Agile Transformation

Annual Report 2020

JG SUMMIT
HOLDINGS, INC.

About the Cover

When faced with a monumental challenge, few are able to swiftly form high-impact solutions to make the situation better. It requires agility and adaptability to achieve a transformational outcome.

This year, JG Summit swiftly addressed the effects of the pandemic, using its "How to Win" and "Where to Play" strategies to maximum effect. The company was agile in business, as well as steady and firm in uplifting communities to better endure this critical time.

By focusing on employee health and safety, operations and supply chain continuity, cash, costs and liquidity management, and helping communities deal with the pandemic, JGS was able to weather the unexpected storm. The company also doubled its efforts to explore new business opportunities.

This year's cover demonstrates the diverse response throughout JG Summit's businesses - its fluid and agile response that demonstrated firm leadership, mindfulness, and strength to balance business in the face of turmoil and change.

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JGS at a Glance

JGS At A Glance: Key Business Metrics

Our portfolio diversity cushioned the impact of COVID-19, driven by the resiliency of our food, banking, and office segments, while heavily-impacted businesses began to recover quarter on quarter.

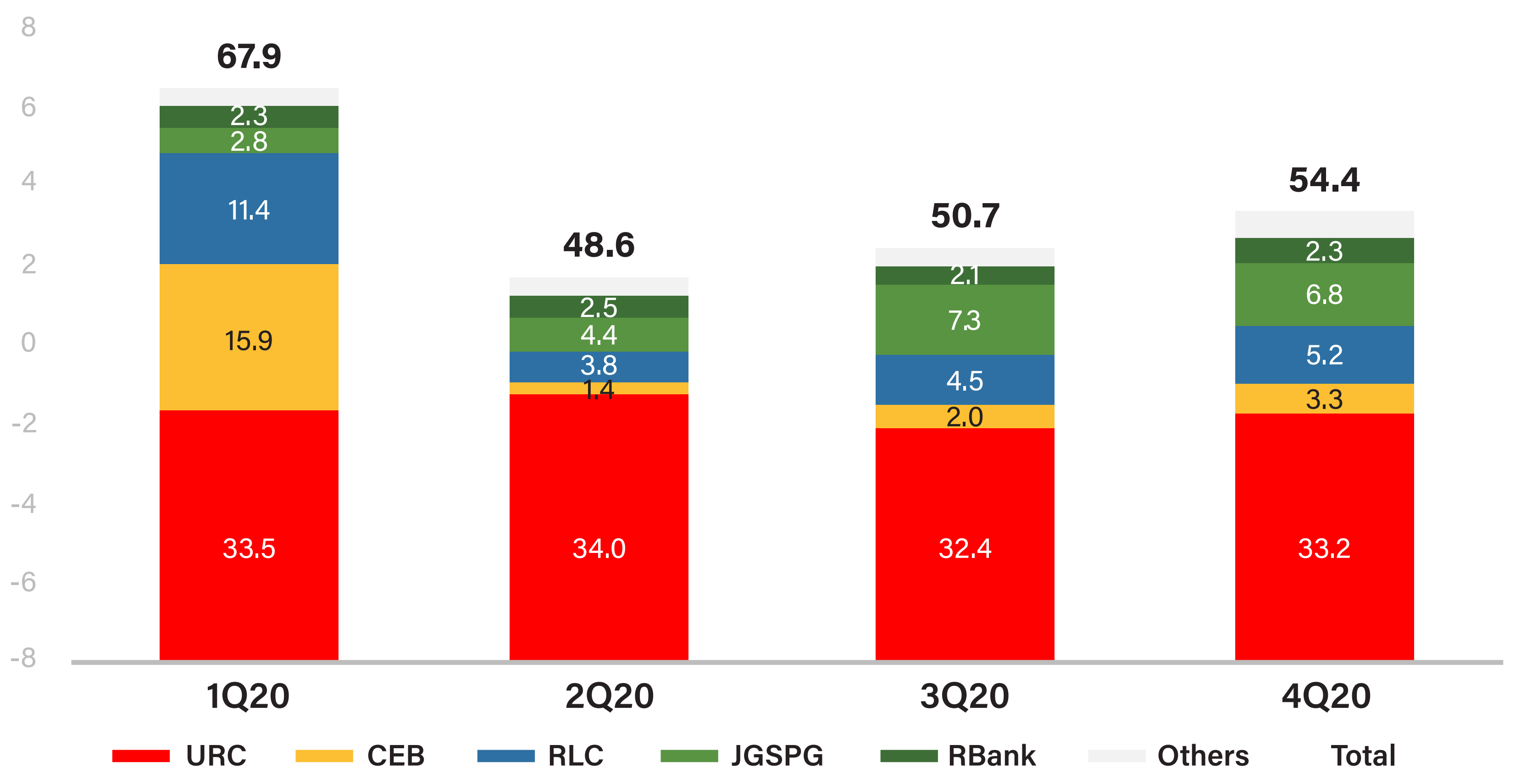
Consolidated Performance

Revenues	Core Net Income
₱221.6 billion	₱450 million

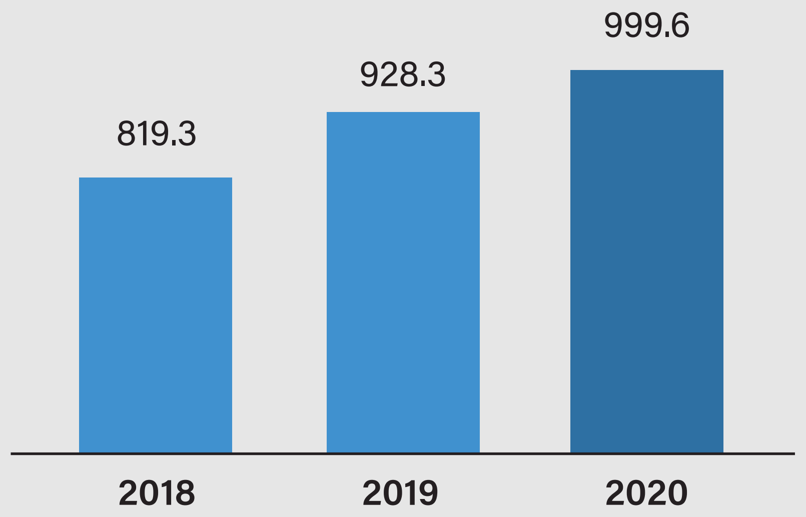
Key Financials excluding Cebu Air, Inc. which operates in one of the most challenged industries globally due to COVID-19

Revenues	Core Net Income
₱199.0 billion	₱15.3 billion

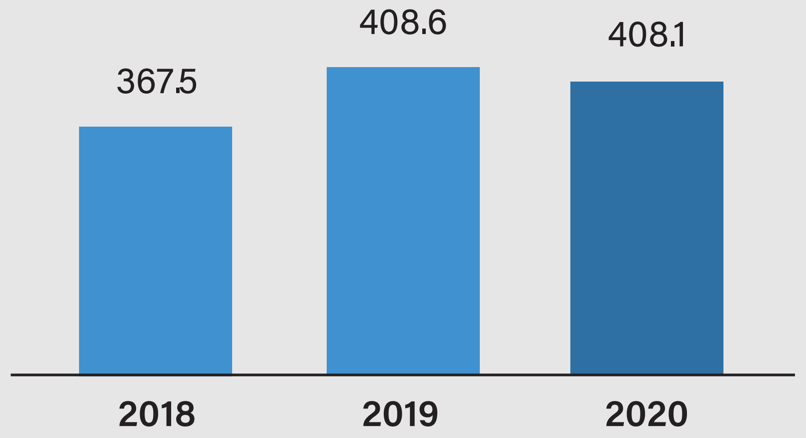
Revenues across JGS' business units show sustained quarterly improvements from 2Q



The Company's robust balance sheet provides enough ballast to weather the pandemic.

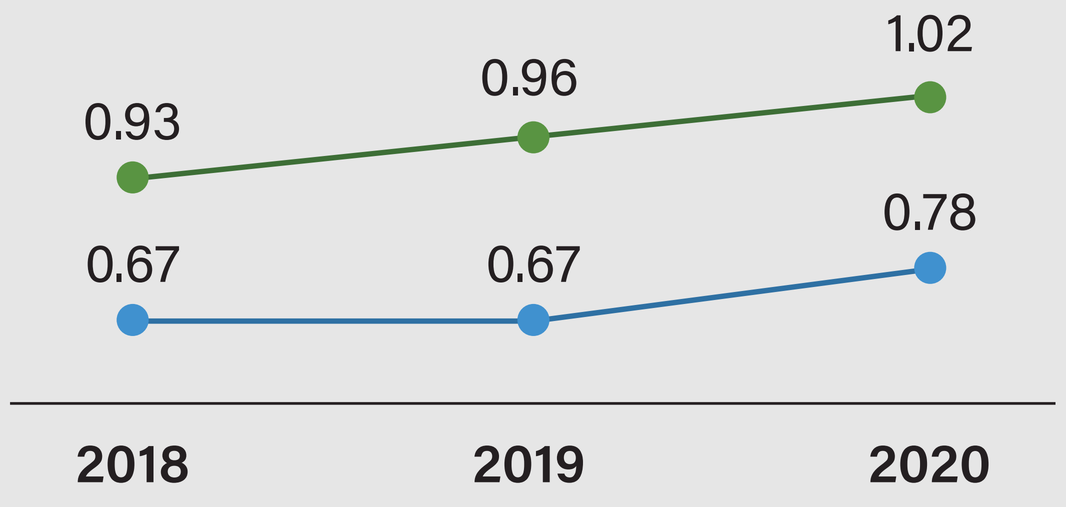


Total Assets
(in billion pesos)



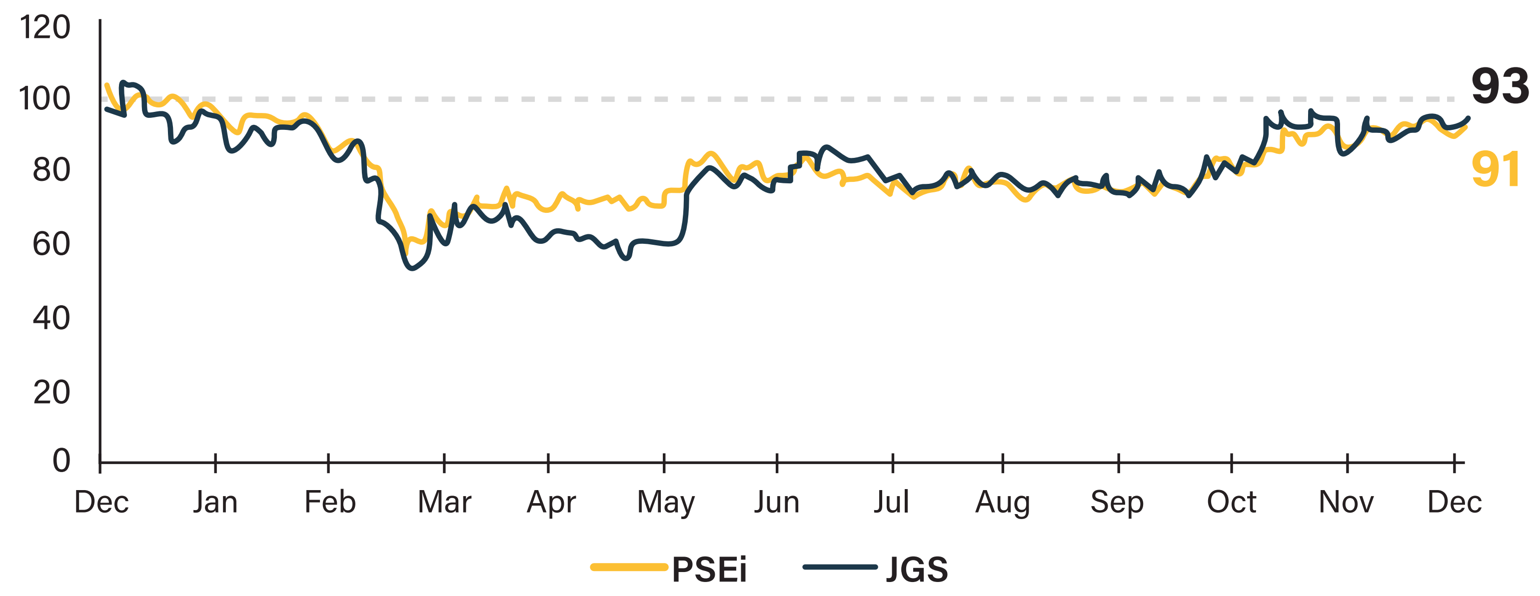
Total Equity
(in billion pesos)

Healthy **Current**
and **Gearing** ratios



Continuous shareholder value maximization as JGS' share price outperformed the PSEi in 2020

Share Price Index
100=Yearend 2019



Declared and Distributed

Cash dividends totaling

₱2.7 billion

or ₱0.38 per share

Stock dividends equivalent to

5%

of outstanding shares

COVID-19 Key Initiatives

Cost and Liquidity Management

We implemented austerity measures to focus spending on necessary operating and capital expenditures needed to sustain our current operations.

Reduced Non-essential spend such as training, travel, entertainment expenses to manage our operating costs.

Full Year consolidated General and Administrative Expenses* in 2020 lower by

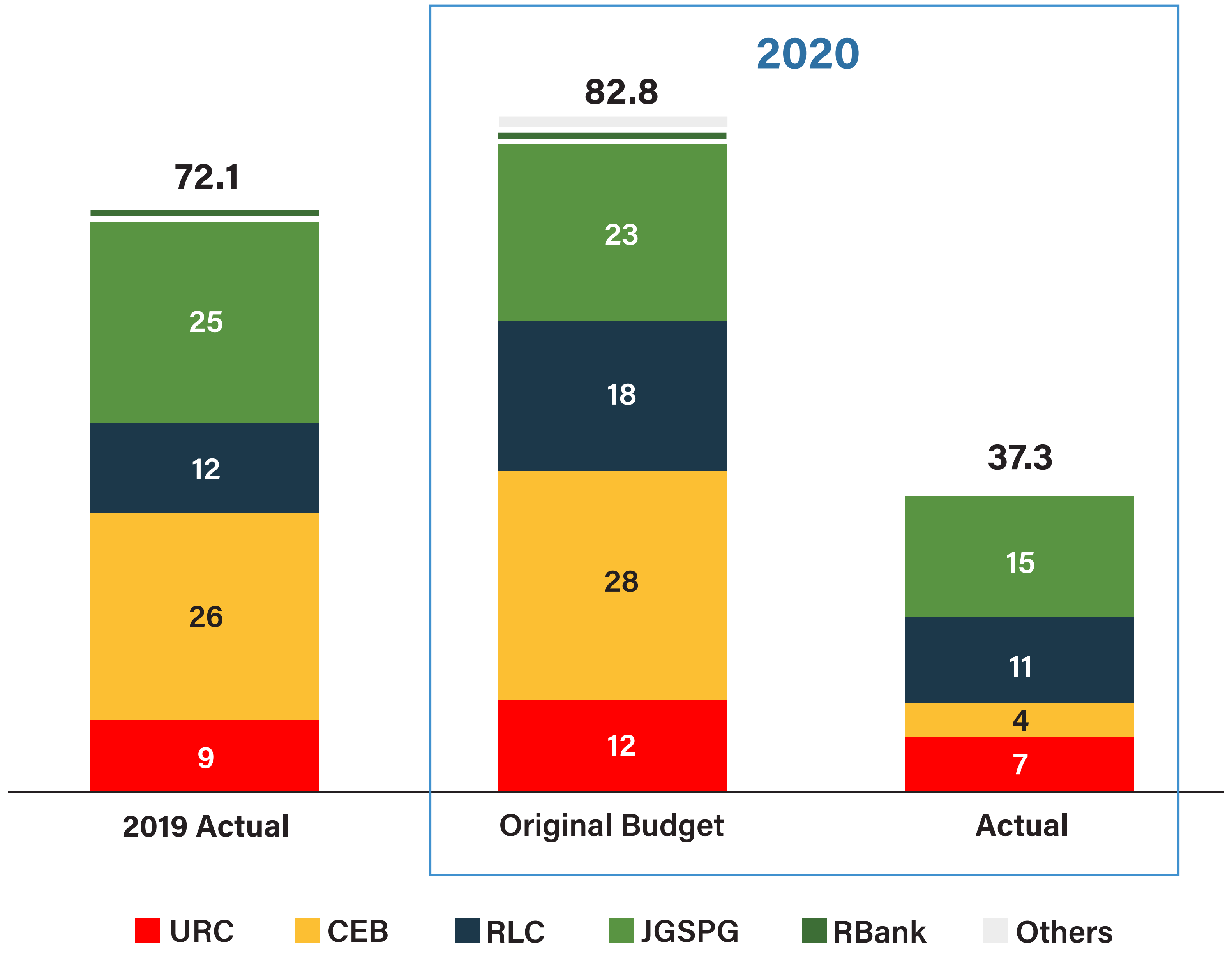
₱1.37 billion

vs. same period in 2019

**excludes non-cash charges*

CAPEX Recalibration

From an original 2020 budget of Php82.8 billion, we have continually trimmed our capital expenditures and ended up spending only Php37.3 billion for the full year of 2020.



