	445	–	–	–	505
Other assets							
Returned checks and other cash items	83	–	189	–	–	–	272
Residual value of leased assets	13	22	44	49	124	580	832
Miscellaneous	2	5	3	6	13	103	132
	₱294,489	₱280,686	₱138,583	₱70,822	₱88,981	₱944,288	₱1,817,849
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱187,285	₱–	₱–	₱–	₱–	₱–	₱187,285
Savings	406,767	–	–	–	–	–	406,767
Time	–	346,345	161,866	25,197	10,086	38,104	581,598
LTNCD	–	80	66	146	293	17,284	17,869
	594,052	346,425	161,932	25,343	10,379	55,388	1,193,519
Bills payable and SSURA	–	54,508	55,676	7,894	9,145	14,926	142,149
Manager's checks and demand drafts outstanding	4,653	–	–	–	–	–	4,653
Accrued interest payable	–	596	837	66	42	324	1,865
Accrued other expenses	6,296	454	69	–	71	–	6,890
Bonds payable	–	–	135	135	484	12,431	13,185
Subordinated debt	–	–	403	403	807	37,028	38,641
Other liabilities*							
Bills purchased - contra	26,386	–	–	–	–	–	26,386
Accounts payable	1,218	6,058	3	–	1,673	21	8,973
Outstanding acceptances	–	252	287	69	73	8	689
Marginal deposits	6	–	4,574	–	–	–	4,580
Deposits on lease contracts	3	26	57	65	254	766	1,171
Dividends payable	–	40	–	–	64	–	104
Notes payable	–	–	–	–	–	517	517
Miscellaneous	4	27	–	–	–	–	31
	632,618	408,386	223,973	33,975	22,992	121,409	1,443,353
Derivative liabilities*							
Trading:							
Pay	–	31,355	7,224	3,722	4,601	5,979	52,881
Receive	–	(30,647)	(6,882)	(3,473)	(4,445)	(5,762)	(51,209)
	–	708	342	249	156	217	1,672
Loan commitments and financial guarantees	2,317	3,557	12,309	8,014	7,190	90,115	123,502
	₱634,935	₱412,651	₱236,624	₱42,238	₱30,338	₱211,741	₱1,568,527

	Consolidated						
	On demand	Up to 1 month	1 to 3 Months	3 to 6 months	6 to 12 months	Beyond 1 Year	Total
2013							
Financial Assets							
Cash and other cash items	₱29,742	₱–	₱–	₱–	₱–	₱–	₱29,742
Due from BSP	166,474	300	–	–	–	–	166,774
Due from other banks	17,836	914	150	233	53	7,097	26,283
Interbank loans receivable and SPURA	–	111,517	6,258	1,937	2,495	–	122,207
Financial assets at FVPL							
HFT investments	185	18,914	30,032	–	26	–	49,157
Derivative assets*							
Trading:							
Receive	–	19,372	17,062	6,085	7,497	2,539	52,555
Pay	–	(18,985)	(16,866)	(5,671)	(7,200)	(2,022)	(50,744)
	–	387	196	414	297	517	1,811
AFS investments	–	542	437	1,306	3,769	333,181	339,235
HTM investments	–	220	–	–	990	62,746	63,956
Loans and receivables							
Receivables from customers	23,585	90,017	75,012	50,796	54,884	387,833	682,127
Unquoted debt securities	–	5	22	405	1,452	4,340	6,224
Accounts receivable	2,889	133	8	5	338	448	3,821
Accrued interest receivable	7,235	1	6	1	480	691	8,414
Sales contract receivable	42	9	30	22	48	323	474
Other receivables	12	112	–	–	190	–	314
Other assets							
Returned checks and other cash items	14	–	54	–	–	–	68
Residual value of leased assets	6	4	36	39	98	529	712
Pledged certificate of time deposit	–	–	–	–	–	266	266
Miscellaneous	1	5	4	8	18	63	99
	₱248,021	₱223,080	₱112,245	₱55,166	₱65,138	₱798,034	₱1,501,684
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱150,694	₱–	₱–	₱–	₱–	₱–	₱150,694
Savings	362,915	–	–	–	–	–	362,915
Time	–	304,575	129,551	21,459	21,077	32,039	508,701
	513,609	304,575	129,551	21,459	21,077	32,039	1,022,310
Bills payable and SSURA	–	69,120	30,295	9,176	5,612	13,906	128,109
Manager's checks and demand drafts outstanding	3,927	–	–	–	–	–	3,927
Accrued interest payable	247	499	301	50	282	391	1,770
Accrued other expenses	5,304	97	3	–	153	–	5,557
Bonds payable	–	–	87	169	338	25,953	26,547
Subordinated debt	–	–	127	4,628	86	8,579	13,420
Other liabilities							
Bills purchased - contra	16,637	–	–	–	–	–	16,637
Accounts payable	1,382	5,002	–	1,067	886	–	8,337
Outstanding acceptances	–	365	551	59	26	–	1,001
Marginal deposits	–	–	324	6,495	–	–	6,819
Deposits on lease contracts	–	8	55	52	197	679	991
Dividends payable	–	3	–	–	26	–	29
Notes payable	–	–	–	–	–	517	517
Miscellaneous	3	–	–	–	48	–	51
	541,109	379,669	161,294	43,155	28,731	82,064	1,236,022
Derivative liabilities*							
Trading:							
Pay	–	42,859	11,022	22,358	3,138	2,099	81,476
Receive	–	(40,270)	(9,877)	(21,596)	(1,470)	(1,684)	(74,897)
	–	2,589	1,145	762	1,668	415	6,579
Loan commitments and financial guarantees	2,114	2,133	9,508	7,258	7,570	73,653	102,236
	₱543,223	₱384,391	₱171,947	₱51,175	₱37,969	₱156,132	₱1,344,837

	Parent Company						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 Year	Total
2014							
Financial Assets							
Cash and other cash items	₱30,733	₱–	₱–	₱–	₱–	₱–	₱30,733
Due from BSP	157,759	16,506	–	–	–	–	174,265
Due from other banks	25,583	–	–	–	–	–	25,583
Interbank loans receivable and SPURA	–	102,236	1,802	874	3,755	–	108,667
Financial assets at FVPL							
HFT investments	–	–	25,302	–	–	–	25,302
Derivative assets*							
Trading:							
Receive	–	36,658	17,574	17,282	3,540	1,000	76,054
Pay	–	(36,531)	(17,414)	(17,132)	(3,531)	(475)	(75,083)
	–	127	160	150	9	525	971
AFS investments	–	101	854	1,696	5,319	211,960	219,930
HTM investments	–	–	152	–	–	191,453	191,605
Loans and receivables							
Receivables from customers	1,966	134,972	86,197	53,673	46,695	338,076	661,579
Unquoted debt securities	–	–	–	–	–	822	822
Accounts receivable	2,878	–	–	–	–	–	2,878
Accrued interest receivable	6,705	–	–	–	–	–	6,705
Sales contract receivable	21	47	58	9	29	36	200
Other receivables	10	155	–	–	–	–	165
Other assets							
Returned checks and other cash items	–	–	189	–	–	–	189
	₱225,655	₱254,144	₱114,714	₱56,402	₱55,807	₱742,872	₱1,449,594
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱169,851	₱–	₱–	₱–	₱–	₱–	₱169,851
Savings	390,509	–	–	–	–	–	390,509
Time	–	327,343	109,684	21,127	8,401	10,428	476,983
LTNCD	–	80	66	146	293	17,284	17,869
	560,360	327,423	109,750	21,273	8,694	27,712	1,055,212
Bills payable and SSURA	–	28,355	32,674	1,400	–	–	62,429
Manager's checks and demand drafts outstanding	3,399	–	–	–	–	–	3,399
Accrued interest payable	–	587	203	28	10	225	1,053
Accrued other expenses	5,356	–	–	–	–	–	5,356
Subordinated debt	–	–	300	300	601	27,131	28,332
Other liabilities							
Bills purchased - contra	26,303	–	–	–	–	–	26,303
Accounts payable	–	4,356	–	–	–	–	4,356
Outstanding acceptances	–	252	287	69	73	8	689
Marginal deposits	–	–	130	–	–	–	130
	595,418	360,973	143,344	23,070	9,378	55,076	1,187,259
Derivative liabilities*							
Trading:							
Pay	–	30,326	6,509	3,722	4,601	5,979	51,137
Receive	–	(29,615)	(6,169)	(3,473)	(4,445)	(5,762)	(49,464)
	–	711	340	249	156	217	1,673
Loan commitments and financial guarantees	2,317	3,557	12,303	7,997	7,135	4,562	37,871
	₱597,735	₱365,241	₱155,987	₱31,316	₱16,669	₱59,855	₱1,226,803
2013							
Financial Assets							
Cash and other cash items	₱26,532	₱–	₱–	₱–	₱–	₱–	₱26,532
Due from BSP	143,424	300	–	–	-	–	143,724
Due from other banks	6,440	2,075	190	198	49	2	8,954
Interbank loans receivable and SPURA	–	88,128	4,051	1,937	2,943	–	97,059
Financial assets at FVPL							
HFT investments	–	–	29,958	–	–	-	29,958
Derivative assets*							
Trading:							
Receive	–	21,142	17,068	6,097	7,938	2,539	54,784
Pay	–	(20,763)	(16,869)	(5,678)	(7,654)	(2,022)	(52,986)
	–	379	199	419	284	517	1,798

(Forward)

	Parent Company						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 Year	Total
AFS investments	₱–	₱411	₱191	₱522	₱2,636	₱283,074	₱286,834
HTM investments	–	220	–	–	990	62,674	63,884
Loans and receivables							
Receivables from customers	2,365	88,182	72,137	43,377	34,131	280,968	521,160
Unquoted debt securities	–	–	–	133	–	1,113	1,246
Accounts receivable	2,360	–	–	–	–	–	2,360
Accrued interest receivable	6,910	–	–	–	–	–	6,910
Sales contract receivable	22	8	30	21	40	49	170
Other receivables	12	18	–	–	–	–	30
Other assets							
Returned checks and other cash items	–	–	54	–	–	–	54
Pledge certificate of time deposit	–	–	–	–	–	266	266
	₱188,065	₱179,721	₱106,810	₱46,607	₱41,073	₱628,663	₱1,190,939
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱134,788	₱–	₱–	₱–	₱–	₱–	₱134,788
Savings	348,244	–	–	–	–	–	348,244
Time	–	250,440	121,833	19,886	6,805	9,780	408,744
	483,032	250,440	121,833	19,886	6,805	9,780	891,776
Bills payable and SSURA	–	45,996	–	–	–	–	45,996
Manager's checks and demand drafts outstanding	2,816	–	–	–	–	–	2,816
Accrued interest payable	–	469	185	28	9	212	903
Accrued other expenses	4,031	–	–	–	–	–	4,031
Subordinated debt	–	–	84	4,584	–	–	4,668
Other liabilities							
Bills purchased – contra	16,587	–	–	–	–	–	16,587
Accounts payable	–	4,674	–	–	–	–	4,674
Outstanding acceptances	–	365	551	59	26	–	1,001
Marginal deposits	–	–	324	–	–	–	324
	506,466	301,944	122,977	24,557	6,840	9,992	972,776
Derivative liabilities*							
Trading:							
Pay	–	42,859	11,022	22,358	3,138	2,099	81,476
Receive	–	(40,270)	(9,877)	(21,595)	(1,470)	(1,684)	(74,896)
	–	2,589	1,145	763	1,668	415	6,580
Loan commitments and financial guarantees	2,114	2,079	9,506	7,011	7,569	4,058	32,337
	₱508,580	₱306,612	₱133,628	₱32,331	₱16,077	₱14,465	₱1,011,693

*Does not include derivatives embedded in financial and non-financial contracts.

Market Risk

Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, and other market factors. The Parent Company's market risk originates from its holdings in foreign currencies, debt securities and derivatives transactions. The Parent Company manages market risk by segregating its balance sheet into a trading book and a banking book. ALCO, chaired by the Parent Company's Chairman is the senior review and decision-making body for the management of all related market risks. The Parent Company enforces a set of risk limits to properly monitor and manage the market risks. The risk limits are approved by the BOD. The RSK serves under the ROC and performs daily market risk analyses to ensure compliance with the Parent Company's policies. The Treasury Group manages asset/liability risks arising from both banking book and trading operations in financial markets.

Similarly, certain subsidiaries of the Parent Company independently quantify and manage their respective market risk exposures. Each institution has its respective risk management system and processes in place.

As part of its oversight function, the Parent Company regularly coordinate with subsidiaries to monitor their compliance to their respective risk tolerances and ensure consistency of risk management practices. Risk aggregation and consolidation of exposures are part of the ongoing initiatives to provide senior management with a group-wide market risk profile perspective such as Group Trading VaR.

Market risk - trading book
In measuring the potential loss in its trading portfolio, the Parent Company uses Value-at-Risk (VaR) as a primary tool. The VaR method is a procedure for estimating portfolio losses exceeding some specified proportion based on a statistical analysis of historical market price trends, correlations and volatilities. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, for a given "confidence level" over a specified holding period.

VaR methodology assumptions and parameters
The Parent Company is using 260-day Historical Simulation Method to compute the VaR. This method assumes that market rates volatility in the future will follow the same movement that occurred within the specified historical period. In calculating VaR, the Parent Company uses a 99.00% confidence level and a one-day holding period. This means that, statistically, within a one-day horizon, the trading losses will exceed VaR in 1 out of 100 trading days. Like any other model, the Historical Simulation Method has its own limitations. To wit, it cannot predict volatility levels which did not happen in the specified historical period. The validity of the VaR model is verified through a daily back testing analysis, which examines how frequently both actual and hypothetical daily losses exceed VaR. The result of the daily back testing analysis is reported to the ALCO and ROC monthly. The Parent Company measures and monitors the VaR daily and this value is compared against the set VaR limit.

A summary of the VaR levels of the trading portfolio of the Parent Company appears below:

	Parent Company		
	Rates and FX	Fixed Income	FX Options
As of December 31, 2014			
December 29	**₱149.86**	**₱133.32**	**₱0.07**
Average	**209.60**	**203.62**	**20.78**
Highest	**305.97**	**339.47**	**64.58**
Lowest	**145.39**	**87.60**	**0.02**

	Parent Company		
	Rates and FX	Fixed Income	FX Options
As of December 31, 2013			
December 27	₱296.42	₱212.60	₱18.70
Average	283.79	203.47	13.23
Highest	448.91	373.87	35.45
Lowest	123.81	37.81	3.49

Rates and Foreign Exchange (FX) VaR is the correlated VaR of the following products: FX spot, outright forward, NDF, FX swaps, IRS and cross currency swaps. The Fixed Income VaR is the correlated VaR of these products: peso and foreign currency bonds, bond forwards and credit default swaps (CDS).

Each subsidiary performs daily mark-to-market valuation and VaR calculations for their trading book exposures. Risk exposures are bounded by a system of risk limits and monitoring tools to effectively manage these risks.

The table below summarizes the VaR levels of FMIC and PSBank:

	FMIC			PSBank		
		Bonds		Bonds		
	EQUITIES	**PHP**	**USD**	**PHP**	**USD**	**FX**
As of December 31, 2014						
December 29	**₱14.275**	**₱31.119**	**USD–**	**₱1.470**	**USD0.014**	**₱0.450**
Average	**21.939**	**105.517**	**0.182**	**4.000**	**0.017**	**0.580**
Highest	**33.654**	**218.137**	**0.468**	**24.690**	**0.070**	**2.030**
Lowest	**11.628**	**18.187**	**0.000**	**0.320**	**0.004**	**0.002**

	FMIC			PSBank				
		Bonds		Bonds				
	EQUITIES	PHP	USD	PHP		USD		FX
As of December 31, 2013								
December 27	₱31.83	₱115.40	USD-	₱3.82	₱–	USD–	USD–	₱0.43
Average	45.63	65.86	0.14	2.17	–	41.17	–	0.84
Highest	121.24	182.04	1.07	10.06*	7.64**	1.15*	0.00**	1.96
Lowest	27.62	9.60	–	1.79*	1.21**	0.51*	0.00**	0.01

* January 1 to May 31- Using Bloomberg Historical Simulation VaR
** June 1 to December 31 - Using Spreadsheet-based model Historical Simulation VaR

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerability and give the management an early advice if an actual loss goes beyond what is deemed to be tolerable to the bank, even before the VaR limit is hit.

Stress testing is performed by the Parent Company on a quarterly basis, PSBank on monthly basis and FMIC on a daily basis to complement the VaR methodology. The stress testing results of the Parent Company are reported to the ALCO and subsequently to the ROC and the BOD.

Market risk - banking book
To quantify interest rate risk for banking book or accrual portfolios, the Group uses tools or approaches such as Earnings-at-Risk (EaR) and Sensitivity analysis. EaR Methodology is used to measure the potential effect of interest rate movements to net interest earnings. The measurement and monitoring of exposures are done on a monthly basis.

EaR is derived by multiplying the repricing gap by the change in interest rate and the time over which the repricing gap is in effect. The repricing/maturity gap is a method that distributes rate-sensitive assets, liabilities, and off-balance sheet positions into predefined time bands. Floating rate positions are distributed based on the time remaining to next repricing dates. On the other hand, fixed rate items are distributed based on the time remaining to respective maturities. There are certain balance sheet items that may require set-up of assumptions as to their distribution to time bands. For the Parent Company, rate-sensitive positions that lack definitive repricing dates or maturity dates (e.g. demand and savings deposit accounts) are assigned to repricing time bands based according to the judgment, past experience or behavioral patterns. Dynamic assumptions, which considers potential amount of loan pre-payments and time deposit pre-terminations, are based on analysis of historical cash flow levels.

The table below shows the earnings-at-risk profile of the Parent Company and certain subsidiaries as of December 31, 2014 and 2013:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro	Total
2014	**(₱2,542.86)**	**(₱122.36)**	**(₱429.52)**	**(₱88.70)**	**(₱0.98)**	**(₱3,184.42)**
2013	(₱1,656.51)	(₱268.10)	(₱54.13)	₱45.42	(₱0.47)	(₱1,933.79)

Foreign currency risk
Foreign exchange risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the current foreign currency exchange rates on its financial performance and cash flows. Foreign currency liabilities generally consist of foreign currency deposits in the Group's FCDU account. Foreign currency deposits are generally used to fund the Group's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held in the FCDU. Outside the FCDU, the Group has additional foreign currency assets and liabilities in its foreign branch network. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The following table sets forth, for the year indicated, the impact of reasonably possible changes in the USD exchange rate and other currencies per Philippine peso on pre-tax income and equity:

	Consolidated						Parent Company					
	2014			2013			2014			2013		
Currency	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity
USD	+1.00%	(₱67.75)	(₱0.26)	+1.00%	(₱23.24)	(₱359.67)	+1.00%	(₱70.22)	(₱0.27)	+1.00%	(₱25.35)	(₱0.87)
EUR	+1.00%	3.34	–	+1.00%	19.00	–	+1.00%	3.24	–	+1.00%	18.87	–
JPY	+1.00%	0.95	–	+1.00%	(6.21)	–	+1.00%	0.95	–	+1.00%	(6.21)	–
GBP	+1.00%	(3.34)	–	+1.00%	0.78	–	+1.00%	(3.34)	–	+1.00%	0.78	–
Others	+1.00%	150.22	–	+1.00%	9.09	-	+1.00%	150.22	–	+1.00%	9.09	–
USD	-1.00%	67.75	0.26	-1.00%	23.24	359.67	-1.00%	70.22	0.27	-1.00%	23.35	0.87
EUR	-1.00%	(3.34)	–	-1.00%	(19.00)	–	-1.00%	(3.24)	–	-1.00%	(18.87)	–
JPY	-1.00%	(0.95)	–	-1.00%	6.21	–	-1.00%	(0.95)	–	-1.00%	6.21	–
GBP	-1.00%	3.34	–	-1.00%	(0.78)	–	-1.00%	3.34	–	-1.00%	(0.78)	–
Others	-1.00%	(150.22)	–	-1.00%	(9.09)	–	-1.00%	(150.22)	–	-1.00%	(9.09)	–

Information relating to Parent Company's currency derivatives is included in Note 8. As of December 31, 2014 and 2013, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱8.1 billion and ₱8.4 billion, respectively (sold), and ₱6.9 billion and ₱9.6 billion, respectively (bought).

The impact on the Parent Company's equity already excludes the impact on transactions affecting the profit and loss.

Capital Management
The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

Effective January 1, 2014, the Group 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 6.00% and Tier 1 capital ratio of 7.50% and also introduced a capital conservation buffer of 2.50% comprised of CET1 capital. The existing requirement for Total Capital Adequacy Ratio (CAR) remains unchanged at 10.00% and these ratios shall be maintained at all times.

Basel III also requires that 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. In addition, 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, are recognized as qualifying capital 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.

Prior to January 1, 2014, the risk-based capital ratio is computed in accordance with BSP Circular No. 538 or Basel II.

The details of CAR, as reported to the BSP, as of December 31, 2014 and 2013 based on Basel III and Basel II, respectively, follow:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Tier 1 capital	**₱147,953**	₱123,895	**₱139,523**	₱118,183
CET1 Capital	**147,953**		**139,523**	
Less: Required deductions	**31,055**	1,380	**66,960**	24,721
Sub-total	**116,898**	122,515	**72,563**	93,462
Excess from Tier 2 deducted to Tier 1 Capital*		–		(15,868)
Net Tier 1 Capital	**116,898**	122,515	**72,563**	77,594
Tier 2 capital	**37,430**	15,021	**27,874**	8,853
Less: Required deductions		1,380		24,721
Sub-total	**37,430**	13,641	**27,874**	(15,868)
Excess of Tier 2 deducted to Tier 1 Capital*		–		15,868
Net Tier 2 Capital	**37,430**	13,641	**27,874**	–
Total Qualifying Capital	**₱154,328**	₱136,156	**₱100,437**	₱77,594

**In 2013, deductions to Tier 2 Capital are capped at its total gross amount and any excess shall be deducted from Tier 1 Capital in accordance with the Basel II standards.*

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Credit Risk-Weighted Assets	**₱816,557**	₱665,376	**₱634,754**	₱483,969
Market Risk-Weighted Assets	**34,042**	58,196	**32,571**	52,222
Operational Risk-Weighted Assets	**112,180**	94,240	**66,708**	55,791
Total Risk-Weighted Assets	**962,779**	817,812	**734,033**	591,981
CET1 Ratio*	**12.14%**		**9.89%**	
Tier 1 capital ratio	**12.14%**	14.98%	**9.89%**	13.11%
Total capital ratio	**16.03%**	16.65%	**13.68%**	13.11%

**of which capital conservation buffer is 6.14% and 3.89% for the Group and Parent Company, respectively.*

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, surplus including current year profit, surplus reserves, other comprehensive income (net unrealized gains or losses on AFS securities and cumulative foreign currency translation) and non-controlling interest less required deductions such as unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI), deferred income tax, other intangible assets, defined benefit pension fund assets and goodwill. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debt and general loan loss provision.

RWA consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP.

As of December 31, 2014 and 2013, the Group has no exposures to securitization structures, contracts that provide credit protection through credit derivatives and investments in other types of structured products.

Credit risk mitigants on risk-weighted assets were based on collateralized transactions (margin deposits and hold-out on deposits) as well as guarantees by the Philippine National Government and those guarantors and exposures with highest credit rating.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by S&P, Moody's, Fitch and PhilRatings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporations, and Corporates.

Operational RWA are computed using the Basic Indicator Approach.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this new circular, the Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget; as well as regulatory edicts. BSP requires submission of an ICAAP document every January 31. Pursuant to MB Resolution No. 84 dated January 14, 2015, the deadline for submission of ICAAP documents was amended from January 31 of each year to March 31 effective 2015 (BSP Circular No. 869 dated January 30, 2015).

The Group 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.

5. Fair Value Measurement

Financial Instruments

The methods and assumptions used by the Group in estimating the fair value of financial instruments are:

Cash and other cash items, due from BSP and other banks and interbank loans receivable and SPURA - Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

Trading and investment securities - Fair values of debt securities (financial assets at FVPL, AFS and HTM investments) and equity investments are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. For equity investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Derivative instruments - Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using acceptable valuation models. The models utilize published underlying rates (e.g. interest rates, FX rates, CDS rates, FX volatilities and spot and forward FX rates) and are implemented through validated calculation engines.

Loans and receivables - Fair values of the Group's loans and receivables are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of loans. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate fair values.

Liabilities - Fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued, if any. The carrying amount of demand and savings deposit liabilities and other short-term liabilities approximate fair value considering that these are either due and demandable or with short-term maturities.

Non-financial Asset

Investment properties - Fair value of investment properties is determined based on valuations performed by independent and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restrictions, building coverage and floor area ratio restrictions, among others. The fair value of investment properties is based on its highest and best use, which is its current use.

The following tables summarize the carrying amounts and fair values of the financial assets and liabilities, analyzed among those whose fair value is based on:

- Quoted market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	2014				
	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	₱29,178	₱28,142	₱1,036	₱–	₱29,178
Private	3,925	3,887	38	–	3,925
	33,103	32,029	1,074	–	33,103
Equity securities					
Quoted	9,791	9,791	–	–	9,791
Derivative assets					
Currency forwards	598	–	598	–	598
Bond forward	27	–	27	–	27
Interest rate swaps	345	–	345	–	345
Cross currency swaps	1,857	–	1,857	–	1,857
Put option	164	–	164	–	164
Call option	45	–	45	–	45
Embedded derivatives in non-financial contract	5	–	5	–	5
	3,041		3,041		3,041
	45,935	41,820	4,115	–	45,935
AFS investments					
Debt securities					
Government	173,628	169,278	4,350	–	173,628
Private	26,739	25,923	816	–	26,739
	200,367	195,201	5,166	–	200,367
Equity securities					
Quoted	3,892	3,892	–	–	3,892
	204,259	199,093	5,166	–	204,259
	₱250,194	₱240,913	₱9,281	₱–	₱250,194
Assets for which Fair Values are Disclosed					
Financial Assets					
HTM investments					
Government	₱29,078	₱32,957	₱24	₱–	₱32,981
Private	3,371	3,344	–	–	3,344
Treasury notes	96,627	98,748	–	–	98,748
	129,076	135,049	24	–	135,073
Loans and receivables - net					
Receivables from customers					
Commercial loans	493,604	–	494,875	–	494,875
Residential mortgage loans	73,826	–	72,149	–	72,149
Auto loans	63,353	–	66,485	–	66,485
Trade	36,189	–	36,197	–	36,197
Others	76,452	–	76,351	–	76,351
	743,424	–	746,057	–	746,057
Unquoted debt securities	2,508	–	2,740	–	2,740
Sales contract receivable	430	–	451	–	451
	746,362	–	749,248	–	749,248
Other Assets					
Residual value of leased assets	832	–	791	–	791
Miscellaneous	115	–	117	–	117
	947	–	908	–	908
	876,385	135,049	750,180	–	885,229
Non-Financial Assets					
Investment properties	10,037	–	–	15,773	15,773
	₱886,422	₱135,049	₱750,180	₱15,773	₱901,002

(Forward)

	2014				
	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVPL					
Derivative liabilities					
Currency forwards	₱506	₱–	₱506	₱–	₱506
Foreign exchange swaps	16	–	16	–	16
Interest rate swaps	1,113	–	1,113	–	1,113
Cross currency swaps	1,436	–	1,436	–	1,436
	₱3,071	₱–	₱3,071	₱–	₱3,071
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱576,152	₱–	₱580,433	₱–	₱580,433
LTNCD	14,250	8,080	6,215	–	14,295
Bills payable and SSURA	140,399	–	141,626	–	141,626
Bonds payable	11,444	–	12,004	–	12,004
Subordinated debt	29,452	19,687	7,107	–	26,794
Other liabilities					
Deposits on lease contracts	1,171	–	1,031	–	1,031
	₱772,868	₱27,767	₱748,416	₱–	₱776,183

	2014				
	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	₱23,815	₱23,815	₱–	₱–	₱23,815
Private	3,049	3,049	–	–	3,049
	26,864	26,864	–	–	26,864
Derivative assets					
Currency forwards	598	–	598	–	598
Bond forward	27	–	27	–	27
Interest rate swaps	345	–	345	–	345
Cross currency swaps	1,847	–	1,847	–	1,847
Put option purchased - warrants	164	–	164	–	164
Call option	–	–	–	–	–
Embedded derivatives in non-financial contract	5	–	5	–	5
	2,986	–	2,986	–	2,986
	29,850	26,864	2,986	–	29,850
AFS investments					
Debt securities					
Government	155,617	155,501	116	–	155,617
Private	23,408	22,912	496	–	23,408
	179,025	178,413	612	–	179,025
Equity securities					
Quoted	289	289	–	–	289
	179,314	178,702	612	–	179,314
	₱209,164	₱205,566	₱3,598	₱–	₱209,164
Assets for which Fair Values are Disclosed					
Financial Assets					
HTM investments					
Government	₱14,195	₱17,868	₱–	₱–	₱17,868
Treasury notes	96,582	98,702	–	–	98,702
	110,777	116,570	–	–	116,570

(Forward)

	2014				
	Parent Company				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Loans and receivables - net					
Receivables from customers					
Commercial loans	**₱458,516**	**₱–**	**₱457,438**	**₱–**	**₱457,438**
Residential mortgage loans	**39,797**	**–**	**40,028**	**–**	**40,028**
Auto loans	**17,853**	**–**	**17,981**	**–**	**17,981**
Trade	**36,189**	**–**	**36,197**	**–**	**36,197**
Others	**26,740**	**–**	**26,740**	**–**	**26,740**
	579,095	**–**	**578,384**	**–**	**578,384**
Unquoted debt securities	**163**	**–**	**163**	**–**	**163**
Sales contract receivable	**184**	**–**	**184**	**–**	**184**
	579,442	**–**	**578,731**	**–**	**578,731**
	690,219	**116,570**	**578,731**	**–**	**695,301**
Non-Financial Assets					
Investment properties	**6,229**	**–**	**–**	**10,672**	**10,672**
	₱696,448	**₱116,570**	**₱578,731**	**₱10,672**	**₱705,973**
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVPL					
Derivative liabilities					
Currency forwards	**₱506**	**₱–**	**₱506**	**₱–**	**₱506**
Interest rate swaps	**1,113**	**–**	**1,113**	**–**	**1,113**
Cross currency swaps	**1,435**	**–**	**1,435**	**–**	**1,435**
	₱3,054	**₱–**	**₱3,054**	**₱–**	**₱3,054**
Liabilities far which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱475,818**	**₱–**	**₱475,818**	**₱–**	**₱475,818**
LTNCD	**14,250**	**8,080**	**6,215**	**–**	**14,295**
	490,068	**8,080**	**482,033**	**–**	**490,113**
Bills payable and SSURA	**62,345**	**–**	**62,345**	**–**	**62,345**
Subordinated debt	**22,344**	**19,687**	**–**	**–**	**19,687**
	₱574,757	**₱27,767**	**₱544,378**	**₱–**	**₱572,145**

	2013				
	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	₱39,367	₱39,294	₱73	₱–	₱39,367
Private	2,332	2,306	26	–	2,332
BSP	19	19	–	–	19
	41,718	41,619	99	–	41,718
Equity securities					
Quoted	9,637	9,637	–	–	9,637
Derivative assets					
Currency forwards	1,059	–	1,059	–	1,059
Interest rate swaps	1,061	–	1,061	–	1,061
Cross currency swaps	1,652	–	1,652	–	1,652
Put option	215	–	215	–	215
Call option	93	–	93	–	93
Embedded derivatives in non-financial contract	6	–	6	–	6
	4,086	–	4,086	–	4,086
	55,441	51,256	4,185	–	55,441
AFS investments					
Debt securities					
Government	245,520	241,566	3,954	–	245,520
Private	21,531	21,012	519	–	21,531
	267,051	262,578	4,473		267,051
Equity securities					
Quoted	2,882	2,882	–	–	2,882
	269,933	265,460	4,473	–	269,933
	₱325,374	₱316,716	₱8,658	₱–	₱325,374

(Forward)

	2013				
	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets for which Fair Values are Disclosed					
Financial Assets					
HTM investments					
Government	₱38,380	₱41,176	₱25	₱–	₱41,201
Treasury notes	45	46	–	–	46
	38,425	41,222	25	–	41,247
Loans and receivables - net					
Receivables from customers					
Commercial loans	385,251	–	383,705	–	383,705
Residential mortgage loans	64,496	–	64,782	–	64,782
Auto loans	54,101	–	58,082	–	58,082
Trade	29,847	–	29,854	–	29,854
Others	60,767	–	60,922	–	60,922
	594,462	–	597,345	–	597,345
Unquoted debt securities	4,639	–	5,067	–	5,067
Sales contract receivable	421	–	442	–	442
	599,522	–	602,854	–	602,854
Other Assets					
Residual value of leased assets	712	–	680	–	680
Miscellaneous	97	–	104	–	104
	809	–	784	–	784
	638,756	41,222	603,663	–	644,885
Non-Financial Assets					
Investment properties	13,125	–	–	22,941	22,941
	₱651,881	₱41,222	₱603,663	₱22,941	₱667,826
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVPL					
Derivative liabilities					
Currency forwards	₱1,365	₱–	₱1,365	₱–	₱1,365
Interest rate swaps	1,407	–	1,407	–	1,407
Cross currency swaps	1,641	–	1,641	–	1,641
Call option	11	–	11	–	11
Credit default swaps	10	–	10	–	10
Embedded derivatives in non-financial contract	18	–	18	–	18
	₱4,452	₱–	₱4,452	₱–	₱4,452
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱502,659	₱–	₱509,097	₱–	₱509,097
Bills payable and SSURA	127,204	–	127,768	–	127,768
Bonds payable	11,643		12,820	–	12,820
Subordinated debt	8,628	4,561	4,832	–	9,393
Other liabilities					
Deposits on lease contracts	991	–	951	–	951
	₱651,125	₱4,561	₱655,468	₱–	₱660,029

	2013				
	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	₱30,421	₱30,421	₱–	₱–	₱30,421
Private	1,717	1,717	–	–	1,717
BSP	19	19	–	–	19
	32,157	32,157	–	–	32,157

(Forward)

	2013 Parent Company Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Derivative assets					
Currency forwards	₱1,059	₱–	₱1,059	₱–	₱1,059
Interest rate swaps	1,061	–	1,061	–	1,061
Cross currency swaps	1,639	–	1,639	–	1,639
Put option purchased - warrants	215	–	215	–	215
Call option	3	–	3	–	3
Embedded derivatives in non-financial contract	6	–	6	–	6
	3,983	–	3,983	–	3,983
	36,140	32,157	3,983	–	36,140
AFS investments					
Debt securities					
Government	206,083	205,895	188	–	206,083
Private	20,535	20,311	224	–	20,535
	226,618	226,206	412	–	226,618
Equity securities					
Quoted	264	264	–	–	264
	226,882	226,470	412	–	226,882
	₱263,022	₱258,627	₱4,395	₱–	₱263,022
Assets for which Fair Values are Disclosed					
Financial Assets					
HTM investments - Government	₱38,358	₱41,176	₱–	₱–	₱41,176
Loans and receivables - net					
Receivables from customers					
Commercial loans	347,808	–	344,300	–	344,300
Residential mortgage loans	36,482	–	36,709	–	36,709
Auto loans	16,120	–	16,208	–	16,208
Trade	29,617	–	29,625	–	29,625
Others	17,056	–	17,056	–	17,056
	447,083	–	443,898	–	443,898
Unquoted debt securities	534	–	534	–	534
Sales contract receivable	148	–	148	–	148
	447,765	–	444,580	–	444,580
	486,123	41,176	444,580	–	485,756
Non-Financial Assets					
Investment properties	9,504	–	–	18,264	18,264
	₱495,627	₱41,176	₱444,580	₱18,264	₱504,020
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVPL					
Derivative liabilities					
Currency forwards	₱1,365	₱–	₱1,365	₱–	₱1,365
Interest rate swaps	1,407	–	1,407	–	1,407
Cross currency swaps	1,641	–	1,641	–	1,641
Call option	11	–	11	–	11
Credit default swaps	10	–	10	–	10
Embedded derivatives in non-financial contract	18	–	18	–	18
	₱4,452	₱–	₱4,452	₱–	₱4,452
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Time deposits	₱407,722	₱–	₱407,722	₱–	₱407,722
Bills payable and SSURA	45,993	–	45,993	–	45,993
Subordinated debt	4,497	4,561	–	–	4,561
	₱458,212	₱4,561	₱453,715	₱–	₱458,276

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Instruments included in Level 3 include those for which there is currently no active market.

The following table shows transfers from Level 2 to Level 1 of the fair value hierarchy as of December 31, 2014:

	Level 1	Level 2
HFT investments - debt securities	₱15	(₱15)
AFS investments - debt securities	45	(45)

As of December 31, 2014, the price of these securities is quoted in an active market.

There were no transfers between Levels of the fair value hierarchy in 2013.

6. Segment Information

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with segment representing a strategic business unit. The Group's business segments follow:

- Consumer Banking - principally providing consumer type loans and support for effective sourcing and generation of consumer business;
- Corporate Banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Investment Banking - principally arranging structured financing, and providing services relating to privatizations, initial public offerings, mergers and acquisitions; and providing advisory services primarily aimed to create wealth to individuals and institutions;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and corporate banking;
- Branch Banking - principally handling branch deposits and providing loans and other loan related businesses for domestic middle market clients; and
- Others - principally handling other services including but not limited to remittances, leasing, account financing, and other support services. Other operations of the Group comprise the operations and financial control groups.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds. The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities:

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
2014							
Results of Operations							
Net interest income (expense)							
Third party	**₱9,183**	**₱17,004**	**₱164**	**₱16,265**	**₱1,248**	**₱1,899**	**₱45,763**
Intersegment	**(331)**	**(9,731)**	–	**(7,834)**	**20,612**	**(2,716)**	–
Net interest income (expense) after intersegment transactions	**8,852**	**7,273**	**164**	**8,431**	**21,860**	**(817)**	**45,763**
Non-interest income	**5,009**	**940**	**408**	**912**	**3,886**	**17,976**	**29,131**
Revenue - net of interest expense	**13,861**	**8,213**	**572**	**9,343**	**25,746**	**17,159**	**74,894**
Non-interest expense	**9,024**	**2,089**	**28**	**1,288**	**17,898**	**15,446**	**45,773**
Income before share in net income of associates and a JV	**4,837**	**6,124**	**544**	**8,055**	**7,848**	**1,713**	**29,121**
Share in net income of associates and a JV	–	**77**	–	–	–	**366**	**443**
Provision for income tax	**(946)**	**(280)**	–	**(3,475)**	**201**	**(1,959)**	**(6,459)**
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	**(2,992)**	**(2,992)**
Net income (loss)	**₱3,891**	**₱5,921**	**₱544**	**₱4,580**	**₱8,049**	**(₱2,872)**	**₱20,113**
Statement of Financial Position							
Total assets	**₱119,790**	**₱521,546**	**₱–**	**₱566,013**	**₱134,958**	**₱262,233**	**₱1,604,540**
Total liabilities	**₱51,474**	**₱512,814**	**₱–**	**₱545,049**	**₱204,002**	**₱132,416**	**₱1,445,755**
Other Segment Information							
Capital expenditures	**₱450**	**₱119**	**₱–**	**₱121**	**₱226**	**₱2,883**	**₱3,799**
Depreciation and amortization	**₱296**	**₱116**	**₱–**	**₱29**	**₱1,016**	**₱1,439**	**₱2,896**
Provision for credit and impairment losses	**₱4,195**	**₱43**	**₱–**	**₱8**	**₱858**	**(₱255)**	**₱4,849**
2013							
Results of Operations							
Net interest income (expense)							
Third party	₱7,851	₱7,999	(₱44)	₱11,148	₱9,994	₱1,321	₱38,269
Intersegment	(280)	(4,014)	–	(5,995)	12,443	(2,154)	–
Net interest income (expense) after intersegment transactions	7,571	3,985	(44)	5,153	22,437	(833)	38,269
Non-interest income	4,068	382	731	13,426	3,646	18,402	40,655
Revenue - net of interest expense	11,639	4,367	687	18,579	26,083	17,569	78,924
Non-interest expense	8,307	1,573	149	2,547	17,123	19,798	49,497
Income (loss) before share in net income of associates and a JV	3,332	2,794	538	16,032	8,960	(2,229)	29,427
Share in net income of associates and a JV	–	110	–	–	–	1,367	1,477
Provision for income tax	(862)	(370)	(52)	(3,242)	64	(2,286)	(6,748)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(1,668)	(1,668)
Net income (loss)	₱2,470	₱2,534	₱486	₱12,790	₱9,024	(₱4,816)	₱22,488
Statement of Financial Position							
Total assets	₱97,439	₱202,740	₱861	₱503,490	₱321,033	₱253,006	₱1,378,569
Total liabilities	₱41,792	₱197,033	₱6	₱481,636	₱377,608	₱137,789	₱1,235,864
Other Segment Information							
Capital expenditures	₱409	₱212	₱–	₱105	₱328	₱2,599	₱3,653
Depreciation and amortization	₱293	₱103	₱–	₱7	₱949	₱1,332	₱2,684
Provision for credit and impairment losses	₱3,665	(₱157)	₱–	₱426	₱1,886	₱4,902	₱10,722
2012							
Results of Operations							
Net interest income (expense)							
Third party	₱6,785	₱8,860	(₱66)	₱6,730	₱7,392	₱1,153	₱30,854
Intersegment	(217)	(5,672)	–	(3,837)	10,979	(1,253)	-
Net interest income (expense) after intersegment transactions	6,568	3,188	(66)	2,893	18,371	(100)	30,854
Non-interest income	3,435	234	739	8,193	3,106	10,517	26,224
Revenue - net of interest expense	10,003	3,422	673	11,086	21,477	10,417	57,078
Non-interest expense	7,007	1,342	106	1,220	13,918	14,260	37,853
Income (loss) before share in net income of associates and a JV	2,996	2,080	567	9,866	7,559	(3,843)	19,225
Share in net income of associates and a JV	–	1	–	–	–	2,547	2,548

(Forward)

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Provision for income tax	(₱796)	(₱155)	(₱29)	(₱1,844)	(₱232)	(₱800)	(₱3,856)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(2,518)	(2,518)
Net income (loss)	₱2,200	₱1,926	₱538	₱8,022	₱7,327	(₱4,614)	₱15,399
Statement of Financial Position							
Total assets	₱64,184	₱208,115	₱2,210	₱306,726	₱264,946	₱200,462	₱1,046,643
Total liabilities	₱33,952	₱205,180	₱2,302	₱278,774	₱295,235	₱106,491	₱921,934
Other Segment Information							
Capital expenditures	₱446	₱281	₱–	₱75	₱229	₱3,472	₱4,503
Depreciation and amortization	₱311	₱81	₱–	₱15	₱879	₱1,138	₱2,424
Provision for credit and impairment losses	₱3,051	₱83	₱–	₱–	₱572	₱772	₱4,478

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain - net, foreign exchange gain - net, income from trust operations, leasing, dividends and miscellaneous income. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, provision for credit and impairment losses, depreciation and amortization, occupancy and equipment-related cost, amortization of software costs and miscellaneous expense.

Geographical Information

The Group operates in four geographic markets: Philippines, Asia other than Philippines, USA and Europe (Note 2). The following tables show the distribution of Group's external net operating income and non-current assets allocated based on the location of the customers and assets, respectively, for the years ended December 31:

	Philippines	Asia (Other than Philippines)	USA	Europe	Total
2014					
Interest income	**₱57,557**	**₱1,709**	**₱28**	**₱–**	**₱59,294**
Interest expense	**12,893**	**632**	**6**	**–**	**13,531**
Net interest income	**44,664**	**1,077**	**22**	**–**	**45,763**
Non-interest income	**27,834**	**912**	**335**	**50**	**29,131**
Provision for credit and impairment losses	**4,689**	**157**	**3**	**–**	**4,849**
Total external net operating income	**₱67,809**	**₱1,832**	**₱354**	**₱50**	**₱70,045**
Non-current assets	**₱27,851**	**₱620**	**₱19**	**₱5**	**₱28,495**
2013					
Interest income	₱48,614	₱1,243	₱35	₱–	₱49,892
Interest expense	11,155	462	6	–	11,623
Net interest income	37,459	781	29	–	38,269
Non-interest income	39,130	1,000	411	114	40,655
Provision for credit and impairment losses	10,630	92	–	–	10,722
Total external net operating income	₱65,959	₱1,689	₱440	₱114	₱68,202
Non-current assets	₱30,985	₱667	₱25	₱13	₱31,690
2012					
Interest income	₱44,264	₱708	₱44	₱–	₱45,016
Interest expense	13,940	215	7	–	14,162
Net interest income	30,324	493	37	–	30,854
Non-interest income	24,637	1,118	329	140	26,224
Provision for credit and impairment losses	4,444	34	–	–	4,478
Total external net operating income	₱50,517	₱1,577	₱366	₱140	₱52,600
Non-current assets	₱33,775	₱550	₱31	₱13	₱34,369

Non-current assets consist of property and equipment, investment properties, chattel properties acquired in foreclosure, software costs and assets held under joint operations.

7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Interbank loans receivable (Note 31)	**₱23,017**	₱27,465	**₱13,399**	₱17,548
SPURA	**96,826**	94,548	**95,042**	79,324
	119,843	122,013	**108,441**	96,872
Less allowance for impairment losses (Note 15)	**4**	2	**–**	–
	₱119,839	₱122,011	**₱108,441**	₱96,872

The outstanding balance of SPURA represents overnight placements with the BSP where the underlying securities cannot be sold or repledged to parties other than BSP.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Financial assets at FVPL (Note 29)	**₱45,935**	₱55,441	**₱29,850**	₱36,140
AFS investments (Notes 11, 29 and 31)	**207,711**	273,429	**179,375**	226,943
HTM investments (Notes 29 and 31)	**129,076**	38,425	**110,777**	38,358
	₱382,722	₱367,295	**₱320,002**	₱301,441

Financial assets at FVPL consist of the following:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
HFT investments (Note 31)				
Debt securities				
Government (Notes 17 and 19)	**₱29,178**	₱39,367	**₱23,815**	₱30,421
Private	**3,925**	2,332	**3,049**	1,717
BSP	**–**	19	**–**	19
	33,103	41,718	**26,864**	32,157
Equity securities - quoted	**9,791**	9,637	**–**	–
	42,894	51,355	**26,864**	32,157
Derivative assets	**3,041**	4,086	**2,986**	3,983
	₱45,935	₱55,441	**₱29,850**	₱36,140

Derivative Financial Instruments

The following are fair values of derivative financial instruments of the Parent Company recorded as derivative assets/liabilities, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2014 and 2013 and are not indicative of either market risk or credit risk.

	Assets	Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
December 31, 2014				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	**₱140**	**₱65**	**USD 830**	**₱44.7364**
CNY	**11**	**238**	**CNY 3,931**	**CNY 0.1601**
EUR	**–**	**1**	**EUR 0**	**EUR 1.2695**
TWD	77	–	**TWD 1,641**	**TWD 0.0326**
HKD	–	**0**	**HKD 15**	**HKD 0.1289**
CHF	–	**4**	**CHF 4**	**CHF 1.0358**
AUD	–	**0**	**AUD 1**	**AUD 0.8183**
SOLD:				
USD	**112**	**180**	**USD 1,067**	**₱44.8498**
CNY	**250**	**17**	**CNY 3,963**	**CNY 0.1608**
JPY	**4**	–	**JPY 807**	**JPY 0.0084**
EUR	**3**	**–**	**EUR 1**	**EUR 1.2080**
THB	**0**	**0**	**THB 15**	**THB 0.0303**
CHF	**0**	**–**	**CHF 2**	**CHF 1.0133**
SGD	**1**	–	**SGD 31**	**SGD 0.7560**
AUD	**0**	**1**	**AUD 14**	**AUD 0.8131**
DKK	**0**	**–**	**DKK 1**	**DKK 0.1675**
ZAR	**0**	–	**ZAR 3**	**ZAR 0.0864**
Put option purchased warrants	**164**	–	**USD 645**	
Interest rate swaps - PHP	**252**	**386**	**₱54,788**	
Interest rate swaps - FX	**93**	**727**	**USD 1,455**	
Cross currency swaps	**1,804**	**46**	**USD 1,088**	
Cross currency swaps - PHP	**43**	**1,389**	**₱18,047**	
Over-the-counter FX option	**0**	–	**USD 2**	
Bond forwards	**27**	–	**USD 50**	
Embedded derivatives in non-financial contract**	**5**	–	**USD 0**	
	₱2,986	**₱3,054**		
December 31, 2013				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	₱769	₱181	USD 754	₱43.6032
CNY	182	2	CNY 1,664	CNY 0.1612
TWD	17	–	TWD 933	TWD 0.0338
EUR	7	–	EUR 14	EUR 1.3687
JPY	–	2	JPY 1,141	JPY 0.0096
CHF	1	–	CHF 3	CHF 1.1160
THB	–	1	THB 10	THB 0.0312
AUD	–	–	AUD 3	AUD 0.8888
SOLD:				
USD	57	1,078	USD 1,723	₱43.7730
CNY	15	94	CNY 2,922	CNY 0.1632
JPY	11	3	JPY 2,827	JPY 0.0097
EUR	–	1	EUR 1	EUR 1.3699
THB	–	–	THB 29	THB 0.0304
SGD	–	–	SGD 11	SGD 0.7900
AUD	–	3	AUD 5	AUD 0.8925

(Forward)

	Assets	Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
Put option purchased warrants	₱215	₱–	USD 645	
Interest rate swaps - PHP	892	857	₱55,694	
Interest rate swaps - FX	169	550	USD 1,270	
Cross currency swaps	1,639	234	USD 1,154	
Cross currency swaps - PHP	–	1,407	₱13,632	
Credit default swaps	–	10	USD 35	
Over-the-counter FX option	3	11	USD 89	
Embedded derivatives in:				
Financial contract*	–	18	USD 1	
Non-financial contract**	6	–	USD 0	
	₱3,983	₱4,452		

* As of December 31, 2013, this pertains to interest rate derivatives embedded in structured debt instrument with outstanding notional amount of USD1.1 million.