COVID-19 Employee Support

5,152
Inquiries addressed via COVID Care Telemedicine Service

Dailty Health Monitoring in all units

782
Employees assisted via RT-PCR testing

Up to **120 hours** of **Advanced Vacation Leave** and up to **120 hours of Advanced Sick Leave** to cover employees as needed

Daily On-Site Allowance during ECQ: Php250-Php500
Daily Meal Allowance during ECQ: Php75-Php100

Php19.2M
worth of Robinsons Rewards Points funded by GBF for 10,136 affected Third Party employees

GOKONGWEI BROTHERS FOUNDATION

Over Php1.5B
Raised as part of Project Ugnayan for affected families during ECQ

346,814
Units of medical supplies donated to over 50 hospitals

100K
Reusable face shields donated in partnership with URC

The Gokongwei Group's COVID Care platform provided remote medical assistance for COVID-19 concerns for all organic employees and third-party workers. In partnership with ActiveOne Health/Reliance United, the telemedicine service includes patient diagnosis, monitoring, e-prescriptions, and return to work clearance. Last year, the service addressed a total of **5,152** inquiries, aiding our people during the pandemic.

We implemented Daily Health Monitoring via the JG Health App, which is part of our safety protocol for on-site employees. Employees who were working from home also utilized the application to track their health status upon falling ill. The system flagged health concerns, ensuring that employees receive necessary medical support in a timely manner.

The Company also ensured accessible RT-PCR testing for its people. The test remains as the gold standard for detecting COVID-19, as recommended by triage professionals. Under this initiative, **352 employees** were assisted in 2020 with the support of our partner hospitals: Lung Center of the Philippines, The Medical City, and the T3 Consortium of AC Health facilities.

To ease employee work arrangements, we granted assumed attendance as appropriate for the welfare of our people. This amounted to **Php536M** salaries paid on an assumed attendance basis.

Aside from attendance considerations, we also granted advanced vacation leaves and advanced sick leaves to employees who have exhausted their current allocation. The paid leaves covered employees who were unable to work due to ECQ restrictions, which caused the temporary closure of operations for certain business segments.

For employees who had to report on-site, we provided a Daily On-Site Allowance of **Php 250-500** based on their job level. We also provided a Daily Meal Allowance of **Php75-100** on top of the initial allowance amount.

2020 Key Developments

January

- Universal Robina Corporation (URC) launched exciting new products on the beverage segment such as C2 Milk tea, made from 100% natural tea leaves and real creamy milk, and Great Taste Barako, a mix of barako coffee and brown sugar.
- Robinsons Bank Corporation (RBank) successfully integrated RBank POS terminals with 100% of RRHI's Cash Registers.
- Robinsons Land Corporation (RLC) launched Sapphire Bloc South and Sierra Valley Garden 1.

February

- RBank won Project of the Year - Finastra for its Treasury IT Solutions Opics.

March

- Cebu Air, Inc. (CEB) started handling Cargo charters and Hybrid flights carrying more than 50kg of humanitarian shipments which include PPEs, Medicine, Test Kits and Blood Bags.

April

- CEB started the *Seat Occupying Cargo* flights.
- RBank launched RBank Sign Up, an online account opening platform.

May

- RLC introduced Rdelivery, Rshopper & Pick-up Stations that offer safe and easy ways for customers to shop at the comfort of their homes.
- RBank launched RBank QuickR.

June

- Gokongwei Brothers Foundation joined a consortium that was formed to boost the national testing capacity.
- CEB streamlined inflight food and merchandise offerings with cashless transactions.
- URC partnered with Lazada to drive online presence for its consumers.
- Luzon International Premier Airport Development Corp. (LIPAD) established One Stop Shop alongside various government agencies to ensure a seamless arrival experience for passengers.

July

- JGS raised US$600 million from an offshore bond issuance at 4.125% interest rate per annum.
- RBank launched RBank Sign Up Payroll Digital Account Opening.
- DHL Summit Solutions, Inc. (DSSI) started commercial operations with URC as its primary customer.

August

- RBank was awarded as the Fastest Growing Commercial Bank - Philippines 2020 in the Global Business Outlook Awards 2020 and the Best Commercial Bank - Philippines 2020 by International Business Magazine.
- RBank partnered with Sprout Solutions Inc. for seamless payroll solution.
- RLC completed its office building Davao Delta Tower 2.

September

- RBank launched RBank Mo for agency banking and RBank Digital, a new mobile banking application.

October

- JGS declared 5% stock dividends to its shareholders.
- CEB introduced the New Normal Compensation and Benefits Package for productivity-based and experience-based compensation scheme for its employees.
- RBank launched Electronic Invoice Presentation and Presentment.
- RLC soft launched a new residential brand called RLC Residences, a merger of its previous vertical residential groupings namely Luxuria, Residences and Communities.
- URC acquired of Roxas Holdings's sugar mill and ethanol plant in La Carlota City, Negros Occidental.

November

- CEB divested its remaining shares in SIAEP, and acquired the remaining shares in A+ for better capacity planning.
- CEB's first ATR Freighter arrived and reconfigured one of its A330 planes for cargo.
- RBank was awarded as the Fastest Growing Retail Banking Philippines by Global Banking and Finance.
- RLC closed two deals with logistics and multinational companies under RLC's co-working brand - *work.able* which now has a total number of five centers
- URC launched two alcohol brands - *Shield+ and BioSure* - to support the country's response to the Covid-19 pandemic.

December

- CEB's second ATR Freighter arrived.
- CEB started its "Test Before Boarding" initiative in General Santos city.
- The New Passenger Terminal Building Shell was handed over to LIPAD.
- JG Summit Petrochemicals Group (JGSPG) marked the 20th year of its Abot Kamay Christmas Outreach program for the elementary schools in its host communities.
- DSSI achieved 92% service coverage for URC's Luzon transport operations.

JGS Investment Portfolio

Corporate Structure

With a strong entrepreneurial culture, JG Summit Holdings, Inc. (JGS) has built a vast and growing ecosystem which cultivates various synergistic opportunities across the group.

As we strive towards the realization of our long-term ambition and targets, it is imperative that we make deliberate and disciplined choices on where to play and define a clear and dynamic portfolio strategy. Thus, we have carefully determined the role of each of our businesses and divided our investment portfolio into four categories:

Core Businesses

Highly-independent majority-owned businesses that are market leaders in their respective sectors. We will strengthen and drive the full potential of these businesses, to ensure consistent generation of reasonable growth and returns.

Universal Robina

cebu pacific

ROBINSONS LAND CORPORATION

JG SUMMIT PETROCHEMICALS GROUP

Ecosystem Plays

Emerging investments that can capitalize on the JGS ecosystem and thus help augment growth, improve the efficieny of the other businesses, and capture value within the group. We will leverage on the synergies available within our extensive network of businesses through our forays into infrastructure, technology, and logistics.

LIPAD
Luzon International Premier Airport Development Corporation

DAVI

JGDEV

DHL
In partnership with JG SUMMIT HOLDINGS, INC.

Growth Businesses

Could be the game-changer for JGS in the long-term but may require additional investments in the next few years. We aim to fuel and accelerate its expansion, with the aspiration that it will eventually become part of our core businesses. We will also be on the look-out for potential new verticals that could boost the growth of the group further.

ROBINSONSBANK
A Commercial Bank

Core Investments

Minority-owned businesses which have been stable sources of dividends and are highly-liquid. We will maximize the value of these core investments through their steady stream of cash flows and capital appreciation, or by strategically recycling capital into our subsidiaries and joint ventures when necessary.

MERALCO

GBP
GLOBAL BUSINESS POWER

SINGAPORE LAND GROUP LIMITED

PLDT

Core Businesses

Food and Beverage
Universal Robina Corporation

One of the leading snack foods and beverage players in the ASEAN and Oceania regions

55.3%

Air Transportation
Cebu Air, Inc.

Better positioned for Philippine aviation recovery through customer centricity, digitalization and operational efficiency

67.9%

Real Estate
Robinsons Land Corporation

One of the Philippines' leading real estate companies and most reputable developers of mixed-use properties

61.0%

Petrochemicals
JG Summit Petrochemicals Group

A pioneer in the Philippine petro-chemical industry with the largest and only fully-integrated facility in the country

100.0%

Ecosystem Plays

Infrastructure
Luzon International Premier Airport Development Corporation

A special purpose company that will operate and manage Clark International Airport for the next 25 years

33.0%

Technology
JG Digital Equity Ventures

JGS' venture capital arm that invests and develops digital start-ups in Southeast Asia

100.0%

Data Analytics Ventures Inc.

JGS' analytics firm that develops an extensive digital lifestyle rewards program and new data monetization models

45.2%

Logistics
DHL Summit Solutions, Inc.

In partnership with JG Summit Holdings, Inc.

A joint venture with DHL Supply Chain to deliver world-class domestic transport and integrated logistics park operations

50.0%

Growth Businesses

Banking & Financial Services
Robinsons Bank Corporation

Robinsons Bank A Commercial Bank

One of the fastest-growing and most innovative commercial banks in the Philippines

60.0%

Core Investments

Power Distribution
Manila Electric Company

The largest private sector electric distribution utility company in the Philippines

29.6%

Power Generation
Global Business Power Corporation[1]

The leading independent power producer in the Visayas region and Mindoro Island

30.0%

Real Estate
Singapore Land Group Limited[2]

A major real estate developer in Singapore and a diversified property investor overseas

37.0%

Communications
PLDT Inc.

The leading telecommunications and digital services provider in the Philippines

11.3%

Percentage refers to JGS' effective ownership

[1]Corporate Structure as of December 2020; Last March 31, 2021, Manila Electric Company fully-acquired JGS' 30% stake in Global Business Power Corporation

[2]United Industrial Corporation Limited has changed its company name to Singapore Land Group Limited effective April 23, 2021

Geographic Presence

JG Summit Holdings, Inc. is one of the largest and most diversified Filipino conglomerates, engaged primarily in businesses that serve a growing middle class with rising disposable incomes in the Philippines, South East Asia and Oceania.

Chairman's Message

2020: An Unprecedented Year

2020 was a very challenging year for each and every one of us given the unexpected global pandemic. This has brought significant disruptions in the way we live and has significantly impacted our business, the healthcare system and the economy.

Given this situation, parts of our country were placed under the Enhanced Community Quarantine (ECQ) last March 17, 2020, restricting individual mobility except for essential activities. This lasted up to May 31, 2020 especially for high-risk areas including Metro Manila. As a result, many businesses including ours shifted to a "work-from-home" set-up, some were forced to close down, and travel & tourism were halted. This was truly a headwind for our group especially for Cebu Air, Inc. (CEB), since all scheduled commercial flights had been grounded during this period. The strict social distancing measures likewise resulted in the temporary closure of some malls and hotels, including Robinsons Land Corporation's (RLC). And although the impact was less, we also experienced some disruptions in Universal Robina Corporation's (URC) supply chain and slight delays in JG Summit Petrochemicals Group's (JGSPG) plant expansion.

Measures under the Bayanihan Law were also enacted in response to this health and economic crisis. Among others, the law provided financial subsidies to low-income households, lower interest rates for lending, grace period for consumer loans, etc. We, in the private sector, also actively partnered with the government on these initiatives in the true spirit of Bayanihan. We have prioritized the health and welfare of our employees and provided support to the communities where we operate. Eventually, quarantine restrictions were lowered to Modified General Community Quarantine (MGCQ) which led to partial reopening of the economy. Consequently, from double-digit declines in our gross domestic product (GDP) in the second quarter (2Q), the recession slowed and ended 2020 with a full year GDP contraction of 9.5%. Unemployment rates also softened in the last two quarters of the year, albeit still at elevated levels.

The pandemic has significantly changed consumer shopping, eating and spending habits. Consumer sentiment remains soft and the confidence to go outside is low. People are cooking and eating more at home, and they are not willing to travel as much as before. Online and contactless transactions have become more desirable as evident in the rise of e-commerce platforms, digital banking, food delivery services, online streaming, and many more. With the rapid shift in consumer behavior, we have to be agile in addressing the ever-changing needs of our customers. Thus, it is imperative that we embed strong customer-centric discovery and in-sighting processes as well as accelerate our digital transformation.

Impact of COVID-19 and lockdown differs by industry

Travel & Transportation	Real Estate	Petrochemicals	Financial Services	Utilities	Consumer & Retail
• Non-essential travel was limited • Varying requirements and processes from the local government units • Confidence to travel again remains to be weak	• Strict social distancing measures resulted in closures of malls and hotels • Renegotiation of leases with non-essentials tenants in malls • Some construction projects were halted • Offices were less impacted despite work-from-home set up	• Operations and supply chain disruptions at the start of the lockdown • Weaker local and exports activity, but second half showed gradual recovery of demand • Volatility of oil prices	• Higher NPL Ratio given lower disposable income and closure/limited operations SMEs • Grace period for payment of loans w/o interest, or other charges under the Bayanihan Act • Shift towards digital banking transactions	• Telecom was boosted by the increased demand for connectivity • Power experienced lower industrial and commercial demand, but higher residential energy consumption • Lower electricity prices amid lower fuel prices and peso appreciation • Provided some grace period and suspended service disconnection due to non-payment of bills	• Essential/Grocery categories remain resilient, while discretionary products are challenged • Market declined across categories • Most retail channels except for Supermarkets; Shift to E-commerce platforms

"...it is imperative that we embed strong customer-centric discovery and in-sighting processes as well as accelerate our digital transformation."

2020 Major Milestones

With this backdrop, JG Summit and its subsidiaries have set key immediate priorities to continue their operations and navigate the new normal.