** Non-financial host contracts include foreign currency derivatives with average notional amounts of USD1,467 and USD1,440 per month as of December 31, 2014 and 2013, respectively (with maturities until 2021).

As of December 31, 2014 and 2013, the Group's derivative assets include embedded call option in a financial contract amounting to ₱44.5 million and ₱90.4 million, respectively and IRS amounting to ₱10.6 million and ₱13.3 million, respectively. Derivative liabilities of the Group include foreign currency swaps of ₱16.2 million as of December 31, 2014.

Derivatives Designated as Accounting Hedges

MCC has a cross currency swap agreement with a certain bank to hedge the foreign exchange and interest rate risks arising from its dollar-denominated loan with the same bank. Under the agreement, MCC, on a quarterly basis, pays fixed annual interest rates ranging from 5.45% to 4.10% in 2014 and 2013, respectively, on the peso principals and receives floating interest at 3 months London interbank offered rate (LIBOR) on the USD principals. As of December 31, 2014 and 2013, the swaps which are designated as hedging instruments under cash flow hedges have an aggregate positive fair value of ₱10.6 million and ₱13.3 million, respectively. Cash outflows relating to the hedged item amounting to ₱0.5 billion and ₱2.2 billion as of December 31, 2014 and 2013, respectively, are expected to be settled within one year. MCC assessed the hedge relationship of the swaps and the hedged loans as highly effective. The effective fair value changes on the swaps that were deferred in equity under 'Translation adjustment and others' as of December 31, 2014 and 2013 amounted to ₱2.7 million and ₱17.7 million, respectively. This is to recognize the offsetting effect of the change in fair value of the swaps and that of the hedged loans in the statement of income due to movements in the foreign exchange rates. No ineffectiveness was recognized in 2014 and 2013.

AFS investments consist of the following:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Debt securities:				
Government (Notes 17 and 19)	**₱173,631**	₱245,520	**₱155,617**	₱206,083
Private (Note 14)	**26,739**	21,531	**23,408**	20,535
	200,370	267,051	**179,025**	226,618
Equity securities:				
Quoted (Note 11)	**4,205**	3,182	**370**	356
Unquoted	**3,665**	3,764	**142**	147
	7,870	6,946	**512**	503
	208,240	273,997	**179,537**	227,121
Less allowance for impairment losses (Note 15)	**529**	568	**162**	178
	₱207,711	₱273,429	**₱179,375**	₱226,943

AFS investments include net unrealized losses as follows:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Balance at the beginning of year	**(₱371)**	₱2,546	**(₱2,133)**	₱1,613
Unrealized gain (loss) recognized in other comprehensive income	**(119)**	9,910	**523**	1,163
Amounts realized in profit or loss	**(1,862)**	(12,833)	**(965)**	(4,816)
	(2,352)	(377)	**(2,575)**	(2,040)
Tax (Note 28)	**(34)**	6	**(34)**	(93)
Balance at end of year	**(₱2,386)**	(₱371)	**(₱2,609)**	(₱2,133)

AFS investments include floating rate notes with carrying value of USD11.1 million and USD5.1 million as of December 31, 2014 and 2013, respectively (with peso equivalent of ₱496.2 million and ₱224.3 million, respectively) which are pledged by the Parent Company's New York Branch in compliance with the regulatory requirements of the Federal Deposit Insurance Corporation (FDIC) and the Office of the Controller of the Currency (OCC) in New York.

In August 2014, the Parent Company and FMIC participated in a bond exchange transaction affecting HFT and AFS investments and received 10-year Benchmark bonds with coupon of 4.125% and face value of ₱13.3 billion and ₱10.2 billion, respectively, at a price equivalent to the ratio of the Eligible Bond Repurchase Price to the New Benchmark Bond Issue Price for every ₱1.00 principal amount of each series of Eligible Bonds offered. The Parent Company and FMIC realized net trading loss of ₱9.0 thousand and ₱80.4 million, respectively.

Investment of FMIC in Global Business Power Corporation (GBPC)
The Group's AFS investment - equity securities include FMIC's 4.73% ownership in GBPC amounting to ₱3.3 billion following the sale of its 20.00% ownership to ORIX Corporation of Tokyo, Japan at a consideration of ₱7.2 billion which resulted in a gain of ₱3.1 billion and another 20.00% to Meralco PowerGen Corporation, a wholly-owned subsidiary of Manila Electric Company, at a consideration of ₱7.2 billion which resulted in a gain of ₱4.3 billion. The sale of GBPC shares was in line with the Group's capital raising initiatives in preparation for the implementation of Basel III in the Philippines on January 1, 2014 (Note 11).

Investments of FMIC in Toyota Manila Bay Corporation (TMBC) and Toyota Cubao, Inc. (TCI)
In March 2014, FMIC sold AFS investments representing 19.25% ownership in TMBC and 9.00% ownership in TCI to GT Capital at a price of ₱237.3 million and ₱35.9 million, respectively, resulting in a gain of ₱189.1 million and ₱35.9 million, respectively (Note 31).

Investment of FMIC in Lepanto Consolidated Mining Company (LCMC)
As discussed in Note 11, as of December 31, 2014, AFS investment - quoted equity securities include FMIC's 14.22% ownership in LCMC with fair market value of ₱1.6 billion.

HTM investments consist of the following:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Government bonds (Notes 17 and 19)	**₱29,078**	₱38,380	**₱14,195**	₱38,358
Treasury notes	**96,627**	45	**96,582**	–
Private bonds	**3,371**	–	**–**	–
	₱129,076	₱38,425	**₱110,777**	₱38,358

HTM investments include US government securities with carrying value of USD1.0 million (with peso equivalent of ₱45.2 million and ₱45.1 million as of December 31, 2014 and 2013, respectively) which are pledged by MR USA to the State Treasury Office pursuant to the California Financial Code and in accordance with the requirements of the California Department of Business Oversight (formerly California Department of Financial Institutions) relative to its license as a transmitter of money.

Bond Exchange Transaction
In July 2011, the Department of Finance and the Bureau of Treasury embarked on a Liability Management exercise through the exchange of eligible fixed income government bonds for a new 10-year bonds (due 2022) or 20-year bonds (due 2031) wherein the proceeds of a simultaneous issuance of additional new 20-year bonds were used to buy back Eligible bonds via Tender Offer. Given the existing tainting rule on HTM investment under PAS 39, the SEC granted an exemptive relief from the tainting rule subject to, among others, (a) proper disclosures to the SEC; (b) Day 1 profit or loss shall not be recognized and any unrealized gains or losses shall be amortized over the term of the new benchmark bonds; (c) basis of preparation of the financial statements shall not be PFRS but should be the prescribed financial reporting framework for entities which are given relief from certain requirements of the PFRS; and (d) appropriate clearance shall be obtained from the BSP. In October 2011, the BSP through Circular 738 issued exemption from tainting provision for prudential reporting on certain securities booked under HTM category which are covered by an offer and accepted tender offer pursuant to liability management transactions of the Republic of the Philippines, among others.

In July 2011, given its nature of business, FMIC participated in the domestic bond exchange covering its ₱3.0 billion eligible government bonds classified as HTM investments to extend the bond holdings (from maturity date of December 16, 2020 to July 19, 2031) and benefit from the higher yields (from 5.875% to 8.00%). FMIC has complied with the disclosure and other requirements of the SEC as follows: total HTM investments portfolio of FMIC before and after the exchange remain the same while the gain on exchange of ₱14.5 million is deferred and amortized over the term of the new bonds; and as disclosed in Note 2, the related financial statements of the Group have been prepared in accordance with Philippine GAAP for banks.

Reporting under PFRS
Had the Group accounted for the transaction under PFRS, the unamortized balance of the deferred gain on exchange of ₱0.2 million as of December 31, 2013 would have been credited to the Group's 2011 net income and the entire HTM investments portfolio of the Group with amortized cost of ₱36.6 billion and ₱38.4 billion as of December 31, 2014 and 2013, respectively, would have been reclassified to AFS investments and carried at fair value with net unrealized gain of ₱4.1 billion and ₱2.8 billion, respectively, being recognized in other comprehensive income.

Reclassification of HTM Portfolio in 2013
In 2013, PSBank and FMIC reclassified its HTM investments totaling to ₱13.3 billion (consisting of dollar-denominated bonds amounting to USD73.5 million and peso-denominated bonds of ₱10.3 billion) and ₱16.3 billion, respectively, to AFS investments as they no longer intend to hold them up to maturity but rather stands ready to sell such investments. The change in intention was primarily driven by the need to increase capital position in view of the following directions set forth in BSP Circular No. 781: (a) significant increase in the industry's regulatory capital requirements in view of the early implementation of Basel III effective 2014; (b) inclusion of "loss absorbency" feature in the issuance of additional Tier 2 capital; and (c) for PSBank, disqualification of its ₱3.0 billion subordinated debt as Tier 2 Capital under Basel III. The change in intention and eventual disposal of the said HTM investment portfolio in response to the significant increase in regulatory capital requirements is one of the conditions permitted under PAS 39 thus, not covered by the tainting rule.

As of December 31, 2013, out of the reclassified securities of PSBank, bonds originally costing ₱12.6 billion (dollar-denominated bonds of USD73.5 million and peso-denominated bonds of ₱9.6 billion) have been sold with total trading gain of ₱4.0 billion. In 2014, bonds originally costing ₱200.0 million were redeemed by the issuer at face value without any gain to PSBank. For FMIC, bonds with total par value of ₱5.2 billion and ₱11.3 billion have been sold in 2014 and 2013, respectively, with total trading gain of ₱0.7 billion and ₱3.8 billion, respectively. As of December 31, 2014, the total portfolio covered by such reclassification has been disposed.

Interest income on trading and investment securities consists of:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Financial assets at FVPL	**₱1,799**	₱1,775	₱1,326	**₱1,409**	₱1,495	₱1,190
AFS investments	**8,883**	8,119	5,743	**7,660**	6,469	4,840
HTM investments	**4,313**	1,521	3,394	**3,882**	1,142	1,088
	₱14,995	₱11,415	₱10,463	**₱12,951**	₱9,106	₱7,118

In 2014, 2013 and 2012, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.39% to 10.63%, 0.54% to 10.63% and 0.88% to 11.63%, respectively, for the Group and from 0.39% to 10.63%, 0.63% to 10.63% and 0.88% to 11.63%, respectively, for the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 1.63% to 18.25%, 1.30% to 14.60% and 3.30% to 18.25%, respectively, for the Group and from 1.63% to 18.25%, 1.70% to 14.60% and 3.30% to 11.50%, respectively, for the Parent Company.

Trading and securities gain - net consists of:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
HFT investments	**₱1,790**	₱992	₱3,699	**₱33**	₱409	₱1,791
AFS investments	**1,862**	12,833	7,096	**965**	4,816	4,004
Derivative asset/liabilities - net	**(347)**	3,357	(4,115)	**(299)**	3,361	(4,089)
	₱3,305	₱17,182	₱6,680	**₱699**	₱8,586	₱1,706

Trading gains on AFS investments include realized gains/losses previously reported in other comprehensive income.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Receivables from customers (Note 31):				
Commercial loans	**₱502,858**	₱393,676	**₱464,368**	₱354,064
Residential mortgage loans	**74,870**	65,686	**40,225**	36,910
Auto loans	**65,048**	57,734	**17,990**	16,568
Trade loans	**36,427**	30,186	**36,427**	29,956
Others	**79,689**	63,937	**26,779**	17,099
	758,892	611,219	**585,789**	454,597
Less unearned discounts and capitalized interest	**2,628**	3,942	**284**	580
	756,264	607,277	**585,505**	454,017
Unquoted debt securities (Note 17):				
Government	**614**	1,609	**194**	191
Private	**2,456**	3,745	**425**	829
	3,070	5,354	**619**	1,020

(Forward)

	Consolidated		Parent Company	
	2014	2013	2014	2013
Accrued interest receivable (Note 31)	₱8,319	₱8,414	₱6,705	₱6,910
Accounts receivable (Note 31)	7,301	5,873	5,762	4,412
Sales contract receivable	472	458	192	156
Other receivables	505	314	165	30
	775,931	627,690	598,948	466,545
Less allowance for credit losses (Note 15)	16,450	16,626	8,955	9,650
	₱759,481	₱611,064	₱589,993	₱456,895

Receivables from customers consist of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Loans and discounts	₱697,947	₱564,374	₱524,348	₱407,870
Less unearned discounts and capitalized interest	2,628	3,942	284	580
	695,319	560,432	524,064	407,290
Customers' liabilities under letters of credit (LC)/trust receipts	34,981	30,186	34,981	29,956
Bills purchased (Note 21)	25,964	16,659	26,460	16,771
	₱756,264	₱607,277	₱585,505	₱454,017

Receivables from customers - others of the Group include credit card receivables, notes receivables financed and lease contract receivables amounting to ₱38.8 billion, ₱4.6 billion and ₱4.4 billion, respectively, as of December 31, 2014 and ₱32.6 billion, ₱4.7 billion and ₱4.0 billion, respectively, as of December 31, 2013.

As of December 31, 2014 and 2013, other receivables include dividends receivable of ₱160.1 million and ₱206.9 million, respectively, for the Group and ₱154.9 million and ₱18.0 million, respectively, for the Parent Company. Dividends receivable of FMIC from its investee companies amounted to ₱5.2 million and ₱188.9 million as of December 31, 2014 and 2013, respectively.

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Receivables from customers	₱28,810	₱25,853	₱23,548	₱18,871	₱16,953	₱16,293
Receivables from cardholders	7,415	6,500	5,810	–	–	–
Lease contract receivables	1,556	1,372	1,156	–	–	–
Customer liabilities under LC/trust receipts	752	713	848	752	713	808
Restructured loans	202	268	413	150	207	335
Unquoted debt securities and others	1,094	831	953	588	283	216
	₱39,829	₱35,537	₱32,728	₱20,361	₱18,156	₱17,652

Interest income on unquoted debt securities and others include interest accreted on impaired receivables in accordance with PAS 39 and interest income on sales contract receivable.

BSP Reporting

As of December 31, 2014 and 2013, 80.93% and 76.81% of the total receivables from customers of the Group, respectively, are subject to periodic interest repricing. In 2014 and 2013, the remaining peso receivables from customers earn annual fixed interest rates ranging from 3.00% to 42.00% while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 1.27% to 36.00% and from 1.25% to 36.00%, respectively.

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

	Consolidated				Parent Company			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Secured by:								
Real estate	₱87,344	11.51	₱103,936	17.00	₱61,064	10.42	₱57,835	12.72
Chattel	78,737	10.38	69,775	11.42	18,286	3.12	17,539	3.86
Equity securities	21,073	2.78	13,674	2.24	10,947	1.87	11,421	2.51
Deposit hold-out	14,822	1.95	11,530	1.88	14,116	2.41	10,798	2.37
Other securities	124,938	16.46	98,491	16.11	124,938	21.33	98,491	21.67
Others	10,766	1.42	6,999	1.15	2,782	0.48	3,624	0.80
	337,680	44.50	304,405	49.80	232,133	39.63	199,708	43.93
Unsecured	421,212	55.50	306,814	50.20	353,656	60.37	254,889	56.07
	₱758,892	100.00	₱611,219	100.00	₱585,789	100.00	₱454,597	100.00

Information on the concentration of credit as to industry of receivables from customers, gross of unearned discount and capitalized interest, follows:

	Consolidated				Parent Company			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Manufacturing	₱167,183	22.03	₱122,513	20.04	₱159,782	27.27	₱113,451	24.96
Real estate activities	119,749	15.78	100,861	16.50	87,743	14.98	69,937	15.39
Wholesale and retail trade, repair of motor vehicles, motorcycles	121,828	16.05	98,897	16.18	108,015	18.44	88,618	19.49
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	148,452	19.56	82,578	13.51	57,138	9.75	49,886	10.97
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	53,158	7.00	41,443	6.78	51,772	8.84	40,104	8.82
Financial and insurance activities	41,483	5.47	34,743	5.68	38,085	6.50	29,710	6.54
Transportation and storage, information and communication	35,871	4.73	33,793	5.53	29,102	4.97	28,224	6.21
Construction	23,104	3.04	16,615	2.72	18,006	3.07	12,156	2.67
Accommodation and food service activities	15,139	2.00	12,738	2.08	14,912	2.55	12,111	2.66
Agricultural, forestry and fishing	12,285	1.62	6,401	1.05	10,176	1.74	4,120	0.91
Others	20,640	2.72	60,637	9.93	11,058	1.89	6,280	1.38
	₱758,892	100.00	₱611,219	100.00	₱585,789	100.00	₱454,597	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio except for thrift banks. Current banking regulations allow banks with no unbooked valuation reserves and capital adjustments to exclude from non-performing classification those receivables from customers classified as 'Loss' in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued.

Non-performing loans (NPLs) not fully covered by allowance for credit losses follow:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Total NPLs	₱7,774	₱7,808	₱2,456	₱3,125
Less NPLs fully covered by allowance for credit losses	1,873	2,506	914	1,389
	₱5,901	₱5,302	₱1,542	₱1,736

Under banking regulations, NPLs shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three (3) or more installments are in arrears. In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered non-performing at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches 10.00% of the total receivable balance. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs.

10. Property and Equipment

The composition of and movements in this account follow:

	Consolidated					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Building Under Construction	Total
2014						
Cost						
Balance at beginning of year	₱5,858	₱7,725	₱16,673	₱2,682	₱40	₱32,978
Additions	–	80	2,201	219	573	3,073
Disposals	(583)	(49)	(1,449)	–	–	(2,081)
Reclassification/others	493	174	(64)	303	(319)	587
Balance at end of year	5,768	7,930	17,361	3,204	294	34,557
Accumulated depreciation and amortization						
Balance at beginning of year	–	3,629	11,914	1,677	–	17,220
Depreciation and amortization	–	345	1,634	281	–	2,260
Disposals	–	(27)	(1,263)	–	–	(1,290)
Reclassification/others	–	3	53	54	–	110
Balance at end of year	–	3,950	12,338	2,012	–	18,300
Allowance for impairment losses (Note 15)	–				–	
Balance at beginning of year	–	–	2	–	–	2
Reclassification	–	24	–	–	–	24
Balance at end of year	–	24	2	–	–	26
Net book value at end of year	₱5,768	₱3,956	₱5,021	₱1,192	₱294	₱16,231
2013						
Cost						
Balance at beginning of year	₱5,103	₱7,740	₱15,198	₱2,406	₱601	₱31,048
Additions	11	119	2,695	134	334	3,293
Disposals	(52)	(334)	(1,244)	–	–	(1,630)
Reclassification/others	796	200	24	142	(895)	267
Balance at end of year	5,858	7,725	16,673	2,682	40	32,978
Accumulated depreciation and amortization						
Balance at beginning of year	–	3,406	10,787	1,508	–	15,701
Depreciation and amortization	–	316	1,537	228	–	2,081
Disposals	–	(233)	(490)	–	–	(723)
Reclassification/others	–	140	80	(59)	–	161
Balance at end of year	–	3,629	11,914	1,677	–	17,220
Allowance for impairment losses (Note 15)	–	–	2	–	–	2
Net book value at end of year	₱5,858	₱4,096	₱4,757	₱1,005	₱40	₱15,756

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Building Under Construction	Total
2014						
Cost						
Balance at beginning of year	₱4,542	₱6,274	₱10,344	₱1,672	₱40	₱22,872
Additions	–	1	867	6	573	1,447
Disposals	(583)	–	(998)	–	–	(1,581)
Reclassification/others	493	169	(5)	156	(319)	494
Balance at end of year	4,452	6,444	10,208	1,834	294	23,232

(Forward)

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Building Under Construction	Total
Accumulated depreciation and amortization						
Balance at beginning of year	₱–	₱3,158	₱8,419	₱999	₱–	₱12,576
Depreciation and amortization	–	297	532	125	–	954
Disposals	–	–	(843)	–	–	(843)
Reclassification/others	–	–	69	(4)	–	65
Balance at end of year	–	3,455	8,177	1,120	–	12,752
Allowance for impairment losses (Note 15)						
Balance at beginning of year	–	–	–	–	–	–
Reclassification	–	24	–	–	–	24
Balance at end of year	–	24	–	–	–	24
Net book value at end of year	₱4,452	₱2,965	₱2,031	₱714	₱294	₱10,456
2013						
Cost						
Balance at beginning of year	₱4,508	₱5,608	₱9,996	₱1,502	₱601	₱22,215
Additions	–	26	1,174	26	334	1,560
Disposals	(52)	(50)	(819)	–	–	(921)
Reclassification/others	86	690	(7)	144	(895)	18
Balance at end of year	4,542	6,274	10,344	1,672	40	22,872
Accumulated depreciation and amortization						
Balance at beginning of year	–	2,937	8,010	947	–	11,894
Depreciation and amortization	–	258	592	109	–	959
Disposals	–	(30)	(232)	–	–	(262)
Reclassification/others	–	(7)	49	(57)	–	(15)
Balance at end of year	–	3,158	8,419	999	–	12,576
Net book value at end of year	₱4,542	₱3,116	₱1,925	₱673	₱40	₱10,296

Building under construction pertains to bank premises yet to be completed and used by the Parent Company.

As of December 31, 2014 and 2013, the cost of fully depreciated property and equipment still in use amounted to ₱3.0 billion and ₱1.8 billion, respectively, for the Group and ₱1.3 billion and ₱600.9 million, respectively, for the Parent Company.

In January 2014, the BOD of the Parent Company, upon the endorsement of the Related Party Transactions Committee (RPTC), has approved the sale of a bank owned property to Federal Land, Inc. (FLI), a related party. This property, consisting of a vacant commercial lot located at the Metropolitan Park, Pasay City, was sold at ₱856.4 million and recognized a gain on sale of ₱274.3 million included in "Profit from assets sold". This transaction has been presented and vetted through the RPTC and the valuation of the properties was based on the sales comparison approach which was used by the independent external appraisal firms to provide a reasonable basis for comparison. Other factors that were considered in the valuation were the location and shape of the properties, environmental issues, development controls such as the height restrictions, building coverage and floor area ratio restrictions, among others (Note 31).

11. Investments in Subsidiaries, Associates and a Joint Venture

Investments in subsidiaries consist of:

	2014	2013
Acquisition cost:		
FMIC	**₱11,751**	₱11,751
MBCL	**10,079**	8,658
PSBank	**3,626**	3,626
Circa	**837**	837

(Forward)

	2014	2013
ORIX Metro	**₱265**	₱265
MCC	**214**	214
MTI	**200**	200
MR USA	**158**	158
MRCI	**131**	131
MR Japan	**72**	41
MR Italia	**66**	66
MR UK	**31**	31
MRHL	**26**	26
MRSPL	**17**	17
FMIIC	**12**	12
Metrobank Bahamas	**8**	8
PVCC	**5**	5
	27,498	26,046
Allowance for impairment losses (Note 15)		
Circa	**(786)**	(733)
MTI	**(194)**	(185)
MRCI	**(124)**	(127)
MR USA	**(52)**	(53)
MR Italia	**(66)**	(66)
	(1,222)	(1,164)
Carrying value		
FMIC	**11,751**	11,751
MBCL	**10,079**	8,658
PSBank	**3,626**	3,626
Circa	**51**	104
ORIX Metro	**265**	265
MCC	**214**	214
MTI	**6**	15
MR USA	**106**	105
MRCI	**7**	4
MR Japan	**72**	41
MR Italia	**–**	–
MR UK	**31**	31
MRHL	**26**	26
MRSPL	**17**	17
FMIIC	**12**	12
Metrobank Bahamas	**8**	8
PVCC	**5**	5
	₱26,276	₱24,882

As of December 31, 2014 and 2013, the following subsidiaries have material non-controlling interests:

	Principal Activities	**Effective Percentage of Ownership of Non-Controlling Interest**
ORIX Metro	Leasing, Finance	**40.15%**
MCC	Credit Card Services	**40.00%**
PSBank	Banking	**24.02%**

The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2014 and 2013.