URC

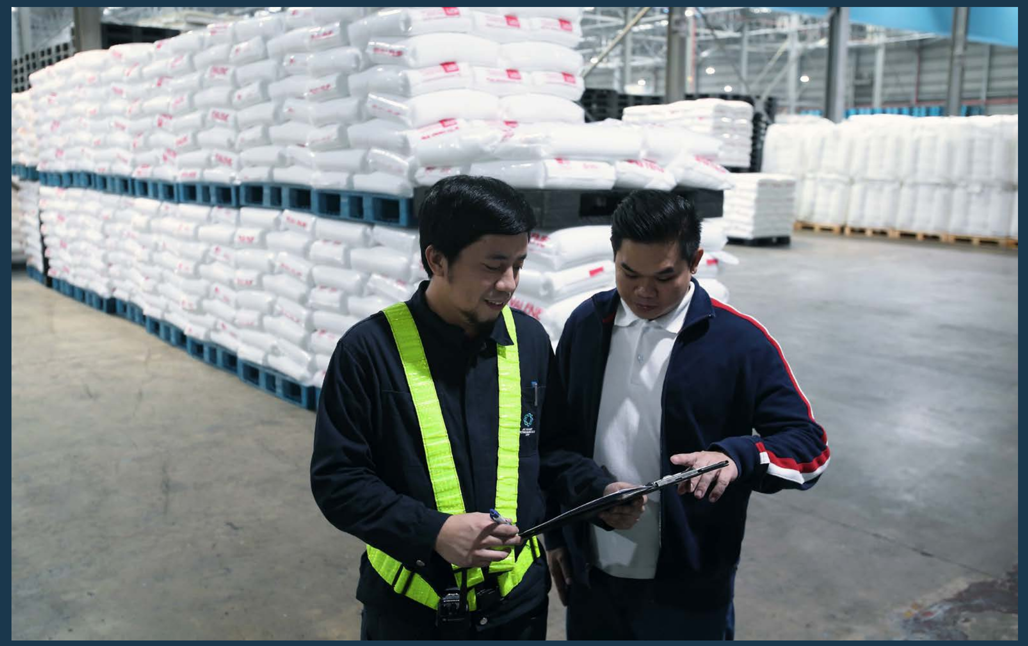
URC is building a portfolio catering to the growing health and wellness categories as there is great demand for products that offer more nutrients and convenience at reasonable prices. URC has also deployed a direct-to-customer selling solution through E-commerce and social commerce partnerships to expand its availability and relevance to digitally-savvy consumers.

RLC

With online transactions becoming the new normal, RLC has developed an interactive way to showcase its prime residential developments through digital catalogs and virtual tours. It also introduced RPersonal Shopper and RDelivery, which allow customers to shop in the safety of their homes.

CEB

CEB took the lead in contactless flights, minimizing the face-to-face contact between passengers and crew in consideration of health and safety protocols. During the ECQ, CEB also managed to fly on demand for repatriation flights and to sustain the flow of essential goods through our cargo business.



JGSPG

Despite the ECQ, JGSPG was able to continue manufacturing and perform its delivery commitments upon restart of its integrated operations in early March 2020. Its operational improvements also led to higher full-year plant utilization rates and better earnings in the second half of 2020.

RBank

RBank accelerated its digitalization and customer-centric initiatives including RBank Digital, its mobile app, QuickR, a cashless payment solution, and RBankMo, banking agents that will provide basic financial services, among others.

To manage costs and liquidity, our group reduced our 2020 CAPEX spending by identifying projects and pre-delivery payments that may be deferred. Much of the deferments came from CEB, as we renegotiated payments and delivery schedules for new aircraft orders and postponed aircraft overhauls. At the Parent level, we also further strengthened our balance sheet by issuing 10-year US$600-million offshore bonds with a record low interest rate of 4.125% per annum, and by providing 5% stock dividends to our shareholders. We have also started the work to ensure that our airline business is provided enough runway to navigate the very challenging aviation sector via capital raising exercises.

Business Outlook

The pandemic has clearly altered consumer behavior and affected economic activity in the country. Until we achieve herd immunity from the roll-out of COVID-19 vaccines, social distancing will still be a necessity, limiting mobility. As the full recovery of consumer confidence, employment, and propensity to spend might take longer than what we hope for, consumers will likely continue to reallocate their spending to prioritize safety & security which include food and beverages at home, savings, and medical products/ services.

Conversely, this new market scenario has also created new opportunities for businesses to rethink and change their operating models. Key to business success in the new normal is the ability to pivot quickly to the new demands of the market. We expect that major drivers for consumer purchase that we've seen in 2020 such as cleanliness, health & wellness, and stay-at-home activities will linger in 2021.

While getting back to pre-pandemic levels would be largely dependent on the successful rollout of the vaccines, I am confident that we can turn around the business as we continue to work together as an enterprise and set-up key strategic capabilities for the future.

James L. Go
Chairman

"Key to business success in the new normal is the ability to pivot quickly to the new demands of the market"

Universal Robina

Consumers are changing buying patterns to more in-home categories such as prepared cooking/food.

ROBINSONS LAND CORPORATION

High safety and hygiene levels in all properties specifically in high-touch areas and entry points will be essential.

cebu pacific

Our contactless flight experience should help regain consumers' confidence to travel again.

JG SUMMIT PETROCHEMICALS GROUP

Our expansion is poised to capture the recovery in petrochemical demand as economic activity improves.

ROBINSONSBANK A Commercial Bank

Digital banking channels and cybersecurity are increasingly becoming critical alongside asset quality.

President and CEO's Report

Coming from a very strong 2019, COVID-19 has clearly disrupted the business which dented our 2020 operating and financial results. Nonetheless, our diversified portfolio of market-leading businesses coupled with the strength of our balance sheet helped us navigate the situation.

The pandemic has further accelerated our multi-year transformation program that we laid out even prior to COVID-19. Most important of which is our thrust on digitalization & customer centricity that enabled us to quickly adapt our business model to the changing customer landscape. With our long-term view, we will continue to invest in the necessary assets & capabilities needed to sustain the business in the years to come. This will allow us to take advantage of emerging opportunities as the economy pivots back to growth.

As we cautiously embark on this challenging path to recovery (with COVID-19 still in the picture), our utmost priority is the health and welfare of our employees. Aligned with our purpose, we will also continue to provide better choices and the best value for our customers while ensuring business continuity and the exercise of prudence in liquidity and cost management. We will also support the government and the communities where we operate in as the vaccination program is rolled out. This is a necessary must to jumpstart the economy towards the new normal.

2020 Performance

Our company, which remains to be one of the largest and highly-diversified conglomerates in the Philippines, ended 2020 with a core net income after taxes of Php450 million reinforced by our resilient portfolio and the group's agile response to the disruption caused by the COVID-19 pandemic.

The double-digit revenue growth in our banking and office segments, robust sales in food, and higher dividends from our telecommunications investment tempered the negative impact of the pandemic on the company's overall operating results.

Our petrochemical unit saw lower sales volumes and selling prices on the back of weaker global industrial demand while our air transport business was severely impacted by flight restrictions particularly in the onset of the ECQ. Equity earnings from our core investments in Meralco (MER), Global Business Power Corporation (GBPC), and United Industrial Corporation (now called Singapore Land Group Limited), also declined year-on-year (YoY). Thus, JG Summit's consolidated revenues for the full year ending December 31, 2020 (FY20) amounted to Php221.6 billion, 27% lower vs the same period last year (SPLY).

Revenue

Php 221.6 Billion

Core Net Income

Php 450 Million

The strong margin expansion in our food and banking units also provided some buffer to offset profit declines in other businesses. Incorporating non-recurring fuel hedging losses and a one-off impairment charge from MER led JGS to report a consolidated net loss of Php468 million.

Our company's robust balance sheet provides the group enough ammunition to weather this challenging environment. Consolidated gearing and net debt-to-equity ratios stood at 0.78 and 0.60, respectively, as of end-2020. We also successfully closed a 10-year US$600-million offshore bond issuance in July 2020 with a record low interest rate of 4.125% per annum, which upholds JGS' credibility in the capital markets. Moreover, we further strengthened the company's capitalization by issuing 5% stock dividends last October 2020.

Key Performances of our Strategic Business Units

Universal Robina

- Flattish total revenues but gained market shares in Branded Consumer Foods (BCF) Philippines' key categories despite weaker consumer sentiment
- Higher sugar sales from Agro-Industrial and Commodities also compensated for negative forex translation impact from BCF International
- Margins continue to expand YoY driven by favorable mix, cost savings measures, and lower input cost in BCF Philippines

cebu pacific

- Cargo, driven by the growth in online deliveries, tempered the negative impact of the pandemic and travel restrictions on air transport revenues
- Significantly lower passenger volumes and fuel hedging losses dragged the bottom line, but cost control and cash management initiatives provided some cushion

ROBINSONS LAND CORPORATION

- The growth in offices and higher recognized residential revenues in 2020, plus the recovery of malls and hotels post-ECQ, softened the YoY dip in overall revenues
- EBITDA across business units remained positive, totaling Php13.7 billion in 2020 on the back of streamlined operations and cost management, but additional depreciation and higher interest expense pulled down net income

JG SUMMIT PETROCHEMICALS GROUP

- Operational improvements led to higher plant utilization rates
- Polymer demand remained resilient and polymer sales increased by 14% YoY, but lower average selling prices and reduced Pygas and Mixed C4 volumes resulted in a 27% decrease in total revenues
- FY20 EBITDA of Php451 million on strong polymer sales and improved margins by the second half of 2020. Php2.0 billion net loss in 2020 vs 2019's net income of Php1.0 billion, when we reversed an impairment loss of Php2.3 billion

ROBINSONSBANK
A Commercial Bank

- Consolidated net income grew 30% to Php935 million as net interest margins widened coupled with loan growth
- Consolidated loan portfolio expanded by 8% to Php86.8 billion, led by faster growth in consumer loans
- The non-performing loan ratio of 2.98% remains lower than the 3.47% average for the Philippine commercial banking industry

Navigating 2020

We are now living in an extraordinary period given the COVID-19 disruption. It is imperative the group remains focused on the following four key areas: employee health and safety, operations and supply chain continuity of our key businesses, implementing measures to manage cash, costs and liquidity, and helping the communities.

Providing Employee Support

We fully recognize that no organization can exist without its people. Our people are central to all the processes in our organization - from creating our strategies to operationalizing these into everyday realities. We can only succeed through the collective and individual contributions of our people.

Operations and Supply Chain Continuity of our Key Businesses

Despite the strict lockdown during the first two quarters of 2020, our key businesses remained operational and determined their key immediate priorities to address the needs of our consumers.

Measures to Manage Balance Sheet and Cash Flow

We implemented austerity measures to focus spending on necessary operating and capital expenditures needed to sustain our current operations.

Community-related Programs

We continue to implement community-related programs to support our communities and help the government.

Navigating the New Normal

The situation has driven us to review our current business and operating models to adapt to the new normal as we predict shifts in the way consumers buy/use our products and services. We are also now in the process of accelerating our digital transformation to further deliver value and improve customer experience, as well as to provide a digital workplace for our employees.

JGS Moving Forward

While we have yet to see the end of this crisis, I am optimistic that we can all weather this storm because it is clear to us why we exist, who we are, and what we need to do to emerge even stronger. In last year's annual report, I communicated that we have established OGSM as our new Strategic Planning Framework which stands for Objectives, Goals, Strategies, and Measures. As part of this exercise, we crafted JGS' new Purpose, Values, and Ambition (PVA). In 2020, we proactively articulated these within our organization to inspire and guide our people amidst this unprecedented period.

Our purpose is the cornerstone of our organization's existence. It defines our reason for being. Thus, everything that we do will always start and end with our Purpose in mind.

JG Summit has **unrelenting commitment** to provide for **our customers** with **better choices**, creating **shared success** with **our stakeholders.**

Unrelenting Commitment

A passionate, highly determined and resilient attitutde towards enabling possibilities, creating new and disruptive business models, product offerings and innovations.

Our Customers

The individuals, families or groups whose lives we aspire to make better.

Better Choices

Providing innovative products and services that are more affordable, accessible, and convenient.

Shared Success

We only truly succeed if others succeed with us.

Our Stakeholders

Employees

We provide stable livelihood, nurturing work environment and opportunities for career andprofessional growth, enabling them to provide for and raise their families well.

Communities

We enable the growth and progress of the communities where we operate, through the livelihood we create and the development of the local economy.

Business Partners

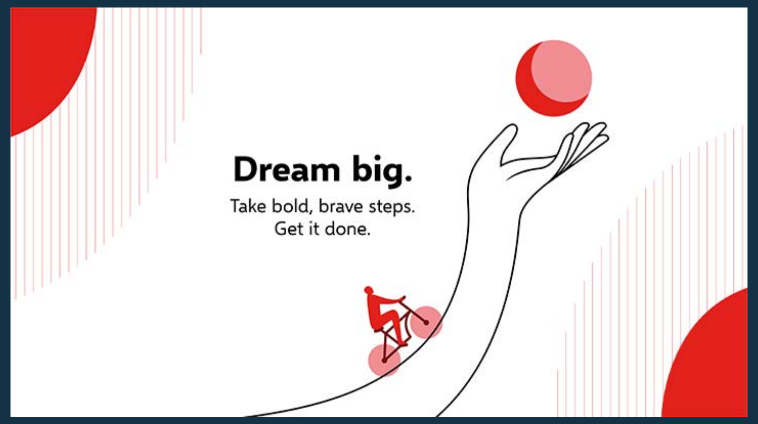
In our quest for growth, we bring along our partners and enable them to create value for their own businesses.

Shareholders

We provide the owners – family or the public – with wealth, financial freedom, and the opportunity to elevate their lifestyles in meaningful ways.

We exist, first and foremost, for our customers. We want to make their lives better by providing them with better choices through our wide range of products and services. And as we do this, we can only truly succeed if we are able to share our success with our various stakeholders – our employees, suppliers, communities, and shareholders.

Our core values of Entrepreneurial Mindset, Integrity, and Stewardship empower us to get our work done the best way we can, make the right decisions, and build our future better. We have also set our ambition and goals for the next five years. Our vision to solidify JGS' position among the largest conglomerates in the Philippines remains intact.

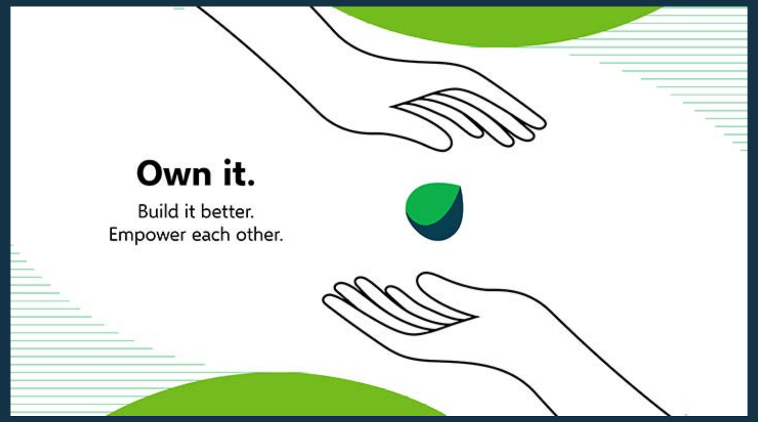


Entrepreneurial Mindset

We strive for growth with a resilient, passionate, and agile mindset with a focus on living out our purpose to provide our customers with better choices.

Integrity

We will act with honor in all our undertakings and with all our stakeholders, upholding the principle of always doing the right thing because it is the right thing to do, even when no one else is watching.



Stewardship

We are fully responsible for the resources entrusted to us, be they financial, environmental, and people. We make sure that they are managed well and cared for, all with sustainability at the forefront.

"our OGSM has become even more relevant, providing us with clarity and agility on how to quickly pivot to the new normal in order to seize new market opportunities."

Anchored on our PVA, our OGSM helps us translate our long-term strategies into actionable and measurable plans. It provides us focus, transparency, and alignment on what everyone in the organization - from the corporate- down to the individual-level - needs to do to contribute to the attainment of our Ambition. In the midst of all the disruption, our OGSM has become even more relevant, providing us with clarity and agility on how to quickly pivot to the new normal in order to seize new market opportunities.

The group has also been undergoing transformation even before the pandemic. Part of this process is ensuring that we have the right organizational structure to support our long-term strategies. Last year, we accelerated our enterprise transformation with respect to the corporate center organization design to shift its focus to business results delivery, ecosystem leverage, as well as business and organizational sustainability.

Consequently, we established appropriate governance structures by forming and redefining teams into committees and councils. For instance, we formed the Executive Leadership Council, composed of our corporate center and business unit heads to facilitate strategy discussions including the oversight and project governance of the group's priority initiatives. The council further created a collaborative environment that allows for closer alignment, exchange of ideas, sharing of best practice and the leveraging of our group ecosystem to further create business value.