	2014			2013		
	PSBank	**MCC**	**ORIX Metro**	PSBank	MCC	ORIX Metro
Statement of Financial Position						
Total assets	**₱145,664**	**₱49,900**	**₱22,900**	₱130,026	₱39,468	₱19,401
Total liabilities	**127,933**	**43,319**	**19,020**	113,763	33,352	16,239
Non-controlling interest	**4,259**	**2,633**	**0**	3,907	2,446	1,270
Statement of Income						
Gross income	**12,972**	**11,725**	**3,488**	15,025	9,983	2,972
Operating income	**10,569**	**10,623**	**3,098**	12,684	8,821	2,557
Net income	**2,319**	**2,547**	**761**	2,928	2,006	602
Net income attributable to NCI	**557**	**1,019**	**0**	704	802	242
Total comprehensive income	**2,188**	**2,510**	**739**	2,677	2,146	601
Statement of Cash Flows						
Net cash used in operating activities	**(2,112)**	**(3,123)**	**(958)**	(1,915)	(3,478)	(604)
Net cash provided by (used in) investing activities	**(149)**	**392**	**(800)**	16,327	(178)	(949)
Net cash provided by (used in) financing activities	**2,425**	**7,469**	**2,429**	(1,263)	4,240	1,939
Net increase in cash and cash equivalents	**164**	**4,738**	**671**	13,149	584	386
Cash and cash equivalents at beginning of year	**33,577**	**5,212**	**2,584**	20,428	4,628	2,198
Cash and cash equivalents at end of year	**33,741**	**9,950**	**3,255**	33,577	5,212	2,584

On August 15, 2014, the Parent Company infused an additional investment of RMB200.0 million or ₱1.4 billion to MBCL as approved by the BSP on March 12, 2014.

On January 31, 2013, the BSP approved the Parent Company's request to establish a remittance company in Yokohama, Japan with an initial capital infusion of USD2.5 million. The first tranche amounting to JPY100.0 million or USD1.0 million and the second tranche amounting to JPY75.0 million or USD0.7 million were contributed in May 2013 and in September 2014, respectively.

Investment in associates and a JV consists of:

	Consolidated		**Parent Company**	
	2014	2013	**2014**	2013
Acquisition cost:				
SMFC* (30.39% owned)	**₱800**	₱800		
Northpine Land, Inc. (NLI) (20.00% owned)	**232**	232	**₱232**	₱232
SMBC Metro Investment Corporation (SMBC Metro) (30.00% owned)	**180**	180	**180**	180
Taal Land Inc. (TLI) (35.00% owned)	**178**	178	**178**	178
Cathay International Resources Corporation (CIRC) (20.35% owned in 2014; 34.73% owned in 2013)	**175**	175		
Philippine AXA Life Insurance Corporation (PALIC) (27.96% owned)	**172**	172		
LCMC (16.80% owned in 2013) (Note 8)	**–**	2,397		
Toyota Financial Services Philippines Corporation (TFSPC) (34.00% owned in 2013)	**–**	420	**–**	150
Charter Ping An Insurance Corporation (CPAIC) (33.07% owned in 2013)	**–**	60		
GBPC	**–**	–		
Others	**33**	33		
	1,770	4,647	**590**	740
Accumulated equity in net income (loss):				
Balance at beginning of year				
SMFC	**(135)**	(135)		
NLI	**99**	96		
SMBC Metro	**73**	69		
TLI	**(84)**	(84)		
CIRC	**9**	9		
PALIC	**671**	573		

(Forward)

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
LCMC	**(₱87)**	(₱58)		
TFSPC	**663**	487		
CPAIC	**331**	263		
GBPC	**–**	1,062		
Others	**(22)**	(22)		
	1,518	2,260		
Share in net income (loss)				
SMFC	**4**	–		
NLI	**22**	15		
SMBC Metro	**19**	22		
TLI	**–**	–		
CIRC	**26**	–		
PALIC	**343**	349		
LCMC	**(96)**	(29)		
TFSPC	**107**	176		
CPAIC	**7**	68		
GBPC	**–**	876		
Others	**11**	–		
	443	1,477		
Dividends				
NLI (Note 31)	**(5)**	(12)		
SMBC Metro (Note 31)	**(18)**	(18)		
PALIC	**(294)**	(251)		
	(317)	(281)		
Divestments/reclassification				
LCMC	**183**	–		
TFSPC	**(770)**	–		
CPAIC	**(338)**	–		
GBPC (Note 8)	**–**	(1,938)		
	(925)	(1,938)		
Balance at end of year				
SMFC	**(131)**	(135)		
NLI	**116**	99		
SMBC Metro	**74**	73		
TLI	**(84)**	(84)		
CIRC	**35**	9		
PALIC	**720**	671		
LCMC (Note 8)	**–**	(87)		
TFSPC	**–**	663		
CPAIC	**–**	331		
Others	**(11)**	(22)		
	719	1,518		
Equity in net unrealized gain (loss) on AFS investments				
SMBC Metro	**7**	12		
TLI	**(3)**	(3)		
PALIC	**260**	301		
LCMC	**–**	(59)		
TFSPC	**–**	(1)		
CPAIC	**–**	23		
	264	273		
Equity in net unrealized loss on remeasurement of retirement plan and translation adjustment and others				
SMFC	**(1)**	(2)		
SMBC Metro	**(1)**	–		
	(2)	(2)		
Allowance for impairment losses (Note 15)				
TLI	**(162)**	(162)	**(₱162)**	(₱162)
Carrying value				
SMFC	**668**	663		
NLI	**348**	331	**232**	232
SMBC Metro	**260**	265	**180**	180
TLI	**(71)**	(71)	**16**	16

(Forward)

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
CIRC	**₱210**	₱184		
PALIC	**1,152**	1,144		
LCMC	**–**	2,251		
TFSPC	**–**	1,082	**₱–**	₱150
CPAIC	**–**	414		
GBPC	**–**	–		
Others	**22**	11		
	₱2,589	₱6,274	**₱428**	₱578

**Represents investment in a JV of the Group.*

As of December 31, 2014 and 2013, carrying amount of goodwill of the Group amounted to ₱5.2 billion. The goodwill of the Parent Company amounting to ₱1.2 billion was fully impaired in 2013 (Note 3).

Investment of FMIC in LCMC
As of December 31, 2013, FMIC holds 16.80% ownership interest and voting control in LCMC and has the ability to exercise significant influence through its nominated directors' active participation in the board and management sub-committee. FMIC did not avail of its entitlement on LCMC stock rights offering to its stockholders as disclosed by LCMC with the PSE on October 31, 2014. With this strategic decision, the Group has lost its significant influence and reclassified its investment in LCMC to AFS investments (Note 8).

Investment in TFSPC
In August 2014, the respective BODs of the Parent Company and PSBank on separate meetings, upon the endorsement of their respective RPTCs, have approved the sale of the Parent Company's 15.00% and PSBank's 25.00% ownerships in TFSPC to GT Capital, a stockholder with significant influence, for an aggregate price of ₱2.1 billion. This transaction has been presented and vetted through joint meetings held by the RPTCs of the Parent Company and PSBank. The amount was based on an independent valuation report which was subjected to a third party fairness opinion. The divestment of TFSPC shares was in line with their capital planning initiatives under the new Basel III regime. This transaction resulted in a gain of ₱0.9 billion for the Group and ₱0.6 billion for the Parent Company (Note 31).

Investment of FMIC in CPAIC
In January 2014, FMIC sold its 33.33% ownership in CPAIC to GT Capital at a consideration of ₱712.0 million which resulted in a gain of ₱313.9 million, included under "Gain on sale of investment in associates" (Note 31).

Investment of Parent Company in Toyota Motor Philippines Corporation (TMPC)
On October 22, 2012, the respective BODs of the Parent Company and GT Capital on separate meetings, upon endorsement of their respective RPTCs, have approved in principle the sale of the former's 30.00% ownership in TMPC to GT Capital at a price of ₱9.0 billion. This amount was arrived at after an independent valuation exercise and subjected to third party fairness opinions. The divestment of TMPC shares was undertaken by the Parent Company to enhance its regulatory capital position in preparation for the implementation of Basel III. Accordingly, the investment has been reclassified to Non-Current Assets Held for Sale and in December 2012, the Parent Company initially sold its 15.00% ownership and recognized a gain on sale of ₱3.4 billion and ₱4.2 billion for the Group and the Parent Company, respectively. The remaining 15.00% ownership was sold in January 2013 wherein the Group and the Parent Company recognized gain on sale of ₱3.4 billion and ₱4.2 billion, respectively (Note 31).

The following tables present financial information of significant associates and a JV as of and for the years ended:

	Statement of Financial Position		Statement of Income and Other Comprehensive Income				
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	Other Comprehensive Income	Total Comprehensive Income
December 31, 2014							
PALIC	**₱68,007**	**₱63,915**	**₱11,831**	**₱1,628**	**₱1,224**	**(₱145)**	**₱1,079**
CIRC	**2,489**	**1,889**	**347**	**188**	**40**	–	**40**
NLI	**2,133**	**525**	**331**	**141**	**99**	–	**99**
SMFC	**1,765**	**93**	**400**	**346**	**12**	**(3)**	**9**
SMBC Metro	**863**	**68**	**116**	**79**	**65**	**(19)**	**46**
TLI	**47**	–	**1**	**0**	**0**	–	**0**
December 31, 2013							
PALIC	54,950	50,893	5,596	1,388	1,184	(193)	991
TFSPC	29,576	26,850	1,931	611	437	–	437
LCMC	16,113	8,765	2,116	(290)	(326)	(261)	(587)
CPAIC	9,211	7,897	1,900	250	190	(70)	120
CIRC	2,240	1,680	577	1	–	–	0
NLI	1,953	416	255	113	79	1	80
SMFC	1,739	77	347	3	5	0	5
SMBC Metro	890	81	148	102	73	(3)	70
TLI	47	–	1	1	1	–	1

Major assets of significant associates and a JV include the following:

	2014	2013
SMFC		
Cash and cash equivalents	**₱449**	₱716
Receivables - net	**1,168**	848
NLI		
Cash and cash equivalents	**435**	455
Real estate properties	**965**	982
Receivables - net	**587**	399
SMBC Metro		
Cash and cash equivalents	**233**	230
AFS investments	**220**	194
Receivables - net	**404**	462
CIRC		
Receivables - net	**299**	–
Investment properties - net	**524**	249
PALIC		
Cash and cash equivalents	**3,719**	3,021
Loans and receivables - net	**781**	560
Financial assets at FVPL	**1,093**	1,038
AFS investments	**7,113**	6,305
Investment in unit-linked funds	**55,530**	43,323
Property and equipment	**214**	221
TLI		
Investments	47	46
LCMC		
Inventories		510
Investments and advances		813
Property, plant and equipment - net		7,362
TFSPC		
Cash and cash equivalents		4,138
Receivables - net		19,952

(Forward)

	2014	2013
CPAIC		
Receivables - net		₱1,609
Investments		1,298

Dividends declared by investee companies of the Parent Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Date of BSP Approval	Record Date	Payment Date
2014						
Subsidiaries						
Cash Dividend						
FMIC	February 20, 2014	₱4.03	₱1,502	March 28, 2014	April 15, 2014	May 14, 2014
MCC	March 19, 2014	1.50	1,500	April 30, 2014	May 5, 2014	July 7, 2014
MCC	March 19, 2014	0.30	300	April 30, 2014	May 5, 2014	September 8, 2014
PSBank	October 30, 2014	0.75	180	November 27, 2014	Note 35c	Note 35c
PSBank	July 22, 2014	0.75	180	August 12, 2014	September 2, 2014	September 17, 2014
PSBank	April 28, 2014	0.75	180	July 1, 2014	July 1, 2014	July 16, 2014
PSBank	January 24, 2014	0.75	180	February 12, 2014	March 5, 2014	March 20, 2014
Stock Dividend						
ORIX Metro	October 29, 2014	100.00	379			Upon BSP approval
Associates						
Cash Dividend						
NLI	January 24, 2014	2.24	27	Not required	December 31, 2013	April 4, 2014
SMBC Metro	December 4, 2014	10.00	60	Not required	December 4, 2014	Note 35c
2013						
Subsidiaries						
Cash Dividend						
FMIC	August 23, 2013	8.06	3,003	October 8, 2013	September 30, 2013	October 10, 2013
FMIC	November 5, 2013	13.42	5,001	December 12, 2013	December 20, 2013	December 26, 2013
MCC	February 28, 2013	1.50	1,500	April 11, 2013	April 12, 2013	April 24, 2013
PSBank	October 22, 2013	3.00	721	November 12, 2013	November 29, 2013	December 16, 2013
PSBank	October 22, 2013	0.75	180	November 12, 2013	November 29, 2013	December 16, 2013
PSBank	July 18, 2013	0.75	180	August 8, 2013	September 4, 2013	September 19, 2013
PSBank	April 19, 2013	0.75	180	May 28, 2013	June 18, 2013	July 3, 2013
PSBank	January 22, 2013	0.75	180	February 8, 2013	March 5, 2013	March 20, 2013
MRSPL	July 5, 2013	SGD2.00	34	Not required	July 5, 2013	July 23, 2013
Stock Dividend						
ORIX Metro	October 23, 2013	₱100.00	253	January 14, 2014	October 23, 2013	January 15, 2014
Associates						
Cash Dividend						
NLI	December 10, 2012	4.89	60	Not required	March 22, 2013	April 2, 2013
SMBC Metro	December 9, 2013	10.00	60	Not required	December 9, 2013	January 15, 2014

Dividends declared by significant investee companies of FMIC follow:

Subsidiary/ Associate	Date of Declaration	Per Share	Total Amount	Date of BSP Approval	Record Date	Payment Date
2014						
Subsidiaries						
Cash Dividend						
PVDC*	March 12, 2014	₱0.21	₱1	Not required	March 26, 2014	June 19, 2014
PBCCIC**	June 19, 2014	33.33	100	Not required	June 23, 2014	June 30, 2014
PBCCIC**	August 18, 2014	33.33	100	Not required	August 29, 2014	September 15, 2014
FAMI	August 29, 2014	62.50	25	Not required	August 29, 2014	November 6, 2014
Associates						
Cash Dividend						
PALIC	October 23, 2014	104.30	1,043	Not required	October 23, 2014	November 26, 2014
Stock Dividend						
ORIX Metro	October 29, 2014	100.00				Upon BSP approval
2013						
Subsidiary						
Cash Dividend						
FAMI	July 12, 2013	85.00	20	Not required	July 12, 2013	October 22, 2013
Associates						
Cash Dividend						
PALIC	October 16, 2013	89.10	891	Not required	October 16, 2013	November 13, 2013
Stock Dividend						
PALIC	April 16, 2013	100.00	341	Not required	April 16, 2013	May 30, 2013
ORIX Metro	October 23, 2013	100.00	253	January 14, 2014	October 23, 2013	January 15, 2014

* Prima Venture Development Corporation
** PBC Capital Investment Corporation

12. Investment Properties

This account consists of foreclosed real estate properties and investments in real estate:

	Consolidated					
	2014			2013		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	₱12,316	₱5,083	₱17,399	₱14,603	₱5,495	₱20,098
Additions	447	770	1,217	436	652	1,088
Disposals	(3,733)	(1,184)	(4,917)	(2,471)	(872)	(3,343)
Reclassification/others	(14)	(2)	(16)	(252)	(192)	(444)
Balance at end of year	9,016	4,667	13,683	12,316	5,083	17,399
Accumulated depreciation and amortization						
Balance at beginning of year	–	1,784	1,784	–	2,036	2,036
Depreciation and amortization	–	166	166	–	207	207
Disposals	–	(428)	(428)	–	(322)	(322)
Reclassification/others	–	2	2	–	(137)	(137)
Balance at end of year	–	1,524	1,524	–	1,784	1,784
Allowance for impairment losses (Note 15)						
Balance at beginning of year	2,287	203	2,490	2,487	153	2,640
Provision for impairment loss	2	27	29	312	88	400
Disposals	(360)	(5)	(365)	(401)	(13)	(414)
Reclassification/others	(33)	1	(32)	(111)	(25)	(136)
Balance at end of year	1,896	226	2,122	2,287	203	2,490
Net book value at end of year	₱7,120	₱2,917	₱10,037	₱10,029	₱3,096	₱13,125

	Parent Company					
	2014			2013		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	₱9,808	₱3,061	₱12,869	₱12,019	₱3,456	₱15,475
Additions	142	196	338	165	170	335
Disposals	(3,404)	(875)	(4,279)	(2,124)	(567)	(2,691)
Reclassification/others	(14)	(2)	(16)	(252)	2	(250)
Balance at end of year	6,532	2,380	8,912	9,808	3,061	12,869
Accumulated depreciation and amortization						
Balance at beginning of year	–	1,449	1,449	–	1,575	1,575
Depreciation and amortization	–	93	93	–	143	143
Disposals	–	(370)	(370)	–	(276)	(276)
Reclassification/others	–	(2)	(2)	–	7	7
Balance at end of year	–	1,170	1,170	–	1,449	1,449
Allowance for impairment losses (Note 15)						
Balance at beginning of year	1,847	69	1,916	1,937	65	2,002
Provision for impairment loss	–	–	–	290	36	326
Disposals	(356)	(5)	(361)	(400)	(5)	(405)
Reclassification/others	(43)	1	(42)	20	(27)	(7)
Balance at end of year	1,448	65	1,513	1,847	69	1,916
Net book value at end of year	₱5,084	₱1,145	₱6,229	₱7,961	₱1,543	₱9,504

As of December 31, 2014 and 2013, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱1.2 billion and ₱1.0 billion, respectively, for the Group and ₱332.1 million and ₱271.1 million, respectively, for the Parent Company.

As of December 31, 2014 and 2013, aggregate market value of investment properties amounted to ₱15.8 billion and ₱22.9 billion, respectively, for the Group and ₱10.7 billion and ₱18.3 billion, respectively, for the Parent Company, of which the aggregate market value of investment properties determined by independent external appraisers amounted to ₱12.4 billion and ₱20.0 billion, respectively, for the Group and ₱10.6 billion and ₱18.1 billion, respectively, for the Parent Company.

Rental income on investment properties (included in 'Leasing income' in the statement of income) in 2014, 2013 and 2012 amounted to ₱87.9 million, ₱83.1 million and ₱96.1 million, respectively, for the Group and ₱34.5 million, ₱37.0 million and ₱30.4 million, respectively, for the Parent Company.

Direct operating expenses on investment properties that generated rental income (included under 'Litigation expenses') in 2014, 2013 and 2012 amounted to ₱4.3 million, ₱5.4 million and ₱28.5 million, respectively, for the Group and ₱2.3 million, ₱5.2 million and ₱27.2 million, respectively, for the Parent Company.

Direct operating expenses on investment properties that did not generate rental income (included under 'Litigation expenses') in 2014, 2013 and 2012 amounted to ₱274.0 million, ₱281.6 million and ₱288.1 million, respectively, for the Group and ₱195.0 million, ₱226.3 million and ₱227.7 million, respectively, for the Parent Company (Note 25).

Net gains from sale of investment properties (included in 'Profit from assets sold' in the statement of income) in 2014, 2013 and 2012 amounted to ₱9.0 billion, ₱0.5 billion and ₱1.0 billion, respectively, for the Group and ₱8.9 billion, ₱0.4 billion and ₱1.0 billion, respectively, for the Parent Company (Note 31).

In January and October 2014, the BOD of the Parent Company, upon the endorsement of the RPTC, has approved the sale of real and other properties acquired (ROPA) to FLI, a related party, consisting of lots located at Bonifacio Global City at total price of ₱3.4 billion and ₱6.3 billion, respectively. The Parent Company recognized a gain on sale of ₱2.8 billion and ₱5.2 billion, respectively. These transactions have been presented and vetted through the RPTC. The valuations of the properties were based on sales comparison approach which was used by the independent external appraisal firms to provide a reasonable basis for comparison. Other factors that were considered in the valuations were the location and shape of the properties, environmental issues, development controls such as the height restrictions, building coverage and floor area ratio restrictions among others (Note 31).

Information about the fair value measurement of investment properties are presented in Note 5.

13. Long-term Leases

The Parent Company leases the premises occupied by some of its branches (about 41.93% and 44.62% of the branch sites in 2014 and 2013, respectively, are Parent Company-owned). Also, some of its subsidiaries lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 1 to 25 years and are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00% to 10.00%. As of December 31, 2014 and 2013, the Group has no contingent rent payable.

Rent expense (included in 'Occupancy and equipment-related cost' in the statement of income) in 2014, 2013 and 2012 amounted to ₱1.8 billion, ₱1.5 billion and ₱1.4 billion, respectively, for the Group and ₱922.9 million, ₱812.6 million and ₱751.3 million, respectively, for the Parent Company.

Future minimum rentals payable under non-cancelable operating leases follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Within one year	**₱1,013**	₱520	**₱407**	₱344
After one year but not more than five years	**2,711**	1,793	**1,177**	985
More than five years	**1,022**	726	**269**	201
	₱4,746	₱3,039	**₱1,853**	₱1,530

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's available office spaces and ROPA and finance lease agreements over various items of machinery and equipment which are non-cancelable and have remaining non-cancelable lease terms between 1 and 20 years. In 2014, 2013 and 2012, leasing income amounted to ₱1.9 billion, ₱1.6 billion and ₱1.4 billion respectively, for the Group and ₱238.0 million, ₱243.2 million and ₱207.3 million, respectively, for the Parent Company.

Future minimum rentals receivable under non-cancelable operating leases follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Within one year	**₱1,058**	₱943	**₱144**	₱157
After one year but not more than five years	**977**	1,494	**145**	271
More than five years	**1**	33	**1**	33
	₱2,036	₱2,470	**₱290**	₱461

14. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Interoffice float items	**₱3,156**	₱1,127	**₱2,965**	₱1,061
Creditable withholding tax	**2,132**	1,428	**1,663**	1,028
Software costs - net	**1,302**	896	**736**	431
Residual value of leased assets	**832**	712	**–**	–
Assets held under joint operations	**544**	1,361	**544**	1,361
Prepaid expenses	**519**	365	**114**	47
Chattel properties acquired in foreclosure - net	**452**	552	**37**	28
Documentary and postage stamps on hand	**369**	166	**342**	139
Returned checks and other cash items	**272**	68	**189**	54
Retirement asset* (Note 27)	**13**	28	**13**	2
Investment in SPVs - net	**–**	–	**–**	–
Miscellaneous	**5,543**	3,065	**4,778**	2,420
	15,134	9,768	**11,381**	6,571
Less allowance for impairment losses (Note 15)	**1,921**	1,911	**1,874**	1,875
	₱13,213	₱7,857	**₱9,507**	₱4,696

* Includes retirement asset of foreign branches.

Assets held under joint operations are parcels of land and former branch sites of the Parent Company with net realizable value of ₱0.5 billion and ₱1.4 billion as of December 31, 2014 and 2013, respectively, which were contributed to separate joint operations with FLI and Federal Land Orix Corporation (Notes 26 and 31).

Movements in software costs account follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Cost				
Balance at beginning of year	**₱2,141**	₱1,793	**₱1,153**	₱1,097
Additions	**726**	360	**458**	61
Others	**25**	(12)	**(9)**	(5)
Balance at end of year	**2,892**	2,141	**1,602**	1,153
Accumulated amortization				
Balance at beginning of year	**1,245**	961	**722**	583
Amortization	**330**	284	**146**	139
Others	**15**	–	**(2)**	–
Balance at end of year	**1,590**	1,245	**866**	722
Net book value at end of year	**₱1,302**	₱896	**₱736**	₱431

Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Cost				
Balance at beginning of year	**₱676**	₱587	**₱45**	₱28
Additions	**1,420**	1,112	**41**	34
Disposals/others	**(1,527)**	(1,023)	**(29)**	(17)
Balance at end of year	**569**	676	**57**	45
Accumulated depreciation and amortization				
Balance at beginning of year	**112**	95	**12**	6
Depreciation and amortization	**140**	112	**10**	10
Disposals/others	**(147)**	(95)	**(5)**	(4)
Balance at end of year	**105**	112	**17**	12
Allowance for impairment losses (Note 15)				
Balance at beginning of year	**12**	13	**5**	3
Provision for impairment loss	**2**	4	**–**	3
Disposals	**(2)**	(5)	**(2)**	(1)
Balance at end of year	**12**	12	**3**	5
Net book value at end of year	**₱452**	₱552	**₱37**	₱28

Investment in SPVs represents subordinated notes issued by Cameron Granville 3 Asset Management, Inc. and LNC 3 Asset Management, Inc. with face amount of ₱9.4 billion and ₱2.6 billion, respectively. These notes are non-interest bearing and payable over five (5) years starting April 1, 2006, with rollover of two (2) years at the option of the note issuers. These were received by the Parent Company on April 1, 2006 in exchange for the subordinated note issued by Asia Recovery Corporation (ARC) in 2003 with face amount of ₱11.9 billion. The subordinated note issued by ARC represents payment on the non-performing assets (NPAs) sold by the Parent Company to ARC in 2003. The related deed of absolute sale was formalized on September 17, 2003 and approved by the BSP on November 28, 2003, having qualified as a true sale. As of December 31, 2014 and 2013, the estimated fair value of the subordinated notes, which is the present value of the estimated cash flows from such notes (derived from the sale of the underlying collaterals of the NPAs, net of the payment to senior notes by the SPV) amounted to nil, after deducting allowance for impairment losses of ₱8.8 billion.