As we move to 2021, we believe that weaker consumer sentiment will continue to affect demand for products and services and as such, we remain cautiously optimistic. However, we will focus on the execution to build on and continue the momentum and green shoots that have started in the latter part of 2020. The prospects of a vaccine likewise give us hope that this will unlock further acceleration and recovery in the near term.

To our shareholders, board of directors, and customers, on behalf of JG Summit, I would like to thank you all for your continued trust and support for the group. And to my colleagues in JGS, I am truly grateful and humbled to lead this organization. I am proud of all your contributions and I look forward to the day when we could all look back to these events as just part of our passage to our stronger and better normal.

Lance Y. Gokongwei
President and Chief Executive Officer

Leadership

Board of Directors

James L. Go
Chairman

Lance Y. Gokongwei
Director, President & CEO

Antonio L. Go
Independent Director

Cirilo P. Noel
Director

Johnson Robert G. Go, Jr.
Director

Jose T. Pardo
Independent Director

Lily G. Ngochua
Director

Patrick Henry C. Go
Director

Renato T. De Guzman
Independent Director

Robina Gokongwei-Pe
Director

JGS Corporate Center

The corporate center unit's (CCU) primary purpose is to enable the holding company and the SBUs achieve the group's ambitions. In 2020, we have accelerated JG Summit's enterprise transformation with respect to the corporate center organization design to shift its focus to business results delivery, ecosystem leverage, as well as business and organizational sustainability. Anchored on customer centricity, we believe this will help the CCUs provide better value to the SBUs and our stakeholders.

Executive Officers/ Corporate Center Heads

Name	Position
James L. Go	Chairman
Lance Y. Gokongwei	President and Chief Executive Officer
Michael P. Liwanag	Senior Vice President, Investor Relations and Chief of Staff
Bach Johann M. Sebastian	Senior Vice President, Strategic Investments
Nicasio L. Lim	Senior Vice President, Corporate Human Resources
Maria Celia H. Fernandez-Estavillo	Senior Vice President, General Counsel and Corporate Secretary
Andre Ria B. Buzeta-Acero	Assistant Corporate Secretary
Renato T. Salud	Senior Vice President, Corporate Affairs and Sustainability
Aldrich T. Javellana	Senior Vice President and Treasurer
Francisco M. Del Mundo	Senior Vice President, Chief Financial Officer and Compliance Officer
Lisa Y. Gokongwei-Cheng	Senior Vice President, Digital Transformation and Corporate Services
Carlos G. Santos	Vice President, Corporate Services and Chief Information Officer
Alan D. Surposa	Senior Vice President, Chief Procurement Officer
Emmanual de Pano	Vice President, Corporate Internal Audit (+ October 31, 2020)
Rya Raissa S. Agustin	Officer-in-Charge, Corporate Internal Audit (effective November 1, 2020)
Ian Pajantoy	Data Protection Officer

Strategic Business Unit Heads

Irwin C. Lee

President and Chief Executive Officer, Universal Robina Corporation

Frederick D. Go

President and Chief Executive Officer, Robinsons Land Corporation

Michael B. Szucs

Chief Executive Adviser, Cebu Air, Inc.

Patrick Henry C. Go

President and Chief Executive Officer, JG Summit Petrochemicals Group

Elfren Antonio S. Sarte

President and Chief Executive Officer, Robinsons Bank Corporation

Elmer M. Malolos

President and Chief Executive Officer, Data Analytics Ventures, Inc. and JG Digital Equity Ventures, Inc.

Our COVID-19 Response

With the rise of the pandemic in 2020, JG Summit remained focused on its sustainability agenda: Thriving Through Generations.

The public health crisis sparked economic setbacks across the nation's major sectors, which made our vision of continued and inclusive growth more relevant than ever. As part of our comprehensive sustainability efforts, JGS made it an immediate and long-term priority to address the effects of the global pandemic.

We formed a pandemic recovery plan, advocating the well-being of all our stakeholders: employees, customers, and the greater local community.

Protecting Our People

In the wake of COVID-19, health, safety, social, and economic support were provided to help essential workers, remote employees, and displaced staff transition into the new normal.

Capacity Building for the New Normal

Transportation Aid

- JGSPG and URC additional vehicles for employee pick-ups and drop-offs

Incentives

- URC Premium Pay (for organic employees), incentives for third-party workers and Free Meals for all employees working on-site during ECQ
- JGSPG and RLC daily allowance and free meals for employees who reported to work during the ECQ (March 17-April 15, 2020)
- CEB Buy-on-Board (BOB) food items redirected to staff at the Manila, Cebu, and Clark hubs

Health & Safety Protocols

- CEB, RLC, JGSPG and URC provisions of PPE and
- disinfectants
- CEB antibody tests at airport hubs
- URC Provision of Contactless Thermal Scanners URC Standardized COVID-19 Preparedness &
- Response Guidelines URC Installation of engineering controls (additional exhaust fans, handwashing stations, footbaths, physical barriers to ensure social distancing)

Aid for Displaced Staff

- RBank Reach Out Fund Drive Program: one-time financial assistance

CEB Malasakit Transition Program

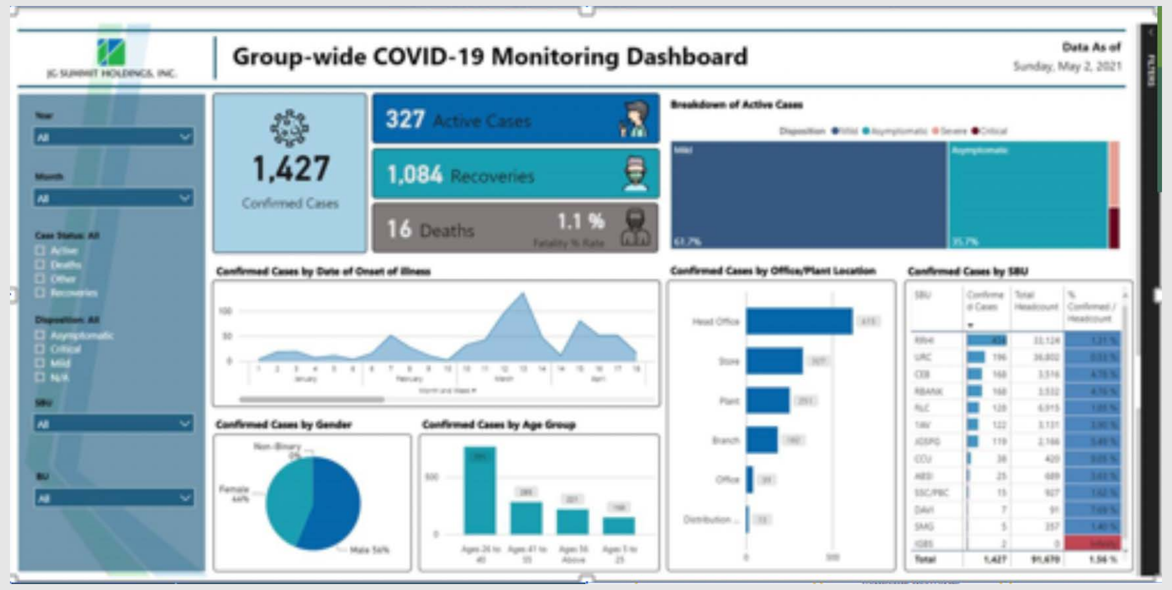
- Counseling and outplacement opportunities

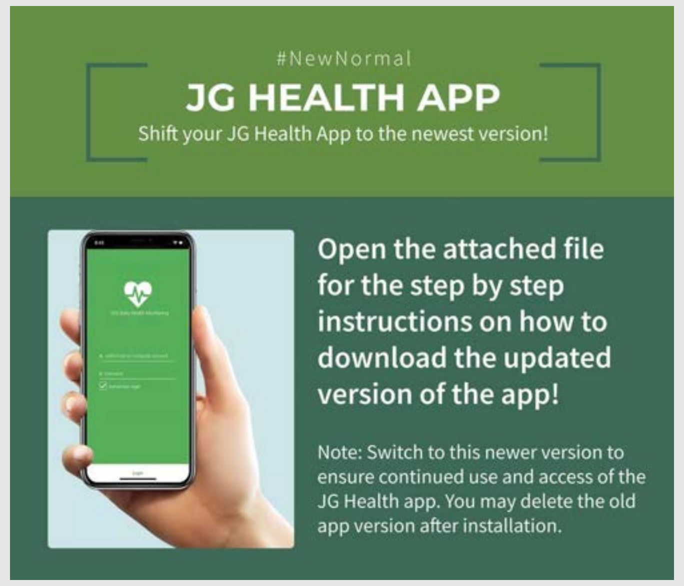
Extended Growth and Productivity Through Digitalization

- JG-ILED Virtual Learning Program launched in April 2020
- Integrated COVID-19 Mandatory Training Module
- URC's Sustainability Learning Series for COVID-19 (13 sessions with Expert Speakers)
- URHealth App with SD Alarm (Health and Travel Declaration Form)
- URC's Information Series on COVID-19 thru email blast

Health Safeguards and Assistance

- JGSPG in-house quarantine facility for employees
- JGSPG's enhanced financial assistance, mental health and resilience courses, online medical consultations, and vitamin supplements
- CEB Telemental Health Program
- RBank Kamustahan Phone Brigade
- Mental Wellness program, 24/7 helpline free for URC's organic employees
- URC Teleconsult Services for organic employees and dependents
- URC In-plant Lodging for organic and third-party employees during ECQ
- Distribution of Care Kits: Face shield, Face Masks, Alcohol and Vit C to URC employees
- Work From Home for URC HO-based from the beginning of the lockdown





Monitoring Employee Health and Safety

Congolomerate-wide COVID-19 Care Dashboard	JG Health Monitoring App (for select units)	Safety ambassadors to monitor implementation of health and safety protocols in the Corporate Center Units (CCU)

Accessible Health Care

Telemedicine Consultations	Hospital Care
11,502	**57**
JGSHI employees and dependents consulted for COVID-19	Access to hospitals through the Gokongwei Group's hospital partnerships and wellbeing networks
Public Health Information Sharing JGSHI Crisis Communications Committee (2020)	COVID-19 Care Facilities at the Crowne Plaza Hotel for executives

Serving Customers Better

As nationwide lockdowns shuttered Filipinos inside their homes, we worked to ensure the continued flow of essential JGS products and services to customers. In circumstances when face-to-face transactions are unavoidable, we made sure every interaction is safe for customers. Additionally, special financial considerations were extended to clients in light of the uncertain economic conditions of the pandemic.

Consumer Safety

Digital Solutions

- RLC digital catalogs and virtual tours
- Robinsons Malls' RPersonal Shopper and Delivery Service
- RBank Sign-Up app for new clients
- URC products on LazMall
- CEB's contactless flights and digital check-in

Strict Protocols for Face-to-Face Transactions

- RLC implemented thermal scanners, alcohol dispensers for sanitation, and social distancing regulations
- CEB earned a perfect score from AirlineRatings.com for COVID-19 safety and compliance

Consumer Welfare

Considerate Customer Service

- CEB flight rebooking options
- RLC waived rental charges for non-operational mall tenants during quarantine period

Accommodating Loan Terms

- RBank's 30-day grace period for RBank loans with dues during ECQ and MECQ

Aiding Our Local Community

Part of the JGS corporate culture is to extend support to the local communities in and around our areas of operations. Over the course of the pandemic, the business units joined relief efforts with the distribution of food, PPE, and health kits to frontline workers and economically displaced communities. For instance, in partnership with Medical City, RLC provided safe and comfortable accommodations for patients awaiting COVID-19 test results.

Community Welfare

In collaboration with the Philippine Disaster Resilience Foundation (PDRF) and other business groups, the Gokongwei Brothers Foundation (GBF) donated Php 30 million to Project Ugnayan.

The program provided grocery vouchers to over one million underprivileged households in Metro Manila to cope with the pandemic. The foundation also established a Php150 million relief fund that was mobilized by our Strategic Business Units (SBUs) to target beneficiaries including hospitals, local government, and communities.

Juan Communities

Aside from collaborative relief efforts, GBF established Juan Communities to extend social aid to affected communities across the country. The program reached a total of 54 Local Government Units, barangay health centers, hospitals, and public schools across the country. Overall, we distributed more than 270,000 PPEs, medications, and medical equipment, and around 2,300 assorted school supplies and equipment worth over Php23 million as of Q1 2021.

As the nation recovers from the health crisis, the Gokongwei Group remains steadfast in our commitment to support communities across the country. Together, we will all move past the pandemic, into a safer and more sustainable new normal.

Laying the Foundation for the New Normal

Our strategic thrusts in digitalization, customer centricity, sustainability, and leadership & people development, have become more important especially in light of rapidly changing consumer behavior and an evolving business environment. These critical enablers, as well as our redefined purpose, values and long-term view, allow JGS to quickly respond to the COVID-19 disruption and adapt to the new normal. These also enable the group to capitalize on emerging opportunities, propel overall recovery and growth, and help create a better normal for all our stakeholders.

Business Units' Initiatives and Developments

Cebu Pacific

Started right sizing its network, crew, ground support, and administration staff.

JG Summit Petrochemicals Group

Anchors its strategy on the principles of "Adjust, Adapt and Affirm" for managing change and rethinking ways of working in the new normal.

Implemented "Accelerate Leadership Development" program that aims to provide high potential and emerging leaders a unique learning path that will allow them to experience critical leadership skills in both classroom and experiential settings.

Robinsons Bank (A Commercial Bank)

Created its digital organization.

Continuously strives for the improvement of its employees through 372 training programs, covering 25,208 RBankers.

Robinsons Land Corporation

Maximizes the use of digital platforms to drive employee engagement, productivity and commitment.

Introduced Agile Ways of Working in Malls division by appointing Agile champions.

Hotels division went through a reorganizational change in 2020 by redelegating responsibilities to improve overall efficiency and productive output.

Universal Robina

Launched 'URLearning,' a platform where employees can access webinars, modules, and courses at their own pace and time.

LIPAD (Luzon International Premier Airport Development Corporation)

Continuity plans, protection of wellbeing, securing tenure, financial support, and other related matters were transparently shared across the organization.

JGDEV

Hired two directors specializing in portfolio management for local and regional investments.

DHL (In partnership with JG Summit Holdings, Inc.)

Conducted trainings to help employees become Certified Supply Chain Specialists and Certified Supply Chain Managers.

Leadership and People Development

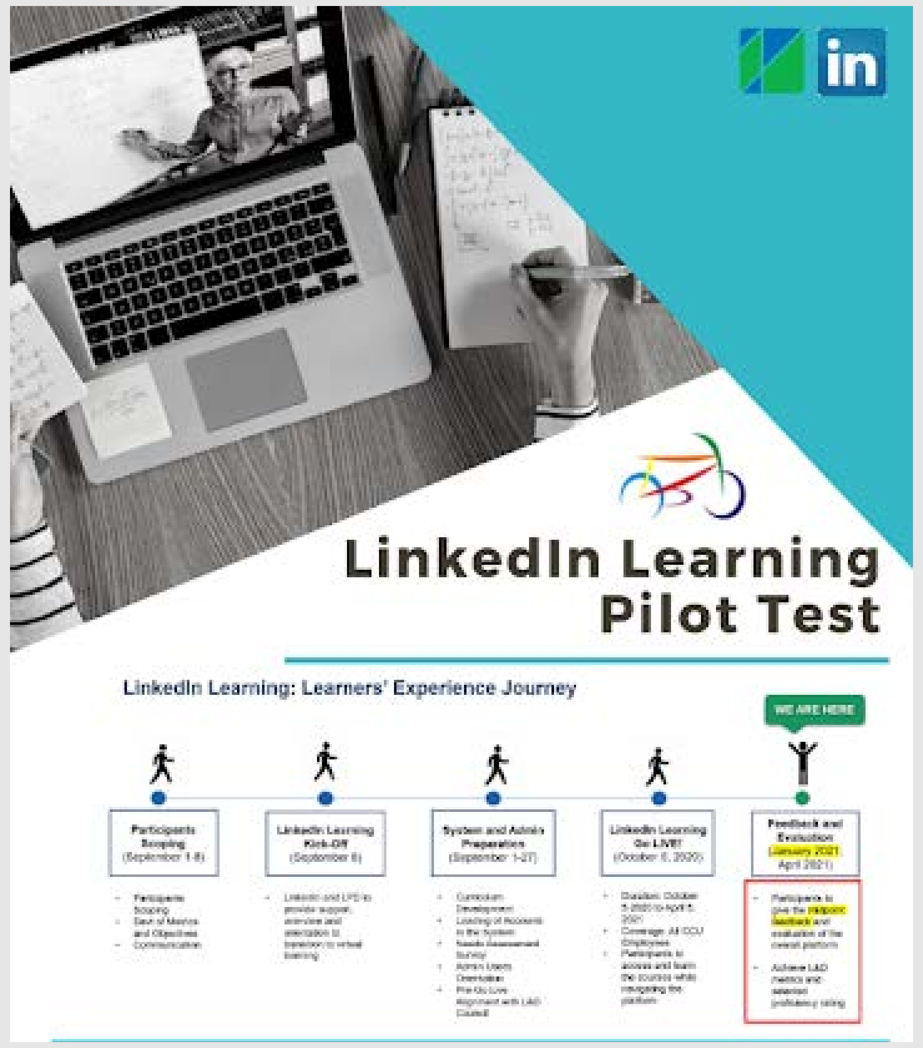
We will build a leadership that creates conditions for employee engagement and high performance. This involves building a culture around purpose, values and critical leadership attributes for the future; targeted attraction and retention of key talents; further development of leadership and functional capabilities; and building resilient and highly collaborative teams upholding continuous improvement and integrity.

2020 has been challenging yet rewarding in Leadership and People Development (L&D). The pandemic has further elevated L&D's role in the group's strategy. It has sharply increased online learning usage, and has accelerated the trend for remote working. As we navigate and redefine what the "next normal" will constitute, we will continue driving the organizational culture and equipping our people with the skills and mindsets focused on adaptability and building resilience within JGS.

Trainings and Seminars

During the second quarter of 2020, we shifted to a safer alternative for our learners through e-learning, online training and virtual communication which can be successfully implemented throughout the workforce, even from home.

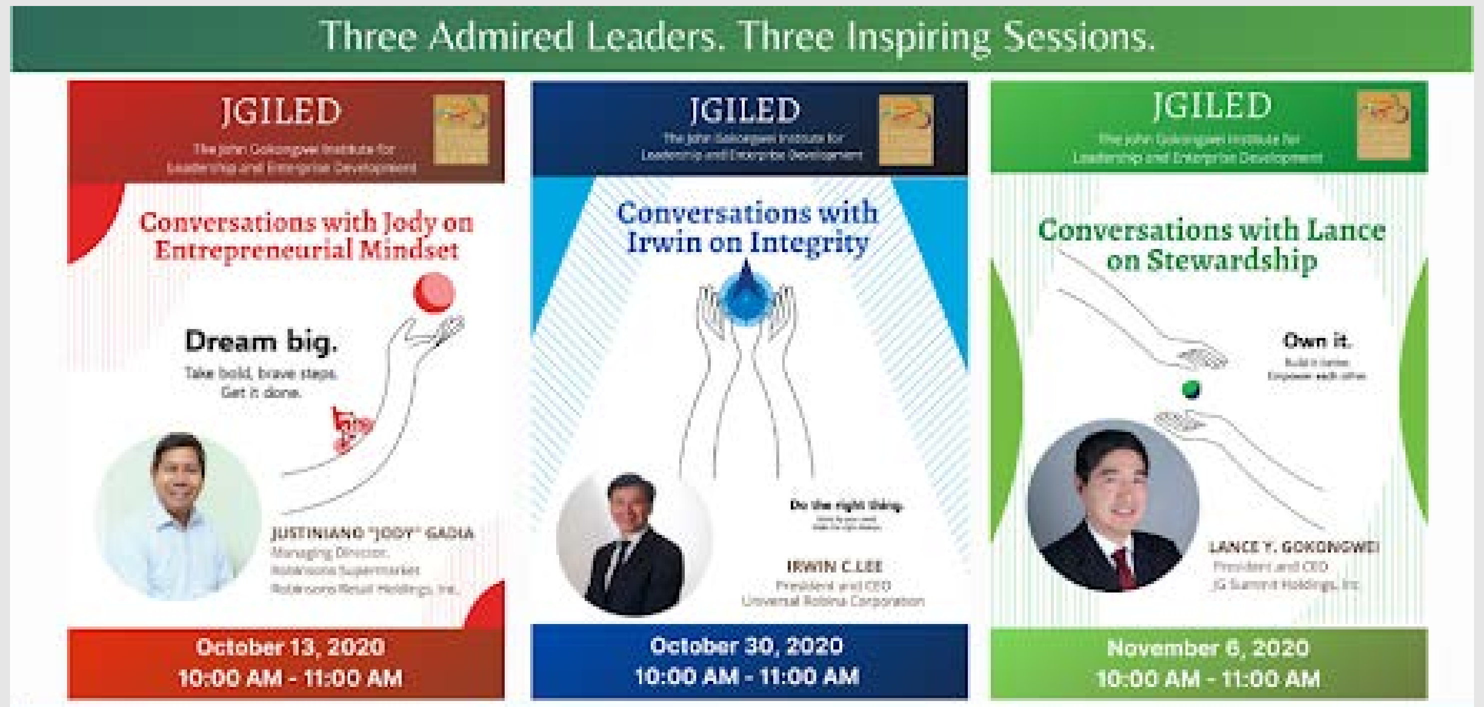
We launched the **JGILED Virtual Learning Program (VLP)** to support 12 weeks of learning focused on courses on health and safety, remote working environment, psychosocial support and leading through crises. It aimed to increase employee awareness and levels of productivity while under lockdown.



After launching the VLP, we partnered with LinkedIn Learning in June to activate digital learning systems and platforms which can provide self-directed learning content, and can offer our employees the flexibility to learn anytime, anywhere.

LinkedIn Learning has over 10,000 courses in its library taught by hundreds of industry leaders and experts. This powerful tool supported us as we mapped out a competency-based learning architecture with a more expansive and curated content linked to the JGS Competencies. It has been piloted to 1,000 users, across all levels, in the conglomerate for 6 months.

While we strengthened our digital delivery, we also embarked on key transformations with the embedding of the Purpose, Values and Ambition (PVA), a purposeful OGSM-based strategy model and the Corporate Center Units' (CCU) redesign – making the Strategic Business Units (SBUs) more empowered. These provide JGS leaders and employees with new mindsets, behaviors and capabilities to continuously compete in this era of hyper change.



L&D harnessed the organization's critical capabilities by implementing the **7 JGS Thought Leadership Series** among targeted JGS leaders with 292 graduates. We have also organized targeted leadership development cohorts in collaboration with key 7 JGS consulting partners. In addition, we crafted and presented L&D strategies and restart plans to support a competency-based JGILED curricula by introducing relevant core leadership programs year-round. JGS leaders also facilitated "echo sessions" for specific groups through the Harvard Business Review learning platform which uses the 3-Person Teach strategy to help propel a robust learning organization.

Another milestone in L&D is the introduction of the **Conversations with JGS Leaders**. The sessions explore the core values of Entrepreneurial Mindset, Integrity and Stewardship and how the behavioral dimensions are practiced in the context of JG Summit. **Mr. Jody Gadia, Managing Director of Robinsons Supermarket talked about Entrepreneurship; Mr. Irwin Lee, URC President and CEO, spoke about Integrity and Mr. Lance Gokongwei stressed the importance of Stewardship.**

Stewardship warrants that we are well guided as we go through this learning experience. Investing in people needs to be well managed as they are vital in the company's continuous growth. As our President and CEO, Mr. Lance said,

" This period in our company's history belongs to us. And in each of us lies the power to define this period. Let us all work hand in hand, to ensure that by owning it, by building it better, and by empowering each other, we will be able to make this period a shining moment in our company's history. "

Organizational Transformation

The organizational transformation of the Gokongwei Group has undergone adjustments given the current business realities and market dynamics. At the corporate level, the group has revisited its parenting model, adapting to new ways of working while maintaining competitiveness. The corporate center is evolving its control over the various SBUs from a highly centralized authority to a leaner and more flexible center with governance and collaboration at the forefront. The new ways of working are anchored on digital acceleration and values-based leadership. All these transformational initiatives are aimed at maintaining the group's competitive advantage and overcoming uncertainties and difficult business conditions. As a result, the corporate center has undergone an organization redesign focusing on the consolidation of the corporate offices from eighteen (18) to seven (7) direct reports to the JG Summit President and CEO. This allows the President and CEO to focus on strategic group-wide efforts while empowering the SBUs to drive their own operations.

Employee Wellness

We aim to look after the holistic well-being of our employees. When it comes to wellness, we provide better choices to meet various employee needs. Given the events of 2020, all the more that we had to ensure that we put in extra effort to take care of our employees.

Health and Safety was of paramount importance. Through COVID Care at the Gokongwei Group, our telemedicine service, we had a dedicated channel where employees could seek proper medical assessment and monitoring in relation to COVID-19.

We exercised heightened Health and Safety Protocols in all of our sites. This included the accomplishment of Daily Health Monitoring, which was further digitized through the JG Health App. We facilitated RT-PCR testing for employees and dependents through our partner facilities, and assisted with access to hospital rooms in coordination with our nationwide hospital network.

These initiatives were supported by information campaigns and regular webinars so that employees would be equipped with the latest information in the battle against COVID-19. Employees could also avail of the JGS Voluntary Benefits Program wherein they could choose flexible health and life coverage to put their minds at ease.

Given the strain of COVID-19 on the economy and on people, we had to ensure that we looked after our employees' mental health. To this end we provided seminars and other avenues wherein employees could learn to better support themselves.

Across the group, we implemented Engagement Activities in line with the current situation. We held regular townhalls and catch-up sessions at various levels, online quiz nights, virtual fitness sessions and more, engaging our people through digital means so that the distance would not be felt.

The Pride in Performance Awards, our group wide annual recognition program, continued onto its landmark 10th year through an online broadcast to the whole conglomerate.

Moving forward, we will continue to adapt our employee well-being initiatives. By knowing the pulse of the people and adjusting to the current landscape, we can continue to provide support for our employees in relevant ways.

> "Given the events of 2020, all the more that we had to ensure that we put in extra effort to take care of our employees."

Business Units' Initiatives and Developments

Cebu Pacific

Launched SMART Kargo and Enterprise Data Warehouse.

Implemented several digitalization initiatives like 100% Digital HR Processing, Contactless and Digital Frontline services and digital vendor transactions (Invoice Management and Payment Processing).

Universal Robina

Launched various dashboards for sales, headcount, employee attendance, operating expense monitoring.

DHL In partnership with JG Summit Holdings, Inc.

Utilizes its state of the art Transport Management System (TMS) with several interacting systems such as GPS, PowerBI, DeliveryConnect, and MySupplyChain Track and Trace.

Provides real-time delivery milestones through a mobile application used by the drivers, DeliveryConnect.

JG Summit Petrochemicals Group

Implemented information management systems for data reliability, process control systems for plant operations, automation of workflows, and digital infrastructure and applications development for business continuity.

LIPAD (Luzon International Premier Airport Development Corporation)

Strengthened its digital channels in order to provide accurate and timely information to the public.

Robinsons Bank (A Commercial Bank)

Fast-tracked a wide range of digital transformation initiatives such as utilization of Microsoft Teams as a platform for online meetings, document sharing, and etc.; and revamped its company website.

Launched new digital products/ services to customers which include RBank Sign Up, RBank QuickR, RBank Digital.

JGDEV

Hired a strategy and collaboration director to introduce SBUs to new technologies in line with the Group's digital transformation.

Robinsons Land Corporation

Introduced several digital platforms for its Malls such as Mall Dash, a virtual mall that allows customers to order online from stores within a specific Robinsons Mall; and Partners' Portal, a web-based portal for tenant-partners; and virtual mall directory.

Set up sellers & buyers portals, online systems for booking & payments, and appointments, and virtual tours for its Residential Division.

Digital Transformation

We will harness new ways of working and technology to maximize core growth and efficiency, and generate value through ecosystem synergies. This involves maximizing productivity via digitalization of the core, as well as pursuing new business opportunities by fusing technology, the JG Summit's ecosystem, and data.

Digital Transformation Office

As a center of excellence, the Digital Transformation Office (DTO) develops digital fluency and competency across the conglomerate. The DTO's Launchbox program, where participants learn to apply digital frameworks in real-life projects, produced two batches of graduates in 2020.

The first season of Launchbox was all about the process of developing digital products, starting with the discovery of the customer problem that needs to be solved, all the way to value creation by delivering desired outcomes. The first batch of Launchbox graduates produced the following output:

Robinsons Bank's QuickR feature for contactless fund transfer transactions using QR technology

Robinsons Land's myRLC Homeowner's Portal which streamlined communication and processes between RLC condominium residents and their building administration offices

URC Global Exports division's Order Management System (OMS) which addressed external export clients' concerns with placing orders manually, and the Global Export Product Availability Dashboard (GxPAD) for internal URC users to have a single source of truth for status of clients' orders

The second season focused on growth hacking, a technique that combines elements of marketing, data, and technology in order to grow the user base or gain new customers. In the second season of Launchbox, the digital transformation leads trained teams representing:

Universal Robina Corporation's social commerce via its URC Distributor Network Facebook page

Robinsons Bank's RBank Digital mobile app revamp

Robinsons Land's Ring Rob Concierge

Outside the Launchbox program, the DTO helped JG Summit's businesses reimagine processes and user experience. In URC's Project Judith, design thinking and being agile promoted transparency and collaboration in the URC plants, and these new ways of working were instrumental in solving URC's payment-on-time issues. In the same manner, design thinking paved the way for the JG Summit Employee Experience Team to discover the behaviors, motivations, and specific needs of its internal customers, that is, the conglomerate's employees. This cross-functional team is driven by its common goal of making employees' lives simpler yet more productive and more fulfilling, and has since been constantly improving and transforming internal processes and platforms for the employees' benefit.

Moreover, the DTO constantly partners with SBUs to identify synergies and generate business value from digitally-enabled projects.

In 2020, the Digital Transformation and Corporate Services (DTCS) department was formed. This is a consolidation of the Digital Transformation Office (DTO), Corporate Information Technology (CIT), and Aspen (internal shared services group) under a single corporate center unit. The purpose of this consolidation is to accelerate customer-centric transformation within the Gokongwei Group by leveraging digital technology, culture and capabilities.

Business Units' Initiatives and Developments

Cebu Pacific

Introduced Omni-X for better online customer experience to drive traffic digitally, availability of RT-PCR Tests for only P700, and Test Before Boarding initiative.

Provided timely COVID-19 updates to its customers and revitalized refunds and travel voucher process.

JG Summit Petrochemicals Group

Established the Market and Product Development Division as a response to polymer customers' evolving needs.

Successfully executed initiatives such as the joint packaging development work with various converters that resulted to reduced polymer consumption and energy inputs, and conversion to polypropylene; and product development work for hygiene bags that conform to United Nations specifications for containment of infectious substance and medical waste (UN 3291).

Robinsons Bank

Created new products and services to fulfill the customers' needs which include RRewards Savings, e-Ayuda, and seamless payroll solution (in partnership with Sprout Solutions, Inc.).

Expanded its geographic reach with three new RBank branches, 29 new RBank ATMs, and two new LSB branches.