Miscellaneous account includes payments to FLI, a related party, amounting to ₱3.3 billion and ₱1.1 billion as of December 31, 2014 and 2013, respectively, relative to the purchase of commercial and office spaces located at Bonifacio Global City, Taguig City (Note 31) and a receivable from a third party of ₱425.7 million pertaining to the final tax withheld on Poverty Eradication and Alleviation Certificates (PEACe) bonds which matured on October 18, 2011

(Note 30). Further, as of December 31, 2013, this account includes certificates of deposits totaling USD6.0 million (with peso equivalent of ₱266.4 million) that are pledged by the Parent Company's New York Branch in compliance with the regulatory requirements of the FDIC and the OCC in New York. The pledged certificates of deposits as of December 31, 2013 matured in May 2014 and were invested in floating rate notes booked under AFS investments as part of the pledged securities (Note 8).

15. Allowance for Credit and Impairment Losses

Changes in the allowance for credit and impairment losses follow:

	Consolidated		Parent Company	
	December 31			
	2014	2013	**2014**	2013
Balance at beginning of year:				
Interbank loans and receivable (Note 7)	**₱2**	₱2	**₱–**	₱–
AFS investments (Note 8)				
Debt securities				
Government	**–**	–	**–**	–
Equity securities				
Quoted	**300**	305	**92**	90
Unquoted	**268**	268	**86**	86
Loans and receivables (Note 9)	**16,626**	15,726	**9,650**	8,233
Investments in subsidiaries (Note 11)	**–**	–	**1,164**	1,125
Investments in associates (Note 11)	**162**	162	**162**	162
Property and equipment (Note 10)	**2**	2	**–**	–
Investment properties (Note 12)	**2,490**	2,640	**1,916**	2,002
Other assets* (Note 14)	**10,780**	9,731	**10,737**	9,675
	30,630	28,836	**23,807**	21,373
Provisions for credit and impairment losses**	**4,849**	9,519	**7**	4,091
Reversal of allowance on assets sold/settled	**(612)**	(2,761)	**(600)**	(1,725)
Accounts written off/others	**(4,783)**	(4,964)	**(441)**	68
Balance at end of year:				
Interbank loans and receivable (Note 7)	**4**	2	**–**	–
AFS investments (Note 8)				
Debt securities				
Government	**3**	–	**–**	–
Equity securities				
Quoted	**313**	300	**81**	92
Unquoted	**213**	268	**81**	86
Investments in associates (Note 11)	**162**	162	**162**	162
Property and equipment (Note 10)	**26**	2	**24**	–
Loans and receivables (Note 9)	**16,450**	16,626	**8,955**	9,650
Investments in subsidiaries (Note 11)	**–**	–	**1,222**	1,164
Investment properties (Note 12)	**2,122**	2,490	**1,513**	1,916
Other assets* (Note 14)	**10,791**	10,780	**10,735**	10,737
	₱30,084	₱30,630	**₱22,773**	₱23,807

* Allowance for credit and impairment losses of other assets include allowance on investments in SPVs, chattel mortgage properties and miscellaneous assets.

** The amount presented excludes impairment loss on goodwill.

Below is the breakdown of provision for credit and impairment losses:

	Consolidated			Parent Company		
	December 31					
	2014	2013	2012	**2014**	2013	2012
Interbank loans and receivable (Note 7)	**₱2**	₱–	₱2	**₱–**	₱–	₱–
AFS investments	**(4)**	2	(32)	**–**	2	–
Loans and receivables	**4,820**	8,689	4,311	**7**	3,255	720
Investments in subsidiaries	**–**	–	–	**–**	79	–
Investment properties (Note 12)	**29**	400	340	**–**	326	57
Chattel properties acquired in foreclosure (Note 14)	**2**	4	4	**–**	3	–
Goodwill (Note 11)	**–**	1,203	–	**–**	1,203	–
Other assets	**–**	424	(147)	**–**	426	–
	₱4,849	₱10,722	₱4,478	**₱7**	₱5,294	₱777

With the foregoing level of allowance for credit and impairment losses, management believes that the Group has sufficient allowance to take care of any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

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

	Consolidated							
	Commercial Loans	Residential Mortgage Loans	Auto Loans	Trade	Others	Subtotal	Other Receivables*	Total
Balance at January 1, 2014	**₱7,643**	**₱1,190**	**₱1,218**	**₱339**	**₱2,425**	**₱12,815**	**₱3,811**	**₱16,626**
Provisions during the year	**685**	**54**	**182**	**1**	**3,524**	**4,446**	**374**	**4,820**
Accounts written off	**(140)**	**(1)**	**(549)**	**(84)**	**(3,408)**	**(4,182)**	**(92)**	**(4,274)**
Reclassifications/reversals/ others	**(15)**	**(200)**	**–**	**(18)**	**(6)**	**(239)**	**(483)**	**(722)**
Balance at December 31, 2014	**₱8,173**	**₱1,043**	**₱851**	**₱238**	**₱2,535**	**₱12,840**	**₱3,610**	**₱16,450**
Individual impairment	**₱3,200**	**₱890**	**₱242**	**₱179**	**₱183**	**₱4,694**	**₱2,194**	**₱6,888**
Collective impairment	**4,973**	**153**	**609**	**59**	**2,352**	**8,146**	**1,416**	**9,562**
	₱8,173	**₱1,043**	**₱851**	**₱238**	**₱2,535**	**₱12,840**	**₱3,610**	**₱16,450**
Gross amount of loans individually determined to be impaired	**₱5,116**	**₱1,508**	**₱328**	**₱242**	**₱1,571**	**₱8,765**	**₱3,657**	**₱12,422**
Balance at January 1, 2013	₱6,169	₱700	₱736	₱338	₱3,262	₱11,205	₱4,521	₱15,726
Provisions during the year	3,410	493	1,364	-	3,144	8,411	278	8,689
Accounts written off	(42)	(3)	(621)	(3)	(3,889)	(4,558)	(37)	(4,595)
Reclassifications/reversals/ others	(1,894)	–	(261)	4	(92)	(2,243)	(951)	(3,194)
Balance at December 31, 2013	₱7,643	₱1,190	₱1,218	₱339	₱2,425	₱12,815	₱3,811	₱16,626
Individual impairment	₱2,919	₱1,075	₱618	₱279	₱168	₱5,059	₱2,363	₱7,422
Collective impairment	4,724	115	600	60	2,257	7,756	1,448	9,204
	₱7,643	₱1,190	₱1,218	₱339	₱2,425	₱12,815	₱3,811	₱16,626
Gross amount of loans individually determined to be impaired	₱6,502	₱1,491	₱619	₱413	₱1,193	₱10,218	₱4,015	₱14,233

	Parent Company							
	Commercial Loans	Residential Mortgage Loans	Auto Loans	Trade	Others	Subtotal	Other Receivables*	Total
Balance at January 1, 2014	**₱6,105**	**₱429**	**₱19**	**₱339**	**₱42**	**₱6,934**	**₱2,716**	**₱9,650**
Provisions during the year	**6**	**–**	**–**	**1**	**–**	**7**	**–**	**7**
Accounts written off	**(140)**	**(1)**	**(8)**	**(84)**	**(3)**	**(236)**	**(46)**	**(282)**
Reclassifications/reversals/ others	**(278)**	**–**	**–**	**(18)**	**–**	**(296)**	**(124)**	**(420)**
Balance at December 31, 2014	**₱5,693**	**₱428**	**₱11**	**₱238**	**₱39**	**₱6,409**	**₱2,546**	**₱8,955**
Individual impairment	**₱2,422**	**₱340**	**₱–**	**₱179**	**₱35**	**₱2,976**	**₱1,648**	**₱4,624**
Collective impairment	**3,271**	**88**	**11**	**59**	**4**	**3,433**	**898**	**4,331**
	₱5,693	**₱428**	**₱11**	**₱238**	**₱39**	**₱6,409**	**₱2,546**	**₱8,955**

(Forward)

	Parent Company							
	Commercial Loans	Residential Mortgage Loans	Auto Loans	Trade	Others	Subtotal	Other Receivables*	Total
Gross amount of loans individually determined to be impaired	**₱3,871**	**₱487**	**₱–**	**₱242**	**₱41**	**₱4,641**	**₱2,884**	**₱7,525**
Balance at January 1, 2013	₱4,313	₱432	₱20	₱338	₱54	₱5,157	₱3,076	₱8,233
Provisions during the year	3,218	–	2	–	–	3,220	35	3,255
Accounts written off	(42)	(3)	(3)	(3)	(12)	(63)	(36)	(99)
Reclassifications/reversals/ others	(1,384)	–	–	4	–	(1,380)	(359)	(1,739)
Balance at December 31, 2013	₱6,105	₱429	₱19	₱339	₱42	₱6,934	₱2,716	₱9,650
Individual impairment	₱2,362	₱367	₱–	₱279	₱34	₱3,042	₱1,772	₱4,814
Collective impairment	3,743	62	19	60	8	3,892	944	4,836
	₱6,105	₱429	₱19	₱339	₱42	₱6,934	₱2,716	₱9,650
Gross amount of loans individually determined to be impaired	₱5,550	₱462	₱–	₱413	₱42	₱6,467	₱3,094	₱9,561

* Allowance for credit losses on other receivables include allowance on unquoted debt securities, accounts receivables, accrued interest receivable, sales contract receivable and deficiency judgment receivable.

Movements in the allowance for credit and impairment losses on AFS investments and other assets follow:

	Consolidated				Parent Company			
	AFS Investments				AFS Investments			
	Debt Securities	Equity Securities	Other Assets*	Total	Debt Securities	Equity Securities	Other Assets*	Total
Balance at January 1, 2014	**₱–**	**₱568**	**₱10,780**	**₱11,348**	**₱–**	**₱178**	**₱10,737**	**₱10,915**
Provisions for credit and impairment losses	3	(7)	2	(2)	–	–	–	–
Disposals	–	–	–	–	–	(68)		(68)
Reclassifications/reversals/others	–	(35)	9	(26)	–	52	(2)	50
Balance at December 31, 2014	**₱3**	**₱526**	**₱10,791**	**₱11,320**	**₱–**	**₱162**	**₱10,735**	**₱10,897**
Balance at January 1, 2013	₱–	₱573	₱9,731	₱10,304	₱–	₱176	₱9,675	₱9,851
Provisions for credit and impairment losses	–	2	428	430	–	2	429	431
Disposals	–	–	–	–	–	(1)	–	(1)
Reclassifications/reversals/others	–	(7)	621	614	–	1	633	634
Balance at December 31, 2013	₱–	₱568	₱10,780	₱11,348	₱–	₱178	₱10,737	₱10,915

* Allowance for credit and impairment losses of other assets include allowance on investments in SPVs, chattel mortgage properties and miscellaneous assets.

16. Deposit Liabilities

Long-Term Negotiable Certificates of Deposit (LTNCD)

On September 18, 2014, the BSP approved the issuance of the Parent Company of up to ₱20.0 billion LTNCD and the subsequent amendment was also approved by the BSP on October 14, 2014. The Parent Company issued the first tranche amounting to ₱8.0 billion on October 24, 2014 at a rate of 4.00% per annum, payable quarterly, with a tenor of 5.5 years and maturing on April 24, 2020 while the second tranche amounting to ₱6.25 billion was issued on November 21, 2014 with a rate of 4.25% per annum, payable quarterly, with a tenor of 7 years and maturing on November 22, 2021. The minimum investment size for the LTNCD is ₱50.0 thousand with increments of ₱50.0 thousand thereafter.

Of the total interest-bearing deposit liabilities of the Group as of December 31, 2014 and 2013, 47.00% and 47.40%, respectively, are subject to periodic interest repricing. In 2014, 2013 and 2012, remaining peso deposit liabilities earn annual fixed interest rates ranging from 0.00% to 6.59%, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.00% to 4.25% as of December 31, 2014 and from 0.00% to 3.50% in December 31, 2013 and 2012.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Demand	**₱443**	₱340	₱293	**₱285**	₱208	₱217
Savings	**881**	799	1,045	**805**	734	988
Time	**7,883**	6,417	7,418	**5,406**	4,033	4,474
LTNCD	**92**	–	–	**92**	–	–
	₱9,299	₱7,556	₱8,756	**₱6,588**	₱4,975	₱5,679

Reserve Requirement
Effective reserve week starting May 30, 2014, non-FCDU deposit liabilities of the Parent Company and deposit substitutes of FMIC, ORIX Metro and MCC are subject to required reserves equivalent of 20.00% from the previous 18.00%. On the other hand, non-FCDU deposit liabilities of PSBank are subject to required reserves equivalent to 8.00% from the previous 6.00%. The required reserves shall be kept in the form of deposits maintained in the Demand Deposit Accounts (DDAs) with the BSP and any government securities which are previously used as compliance until they mature.

The Parent Company, PSBank, FMIC, MCC and ORIX Metro were in compliance with such regulations as of December 31, 2014 and 2013.

The total liquidity and statutory reserves (under Due from BSP accounts), as reported to the BSP, are as follows:

	Due from BSP	
	2014	2013
Parent Company	**₱157,759**	₱143,492
PSBank	**9,280**	7,133
MCC	**7,086**	4,408
FMIC	**5,340**	6,401
Orix Metro	**2,971**	2,239
	₱182,436	₱163,673

17. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Deposit substitutes	**₱52,046**	₱59,536	**₱–**	₱–
Local banks	**27,930**	21,767	**5,843**	5,327
Foreign banks	**17,675**	20,784	**16,254**	18,486
SSURA	**42,748**	25,117	**40,248**	22,180
	₱140,399	₱127,204	**₱62,345**	₱45,993

Interbank borrowings with foreign and local banks are mainly short-term borrowings. The Group's peso borrowings are subject to annual fixed interest rates ranging from 0.20% to 5.88%, from 1.00% to 8.54% and from 1.00% to 8.12% in 2014, 2013 and 2012, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.15% to 4.30%, from 0.16% to 2.63% and from 0.15% to 1.95% in 2014, 2013 and 2012, respectively.

Deposit substitutes pertain to borrowings from the public of FMIC, ORIX Metro and MCC.

The following are the carrying values of the investment securities pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated			
	2014		2013	
	Transferred Securities	SSURA	Transferred Securities	SSURA
Government debt securities (Note 8)				
HFT investments	₱242	₱210	₱3,314	₱2,974
AFS investments	26,289	21,951	17,916	14,303
HTM investments	23,801	20,587	6,712	7,270
	50,332	42,748	27,942	24,547
Unquoted debt securities (Note 9)				
Government	–	–	570	570
	₱50,332	₱42,748	₱28,512	₱25,117

	Parent Company			
	2014		2013	
	Transferred Securities	SSURA	Transferred Securities	SSURA
Government debt securities (Note 8)				
HFT investments	₱242	₱210	₱3,314	₱2,974
AFS investments	22,692	19,451	12,574	11,936
HTM investments	23,801	20,587	6,712	7,270
	₱46,735	₱40,248	₱22,600	₱22,180

Interest expense on bills payable (included in the 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' in the statement of income) in 2014, 2013 and 2012 amounted to ₱2.1 billion, ₱2.3 billion and ₱3.3 billion, respectively, for the Group and ₱208.2 million, ₱109.6 million and ₱51.0 million, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2014	2013	2014	2013
Accrued interest (Note 31)	₱1,865	₱1,770	₱1,053	₱903
Accrued other expenses (Note 31)	8,009	6,737	6,461	5,099
	₱9,874	₱8,507	₱7,514	₱6,002

Accrued other expenses include accruals for compensation and fringe benefits, rentals, percentage and other taxes, professional fees, advertising and information technology expenses and other expenses.

19. Bonds Payable

This account represents scripless fixed rate corporation bonds issued by FMIC as follows:

Issue Date	Maturity Date	Interest Rate	Redemption Period	Face Value	Carrying Value 2014	Carrying Value 2013
November 25, 2011	February 25, 2017	5.675%	after 4th year	₱5,000	**₱4,819**	₱4,823
August 10, 2012	November 10, 2017	5.50%	after 4th year	4,000	**3,820**	3,858
August 10, 2012	August 10, 2019	5.75%	after 5th year	3,000	**2,805**	2,962
				₱12,000	**₱11,444**	₱11,643

These bonds were issued in principal amounts of ₱50,000 and in multiples of ₱5,000 in excess of ₱50,000 with an option to redeem in whole, but not in part, on any quarterly interest payment after the fourth or fifth anniversary of the issue date at 102.00% of its face value plus accrued interest. These are exempt securities pursuant to certain provisions of the Securities Regulation Code and are covered by deed of assignments on government securities held in trust by a collateral agent which shall have aggregate market value of 100.00% of the issued amount, otherwise, additional government securities shall be offered to increase and maintain the cover at 100.00%.

The carrying amount of government securities assigned as collateral classified under AFS investments amounted to ₱0.9 billion and ₱11.5 billion with market value of ₱0.9 billion and ₱12.7 billion as of December 31, 2014 and 2013, respectively, and under HTM investments amounted to ₱12.0 billion with market value of ₱11.7 billion as of December 31, 2014.

As of December 31, 2014 and 2013, FMIC has complied with the terms of the issuance.

Interest expense on bonds payable (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others') in 2014, 2013 and 2012 amounted to ₱666.1 million, ₱665.9 million and ₱422.7 million, respectively.

20. Subordinated Debts

This account consists of the following Peso Notes:

	Maturity Date	Face Value	Carrying Value 2014	Carrying Value 2013	Market Value 2014	Market Value 2013
Parent Company						
2019	May 6, 2019	₱4,500	**₱–**	₱4,497	**₱–**	₱4,561
2024	June 27, 2024	16,000	**15,893**	–	**13,144**	–
2025	August 8, 2025	6,500	**6,451**	–	**6,543**	–
		27,000	**22,344**	4,497	**19,687**	4,561
PSBank – 2022	February 20, 2022	3,000	**2,975**	2,972	**3,452**	3,504
PSBank – 2024	August 23, 2024	3,000	**2,972**	–	**2,333**	–
MCC – 2023	December 20, 2023	1,170	**1,161**	1,159	**1,322**	1,328
		₱34,170	**₱29,452**	₱8,628	**₱26,794**	₱9,393

On April 15, 2013, the BOD of the Parent Company approved the issuance of Basel III - compliant Tier 2 capital notes up to USD500 million in one or more tranches, issued as part of the Parent Company's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP and to proactively manage its capital base for growth and refinancing of maturing capital securities. The issuance was approved by the BSP on July 26, 2013 and the amendment to the terms and conditions on January 30, 2014. Specifically, the BSP approved the issuance of up to USD500 million equivalent in either USD or PHP or combination in one or more tranches over the course of one (1) year.

Peso Notes issued by the Parent Company are unsecured and subordinated obligations and will rank pari passu and without any preference among themselves and at least equally with all other present and future unsecured and subordinated obligations of the Parent Company. The Notes qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP. These Peso Notes have a term of 5.25 and 11 years and are redeemable at the option of the Parent Company (but not the holders) on the call option date in whole but not in part at redemption price equal to 100.00% of the principal amount together with accrued and unpaid interest on the call option date, upon prior approval of the BSP and at least 30-banking day prior written notice to the Noteholders of record, subject to the following conditions: (1) the capital adequacy of the Issuer is at least equal to the required minimum ratio; (2) the note is simultaneously replaced with the issues of new capital which are neither smaller in size nor lower in quality than the original issue.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, upon prior approval of the BSP and at least a 30-banking day prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 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 100.00% of the face value of the Note 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 101.00% of the face value of the Note 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 Notes have a loss absorption feature which are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Trigger Event, subject to certain conditions as set out in "Terms and Conditions of the Notes - Loss Absorption Measure", when the Issuer is considered non-viable as determined by the BSP. Non-Viability is defined as a deviation from a certain level of CET1 Ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Trigger Event shall be deemed to have occurred if the BSP notifies the Issuer in writing that it has determined that a: (i) a Write-Down (as defined in "Terms and Conditions of the Notes") of the Notes and other capital instruments of the Issuer is necessary because, without such Write-Down, the Issuer would become non-viable, (ii) public sector injection of capital, or equivalent support, is necessary because, without such injection or support, the Issuer would become non-viable, or (iii) Write-Down of the Notes and other capital instruments of the Issuer is necessary because, as a result of the closure of the Issuer, the Issuer has become non-viable.

Each Noteholder may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the Peso Notes and to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off. These Notes are not deposits and are not insured by the Philippine Deposit Insurance Corporation (PDIC).

Specific terms of these Basel III - compliant Notes follow:

2024 Peso Notes - issued on March 27, 2014 at 100.00% of the principal amount of ₱16.0 billion

- Bear interest at 5.375% per annum from March 27, 2014 to but excluding June 27, 2019. Interest will be payable quarterly in arrears on March 27, June 27, September 27 and December 27 of each year, commencing on June 27, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at the equivalent of the five-year PDST-F as of reset date plus a spread of 1.51% per annum and such interest will be payable commencing on June 27, 2019 up to and including June 27, 2024.

2025 Peso Notes - issued on August 8, 2014 at 100.00% of the principal amount of ₱6.5 billion

- Bear interest at 5.25% per annum from August 8, 2014 to but excluding August 8, 2020. Interest will be payable quarterly in arrears on February 8, May 8, August 8 and November 8 of each year, commencing on November 8, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at equivalent of the five-year PDST-R2 as of reset date plus a spread of 1.67% per annum and such interest will be payable commencing on August 8, 2020 up to and including August 8, 2025.

Specific terms of Notes issued under the old Capital Framework follow:

2019 Peso Notes - issued on May 6, 2009 at 100.00% of the principal amount of ₱4.5 billion

- Bear interest at 7.50% per annum from and including May 6, 2009 to but excluding May 6, 2014. Interest will be payable quarterly in arrears on August 6, November 6, February 6 and May 6, commencing August 6, 2009 up to and including May 6, 2014. Unless these are previously redeemed, the interest rate from and including May 6, 2014 to but excluding May 6, 2019 will be reset at the equivalent of the five-year PDST-F as of the Reset date multiplied by 80.00% plus a spread of 3.53% per annum. Interest will be payable quarterly in arrears on August 6, November 6, February 6 and May 6 of each year, commencing August 6, 2014 up to and including May 6, 2019.

On May 7, 2014, the Bank exercised the call option on its ₱4.5 billion 7.50% Lower Tier 2 Notes ahead of its original maturity on May 6, 2019. The redemption was approved by the BSP on March 13, 2014.

MCC

2023 Peso Notes - issued on December 20, 2013 at 100.00% of the principal amount of ₱1.2 billion

- Bear interest at 6.21% per annum payable quarterly in arrears every 20th of March, June, September and December each year, commencing on March 20, 2014.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on February 17, 2013.
- In case of insolvency or liquidation of MCC, the notes will be subordinated in the right of payment of principal and interest to all depositors and other creditors of MCC, except those creditors expressed to rank equally with, or behind holders of the notes.
- If a non-viability trigger event occurs, MCC shall immediately write down some or all of the notes in accordance with the BSP's determination.
- Subject to the written approval of the BSP, MCC may redeem all and not less than the entire outstanding 2023 Notes, at a redemption price equal to the face value together with the accrued and unpaid interest based on the interest rate.

PSBank

2022 Peso Notes - issued on February 20, 2012 at 100.00% of the principal amount of ₱3.0 billion

- Bear interest at 5.75% per annum from and including February 20, 2012 but excluding February 20, 2017 which is payable quarterly in arrears every May 20, August 20, November 20 and February 20, commencing on February 20, 2012.
- Constitute direct, unconditional, and unsecured obligations of PSBank and claim in respect of the 2022 Notes shall be at all times pari passu and without any preference among themselves.