LIPAD

Set up One Stop Shop which provided passengers and repatriates with seamless and hassle-free arrival experience.

Universal Robina

Introduced alternative selling channels for better customer service such as eCommerce (partnership with Lazada), Social Commerce and Direct to Consumer (URCommunity Mart).

Improved its rank in the Advantage survey, which is answered by retail partners, from 13th to 7th.

Robinsons Land Corporation

Implemented healthy and safe protocols in its premises across all divisions. Tapped alternative platforms to reach out to customers such as Viber communities, personal shopper, etc.

DHL in partnership with JG Summit Holdings, Inc.

Meets its customers' needs by having real-time data visibility of milestones through a web-based interface called the MySupplyChain Track and Trace.

DAVI

Partnered with Facebook to launch a first in the world online to offline solution - Collaborative Ads for Store Sales (CASS).

Teamed up with NielsenIQ to provide customized product offers to Robinsons Rewards members through big data analytics.

Customer Centricity

We will have a stronger focus on both internal and external customers through enhanced employee and customer experience. This involves streamlining processes and driving robust innovation across businesses, optimizing synergies between the CCUs and the different SBUs, as well as making SBUs and CCUs work faster and more responsive to customer needs and demands.

JG Summit's Employee Experience Initiatives

In 2020, a key priority was continuously improving the Employee Experience by enhancing key touchpoints in the employee journey. This served as a foundation for building a customer-centric culture and sustaining an engaged workforce.

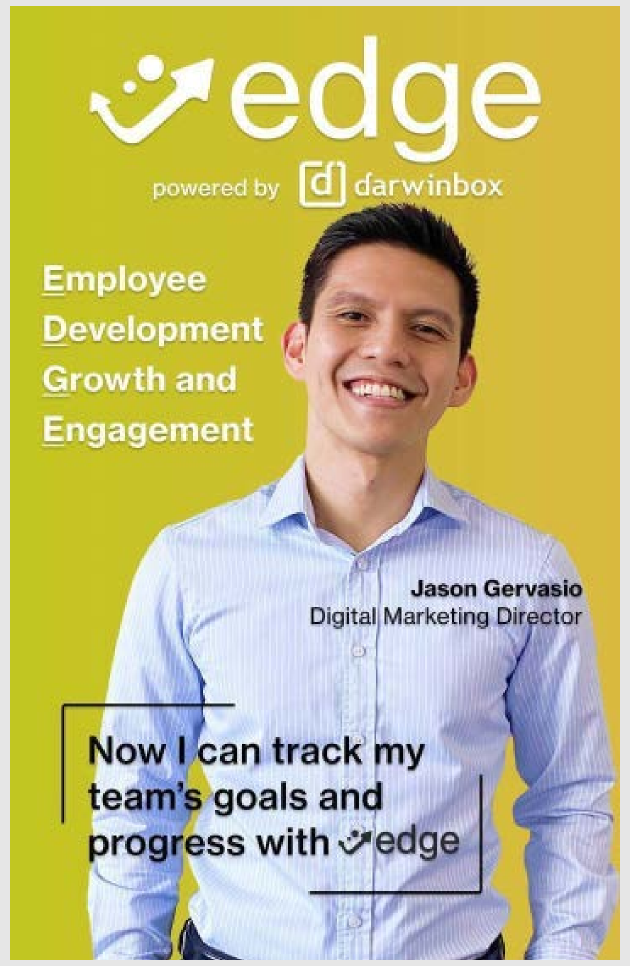
One of the key milestones in 2020 was the successful implementation of the Employee Service Portal in most of our SBUs. This initiative transformed how the major employee services are requested and processed, such as benefit claims, certificates and loans.

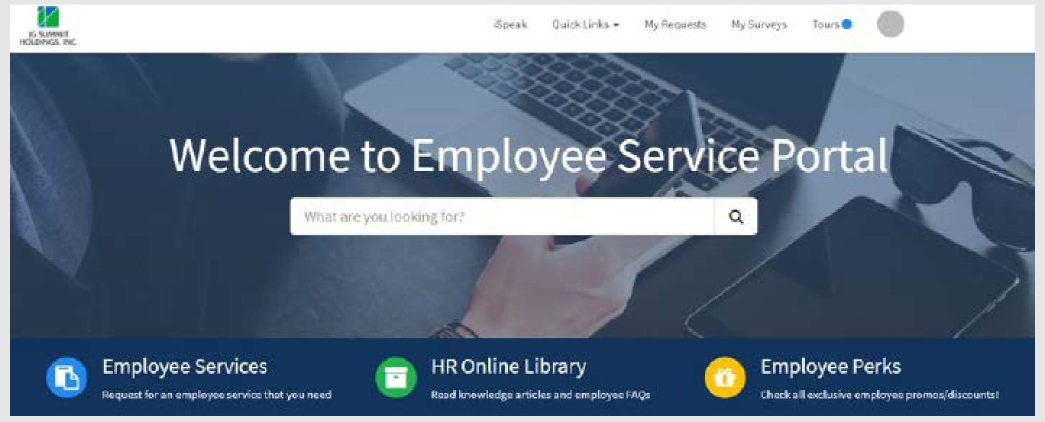
For 2020, it achieved a 90% overall Customer Satisfaction (CSAT) score based on feedback from our employees for services availed. Adoption was high as the Employee Service Portal, which is powered by the ServiceNow Platform, welcomed more than 177,000 visits from our employees. It paved the way for employees to track their requests digitally, access information in one central location, and facilitate self-service where possible via our HR Online Library.

In addition, Employee Listening continues to be a key ingredient in further iterating and enhancing key touchpoints and ways of working. For 2020, we turbo-charged how we pulse our employees through the Qualtrics Platform, which is one of the leading solutions globally in conducting survey research.

Because of our upgrade to a more digital way of collecting employee feedback and external benchmarking capabilities, we have implemented Engagement Surveys, COVID-19 & Remote Work pulse surveys, and other Employee Listening mechanisms in the employee journey to serve as an input for data-driven actions to improve the employee experience.

These frequent pulses were helpful for agile action planning, especially with the changes that the pandemic has brought to the workforce.





As we head to 2021, we will continue our HR digitalization initiatives through further improvement of our Recruitment and Talent Management processes and touchpoints. We concluded 2020 by conducting a holistic and rigorous evaluation of several solutions providers who could best enable us to achieve our desired experience for our stakeholders, Darwinbox being selected. Using Darwinbox, the varied HR functions—including recruitment, onboarding, performance management, and talent management—of several companies in JG Summit will be digitalized and simplified.

Business Units' Initiatives and Developments

Cebu Pacific

Optimizes its fleet by maximizing NEOs and preserving inactive aircrafts (as of end-January 2021, 14 aircrafts are in Alice Springs, Australia for storage).

JG Summit Petrochemicals Group

Provided and distributed several tranches of food aid throughout the year, in partnership with the Gokongwei Brothers Foundation to its host and neighboring communities.

Under its One Million Trees Project, a total of 86,594 seedlings were donated in 2020.

Continued rehabilitation work in Boracay Wetland No. 8 which includes information, education and communication campaigns for community residents and students, clean-up drives and tree-planting activities, and the completion of a biodiversity center that now houses a tree nursery.

Robinsons Bank

Tapped as a financial service provider for the 2nd tranche of the DSWD's Social Amelioration Program for unbanked beneficiaries.

Continuously offered loans such as Microfinance, Motorcycle Financing, Teachers Loans, Schools, Regional Lending and Countryside Development.

Robinsons Land Corporation

Malls division maximized solar power output and use of energy saving equipment; and fostered partnerships with companies and local government units that promote green energy such as e-trikes and e-jeepneys.

Residential division launched Green Initiatives for water and energy conservation.

Universal Robina

URC partnered with the Department of Agriculture to implement Sustainable Potato Program to help the local farmers increase their yield and scale-up productivity. Since the program started in 2019, URC has distributed 270 metric tons (MT) of Granola potato seeds to 643 farmers from select cooperatives.

Installed solar panels in one of the biggest facilities in the Philippines. Panels have been designed to reduce approximately 900 metric tons of CO_2 every year

LIPAD

Earned the Airport Health Accreditation from Airports Council International, proving that the airport's health and safety measures are aligned with international aviation standards.

DHL in partnership with JG Summit Holdings, Inc.

Secures its future by having a reputable customer base and continuing to expand within and outside the JG Summit ecosystem.

Sustainability

We will accelerate our sustainability agenda, programs and practices by integrating into all businesses and stakeholder engagements across the group. This involves developing an inclusive Environmental, Social and Governance Program and Risk Management Framework together with a stewardship mindset in our organization.

Our Sustainability Journey

At a time when dwindling natural resources, climate-related risks, and the ever-evolving needs of the public greatly impact the success of communities and businesses, a holistic sustainability agenda is crucial for risk protection and business continuity.

At JG Summit, we understand that sustainability philosophies, programs, and processes are becoming the global standard for business strategy, benchmarking, and overall performance monitoring. In line with this, the SBUs have been working to institutionalize sustainability practices into their operations and benchmark their sustainability performance against global standards.

In the last three years, we have focused on establishing a solid foundation for our sustainability agenda by institutionalizing our Sustainability reporting processes based on the GRI methodology.

As we move forward in 2021, we initiate our climate journey by adapting the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) by:

1. Enhancing our enterprise risk management to include sustainability risk.
2. Relooking at our ESG strategy and developing climate related targets.
3. Reviewing and refining our management approach and oversite in climate related issues.

2016

Universal Robina Corporation started incorporating sustainability practices into its business strategy

2018

Lance Y. Gokongwei became President and CEO of JG Summit Holdings and announced that Sustainability is a key enabler to the success of the business.

The JG Summit Sustainability Leads Council was created to help the subsidiaries develop their Sustainability Agenda.

Universal Robina Corporation published its first sustainability report.

Corporate Affairs and Sustainability Group was appointed to lead the development of Sustainability Strategy together with subsidiaries in tandem with Corporate Investor Relations Group.

2019

Robinsons Land Corporation published its first sustainability report.

Cebu Pacific released its first sustainability report.

JG Summit held a CEO Summit where each SBU created a five-year business strategy integrating sustainability processes.

2020

Publication of the inaugural JG Summit Sustainability Report 2019.

2021

JG Summit initiates climate journey together with subsidiaries.

In 2018, as JGS entered a new generation of leadership under President and Chief Executive Officer Lance Gokongwei, we also marked a renewed commitment to long-term sustainability. Led by the Corporate Affairs Group, our team began the journey by introducing the concept of sustainability to the SBUs in the 2018 GRI Standards Training and Materiality Courses. This training series along with comprehensive stakeholder engagement helped the SBUs review and identify sustainability issues material to their stakeholders and integrate these issues into their respective five-year strategies. Out of these material topics, top management finalized priority areas for the Gokongwei Group.

Upon conclusion of these processes, JGS gained a better understanding of the relevant ESG (environmental, social, and governance) impacts of the conglomerate and its subsidiaries.

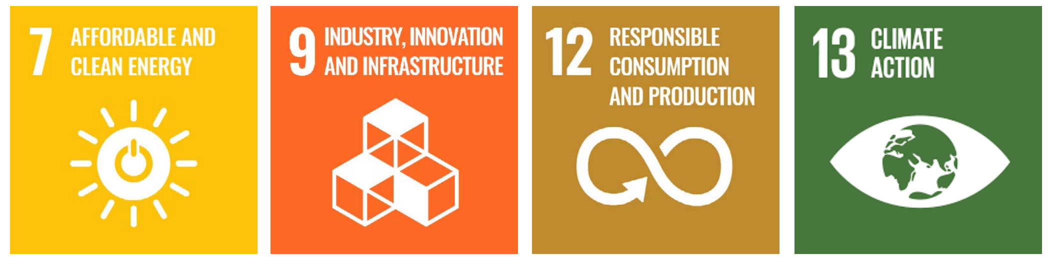
In turn, the emerging material topics allowed the creation of the JGS Sustainability Framework that serves as the company's guide as we strive for an enduring Gokongwei Group legacy of inclusive growth and sustainable success for the benefit of all stakeholders.

Thriving through Generations

JG Summit Sustainability Framework

The company recognizes sustainability as a fundamental element of its business, in line with subsidiaries' targets to give Filipinos access to products and services that improve their quality of life and to strive for inclusive growth for the benefit of all stakeholders. Additionally, sustainability practices highlight the importance of safeguarding the business units from external risks. As captured by the group-wide sustainability agenda Thriving Through Generations, these targets pave the way for an enduring Gokongwei Group legacy of economic, environmental, and social impacts that contribute to long-term inclusive development.

From this vision and anchored in our core purpose of maintaining an unrelenting commitment to provide our customers with better choices, creating shared success with our stakeholders, the Sustainability Framework emerged. It is articulated supported with five key areas of focus: Shared Success, Climate Action, Resource Efficiency and Circularity, Better Choices, and Leadership and People Development.



Climate Action

We will reduce and/or offset our carbon emissions and strengthen our climate-related risk management.

Resource Efficiency and Circularity

We will optimize our use of natural resources and promote circularity.

Shared Success

We will continue to grow and invest in business to enable shared success across our different stakeholders.

Employee Engagement and Development

We invest in our greatest asset, our people, to thrive in the workplace of the future.

Better Choices

Our portfolio will continue to drive innovative and accessible products and services that improve quality of life.

Strategic Business Units & Investments

Strategic Business Units

Universal Robina

Robinsons Land Corporation

Robinsons Bank — A Commercial Bank

JG Summit Petrochemicals Group

Cebu Pacific

Ecosystem Plays

LIPAD — Luzon International Premier Airport Development Corporation

DAVI

JGDEV

DHL — In partnership with JG Summit Holdings, Inc.

Core Investments

Meralco

GBP — Global Business Power

Singapore Land Group Limited

PLDT

Strategic Business Units

Universal Robina Corporation

"The best response to the challenges we face with this crisis is to push forward, not to pull back. We are focused on better serving our consumers, our customers, and our communities. Consumption of our products is not likely to dissipate; in fact, the relevance of our categories in consumers' lives potentially increases as we adjust to changing consumer and shopper trends. As we look to the future and the new normal, we remain well-positioned for the long-term to delight everyone with good food choices."

- Irwin C. Lee

President and Chief Executive Officer

2020 Financial Performance and Key Developments

Despite the challenges faced in 2020 brought about by the pandemic, Universal Robina Corporation (URC) ended the year with net sales of Php133.1 billion, a slight decline of 1% versus same period last year (SPLY). Operating income (including hogs market valuation) however grew faster at 7% to Php16.0 billion, improving overall margins by 86 basis points year-on-year (YoY). Key performances of our business are as follows:

Revenues

Php133.1 billion

1% decline vs SPLY

Operating Income

Php16.0 billion

7% growth vs SPLY

Net Income attributable to equity holders of the parent

Php10.7 billion

10% growth vs SPLY

BCF Philippines*

Revenue ended flattish at Php 61.2 billion, as growth of Snacks, Noodles and other filler type categories were able to offset decline of dependent on out-of-home consumption categories such as RTD beverages. Operating income on the other hand is up 6%, benefitting from favorable costs mix and product supply chain transformation.

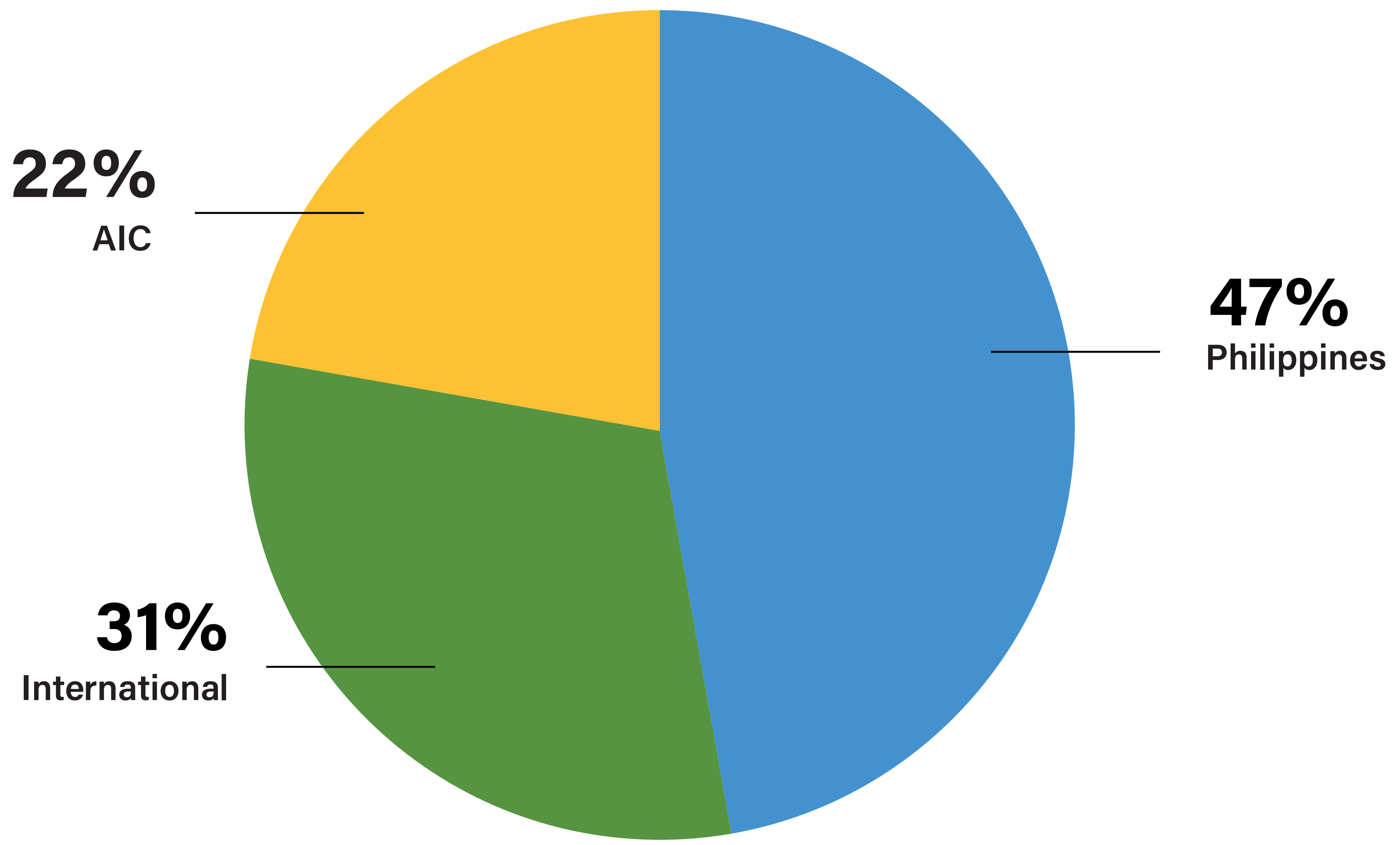
BCF International

Consolidated sales in peso terms of Php 41.2 billion, down 5% versus SPLY, held back by foreign exchange translation. Looking at a constant currency basis, both top line and bottom line ended flattish vs. SPLY. Growth in Oceania was able to offset sluggish sales of other markets while cost savings initiatives and austerity measures across the countries helped maintain operating income.

Agro-Industrial & Commodities (AIC)

Revenue increased by 7% versus SPLY to end at Php 29.6 billion, mainly driven by the Sugar and Renewables group. Operating income grew stronger, posting double digit growth of 19% to end at Php 5.7 billion. Higher volumes in Sugar and lower input cost for Flour and Animal Nutrition and Health helped propelled profit growth.

Revenue Breakdown

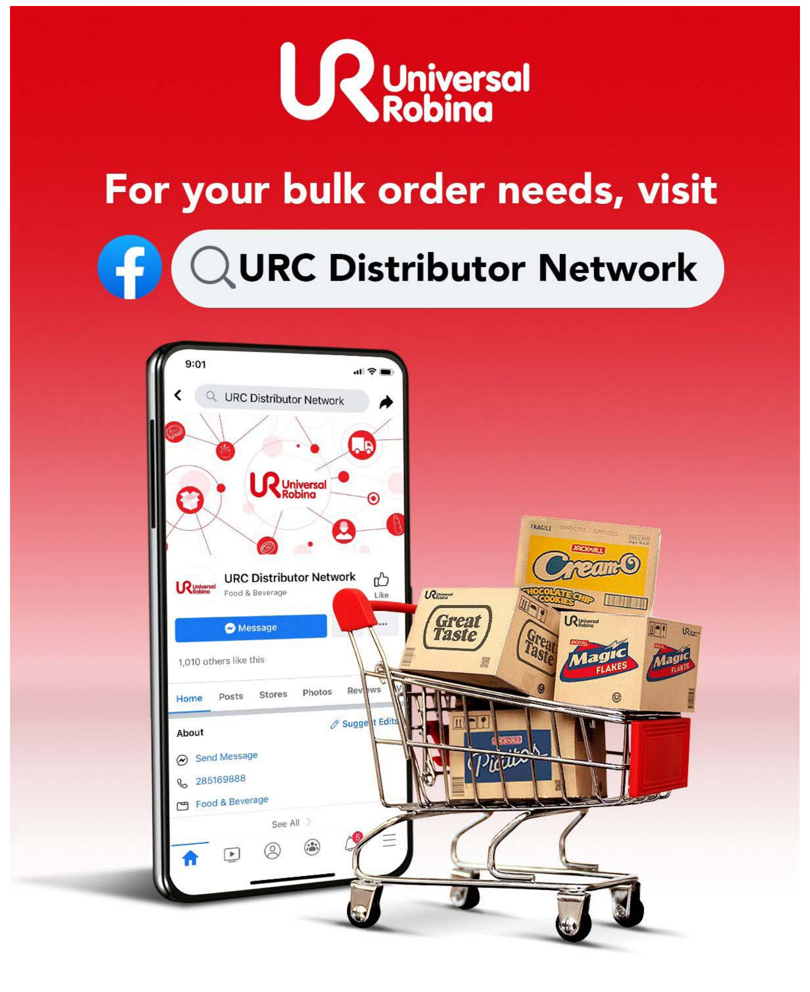


** excludes packaging*

COVID-19 Response

As URC faced the Covid-19 crisis, the company identified key immediate priorities to ensure that the company is there for their employees, consumers and the communities where it is present and operate. The company evaluated and updated measures at work to ensure the health and safety of its employees, from conducting mandatory Covid-19 training and heightening hygiene protocols, to providing free shuttles, meals, lodging and comprehensive medical care. Moving past its walls, URC continued its support to the communities both here and abroad through donations of both cash and products.

In the Philippines, the company partnered with GBF to provide immediate support to the frontliners. Parts of the production line were temporarily repurposed to be able to manufacture reusable face shields to help augment the requirement of our essential workers. Over 100,000 units were delivered to 26 hospitals in April and May 2020. URC continued to work with local government units to be able to operate fully and ensure product availability in the market for its consumers. Mitigating actions were done to ramp up production and logistics capabilities. In addition, alternative selling channels were introduced to cater to lockdown situations and address shifts in retail landscape.



Business Outlook

Looking at 2021, URC will continue its thrusts to provide products and brands people love, also ensuring that the company is seen as a preferred partner of choice by both suppliers and customers. The company will carry on with its product supply chain transformation while upholding its people and planet friendly culture.

Robinsons Land Corporation

"Amid the challenges of 2020, we embraced a mindset of innovation and dedication to continue serving our customers. We capitalized on new opportunities for growth and accelerated digital transformation initiatives to cushion the impact of the pandemic.

As we navigate our path to recovery, we will continue to provide relevant real estate solutions, while prioritizing health and safety. Together with our partners, we will work towards strengthening corporate agility and sustainability to deliver value to our stakeholders."

- Frederick D. Go

President and Chief Executive Officer

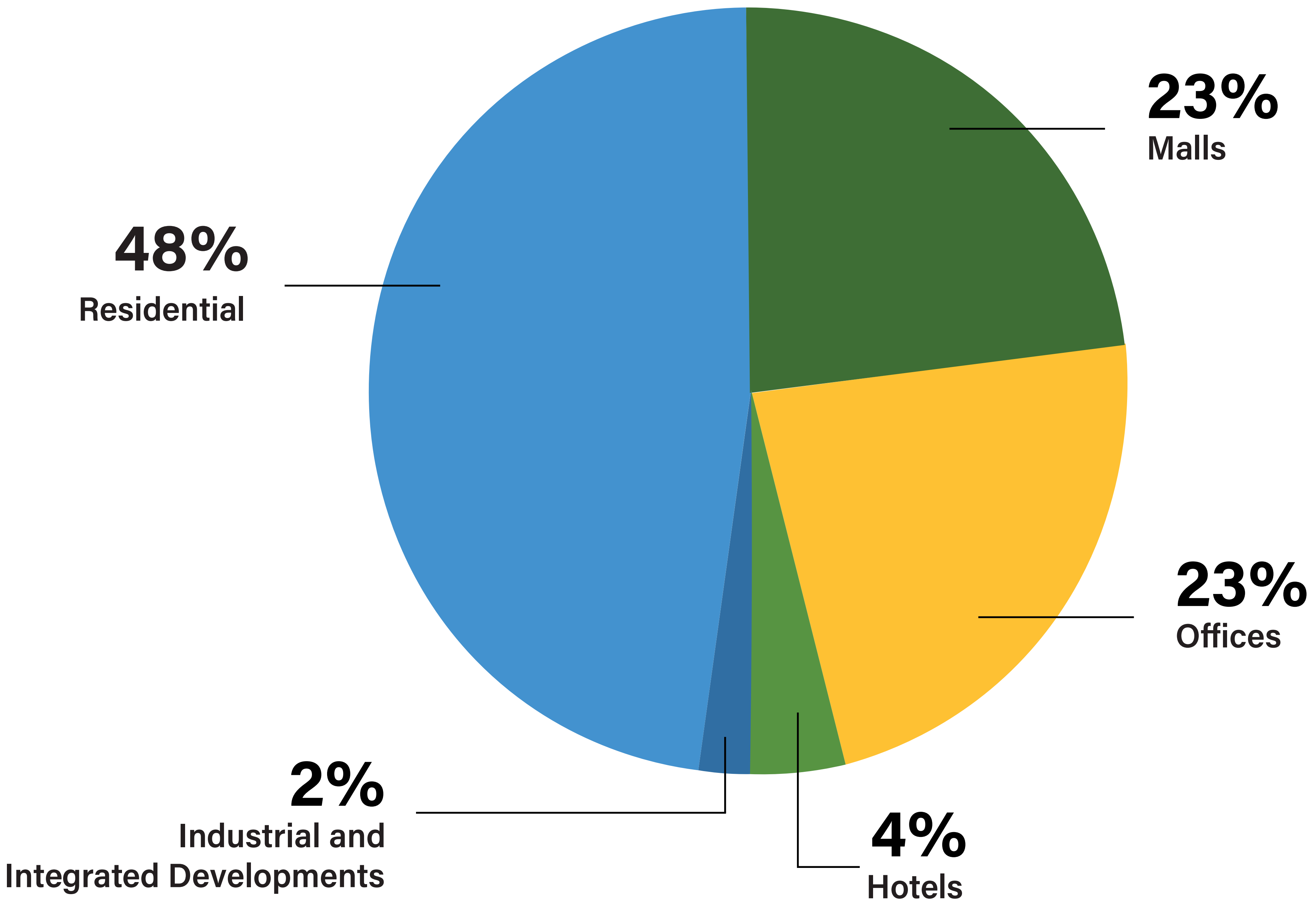
2020 Financial Performance and Key Developments

In a year marred by global uncertainties and unprecedented challenges, Robinsons Land Corporation (RLC) demonstrated the resilience of its diversified portfolio as it generated positive cash flows across its business units. The Company capped 2020 with EBITDA of Php13.7 billion and Net Income of Php5.3 billion, which declined by 21% and 39%, respectively versus same period last year. Consolidated revenues registered at Php24.9 billion, down by 18%. The Company's investment portfolio, composed of the malls, offices, hotels, and industrial facilities, contributed 51% of total revenues, while the 49% balance came from the sale of residential units and land parcels that form part of the development portfolio.

RLC maintained a strong financial position with Total Assets at Php215.2 billion and Shareholders' Equity at Php102.7 billion. Its liquidity position remained intact following a Php13.2 billion bond offering in July, which obtained the highest credit rating of "PRS Aaa with a stable outlook" and was well-received by the debt capital markets. The Company also distributed Php2.6 billion or Php0.50/share in cash dividends in 2020, delivering on its commitment to return value to shareholders.

Revenues	EBITDA	Net Income
Php24.9 billion	Php13.7 billion	Php5.3 billion
18% decline vs SPLY	21% decline vs SPLY	39% decline vs SPLY

Revenue Breakdown



Total Assets	Shareholders' Equity	Distributed Cash Dividends of
Php215.2 billion	Php102.7 billion	Php2.6 billion
		or Php0.50/share

COVID-19 Response

RLC and its dedicated employees continued to serve its customers, business partners, and stakeholders in the midst of the COVID-19 crisis. At the height of community quarantines, RLC malls and offices remained open to support establishments offering essential services; while the residential group worked relentlessly to ensure safety and security across all its condominium properties. Likewise, RLC's hotels served as temporary homes for returning Overseas Filipino Workers (OFWs) and guests under quarantine.

As the Company sustained business operations, employee welfare and protection remained of utmost priority. Amid trying times, RLC provided salary continuance, financial support for frontliners, nutrition supplies, temporary accommodations, as well as free shuttle services. The Company also adopted remote work arrangements and supported a digital workplace to minimize health and safety risks.

The financial and operational challenges of the pandemic likewise forced a pivot in short-term business strategies. RLC faced an altered real estate landscape with a spirit of reinvention, accelerating digital transformation and shifting business models to deliver relevant customer experiences in the new norm. Through innovative real estate solutions, the Company proved its ability to adapt to the context in which it operates.

RLC introduced three innovative solutions for worry-free shopping experiences in its lifestyle centers. Robinsons Malls' Pickup Station, RDelivery, and RPersonal Shopper offer safe and easy ways for customers to shop at the comfort of their homes, while enabling partner tenants to expand customer reach.

For its residential division, the Company digitized the day-to-day transactions of its residential property sellers, buyers, and condominium unit owners through the Sellers Portal, Buyers Portal and myRLC Homeowners Portal, respectively. Conceptualized and developed before the crisis struck, these platforms prove that RLC's digital transformation initiatives are future-ready.

With travel and tourism at a standstill, RLC repurposed its hotel accommodation facilities and developed new products to sustain business operations. Just-Got-Home, a long-stay service program, was launched for urban professionals looking for budget-friendly and convenient "home-away-from-home" accommodations near their workplaces. Select hotels were also transformed to Working-On-the-Go Private Offices for the growing work-at-home population. Inclusive of WiFi access, basic utilities, and free cleaning services, the private office packages offer increased work productivity and the conveniences afforded by the remote work arrangement.

The pandemic not only pushed the Company to new territories, it likewise strengthened demand for one of RLC's future-ready developments – its flexible co-working spaces under the work.able brand. The homegrown concept offers plug-and-play work areas, private offices, dedicated desks, meeting rooms, and event spaces. Equipped with modern and world-class technology and amenities, such as digital flipcharts, interactive laser projectors, smart TV, high-speed internet, game rooms, and other various engaging features, work.able addresses workplace challenges in the new normal with the right blend of safe, well-designed, and easy-on-the-pocket office options. Across its businesses, the Company rolled out several other digital solutions for the safety and convenience of its customers and employees. These include the introduction of a wider range of flexible payment options, online ordering systems, the contactless hotel check-in process, and a virtual mall directory, among others.