- Subject to satisfaction of certain regulatory approval requirements, PSBank may redeem all and not less than the entire outstanding 2022 Notes, at a redemption price equal to the face value together with accrued and unpaid interest based on the interest rate.

2024 Peso Notes - issued on May 23, 2014 at 100.00% of the face value of ₱3.0 billion
- Bears interest at the rate 5.50% per annum for the first 5 years and 3 months. Interest will be payable quarterly in arrears on August 23, November 23, February 23 and May 23 of each year, commencing on August 23, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at the equivalent of the five-year PDST-F as of reset date plus a spread of 1.4438% per annum.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on April 14, 2014.
- May be redeemed by PSBank in full, but not in part, on the call option date upon prior approval of the BSP and subject to certain conditions.
- May be redeemed by PSBank in full, but not in part, upon the occurrence of a Tax Redemption or Regulatory Redemption Event prior to maturity by paying the Holders the following:
  a) In the case of a Tax Redemption Event, 100.00% of the face value of the Note plus accrued interest
  b) In the case of a Regulatory Redemption Event, 101.00% of the face value of the Note plus accrued interest.
- Have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Trigger Event, subject to certain conditions.

As of December 31, 2014 and 2013, the Parent Company, PSBank and MCC are in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2014, 2013 and 2012, interest expense on subordinated debt included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' amounted to ₱1.3 billion, ₱0.9 billion and ₱1.5 billion (including amortization of debt issue cost and premium of ₱27.0 million, ₱24.3 million and ₱40.0 million), respectively, for the Group, and ₱0.9 billion, ₱0.7 billion and ₱1.3 billion (including amortization of debt issue cost and premium of ₱22.0 million, ₱19.7 million and ₱35.2 million), respectively, for the Parent Company.

21. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Bills purchased - contra (Note 9)	**₱26,386**	₱16,637	**₱26,303**	₱16,587
Non-equity non-controlling interests	**10,124**	10,369	**–**	–
Accounts payable (Note 31)	**8,973**	8,337	**4,356**	4,674
Marginal deposits	**4,580**	6,819	**130**	324
Retirement liability (Note 27)	**3,553**	4,830	**2,566**	4,162
Deposits on lease contracts	**1,171**	991	**–**	–
Deferred revenues	**1,073**	936	**98**	98
Other credits	**885**	680	**446**	382
Outstanding acceptances	**689**	1,001	**689**	1,001
Withholding taxes payable	**481**	412	**290**	270
Miscellaneous	**2,845**	3,068	**911**	1,362
	₱60,760	₱54,080	**₱35,789**	₱28,860

Deferred revenues include deferral and release of MCC's loyalty points program transactions and membership fees and dues.

Non-equity non-controlling interests arise when mutual funds are consolidated and where the Group holds less than 100.00% of the investment in these funds. When this occurs, the Group acquires a liability in respect of non-controlling interests in the funds of which the Group has control. Such non-controlling interests are distinguished from equity non-controlling interests in that the Group does not hold an equity stake in such funds.

As of December 31, 2014 and 2013, miscellaneous liabilities of the Group include dividends payable amounting to ₱241.1 million and ₱28.6 million, respectively, and notes payable amounting to ₱488.1 million.

22. Maturity Profile of Assets and Liabilities

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	Consolidated					
	2014			2013		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	₱34,943	₱–	₱34,943	₱29,742	₱–	₱29,742
Due from BSP	215,253	–	215,253	166,774	–	166,774
Due from other banks	38,200	–	38,200	26,275	–	26,275
Interbank loans receivable and SPURA (Note 7)	119,844	–	119,844	122,013	–	122,013
Financial assets at FVPL (Note 8)	45,935	–	45,935	55,441	–	55,441
AFS investments (Note 8)	12,531	195,709	208,240	7,363	266,634	273,997
HTM investments (Note 8)	150	128,926	129,076	1,141	37,284	38,425
Loans and receivables (Note 9)						
Receivables from customers	395,690	363,202	758,892	308,961	302,258	611,219
Unquoted debt securities	1,104	1,966	3,070	2,111	3,243	5,354
Accrued interest receivable	8,319	–	8,319	8,414	–	8,414
Accounts receivable	4,417	–	4,417	3,821	–	3,821
Sales contract receivable	162	310	472	109	349	458
Other receivables	505	–	505	314	–	314
Other assets (Note 14)						
Interoffice float items	3,156	–	3,156	1,127	-	1,127
Returned checks and other cash items	272	–	272	68	–	68
Residual value of leased asset	557	275	832	–	712	712
Other investments	–	3	3	-	3	3
Investments in SPVs	8,857	–	8,857	8,857	–	8,857
Pledged certificate of time deposit	–	–	–	266	–	266
Miscellaneous assets	–	426	426	–	426	426
	889,895	690,817	1,580,712	742,797	610,909	1,353,706
Non-Financial Assets - at gross						
Property and equipment (Note 10)	–	34,557	34,557	–	32,978	32,978
Investments in associates (Note 11)	–	2,751	2,751	–	6,436	6,436
Investment properties (Note 12)	–	13,683	13,683	–	17,399	17,399
Deferred tax assets (Note 28)	–	6,831	6,831	–	7,190	7,190
Goodwill (Note 11)	–	5,201	5,201	–	5,206	5,206
Retirement asset (Note 27)	–	13	13	–	28	28
Assets held under joint operations (Note 14)	–	544	544	–	1,361	1,361
Accounts receivable (Note 9)	–	2,884	2,884	–	2,052	2,052
Other assets (Note 14)	3,019	8,576	11,595	1,960	5,186	7,146
	3,019	75,040	78,059	1,960	77,836	79,796
	₱892,914	₱765,857	1,658,771	₱744,757	₱688,745	1,433,502
Less:						
Unearned discounts and capitalized interest (Note 9)			2,628			3,942
Accumulated depreciation and amortization (Notes 10, 12 and 14)			21,519			20,361
Allowance for credit and impairment losses (Note 15)			30,084			30,630
			₱1,604,540			₱1,378,569

(Forward)

	Consolidated					
	2014			2013		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Liabilities						
Deposit liabilities						
Demand	₱187,285	₱–	₱187,285	₱150,694	₱–	₱150,694
Savings	406,767	–	406,767	362,915	–	362,915
Time	545,275	30,877	576,152	475,521	27,138	502,659
LTNCD	–	14,250	14,250	–	–	–
	1,139,327	45,127	1,184,454	989,130	27,138	1,016,268
Bills payable and SSURA (Note 17)	129,146	11,253	140,399	114,199	13,005	127,204
Derivative liabilities	3,071		3,071	4,452	–	4,452
Manager's checks and demand drafts outstanding	4,653	–	4,653	3,927	–	3,927
Accrued interest and other expenses	8,769	–	8,769	7,326	–	7,326
Bonds payable (Note 19)	–	11,444	11,444	–	11,643	11,643
Subordinated debt (Note 20)	–	29,452	29,452	4,497	4,131	8,628
Other liabilities (Note 21)						
Bills purchased – contra	26,386	–	26,386	16,637	–	16,637
Accounts payable	8,973	–	8,973	8,337	–	8,337
Non-equity non-controlling interest	10,124	–	10,124	10,369	–	10,369
Marginal deposits	4,580	–	4,580	6,819	–	6,819
Outstanding acceptances	689	–	689	1,001	–	1,001
Deposits on lease contracts	–	1,171	1,171	–	991	991
Dividends payable	104	–	104	29	–	29
Miscellaneous	–	488	488	–	488	488
	1,335,822	98,935	1,434,757	1,166,723	57,396	1,224,119
Non-Financial Liabilities						
Retirement liability (Note 27)	–	3,553	3,553	–	4,830	4,830
Income taxes payable	1,191	–	1,191	676	–	676
Accrued interest and other expenses	1,105	–	1,105	1,181	–	1,181
Withholding taxes payable (Note 21)	481	–	481	412	–	412
Deferred tax and other liabilities (Notes 21 and 28)	3,325	1,343	4,668	3,473	1,173	4,646
	6,102	4,896	10,998	5,742	6,003	11,745
	₱1,341,924	₱103,831	₱1,445,755	₱1,172,465	₱63,399	₱1,235,864

	Parent Company					
	2014			2013		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	₱30,733	₱–	₱30,733	₱26,532	₱–	₱26,532
Due from BSP	174,259	–	174,259	143,724	–	143,724
Due from other banks	25,583	–	25,583	8,947	–	8,947
Interbank loans receivable and SPURA (Note 7)	108,441	–	108,441	96,872	–	96,872
Financial assets at FVPL (Note 8)	29,850	–	29,850	36,140	–	36,140
AFS investments (Note 8)	8,369	171,168	179,537	4,249	222,872	227,121
HTM investments (Note 8)	150	110,627	110,777	1,141	37,217	38,358
Loans and receivables (Note 9)						
Receivables from customers	325,158	260,631	585,789	241,374	213,223	454,597
Unquoted debt securities	426	194	620	558	462	1,020
Accrued interest receivable	6,705	–	6,705	6,910	–	6,910
Accounts receivable	2,878	–	2,878	2,360	–	2,360
Sales contract receivable	145	47	192	80	76	156
Other receivables	165	–	165	30	–	30
Other assets (Note 14)						
Interoffice float items	2,965	–	2,965	1,061	–	1,061
Returned checks and other cash items	189	–	189	54	–	54
Investments in SPVs	8,857	–	8,857	8,857	–	8,857
Pledged certificate of time deposit	–	–	–	266	–	266
Miscellaneous assets	–	426	426	–	426	426
	724,873	543,093	1,267,966	579,155	474,276	1,053,431
Non-Financial Assets - at gross						
Property and equipment (Note 10)	–	23,232	23,232	–	22,872	22,872
Investment in subsidiaries (Note 11)	–	27,498	27,498	–	26,046	26,046
Investments in associates (Note 11)	–	590	590	–	740	740
Investment properties (Note 12)	–	8,912	8,912	–	12,869	12,869
Deferred tax assets (Note 28)		5,273	5,273	–	6,333	6,333
Goodwill (Note 11)	–	–	–	–	–	–
Retirement asset (Note 27)	–	13	13	–	2	2

(Forward)

	Parent Company					
	2014			2013		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Assets held under joint operations (Note 14)	₱–	₱544	₱544	₱–	₱1,361	₱1,361
Accounts receivable (Note 9)	–	2,884	2,884	–	2,052	2,052
Other assets (Note 14)	2,119	6,011	8,130	1,214	2,926	4,140
	2,119	74,957	77,076	1,214	75,201	76,415
	₱726,992	₱618,050	1,345,042	₱580,369	₱549,477	1,129,846
Less:						
Unearned discounts and capitalized interest (Note 9)			284			580
Accumulated depreciation and amortization (Notes 10, 12 and 14)			14,805			14,759
Allowance for credit and impairment losses (Note 15)			22,773			23,807
			₱1,307,180			₱1,090,700
Financial Liabilities						
Deposit liabilities						
Demand	₱169,851	₱–	₱169,851	₱134,788	₱–	₱134,788
Savings	390,509	–	390,509	348,244	–	348,244
Time	465,947	9,871	475,818	398,497	9,225	407,722
LTNCD	–	14,250	14,250	–	–	–
	1,026,307	24,121	1,050,428	881,529	9,225	890,754
Bills payable and SSURA (Note 17)	62,345	–	62,345	45,993	–	45,993
Derivative liabilities	3,054	–	3,054	4,452	–	4,452
Manager's checks and demand drafts outstanding	3,399	–	3,399	2,816	–	2,816
Accrued interest and other expenses	6,409	–	6,409	4,934	–	4,934
Subordinated debt (Note 20)	–	22,344	22,344	4,497	–	4,497
Other liabilities (Note 21)						
Bills purchased – contra	26,303	–	26,303	16,587	–	16,587
Accounts payable	4,356	–	4,356	4,674	–	4,674
Marginal deposits	130	–	130	324	–	324
Outstanding acceptances	689	–	689	1,001	–	1,001
	1,132,992	46,465	1,179,457	966,807	9,225	976,032
Non-Financial Liabilities						
Retirement liability (Note 27)	–	2,566	2,566	–	4,162	4,162
Income taxes payable	591	–	591	267	–	267
Accrued interest and other expenses	1,105	–	1,105	1,068	–	1,068
Withholding taxes payable (Note 21)	290	–	290	270	–	270
Other liabilities (Note 21)	1,009	446	1,455	1,444	398	1,842
	2,995	3,012	6,007	3,049	4,560	7,609
	₱1,135,987	₱49,477	₱1,185,464	₱969,856	₱13,785	₱983,641

23. Capital Stock

This account consists of (amounts in millions, except par value and number of shares):

	Shares			Amount		
	2014	2013	2012	2014	2013	2012
Authorized						
Preferred stock – ₱20.00 par value	1,000,000,000	1,000,000,000	–			
Common stock – ₱20.00 par value	4,000,000,000	4,000,000,000	2,500,000,000			
Common stock issued and outstanding						
Balance at beginning of year	2,744,801,066	2,111,386,017	2,111,386,017	₱54,896	₱42,228	₱42,228
Issuance of stock dividends	–	633,415,049	–	–	12,668	–
Balance at end of year	2,744,801,066	2,744,801,066	2,111,386,017	54,896	54,896	42,228
HTI Capital	–	–	–	6,351	6,351	6,351
	2,744,801,066	2,744,801,066	2,111,386,017	₱61,247	₱61,247	₱48,579

As of December 31, 2014, treasury shares totaling 391,320 represent shares of the Parent Company held by FMIC's mutual fund subsidiary.

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2014 and 2013, the Parent Company's share price closed at ₱83.00 and ₱75.55 a share, respectively.

On March 15, 2013, the BOD of the Bank approved (a) the amendment of the Articles of Incorporation (AOI) for the purpose of increasing the authorized capital stock and (b) the declaration of 30.00% stock dividend, which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2013. These were subsequently approved by the BSP on May 15, 2013 while the SEC approved the amended AOI on August 13, 2013.

Following this, the authorized capital stock of the Bank increased from ₱50.0 billion to ₱100.0 billion consisting of 4.0 billion Common Shares and 1.0 billion Preferred Shares, both with par value of ₱20 per share. Preferred Shares are non-voting except as provided by law; have preference over Common Shares in the distribution of dividends; subject to such terms and conditions as may be determined by the BOD and to the extent permitted by applicable law, may or may not be redeemable; and shall have such other features as may be determined by the BOD at the time of issuance. Further, the 30.00% stock dividend equivalent to 633.4 million common shares amounting to ₱12.7 billion represents at least the minimum 25.00% subscribed and paid-up capital for the increase in the authorized capital stock referred to above. As delegated by the BOD, the President fixed the record and payment dates on September 3 and 16, 2013, respectively. On September 10, 2013, the PSE approved the listing of additional 633,415,805 common shares and on September 16, 2013, the Bank issued the stock dividend and paid the cash equivalent of the related fractional shares.

HT1 Capital represents USD125.0 million, 9.00% non-cumulative step-up callable perpetual capital securities with liquidation preference of USD100,000 per capital security issued by the Parent Company on February 15, 2006 pursuant to a trust deed with The Bank of New York (Trustee) and listed with the Singapore Exchange Securities Trading Limited. The HT1 Capital is governed by English law except on certain clauses in the Trust Deed which are governed by Philippine law. Basic features of the HT1 Capital follow:

- Coupons - bear interest at 9.00% per annum payable semi-annually in arrear from (and including) February 15, 2006 to (but excluding) February 15, 2016, and thereafter at a rate, reset and payable quarterly in arrear, of 6.10% per annum above the then prevailing LIBOR for three-month USD deposits. Under certain conditions, the Parent Company is not obliged to make any coupon payment if the BOD of the Parent Company, in its absolute discretion, elects not to make any coupon payment in whole or in part.

- Coupon Payment Dates - payable on February 15 and August 15 in each year, commencing on August 15, 2006 (in respect of the period from (and including) February 15, 2006 to (but excluding) August 15, 2006 and ending on February 15, 2016 (first optional redemption date); thereafter coupon amounts will be payable (subject to adjustment for days which are not business days) on February 15, May 15, August 15 and November 15 in each year commencing on May 15, 2016.

- Dividend and Capital Stopper - in the event that any coupon payment is not made, the Parent Company: (a) will not declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on any junior share capital or any parity securities; or (b) will not redeem, purchase, cancel, reduce or otherwise acquire any junior share capital or any parity securities. Such dividend and capital stopper shall remain in force so as to prevent the Parent Company from undertaking any such declaration, payment or other activity unless and until payment is made to the holders in an amount equal to the unpaid amount, if any, of coupon payments in respect of coupon periods in the 12 months including and immediately preceding the date such coupon payment was due, and the BSP does not otherwise object.

- Redemption
  - may be redeemed at the option of the Parent Company (but not the holders) under optional redemption, tax event call, and regulatory event call, subject to limitation of the terms of the issuance.
  - may not be redeemed (i) for so long as the dividend and capital stopper is in force; and (ii) without the prior written approval of the BSP which, as of February 8, 2006, is subject to the following conditions: (a) the Parent Company's capital adequacy must be at least equal to the BSP's minimum capital ratio; and (b) the HT1 Capital are simultaneously replaced with the issue of new capital which is neither smaller in size nor lower in quality than the original issue.

The HT1 Capital is unsecured and subordinated to the claims of senior creditors. In the event of the dissolution or winding-up of the Parent Company, holders will be entitled, subject to satisfaction of certain conditions and applicable law, to receive a liquidation distribution equivalent to the liquidation preference. Also, the HT1 Capital is not treated as deposit and is not guaranteed or insured by the Parent Company or any of its related parties or the PDIC and these may not be used as collateral for any loan availments. The Parent Company or any of its subsidiaries may not at any time purchase HT1 Capital except as permitted under optional redemption, tax event call, and regulatory event call as described in the terms of issuance. The HT1 Capital is sold to non-U.S. persons outside the United States pursuant to Regulation under the U.S. Securities Act of 1933, as amended, and represented by a global certificate registered in the name of a nominee of, and deposited with, a common depository for Euroclear and Clearstream.

The Parent Company paid the semi-annual coupon amounting to USD5.6 million from 2006 to 2014 after obtaining their respective BSP approvals. Details of approvals and payments from 2012 to 2014 are as follows:

Date of BSP Approval	Date Paid
August 1, 2014	August 15, 2014
February 10, 2014	February 15, 2014
August 12, 2013	August 15, 2013
February 6, 2013	February 15, 2013
August 12, 2012	August 15, 2012
February 1, 2012	February 15, 2012

Details of the Parent Company's cash dividend distributions from 2012 to 2014 follow:

Date of Declaration	Per Share	Total Amount	Date of BSP Approval	Record date	Payment date
March 26, 2014	₱1.00	₱2,745	April 15, 2014	May 7, 2014	May 16, 2014
January 23, 2013	1.00	2,111	February 8, 2013	March 8, 2013	April 3, 2013
January 25, 2012	1.00	2,111	February 13, 2012	March 5, 2012	March 26, 2012

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

24. Surplus Reserves

This account consists of:

	2014	2013
Reserve for trust business	₱976	₱862
Reserve for self-insurance	395	373
	₱1,371	₱1,235

In compliance with existing BSP regulations, 10.00% of the Parent Company's income from trust business is appropriated to surplus reserves. This yearly appropriation is required until the surplus reserve for trust business equals 20.00% of the Parent Company's regulatory net worth.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

25. Miscellaneous Income and Expenses

In 2014, 2013 and 2012, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱748.5 million, ₱648.8 million and ₱138.9 million, respectively, for the Group and ₱53.6 million, ₱61.2 million and ₱121.9 million, respectively, for the Parent Company and recovery on charged-off assets amounting to ₱562.6 million, ₱455.4 million and ₱390.4 million, respectively, for the Group and ₱10.5 million, ₱27.9 million and ₱46.2 million, respectively, for the Parent Company.

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Insurance	₱2,317	₱1,672	₱1,480	₱1,823	₱1,333	₱1,180
Security, messengerial and janitorial	2,016	1,800	1,630	1,628	1,408	1,304
Advertising	738	725	580	66	91	105
Litigation (Note 12)	678	705	776	395	450	542
Information technology	644	718	639	451	576	577
Repairs and maintenance	580	409	451	265	249	253
Communication	567	528	474	43	69	96
Management and professional fees	548	460	465	298	272	255
Stationery and supplies used	536	487	404	338	308	248
Supervision fees	507	448	333	424	362	263
Transportation and travel	442	489	447	307	369	342
Entertainment, amusement and representation (EAR) (Note 28)	320	236	238	284	198	188
Others	1,396	1,424	1,253	658	477	611
	₱11,289	₱10,101	₱9,170	₱6,980	₱6,162	₱5,964

26. Notes to Statements of Cash Flows

The amounts of interbank loans receivable and securities purchased under agreements to resell considered as cash and cash equivalents follow:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Interbank loans receivable and SPURA	**₱119,839**	₱122,011	₱23,392	**₱108,441**	₱96,872	₱15,046
Interbank loans receivable and SPURA not considered as cash and cash equivalents	**(7,651)**	(4,836)	(4,344)	**(7,651)**	(4,836)	(4,344)
	₱112,188	₱117,175	₱19,048	**₱100,790**	₱92,036	₱10,702

Significant non-cash transactions of the Group and the Parent Company include foreclosures of properties or additions to investment and chattel properties as disclosed in Notes 12 and 14, respectively; reclassification of investment in LCMC with carrying value of ₱2.2 billion to AFS investments as discussed in Note 11; and reclassification of assets held under joint operations amounting to ₱0.5 million to investment properties in 2014. Further, as discussed in Note 8, in 2013, investment of FMIC in GBPC and HTM investments of PSBank and FMIC were reclassified to AFS investments.

In 2012, in addition to the reclassification of investment in associate as discussed in Note 31, the Parent Company also reclassified its land covered by a completed agreement from assets held under joint operations (under 'Other assets') to investments properties amounting to ₱1.2 billion; and rescinded its sales contract receivable amounting to ₱693.0 million.

27. Retirement Plan and Other Employee Benefits

The Parent Company and most of its subsidiaries have funded non-contributory defined benefit retirement plan covering all their respective permanent and full-time employees. Benefits are based on the employee's years of service and final plan salary.

For employees of the Parent Company, retirement from service is compulsory upon the attainment of the 55th birthday or 30th year of service, whichever comes first.

Under the existing regulatory framework, Republic Act (RA) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however 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 Parent Company and most of its subsidiaries meet the minimum retirement benefit specified under RA 7641.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and significant subsidiaries are shown below:

	Parent Company	**FMIC**	**PSBank**	**MCC**	**ORIX Metro**
As of January 1, 2014					
Average remaining working life	**8 years**	**7 to 8 years**	**9 years**	**10 years**	**15 to 26 years**
Discount rate	**4.33%**	**4.51% to 5.59%**	**4.86%**	**4.85%**	**4.07% to 6.50%**
Future salary increases	**8.00%**	**10.00%**	**9.00%**	**8.00%**	**7.00% to 8.00%**
As of January 1, 2013					
Average remaining working life	9 years	6 to 8 years	9 years	10 years	20 to 25 years
Discount rate	5.00%	5.23% to 5.50%	5.45%	5.89%	8.64%
Future salary increases	8.00%	10.00%	8.00%	8.00%	7.00%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the year over which the obligation is to be settled.

Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2014 and 2013 follow:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro
2014	**4.32%**	**4.42% to 4.65%**	**4.55%**	**4.80%**	**4.92% to 5.50%**
2013	4.33%	4.51% to 5.59%	4.86%	4.85%	4.07% to 6.50%

Net retirement liability (asset) included in the statement of financial position follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Retirement asset (Note 14)	**₱–**	(₱26)	**₱–**	₱–
Retirement liability (Note 21)	**3,553**	4,830	**2,566**	4,162
Net retirement liability	**₱3,553**	₱4,804	**₱2,566**	₱4,162

The fair value of plan assets by each classes as at the end of the reporting period are as follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Due from BSP	**₱523**	₱115	**₱257**	₱538
Deposit in banks	**63**	697	**21**	12
	586	812	**278**	550
FVPL - equity securities	**15**	1,429	**–**	–
AFS investments - net				
Debt instruments				
Private	**454**	327	**434**	304
Government	**7,576**	5,683	**7,014**	5,303
	8,030	6,010	**7,448**	5,607
Equity securities				
Quoted	**2,500**	778	**1,933**	1,415
Unquoted	**213**	200	**13**	13
	2,713	978	**1,946**	1,428
Investment funds	**161**	25	**20**	–
Total AFS investments	**10,904**	7,013	**9,414**	7,035
Loans and discounts - net	**–**	58	**–**	58
Other receivables - net	**148**	93	**142**	62
Total assets	**₱11,653**	₱9,405	**₱9,834**	₱7,705

Changes in net defined benefit liability of funded funds in 2014 are as follows:

Consolidated	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net retirement liability/(asset)**
January 1, 2014	**₱14,209**	**(₱9,405)**	**₱4,804**
Net Benefit Cost in Consolidated Statement of Income			
Current service cost	**1,201**	**–**	**1,201**
Past service cost	**3**	**–**	**3**
Net interest	**610**	**(448)**	**162**
Sub-total	**1,814**	**(448)**	**1,366**
Benefits paid	**(611)**	**611**	**–**

(Forward)

Consolidated	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net retirement liability/(asset)**
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	**₱–**	**(₱287)**	**(₱287)**
Actuarial changes arising from experience adjustments	**(245)**	**–**	**(245)**
Actuarial changes arising from changes in financial/demographic assumptions	**39**	**9**	**48**
Sub-total	**(206)**	**(278)**	**(484)**
Contributions paid	**–**	**(2,133)**	**(2,133)**
December 31, 2014	**₱15,206**	**(₱11,653)**	**₱3,553**

Parent Company	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net retirement liability (asset)**
January 1, 2014	**₱11,867**	**(₱7,705)**	**₱4,162**
Net Benefit Cost in Consolidated Statement of Income			
Current service cost	**917**	**–**	**917**
Net interest	**497**	**(362)**	**135**
Sub-total	**1,414**	**(362)**	**1,052**
Benefits paid	**(504)**	**504**	**–**
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	**–**	**(479)**	**(479)**
Actuarial changes arising from experience adjustments	**(387)**	**–**	**(387)**
Actuarial changes arising from changes in financial/demographic assumptions	**10**	**–**	**10**
Sub-total	**(377)**	**(479)**	**(856)**
Contributions paid	**–**	**(1,792)**	**(1,792)**
December 31, 2014	**₱12,400**	**(₱9,834)**	**₱2,566**

Changes in net defined benefit liability of funded funds in 2013 are as follows:

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2013	₱11,725	(₱7,458)	₱4,267
Net Benefit Cost in Consolidated Statement of Income			
Current service cost	1,006	–	1,006
Past service cost	25	–	25
Net interest	580	(411)	169
Sub-total	1,611	(411)	1,200
Benefits paid	(662)	662	–
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	–	(130)	(130)
Actuarial changes arising from experience adjustments	573	(119)	454
Actuarial changes arising from changes in financial/demographic assumptions	962	(5)	957
Sub-total	1,535	(254)	1,281
Contributions paid	–	(1,944)	(1,944)
December 31, 2013	₱14,209	(₱9,405)	₱4,804

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2013	₱9,954	(₱6,063)	₱3,891
Net Benefit Cost in Consolidated Statement of Income			
Current service cost	791	–	791
Net interest	482	(333)	149
Sub-total	1,273	(333)	940
Benefits paid	(542)	542	–
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	–	(125)	(125)
Actuarial changes arising from experience adjustments	563	–	563
Actuarial changes arising from changes in financial/demographic assumptions	619	–	619
Sub-total	1,182	(125)	1,057
Contributions paid	–	(1,726)	(1,726)
December 31, 2013	₱11,867	(₱7,705)	₱4,162

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of December 31, 2014 and 2013, assuming all other assumptions were held constant:

	Parent Company	FMIC	PSBank	MCC	Orix Metro
As of December 31, 2014					
Discount rate					
-50 basis points (bps)	**₱–**	**₱–**	**₱–**	**₱–**	**₱29**
+100 bps	**11,491**	**335**	**1,509**	**507**	**174**
-100 bps	**13,437**	**399**	**1,854**	**658**	**196**
Salary increase rate					
+75 bps	**–**	**–**	**–**	**–**	**28**
+100 bps	**13,190**	**395**	**1,843**	**645**	**194**
-100 bps	**11,681**	**338**	**1,515**	**515**	**152**
-125 bps	–	–	–	–	**23**
Turnover rate					
+200 bps	–	**355**	**1,543**	**524**	
- 200 bps	–	**376**	**1,822**	**638**	
+300 bps	**11,932**	–	–	–	
- 300 bps	**12,948**	–	–	–	
As of December 31, 2013					
Discount rate					
+100 bps	10,960	281	1,366	365	
-100 bps	12,905	334	1,693	468	
Salary increase rate					
+100 bps	12,646	331	1,681	451	
-100 bps	11,159	283	1,373	378	
Turnover rate					
+100 bps	11,396	–	1,448	–	
-100 bps	12,418	–	1,587	–	
+200 bps	–	298	–	374	
-200 bps	–	314	–	457	

The Group expects to contribute to the defined benefit retirement plans the required funding for normal cost in 2015.

The average duration of the DBO of the Parent Company as of December 31, 2014 and 2013 are 12.39 years and 12.54 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Parent Company	FMIC	PSBank	MCC	Orix Metro
As of December 31, 2014					
Less than 1 year	**₱926**	**₱31**	**₱124**	**₱7**	**₱12**
More than 1 year to 5 years	**5,770**	**228**	**586**	**140**	**–**
More than 5 years to 10 years	**9,928**	**231**	**1,259**	**238**	**74**
More than 10 years to 15 years	**7,962**	**368**	**1,913**	**722**	**–**
More than 15 years to 20 years	**5,580**	**358**	**1,794**	**1,366**	**–**
More than 20 years	**6,527**	**527**	**3,451**	**1,732**	**–**
As of December 31, 2013					
Less than 1 year	680	13	119	9	21
More than 1 year to 5 years	5,251	368	495	109	13
More than 5 years to 10 years	9,768	431	1,142	237	67
More than 10 years to 15 years	8,820	706	1,879	578	139
More than 15 years to 20 years	5,206	499	1,945	762	203
More than 20 years	6,408	575	3,813	1,314	2,035

In addition, the Parent Company has a Provident Plan which is a supplementary contributory retirement plan to and forms part of the main plan, the Retirement Plan, for the exclusive benefit of eligible employees of the Parent Company in the Philippines. Based on the provisions of the plan, upon retirement or resignation, a member shall be entitled to receive as retirement or resignation benefits 100.00% of the accumulated value of the personal contribution plus a percentage of the accumulated value arising from the Parent Company's contributions in accordance with the completed number of years serviced. The Parent Company's contribution to the Provident Fund in 2014 and 2013 amounted to ₱193.1 million and ₱180.4 million, respectively.

As of December 31, 2014 and 2013, the retirement fund of the Parent Company's employees amounting to ₱9.8 billion and ₱7.7 billion, respectively, is being managed by the Parent Company's Trust Banking Group, which has a Trust Committee, that is mandated to approve, the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the retirement plan. Certain members of the BOD of the Parent Company are represented in the Trust Committee. The Trust Banking Group of the Parent Company manages the plan based on the mandate as defined in the trust agreement. Directors' fees and bonuses of the Parent Company in 2014, 2013 and 2012 amounted to ₱49.3 million, ₱48.9 million and ₱61.8 million, respectively, while, officers' compensation and benefits of the Parent Company aggregated to ₱5.7 billion, ₱5.0 billion and ₱5.4 billion, respectively.

28. Income and Other Taxes

Under Philippine tax laws, the RBU of the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include 30.00% regular corporate income tax (RCIT) and 20.00% final taxes paid, which is a final withholding tax on gross interest income from government securities and other deposit substitutes. Interest allowed as a deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

Current tax regulations also provide for the ceiling on the amount of EAR expense (Note 25) that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. The regulations also provide for MCIT of 2.00% on modified gross income and allow a NOLCO.

The MCIT and NOLCO may be applied against the Group's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. Income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Following are the applicable taxes and tax rates for the foreign branches of the Parent Company:

Foreign Branches	Tax Rates
USA - New York Branch	20.00% income tax; Business taxes - 0.01% (New York State) and 0.26% (New York City)
Japan - Tokyo and Osaka Branches	28.05% income tax; Various rates for business taxes - income tax, local business, sheet value and sheet capital allocations
Korea - Seoul and Pusan Branches	20.00% income tax; 0.50% education tax
Taiwan - Taipei Branch	17.00% income tax; 5.00% gross business receipts tax; 5.00% VAT

The provision for income tax consists of:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Current:						
Final tax	**₱3,607**	₱2,546	₱2,014	**₱2,919**	₱1,906	₱1,220
RCIT*	**2,392**	1,377	2,331	**692**	115	751
MCIT	**4**	266	13	**4**	244	–
	6,003	4,189	4,358	**3,615**	2,265	1,971
Deferred*	**456**	2,559	(502)	**740**	1,381	(211)
	₱6,459	₱6,748	₱3,856	**₱4,355**	₱3,646	₱1,760

* Includes income taxes of foreign subsidiaries.

Components of net deferred tax assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Deferred tax asset on:				
Allowance for credit and impairment losses	**₱4,824**	₱4,428	**₱3,505**	₱3,688
Retirement liability	**1,050**	1,454	**789**	1,257
Unamortized past service cost	**696**	541	**675**	526
Accumulated depreciation of investment properties	**392**	464	**319**	401
Deferred membership/awards	**245**	101	**–**	–
Accrued expenses	**165**	129	**132**	129
Unrealized foreign exchange loss - net	**153**	–	**153**	–
Unearned rental income	**56**	10	**9**	10
Unrealized loss on AFS investments	**34**	93	**34**	93
NOLCO	**–**	1,263	**–**	1,263
MCIT	**–**	244	**–**	244
Others	**60**	263	**46**	26
	7,675	8,990	**5,662**	7,637
Deferred tax liability on:				
Unrealized gain on initial measurement of investment properties	**578**	618	**294**	371
Unrealized gain on financial assets at FVPL	**95**	927	**95**	927
Unrealized foreign exchange gain - net	**16**	20	**–**	6
Unrealized gain on AFS investments (Note 8)	**–**	99	**–**	–
Others	**155**	136	**–**	–
	844	1,800	**389**	1,304
Net deferred tax assets	**₱6,831**	₱7,190	**₱5,273**	₱6,333

Components of net deferred tax liabilities of the Group follow:

	2014	2013
Deferred tax asset on:		
Retirement liability	**₱31**	₱–
Unamortized past service cost	**4**	6
Allowance for credit and impairment losses	**–**	75
Accumulated depreciation of investment properties	**–**	4
Others	**117**	2
	152	87
Deferred tax liability on:		
Leasing income differential between finance and operating lease method	**381**	340
Unrealized gain on financial assets at FVPL	**20**	12
Retirement asset	**–**	8
Others	**208**	206
	609	566
Net deferred tax liabilities	**₱457**	₱479

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following temporary differences:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Allowance for credit and impairment losses	**₱8,867**	₱13,494	**₱8,857**	₱9,283
NOLCO	**1,111**	346	**119**	291
MCIT	**7**	30	**7**	3
Others	**96**	204	**–**	–

The Group believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

There are no income tax consequences attaching to the payment of dividends by the Group to the shareholders of the Group.

Details of the excess MCIT credits follow:

	Consolidated				Parent Company			
Inception Year	Amount	Used/Expired	Balance	Expiry Year	Amount	Used/Expired	Balance	Expiry Year
2011	₱129	₱129	₱–	2014	₱108	₱108	₱–	2014
2012	13	13	–	2015	–	–	–	
2013	269	266	3	2016	247	244	3	2016
2014	4	–	4	2017	4	–	4	2017
	₱415	₱408	₱7		₱359	₱352	₱7	

Details of the NOLCO follow:

	Consolidated				Parent Company			
Inception Year	Amount	Used/Expired	Balance	Expiry Year	Amount	Used	Balance	Expiry Year
2011	₱70	₱70	₱–	2014	₱–	₱–	₱–	
2012	461	172	289	2015	291	172	119	2015
2013	3,875	3,510	365	2016	3,510	3,510	–	2016
2014	457	–	457	2017	–	–	–	
	₱4,861	₱3,752	₱1,111		₱3,801	₱3,682	₱119	

A reconciliation of the statutory income tax rates and the effective income tax rates follows:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effect of:						
Tax-paid and tax-exempt income	**(15.90)**	(27.66)	(23.22)	**(11.92)**	(30.37)	(22.25)
Non-deductible interest expense	**6.73**	7.83	10.23	**3.82**	2.75	3.66
Non-recognition of deferred tax asset	**(0.99)**	6.77	3.45	**(1.57)**	7.98	2.13
FCDU income	**(0.91)**	(0.74)	(1.81)	**(1.46)**	(1.08)	(2.34)
Others - net	**2.92**	5.64	(0.94)	**0.84**	8.63	2.44
Effective income tax rate	**21.85%**	21.84%	17.71%	**19.71%**	17.91%	13.64%

29. Trust Operations

Properties held by the Parent Company and certain subsidiaries in fiduciary or agency capacity for their customers are not included in the accompanying statements of financial position since these are not resources of the Parent Company and its subsidiaries (Note 30).

In compliance with current banking regulations relative to the Parent Company and certain subsidiaries' trust functions, government securities with the following total face values are deposited with the BSP.

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
HFT investments	**₱19**	₱7	**₱–**	₱–
AFS investments	**4,599**	5,170	**4,559**	5,130
HTM investments	**67,659**	–	**67,659**	–
	₱72,277	₱5,177	**₱72,218**	₱5,130

30. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions.

The following is a summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Trust Banking Group accounts (Note 29)	**₱336,860**	₱324,839	**₱333,215**	₱323,174
Commitments				
Credit card lines	**85,553**	69,595	**–**	–
Undrawn - facilities to lend	**19,001**	1,835	**19,001**	1,835
Unused commercial letters of credit	**37,980**	32,641	**36,971**	31,254
Bank guaranty with indemnity agreement	**7,669**	6,777	**7,669**	6,777
Credit line certificate with bank commission	**4,082**	5,206	**4,082**	5,206
Late deposits/payments received	**1,535**	2,082	**1,464**	2,018
Inward bills for collection	**985**	903	**977**	885
Outstanding shipside bonds/airway bills	**776**	936	**776**	936
Outward bills for collection	**612**	443	**612**	443
Confirmed export letters of credits	**335**	72	**69**	70
Outstanding guarantees	**57**	78	**57**	78
Others	**9,659**	12,360	**460**	340
	₱505,104	₱457,767	**₱405,353**	₱373,016

On October 17, 2011, a consortium of eight banks including the Parent Company filed a Petition for Certiorari, Prohibition and/or Mandamus (with Urgent Application for a Temporary Restraining Order (TRO) and/or Writ of preliminary Injunction) with the Supreme Court (SC) against respondents the ROP, Bureau of Internal Revenue (BIR) and its Commissioner, the Department of Finance and its Secretary and the Bureau of Treasury (BTr) and the National Treasurer, asking the Court to annul BIR Ruling No. 370-2011 which imposes a 20-percent final withholding tax on the 10-year Zero-Coupon Government Bonds (also known as the PEACe bonds) that matured on October 18, 2011 and command the respondents to pay the full amount of the face value of the PEACe Bonds. On October 18, 2011, the SC issued the TRO enjoining the implementation of the said BIR ruling on the condition that the 20-percent final withholding tax be withheld by the petitioner banks and placed in escrow pending resolution of the Petition. However, to date, the respondents have not complied with the said TRO, i.e., they have not credited the banks' escrow accounts with the amount corresponding to the questioned 20-percent final tax. The case is still pending resolution with the SC.

Several suits and claims relating to the Group's lending operations and labor-related cases remain unsettled. In the opinion of management, these suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

31. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel (Notes 2 and 11).

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility and did not present other unfavorable conditions.

The Parent Company has a Related Party Transactions Committee (RPTC) which is created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, RPTC discloses all information and endorses to the BOD with recommendations, the proposed related party transactions. The members of the RPTC are appointed annually by the BOD. Currently, RPTC composed of four (4) independent directors (including the Committee's Chairman); the head of Internal Audit Group; and the Compliance Officer (as the Committee Secretary) and meets monthly or as the need arises. RPTC's review of the proposed related party transactions considers the following: (a) identity of the parties involved in the transaction or relationship; (b) terms of the transaction or relationship and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances; (c) business purpose, timing, rationale and benefits of the transaction or relationship; (d) approximate monetary value of the transaction and the approximate monetary value of the related party's interest in the transaction; (e) valuation methodology used and alternative approaches to valuation of the transaction; (f) information concerning potential counterparties in the transaction; (g) description of provisions or limitations imposed as a result of entering into the transaction; (h) whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction; (i) impact to a director's independence; and (j) extent that such transaction or relationship would present an improper conflict of interest. Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, except in order to provide material information on the related party transaction to RPTC.

Major subsidiaries, which include FMIC, PSBank, MCC and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

In the ordinary course of business, the Group has loan transactions with investees and with certain DOSRI based on BSP Circular No. 423 dated March 15, 2004, as amended. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.00% of the respective total loan portfolio, whichever is lower, of the Parent Company, PSBank, FMIC and ORIX Metro.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts:

	Consolidated		**Parent Company**	
	2014	2013	**2014**	2013
Total outstanding DOSRI accounts	**₱5,636**	₱6,438	**₱4,876**	₱5,628
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**0.00%**	0.00%	**0.00%**	0.00%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**0.74%**	1.05%	**0.83%**	1.24%
Percent of DOSRI accounts to total loans	**0.74%**	1.05%	**0.83%**	1.24%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**20.54%**	12.55%	**18.41%**	8.44%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.00%**	1.31%	**0.00%**	0.00%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	**0.00%**	1.31%	**0.00%**	0.00%

BSP Circular No. 560 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of December 31, 2014 and 2013, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates did not exceed 10.00% of the Parent Company's net worth, and the unsecured portion did not exceed 5.00% of such net worth and the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 3.73% and 2.89%, respectively, of the Parent Company's net worth.

Further, BSP issued Circular No. 654 allows a separate individual limit to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation, i.e., a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank: provided, that the unsecured portion thereof shall not exceed twelve and one-half percent (12.50%) of such net worth: provided further, that these subsidiaries and affiliates are not related interests of any of the director, officer and/or stockholder of the lending bank/quasi-bank; except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank. As of December 31, 2014 and 2013, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates engaged in energy and power generation did not exceed 25.00% of the Parent Company's net worth, as reported to the BSP, and the unsecured portion did not exceed 12.50% of such net worth.

Total interest income on the DOSRI loans in 2014, 2013 and 2012 amounted to ₱117.0 million, ₱275.5 million and ₱629.0 million, respectively, for the Group and ₱56.5 million, ₱184.0 million and ₱469.1 million, respectively, for the Parent Company.

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Consolidated	
	December 31, 2014	
Category	Amount	Terms and Conditions/Nature
Entities with Significant Influence		
Outstanding Balance:		
Receivables from customers*	**₱402**	Secured - ₱280.0 million and unsecured - ₱122.4 million, no impairment Short-term lending with interest rate of 3.25% subject to regular repricing with maturity terms from 31 days to 91 days (Note 9)
Deposit liabilities*	349	With annual fixed rates ranging from 0.00% to 1.00% including time deposits with maturity terms from 14 days to 29 days (Note 16)
Amount/Volume:		
Receivables from customers	(303)	Generally similar to terms and conditions above
Deposit liabilities	118	Generally similar to terms and conditions above
Interest income	10	Interest income on receivables from customers
Foreign exchange gain - net	0	Net gain from foreign exchange transactions
Trading and securities gain - net	218	Gain on sale of FMIC's 19.25% ownership in TMBC and 9.00% ownership in TCI
Provision for credit and impairment losses	(7)	Reversal of related allowance for credit and impairment losses on TCI shares sold
Gain on sale of investment in associates	1,225	Gain on sale of FMIC's 33.33% ownership in CPAIC and Parent Company's 15.00% and PSBank's 25.00% ownership in TFSPC (Note 11)
Interest expense	1	Interest expense on deposit liabilities
Securities transactions		
Sales	55	Outright sale of FMIC's AFS investments in TMBC and TCI
Foreign currency		
Sell	2	Outright sale of foreign currency
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱1,763**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.40% to 1.56% with maturity terms from 30 days to 390 days, no impairment
Receivables from customers*	2,847	Unsecured with no impairment With annual fixed rates ranging from 3.00% to 5.59% and maturity terms from 8 days to 5 years (Note 9)
Accounts receivable	286	Outstanding information technology fees and remittance receivable, non-interest bearing

(Forward)

Category	Consolidated December 31, 2014 Amount	 Terms and Conditions/Nature
Deposit liabilities*	₱5,332	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 7 days to 270 days (Note 16)
Bills payable*	2,792	Peso and foreign currency-denominated borrowings subject to annual fixed interest rates ranging from 0.19% to 2.50% with maturity terms from 11 days to 360 days (Note 17)
Bonds payable*	510	Issued by FMIC with interest rates ranging from 5.50% to 5.75% with maturity terms from 2 years to 5 years
Treasury stock	30	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Amount/Volume:		
Interbank loans receivable	(119)	Generally similar to terms and conditions above
Receivables from customers	1,786	Generally similar to terms and conditions above
Deposit liabilities	1,426	Generally similar to terms and conditions above
Bills payable	2,157	Generally similar to terms and conditions above
Bonds payable	201	Generally similar to terms and conditions above
Interest income	88	Income on receivables from customers (Note 9) and interbank loans receivables
Service charges, fees and commissions	82	Income from transactional fees
Trading and securities gain - net	4	Income from securities transactions
Foreign exchange gain - net	144	Net gain from foreign exchange transactions
Leasing income	65	Income from leasing agreements with various lease terms
Dividend income	3,118	Dividend income from PSBank, FMIC and MCC (Note 11)
Miscellaneous income	326	Information technology fees and over-the-counter charges on cardholder payments
Interest expense	71	Interest expense on deposit liabilities, bills payable and bonds payable
Miscellaneous expense	59	Merchant discount
Securities transactions		
Purchases	48,747	Outright purchases of HFT securities and AFS investments
Sales	39,366	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	26,884	Outright purchases of foreign currency
Sell	15,217	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Deposit liabilities*	₱1,714	With annual fixed interest rates ranging from 0.00% to 2.50% including time deposits with maturity terms from 7 days to 182 days (Note 16)
Bills payable*	1	Peso-denominated borrowings subject to annual fixed interest rate of 0.63% with maturity term of 91 days (Note 17)
Amount/Volume:		
Receivables from customers	(129)	Non-interest bearing domestic bills purchased (Note 9)
Deposit liabilities	(793)	Generally similar to terms and conditions above (Note 16)
Bills payable	1	Generally similar to terms and conditions above (Note 17)
Bonds payable	(10)	Issued by FMIC subject to annual fixed interest rate of 5.68% and maturity term of 5 years
Foreign exchange gain - net	10	Net gain from foreign exchange transactions
Leasing income	17	Income from leasing agreements with various lease terms
Dividend income	23	Dividend income from NLI and SMBC Metro (Note 11)
Interest expense	4	Interest expense on deposit liabilities and bills payable
Securities transactions		
Outright purchases	1,600	Outright purchases of HFT securities and AFS investments
Outright sales	721	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	368	Outright purchases of foreign currency
Sell	390	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱12,018	Secured - ₱11.3 billion and unsecured - ₱754.2 million, no impairment With annual fixed rates ranging from 3.25% to 10.37% and maturity terms from 180 days to 12 years (Note 9)

(Forward)

	Consolidated	
	December 31, 2014	
Category	**Amount**	**Terms and Conditions/Nature**
Assets held under joint operations	**₱544**	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Miscellaneous assets	**3,322**	Payments to FLI on the purchase of commercial and office spaces located at Bonifacio Global City, Taguig City (Note 14)
Deposit liabilities*	**23,220**	With annual fixed rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 6 days to 365 days (Note 16)
Bills payable*	**3,493**	Peso-denominated borrowings subject to annual fixed interest rates ranging from 0.01% to 5.54% with maturity terms from 15 days to 5 years (Note 17)
Amount/Volume:		
Receivables from customers	**(2,116)**	Generally similar to terms and conditions above
Deposit liabilities	**8,046**	Generally similar to terms and conditions above
Bills payable	**(3,521)**	Generally similar to terms and conditions above
Interest income	**923**	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	**(31)**	Net loss from foreign exchange transactions
Leasing income	**17**	Income from leasing agreements with various lease terms
Profit from assets sold	**8,328**	Gain on sale of the Parent Company's bank-owned and investment properties to FLI (Notes 10 and 12)
Interest expense	**132**	Interest expense on deposit liabilities (Note 16) and bills payable (Note 17)
Contingent		
Unused commercial LCs	**3**	LC transactions with various terms
Others	**1**	Include outstanding shipside bonds/airway bills and outstanding guarantees
Securities transactions		
Outright purchases	**311**	Outright purchases of HFT securities and AFS investments
Outright sales	**239**	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	**1,569**	Outright purchases of foreign currency
Sell	**54,216**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers*	**₱90**	Secured - ₱65.6 million and unsecured - ₱24.7 million, no impairment, with annual fixed rates ranging from 0.00% to 10.00% and maturity terms from 5 years to 15 years (Note 9)
Deposit liabilities*	**108**	With various terms and with minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	**23**	Generally similar to terms and conditions above
Deposit liabilities	**(35)**	Generally similar to terms and conditions above
Interest income	**6**	Interest income on receivables from customers

	Consolidated	
	December 31, 2013	
Category	Amount	Terms and Conditions/Nature
Entities with Significant Influence		
Outstanding Balance:		
Receivables from customers*	P705	Secured - ₱580.0 million and unsecured - ₱125.0 million, no impairment Short-term lending with interest rates ranging from 2.60% to 3.70% subject to regular repricing with maturity terms from 33 days to 98 days (Note 9)
Deposit liabilities*	231	With annual fixed rates ranging from 0.00% to 0.50% (Note 16)
Amount/Volume:		
Receivables from customers	(2,548)	Generally similar to terms and conditions above
Deposit liabilities	173	Generally similar to terms and conditions above
Interest income	5	Interest income on receivables from customers
Gain on sale of non-current asset held for sale	3,440	Gain on sale of 15.00% ownership in TMPC (Note 11)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱1,882	Foreign currency-denominated lending with annual fixed interest rates ranging from 1.13% to 1.62% and maturity terms from 7 days to 372 days, no impairment

(Forward)

Category	Consolidated December 31, 2013 Amount	Terms and Conditions/Nature
Receivables from customers*	₱1,061	Unsecured with no impairment With annual fixed rates ranging from 3.70% to 5.59% and maturity terms from 7 days to 5 years (Note 9)
Accounts receivable	322	Outstanding information technology fees and remittance receivable, non-interest bearing
Deposit liabilities*	3,906	With annual fixed interest rates ranging from 0.00% to 1.50% including time deposits with maturity terms from 1 day to 360 days (Note 16)
Bills payable	635	Short-term foreign currency-denominated borrowings subject to annual fixed interest rate of 0.19% and maturity term of 34 days (Note 17)
Bonds payable	309	Issued by FMIC with interest rates ranging from 5.50% to 5.75% and maturity terms from 5 years to 7 years
Accounts payable	94	Unpaid various transactional charges, non-interest bearing
Amount/Volume:		
Interbank loans receivable	(6,933)	Generally similar to terms and conditions above
Receivables from customers	(293)	Generally similar to terms and conditions above
Bills payable	34	Generally similar to terms and conditions above
Deposit liabilities	(208)	Generally similar to terms and conditions above
Interest income	130	Income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	14	Income on transactional fees
Trading and securities gain - net	4,635	Income from securities transactions
Foreign exchange gain - net	190	Net gain from foreign exchange transactions
Leasing income	35	Income from leasing agreements with various lease terms
Dividend income	9,971	Dividend income from PSBank, MCC, FMIC and MRSPL (Note 11)
Miscellaneous income	301	Information technology fees
Interest expense	46	Interest expense on deposit liabilities and bills payable
Securities transactions		
Purchases	293,797	Outright purchases of HFT securities and AFS investments
Sales	172,597	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	50,198	Outright purchases of foreign currency
Sell	42,666	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	₱129	Non-interest bearing domestic bills purchased (Note 9)
Deposit liabilities*	2,507	With annual fixed interest rates ranging from 0.00% to 1.50% including time deposits with maturity terms from 1 day to 358 days (Note 16)
Bonds payable	10	Issued by FMIC subject to annual fixed interest rate of 5.68% and maturity term of 5 years
Amount/Volume:		
Receivables from customers	64	Generally similar to terms and conditions above
Deposit liabilities	(58)	Generally similar to terms and conditions above
Trading and securities gain - net	396	Net gain from securities transactions
Foreign exchange gain - net	3	Net gain from foreign exchange transactions
Leasing income	20	Income from leasing agreements with various lease terms
Dividend income	29	Dividend income from NLI and SMBC Metro (Note 11)
Interest expense	18	Interest expense on deposit liabilities
Outstanding derivatives	118	Forward exchange bought with various terms
Securities transactions		
Outright purchases	590	Outright purchases of HFT securities and AFS investments
Outright sales	802	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	154	Outright purchases of foreign currency
Sell	293	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱14,134	Secured - ₱13.5 billion and unsecured - ₱588.0 million, no impairment With annual fixed rates ranging from 1.50% to 10.37% and maturity terms from 7 days to 12 years (Note 9)
Assets held under joint operations	1,361	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Miscellaneous assets	1,069	Payment to FLI relative to the purchase of commercial and office spaces located at Bonifacio Global City, Taguig City (Note 14)

(Forward)

	Consolidated	
	December 31, 2013	
Category	Amount	Terms and Conditions/Nature
Deposit liabilities*	₱15,174	With annual fixed rates ranging from 0.00% to 2.00% including time deposits with maturity terms from 6 days to 360 days (Note 16)
Bills payable	7,014	Foreign currency-denominated borrowings with annual fixed interest rates ranging from 0.26% to 2.00% and maturity terms from 40 days to 49 days and peso-denominated borrowings with annual fixed interest rates ranging from 0.01% to 1.75% and maturity terms from 15 days to 5 years (Note 17)
Amount/Volume:		
Receivables from customers	(4,187)	Generally similar to terms and conditions above
Bills payable	4,093	Generally similar to terms and conditions above
Deposit liabilities	11,852	Generally similar to terms and conditions above
Interest income	1,035	Interest income on receivables from customers
Foreign exchange loss - net	(60)	Net loss from foreign exchange transactions
Leasing income	14	Income from leasing agreements with various lease terms
Profit from assets sold	217	Net gain from sale of investment properties
Gain on sale of investment in an associate	7,388	Gain on sale of FMIC's 40.00% ownership in GBPC (Note 8)
Interest expense	127	Interest expense on deposit liabilities and bills payable
Contingent		
Unused commercial LCs	33	LC transactions with various terms
Others	6	Include outstanding shipside bonds/airway bills and outstanding guarantees
Foreign currency		
Buy	1,267	Outright purchases of foreign currency
Sell	42,472	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱67	Secured - ₱54.0 million and unsecured - ₱13.0 million, no impairment, with annual fixed rates ranging from 0.00% to 10.00% and maturity terms from 5 years to 15 years (Note 9)
Deposit liabilities	143	With various terms and with minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	(17)	Generally similar to terms and conditions above
Deposit liabilities	32	Generally similar to terms and conditions above
Interest income	1	Interest income on receivables from customers
Profit from assets sold	7	Net gain from sale of investment property

	Parent Company	
	December 31, 2014	
Category	**Amount**	**Terms and Conditions/Nature**
Entities with Significant Influence		
Outstanding Balance:		
Receivables from customers*	**₱402**	Secured - ₱280.0 million and unsecured - ₱122.4 million, no impairment Short-term lending with interest rate of 3.25% subject to regular repricing with maturity terms from 31 days to 91 days (Note 9)
Deposit liabilities	**349**	With annual fixed rates ranging from 0.00% to 1.00% including time deposits with maturity terms from 14 days to 29 days (Note 16)
Amount/Volume:		
Receivables from customers	**(303)**	Generally similar to terms and conditions above
Deposit liabilities	**118**	Generally similar to terms and conditions above
Interest income	**10**	Income on receivables from customers
Foreign exchange gain - net	**0**	Net gain from foreign exchange transactions
Gain on sale of investment in associate	**638**	Gain on sale of 15.00% ownership in TFSPC (Note 11)
Interest expense	**1**	Interest expense on deposit liabilities
Foreign currency		
Sell	**2**	Outright sale of foreign currency
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱1,763**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.40% to 1.56% with maturity terms from 30 days to 390 days, no impairment
Receivables from customers*	**2,847**	Unsecured with no impairment With annual fixed rates ranging from 3.00% to 5.59% and maturity terms from 8 days to 5 years (Note 9)

(Forward)

	Parent Company	
	December 31, 2014	
Category	Amount	Terms and Conditions/Nature
Accounts receivable	₱284	Outstanding information technology fees and remittance receivable, non-interest bearing
Deposit liabilities	5,243	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 7 days to 270 days (Note 16)
Bills payable*	2,441	Peso and foreign currency-denominated borrowings subject to annual fixed interest rates ranging from 0.19% to 2.50% with maturity terms from 11 days to 360 days (Note 17)
Amount/Volume:		
Interbank loans receivable	(119)	Generally similar to terms and conditions above
Receivables from customers	1,786	Generally similar to terms and conditions above
Deposit liabilities	1,440	Generally similar to terms and conditions above
Bills payable	1,806	Generally similar to terms and conditions above
Interest income	83	Income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	23	Income from transactional fees
Trading and securities loss - net	(10)	Net loss from securities transactions
Foreign exchange gain - net	144	Net gain from foreign exchange transactions
Leasing income	30	Income from leasing agreements with various lease terms
Dividend income	3,118	Dividend income from PSBank, FMIC and MCC (Note 11)
Miscellaneous income	326	Information technology fees and over-the-counter charges for cardholder payments
Interest expense	44	Interest expense on deposit liabilities, bills payable and interbank loans payable
Securities transactions		
Purchases	37,093	Outright purchases of HFT securities and AFS investments
Sales	28,545	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	26,884	Outright purchases of foreign currency
Sell	15,217	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Deposit liabilities*	₱1,634	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 7 days to 182 days (Note 16)
Amount/Volume:		
Receivables from customers	(129)	Non-interest bearing domestic bills purchased (Note 9)
Deposit liabilities	(617)	Generally similar to terms and conditions above
Foreign exchange gain - net	9	Net gain from foreign exchange transactions
Leasing income	7	Income from leasing agreements with various lease terms
Dividend income	23	Dividend income from NLI and SMBC Metro (Note 11)
Interest expense	2	Interest expense on deposit liabilities
Securities transactions		
Outright purchases	1,600	Outright purchases of HFT securities and AFS investments
Outright sales	721	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	268	Outright purchases of foreign currency
Sell	390	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱11,187	Secured - ₱10.5 billion and unsecured - ₱682.7 million, no impairment With annual fixed rates ranging from 3.25% to 10.37% and maturity terms from 180 days to 12 years (Note 9)
Assets held under joint operations	544	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Miscellaneous assets	3,322	Payments to FLI relative to the purchase of commercial and office spaces located at Bonifacio Global City, Taguig City (Note 14)
Deposit liabilities*	17,447	With annual fixed rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 6 days to 365 days (Note 16)
Amount/Volume:		
Receivables from customers	(1,831)	Generally similar to terms and conditions above
Deposit liabilities	5,764	Generally similar to terms and conditions above
Interest income	836	Interest income on receivables from customers
Foreign exchange loss - net	(31)	Net loss from foreign exchange transactions

(Forward)

Category	Parent Company December 31, 2014 Amount	 Terms and Conditions/Nature
Leasing income	**₱17**	Income from leasing agreements with various lease terms
Profit from assets sold	**8,328**	Gain on sale of Parent Company's bank-owned and investment properties to FLI (Notes 10 and 12)
Interest expense	**5**	Interest expense on deposit liabilities
Contingent		
Unused commercial LCs	**3**	LC transactions with various terms
Others	**1**	Include outstanding shipside bonds/airway bills and outstanding guarantees
Foreign currency		
Buy	**1,569**	Outright purchases of foreign currency
Sell	**54,216**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers*	**₱62**	Secured - ₱49.2 million and unsecured - ₱13.0 million, no impairment, with annual fixed rates ranging from 0.00% to 10.00% and maturity terms from 5 years to 15 years (Note 9)
Deposit liabilities*	**108**	With various terms and with minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	**(5)**	Generally similar to terms and conditions above
Deposit liabilities	**(35)**	Generally similar to terms and conditions above
Interest income	**4**	Interest income on receivables from customers

Category	Parent Company December 31, 2013 Amount	 Terms and Conditions/Nature
Entities with Significant Influence		
Outstanding Balance:		
Receivables from customers*	₱705	Secured - ₱580.0 million and unsecured - ₱125.0 million, no impairment Short-term lending with interest rates ranging from 2.60% to 3.70% subject to regular repricing with maturity terms from 33 days to 98 days (Note 9)
Deposit liabilities	231	With annual fixed rates ranging from 0.00% to 0.50% (Note 16)
Amount/Volume:		
Receivables from customers	(2,548)	Generally similar to terms and conditions above
Gain on sale of non-current asset held for sale	4,201	Gain on sale of 15.00% ownership in TMPC (Note 11)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱1,882	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.13% to 1.62% with maturity terms from 7 days to 372 days, no impairment
Receivables from customers*	1,061	Unsecured with no impairment With annual fixed rates ranging from 3.70% to 5.59% and maturity terms from 7 days to 5 years (Note 9)
Accounts receivable	321	Outstanding information technology fees and remittance receivable, non-interest bearing
Deposit liabilities*	3,803	With annual fixed interest rates ranging from 0.00% to 1.50% including time deposits with maturity terms from 1 day to 360 days (Note 16)
Bills payable	635	Short-term foreign currency-denominated borrowings subject to annual fixed interest rate of 0.19% and maturity term of 34 days (Note 17)
Accounts payable	94	Unpaid various transactional charges, non-interest bearing
Amount/Volume:		
Interbank loans receivable	(6,433)	Generally similar to terms and conditions above
Receivables from customers	(243)	Generally similar to terms and conditions above
Bills payable	49	Generally similar to terms and conditions above
Deposit liabilities	426	Generally similar to terms and conditions above
Interest income	127	Income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	14	Income on transactional fees
Trading and securities gain - net	1,133	Income from securities transactions

(Forward)

Category	Parent Company December 31, 2013 Amount	Terms and Conditions/Nature
Foreign exchange gain - net	₱190	Net gain from foreign exchange transactions
Leasing income	29	Income from leasing agreements with various lease terms
Dividend income	9,972	Dividend income from PSBank, MCC, FMIC and MRSPL (Note 11)
Miscellaneous income	301	Information technology fees
Interest expense	24	Interest expense on deposit liabilities and bills payable
Securities transactions		
Purchases	212,602	Outright purchases of HFT securities and AFS investments
Sales	86,283	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	50,198	Outright purchases of foreign currency
Sell	42,666	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	₱129	Non-interest bearing domestic bills purchased (Note 9)
Deposit liabilities*	2,251	With annual fixed interest rates ranging from 0.00% to 1.50% including time deposits with maturity terms from 1 day to 358 days (Note 16)
Amount/Volume:		
Receivables from customers	64	Generally similar to terms and conditions above
Deposit liabilities	400	Generally similar to terms and conditions above
Trading and securities loss - net	(15)	Net loss from securities transactions
Foreign exchange gain - net	3	Net gain from foreign exchange transactions
Leasing income	11	Income from leasing agreements with various lease terms
Dividend income	29	Dividend income from NLI and SMBC Metro (Note 11)
Outstanding derivatives	118	Forward exchange bought with various terms
Securities transactions		
Outright purchases	84	Outright purchases of HFT securities and AFS investments
Outright sales	79	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	154	Outright purchases of foreign currency
Sell	293	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱13,018	Secured - ₱12.5 billion and unsecured - ₱509.0 million, no impairment With annual fixed rates ranging from 2.50% to 10.37% and maturity terms from 7 days to 12 years (Note 9)
Assets held under joint operations	1,361	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Miscellaneous assets	1,068	Payment to FLI relative to the purchase of commercial and office spaces located at Bonifacio Global City, Taguig City (Note 14)
Deposit liabilities*	11,683	With annual fixed rates ranging from 0.00% to 2.00% including time deposits with maturity terms from 6 days to 360 days (Note 16)
Amount/Volume:		
Receivables from customers	(1,812)	Generally similar to terms and conditions above
Deposit liabilities	8,853	Generally similar to terms and conditions above
Interest income	930	Interest income on receivables from customers
Foreign exchange loss - net	(59)	Net loss from foreign exchange transactions
Leasing income	12	Income from leasing agreements with various lease terms
Profit from assets sold	217	Net gain from sale of investment properties
Interest expense	1	Interest expense on deposit liabilities
Contingent		
Unused commercial LCs	33	LC transactions with various terms
Others	6	Include outstanding shipside bonds/ airway bills and outstanding guarantees
Foreign currency		
Buy	1,267	Outright purchases of foreign currency
Sell	42,472	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱67	Secured - ₱54.0 million and unsecured - ₱13.0 million, no impairment, with annual fixed rates ranging from 0.00% to 10.00% and maturity terms from 5 years to 15 years (Note 9)

(Forward)

Category	Parent Company December 31, 2013 Amount	 Terms and Conditions/Nature
Deposit liabilities	₱143	With various terms and with minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	(1)	Generally similar to terms and conditions above
Deposit liabilities	32	Generally similar to terms and conditions above
Interest income	1	Interest income on receivables from customers
Profit from assets sold	7	Net gain from sale of investment properties

*including accrued interest

As of December 31, 2014 and 2013, government bonds (classified under AFS investments) with total face value of ₱50.0 million are pledged by PSBank to the Parent Company to secure its payroll account with the Parent Company. Also, the Parent Company has assigned to PSBank government securities (classified under AFS investments) with total face value of ₱3.0 billion to secure PSBank deposits to the Parent Company.

Receivables from customers and deposit liabilities and their related statement of financial position and statement of income accounts resulted from the lending and deposit-taking activities of the Group and the Parent Company. Together with the sale of investment properties, borrowings, contingent accounts including derivative transactions, outright purchases and sales of HFT securities and AFS investments, foreign currency buy and sell, leasing of office premises, securing of insurance coverage on loans and property risk, and other management services rendered, these are conducted in the normal course of business and at arm's-length transactions. The amounts and related volumes and changes are presented in the summary above. Terms of receivables from customers, deposit liabilities and borrowings are disclosed in Notes 9, 16 and 17, respectively, while other related party transactions above have been referred to their respective note disclosures.

The compensation of the key management personnel of the Group and the Parent Company follows:

	Consolidated			**Parent Company**		
	2014	2013	2012	**2014**	2013	2012
Short-term employee benefits	**₱2,091**	₱1,866	₱1,546	**₱1,418**	₱1,282	₱1,040
Post-employment benefits	**125**	142	91	**69**	68	61
	₱2,216	₱2,008	₱1,637	**₱1,487**	₱1,350	₱1,101

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱41.6 million, ₱40.4 million and ₱32.2 million in 2014, 2013 and 2012, respectively. As of December 31, 2014 and 2013, the Parent Company sold securities totaling ₱872.8 million and ₱2.8 billion, respectively, to its related party retirement plans and recognized net trading gain of ₱0.1 million and ₱3.7 million, respectively. The Parent Company also purchased securities totaling ₱396.9 million and ₱1.3 billion as of December 31, 2014 and 2013, respectively. Further, as of December 31, 2014 and 2013, the total outstanding deposit liabilities of the Group to these related party retirement funds amounted to ₱137.2 million and ₱56.3 million, respectively. Interest expense on deposit liabilities amounted to ₱0.8 million, ₱2.5 million and ₱9.8 million in 2014, 2013 and 2012, respectively.

As of December 31, 2014 and 2013, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱819.8 million and ₱874.7 million, respectively, with unrealized trading gains of ₱309.9 million and ₱445.5 million, respectively. As of December 31, 2014 and 2013, the related party retirement plans also hold investments in mutual funds and trust funds of various companies within the Group amounting to ₱142.5 million and ₱28.2 million, respectively, with unrealized trading gains of ₱6.5 million and ₱4.7 million, respectively. As of December 31, 2014 and 2013, dividend income recognized from these securities amounted to ₱10.5 million and ₱33.4 million, respectively, and realized trading gains amounting to ₱16.2 million and ₱54.2 million, respectively.

32. Financial Performance

The basis of calculation for earnings per share attributable to equity holdings of the Parent Company follows (amounts in millions except for earnings per share):

		2014	2013	2012
a.	Net income attributable to equity holders of the Parent Company	**₱20,113**	₱22,488	₱15,399
b.	Share of hybrid capital securities holders	**(499)**	(475)	(476)
c.	Net income attributable to common shareholders	**19,614**	22,013	14,923
d.	Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2013 (Note 23)	**2,742**	2,745	2,745
e.	Basic/diluted earnings per share (c/d)	**₱7.15**	₱8.02	₱5.44

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Return on average equity	**14.11%**	17.80%	13.64%	**15.51%**	16.38%	11.92%
Return on average assets	**1.35%**	1.85%	1.53%	**1.48%**	1.77%	1.46%
Net interest margin on average earning assets	**3.73%**	3.90%	3.62%	**2.99%**	3.17%	2.92%

33. Foreign Exchange

PDS closing rates as of December 31 and PDSWAR for the year ended December 31 are as follows:

	2014	2013	2012
PDS Closing	**₱44.72**	₱44.40	₱41.05
PDSWAR	**44.39**	42.43	42.24

34. Other Matters

The Group has no significant matters to report in 2014 on the following:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.
b. Explanatory comments about the seasonality or cyclicality of operations.
c. Issuances, repurchases and repayments of debt and equity securities except for the exercise of the call option on the 2019 Peso Notes by the Parent Company and the issuances of the 2024

and 2025 Peso Notes by the Parent Company and the 2024 Peso Notes by PSBank as discussed in Note 20.

d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the sale of ROPA to FLI (Note 12), issuances of LTNCD (Note 16) and the payments of cash dividend and semi-annual coupons on the HT1 Capital as discussed in Note 23.
e. Effect of changes in the composition of the Group, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations except for the sale of certain investee companies as discussed in Note 11.

35. Subsequent Events

a. On January 21, 2015, the Parent Company's BOD approved the Stock Rights Offer which is expected to increase its CET1 by up to ₱32.0 billion. This shall be subject to receipt of regulatory approvals as well as market and other conditions.

b. On January 22, 2015, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2014 amounting to ₱180.2 million equivalent to ₱0.75 per share, payable to all stockholders as of a record date to be fixed by the President after approval by the BSP.

c. On January 23, 2015, SMBC Metro paid 10.00% cash dividends amounting to ₱60.0 million to its stockholders of record as of December 4, 2014 which was approved by its BOD on same date (Note 11).

d. On January 27, 2015, the BOD of the Parent Company declared a 5.00% cash dividend amounting to ₱2.7 billion, equivalent to ₱1.00 per share, payable to all stockholders as of a record date to be fixed upon the approval by the BSP.

e. On January 30, 2015, PSBank paid 7.50% regular cash dividend amounting to ₱180.2 million equivalent to ₱0.75 per share, payable to all stockholders of record as of January 12, 2015, as approved by its BOD and the BSP on October 30, 2014 and November 27, 2014, respectively (Note 11).

f. On February 9, 2015, the BSP approved the semi-annual coupon payment on HT1 Capital amounting to USD5.6 million which the Parent Company paid on February 17, 2015.

36. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on February 25, 2015.

37. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011 and 15-2010

Supplementary Information Under RR No. 19-2011
In addition to the required supplementary information under RR No. 15-2010, on January 24, 2014, the BIR issued RR No. 19-2011 which prescribes the new annual income tax forms that will be used for filing effective taxable year 2013. Specifically, companies are required to disclose certain tax information in their respective notes to financial statements. For the taxable year December 31, 2014, the Parent Company reported the following revenues and expenses for income tax purposes:

Revenues

Services/operations	₱19,195
Non-operating and taxable other income:	
Profit from assets sold	₱9,815
Service charges, fees and commissions	3,265
Income from trust operations	1,139
Trading and securities loss	(325)
Others	586
	₱14,480

Expenses

Cost of services:	
Compensation and fringe benefits	₱4,479
Others	4,705
	₱9,184
Itemized deductions:	
Compensation and fringe benefits	₱5,829
Taxes and licenses	3,916
Security, messengerial and janitorial	1,506
Rent	843
Depreciation	758
Communication, light and water	486
Information technology	411
Transportation and travel	284
Bad debts	281
Management and professional fees	268
EAR	262
Repairs and maintenance	245
Others	6,729
	₱21,818

Supplementary Information Under RR No. 15-2010
On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company reported the following types of taxes for the year ended December 31, 2014 included under 'Taxes and licenses' account in the statement of income:

GRT	₱2,214
DST	1,915
Local taxes	111
Real estate tax	79
Capital gains tax	64
Others	30
	₱4,413

Details of total withholding taxes remitted for the taxable year December 31, 2014 follow:

Taxes withheld on compensation	₱2,031
Final withholding taxes	1,574
Expanded withholding taxes	195
	₱3,800