Business Outlook

Despite unprecedented headwinds in 2020, RLC remains stable, strong, and well-positioned to rise above uncertainty. As it faces the lingering effects of the health crisis, the Company has mapped out strategies to deal with near-term market uncertainties and to take advantage of investment opportunities that will support its post-pandemic recovery and growth.

Looking ahead, RLC will continue to expand its businesses, to diversify, and invest in scale. It will take steps to grow its land bank through strategic property acquisitions, while actively pursuing synergistic opportunities with both public and private institutions to deliver projects of greater value to its customers.

With the Company's clear focus on driving synergy, innovation, and agility, RLC is optimistic that it will achieve sustainable profitability and market leadership in the years to come.

Cebu Air, Inc.

"It is no secret that 2020 has been the most unprecedented and challenging year for CEB. Starting with a volcanic explosion in January, to the COVID-19 pandemic which resulted in air travel lockdown from mid-March to early June, this was a year where the aviation industry had to stop and gradually restart to what we now call the new normal. Amidst the various commercial and operational concerns we are facing, we are still pleased to report that CEB's resilience and strength remain evident and continuously improving. This was made possible through various initiatives and the collaborative efforts of our teams coupled with effective financial and asset management, and support from our parent company, JG Summit."

- Michael B. Szucs

Chief Executive Adviser

2020 Financial Performance and Key Developments

Our operational and financial performance was severely affected. Taking off from 2019 where we flew a total of 144,000 flights and 22.5 million passengers, flights in 2020 dropped 71% to only 41,804. Consequently, passenger count also fell by 78% to just 5 million.

Similarly, we took off with 2019's phenomenal financial results, which generated revenues of Php84.8 billion, operating income of Php12.6 billion, and net income after tax of Php9.1 billion. With the reduced operations, 2020 revenues dropped 73% to Php22.6 billion, resulting in an operating loss of Php20.8 billion and net loss after tax of Php22.2 billion.

41,804
Flights

75.9%
Seat Load Factor

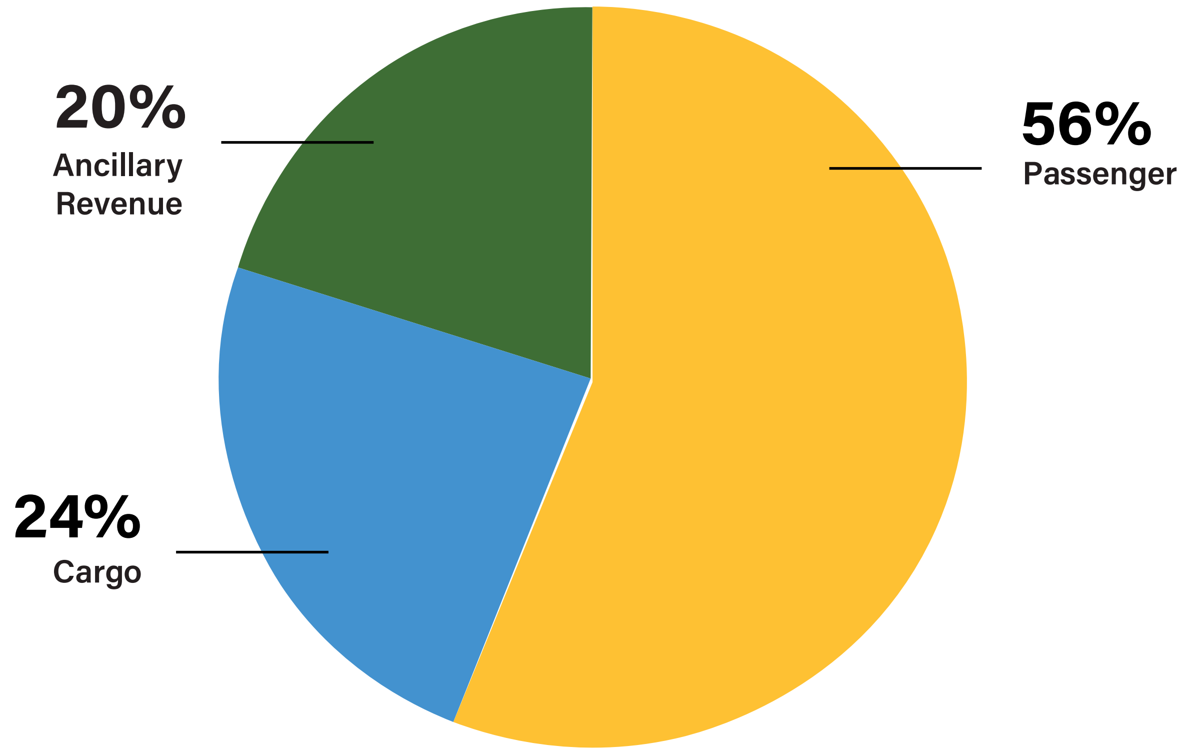
5 million
Passengers Carried

Revenues
Php22.6 billion
73% lower than SPLY*

Net Loss
Php22.2 billion

** same period last year*

Revenue Breakdown



Capital Raising

Liquidity became a key concern as we ended 2020 with a cash balance of Php4.3 billion, a 76% drop vs Php18.2 billion as of end-2019, while net debt to equity ratio rose to 3.17x vs 1.26x in 2019. With this, we embarked on a capital raising exercise to raise US$500 million in equity via a stock rights offer for $250M in convertible preferred shares and another $250M in privately placed convertible bonds. We are also securing up to $400M via a syndicated loan from various banks and financial institutions. These fundraising initiatives will not only provide for CEB's liquidity requirements in the short term, but will also further strengthen CEB's balance sheet, giving us a longer liquidity runway as we navigate through the new normal.

Cash Balance
Php4.3 billion

Net Debt to Equity Ratio
3.17x

Cargo Business Growth

Our cargo business flourished during this time as it ended with just 6% below its 2019 revenue performance. Recognizing the upward trajectory of online delivery demand, we now have two fully converted ATR freighters, or propeller planes which can reach islands with limited runways across the Philippines. We also started hybrid flights where one leg would carry pure cargo in both the belly and cabin, while the other leg carried passengers. We have also configured one A330 aircraft to become a freighter, allowing cargo in the main cabin, thus increasing our capacity for long haul cargo.

COVID-19 Response

CEB Future Size and Shape

In the past year, we took a hard look at our operations to determine CEB's Future Size and Shape, our business transformation plan that is essential to ensure we survive and thrive post-pandemic.

Right-Size Network and Fleet Deployment

CEB's Future Size and Shape program includes the rightsizing of our fleet deployment, network, and organization for flexibility amidst potentially reduced demand in the new normal. The optimization of our existing NEO aircraft has been in effect even pre-COVID as we are cognizant of the cost savings of fuel efficiency.

We also reshaped our fleet plan to defer to later years and opted to preserve unused aircraft in the less humid environment of Alice Springs, Australia. With the reduced operations and network, we also implemented a more volume and experience-based compensation package for our crew in line with our rightsizing initiatives.

We further took full ownership of our line maintenance provider to maximize aircraft availability by optimizing maintenance programs. These include better capacity planning to scale with CEB's network, synergizing functions using a common engineering platform, and reducing base check events.

Digitalization and Customer-Focus

We saw 2020 as a chance to change for the better. We thus accelerated our innovative digital solutions for our passengers as well as employees to enhance both safety and convenience.

To help address the health and safety concerns of our passengers, we launched contactless flight and digital front line procedures, including 100% digital check-in via self-service which uses a digital boarding pass, and improved self-service care channels, including Charlie the chatbot and on-the-spot, online flight disruption management.

We also wanted to make sure our passengers are provided with flexibility by offering them options such as unlimited rebooking and a two-year travel fund, whether affected by flight cancellations or not.

We also improved our online portals for better management of bookings and information updates prior to flights. Our one-stop-shop website, https://bit.ly/CEBFlightReminders, is dedicated to keeping passengers informed of what traveling is like in the new normal.

For our employees, internal business processes and protocols likewise had to be revamped, using digital solutions to improve efficiency and productivity. For example, the digitalization of end-to-end engineering and maintenance processes included electronic records management and logbook implementation for accurate and paperless transactions. We also automated the accreditation and onboarding of passenger and cargo agents and streamlined catering processes for c ashless transactions.

The Work from Home arrangement for applicable employees included our Facial Recognition Software for better timekeeping management. Various other initiatives are ongoing to simplify our operations and optimize our resources.

Safety Comes First

Amidst all these plans and programs, CEB continues to emphasize 'Safety Comes First' as our core value.

CEB has been rated 7/7 stars by Airline Ratings for its COVID-19 compliance as we implement a multi-layered approach to safety in accordance with global aviation standards. These measures include contactless procedures, thorough cleaning and disinfection of all aircraft and facilities, antigen testing for CEB front-liners before duty, and mandatory protocols for wearing of masks and face shields for passengers and crew so everyone can travel safely and responsibly. On top of all these, CEB's jet aircraft are also equipped with hospital-grade HEPA filters with 99.99% efficacy, keeping viruses at bay.

CEB was also the first to implement the Test Before Boarding initiative, starting with General Santos in December. Antigen testing is now available for CEB passengers at a special rate of Php700, to be taken just hours before their flight departure at the NAIA Terminal 3. We have also partnered with three DOH-accredited laboratories to offer the lowest cost for the RT-PCR tests at only Php3,300. These help in making the whole testing process seamless and convenient for all.

We continue to work hand-in-hand with the Philippine government to restore passenger trust and confidence in air travel. We've partnered with the Department of Tourism to launch the 'Juan Love' campaign which aims to show how travel benefits others' lives in the travel and tourism industry, and in turn, inspire everyone to show one love for the Philippines.

Business Outlook

2021 will be another extremely challenging year. But we will continue to take all necessary steps to ensure we stay formidable and true to our commitment to provide safe, reliable and affordable services.

Prior to the pandemic, CEB was recognized as one of the fittest in the industry. We are confident that with all of the changes we have made through the pandemic, we will emerge again as one of the very top performers.

With Cebu Pacific, everyJuan will fly again.

JG Summit Petrochemicals Group

“2020 has presented challenges beyond what we have traditionally considered before. It has completely redefined the term “business interruption”. We had previously thought of business interruptions as events that would prevent access to data and disrupt our business processes, but never did we envision a prolonged situation where physical social interaction would be inhibited.

The pandemic challenged our ability to freely communicate face-to-face, to exchange ideas and work as a cohesive team. All these had to be redefined for us to continue as a dynamic organization, and we have since recreated ourselves to handle the situation. I should say that the improvements made and lessons learned at this time will continue to be of practical use moving forward.”

- Patrick Henry C. Go

President and Chief Executive Officer

2020 Financial Performance and Key Developments

Pre-pandemic, the first quarter of 2020 was already beset by unfavorable market conditions as the industry reeled from the sharp drop in global prices of crude oil and naphtha, and from the surge in U.S. PE exports into the ASEAN region. By the 2nd quarter, the onset of the COVID-19 pandemic and implementation of strict quarantines worldwide heavily affected both local demand and exports activity.

Costs-wise, a temporary 10% tariff levied on all petroleum products from May to June, which include naphtha and LPG, also affected raw material costs. Improvements however were seen starting in the second half of 2020 as local demand started to recover, with domestic customers cautiously restarting operations, and exports rebounding as more countries reopened from lockdowns. Domestic demand for petrochemicals proved to be resilient amid the pandemic, with flexible packaging, basic film packaging and agricultural packaging requirements fueling volumes.

Cracker utilization went up to 70% in 2020, from 67% in 2019, despite the turnaround maintenance extending to early March 2020, and a short shutdown caused by an isolated fire incident in September. Total PE & PP capacity utilization in 2020 increased to 69% versus 63% in 2019. Overall PE and PP production totaled 389 kilotons (kT) in 2020, increasing by 12% from last year's 349 kT. Total olefins sales for 2020 were at 156 kT, decreasing by 47% from 2019's 297 kT. Total PE and PP sales for 2020 were at 397 kT versus 352 kT in 2019, posting a 14% increase, and ending the year with combined 50% domestic market share from 39% in 2019. While revenue in 2020 at Php21.3 billion was 27% lower versus last year, the strong polymers performance and improved margins by the second half of the year led to an EBITDA of Php451 million for 2020, a tempered 16% decline vs 2019.

Revenue

Php 21.3 billion

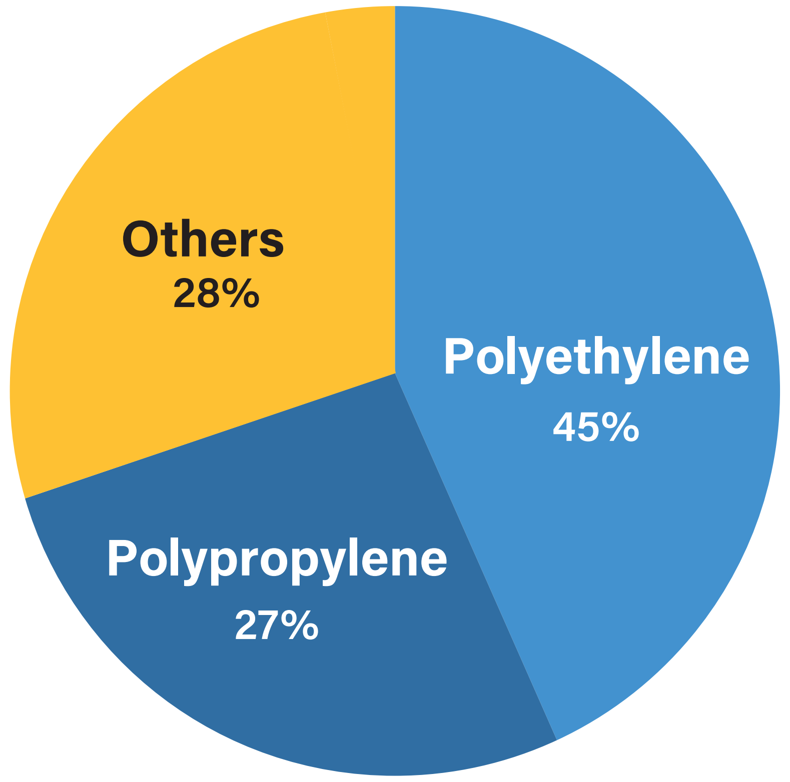
27% lower vs SPLY

EBITDA

Php 451 milllion

16% decline vs SPLY

Sales Volume Breakdown



Others include Ethylene, Propylene, Mixed C4 and Pygas

Cracker Capacity Utilization

70%

300 basis points higher than SPLY

Polymer Capacity Utilization

69%

600 basis points higher than SPLY

Polymer Volume Sales

397 kT

14% growth than SPLY

COVID-19 Response

Following the planned complex-wide turnaround maintenance and project tie-ins which began in October 2019, JGSPG in early March 2020 has just restarted its naphtha cracking unit when the nationwide ECQ was imposed on March 17, 2020. Despite the lockdown, JGSPG, being an integral part of the overall supply chain for essential industries, has been able to continue its manufacturing operations, to receive raw material cargoes and to perform its delivery commitments for both export and local customers. Integrated operations with the downstream polymer plants have also commenced upon cracker start-up and the complex has been running at full capacity since June 2020. Most local customers, who were either on shutdown or operating on reduced basis during the earlier part of the lockdowns, have since resumed operations and JGSPG has been able to regain polymer sales volumes to pre-pandemic levels.

As for ongoing expansion projects, construction work which ceased during ECQ recommenced upon implementation of the less stringent GCQ in May 2020. Due to the cessation of site construction activities during the ECQ, completion and commissioning dates for the projects have been moved to mid-2021 for the extraction units and expanded PP plant, and latter part of 2021 for the new PE plant. Target availability of the facilities to be used for the LPG trading business is also by mid-2021.

While the ongoing health pandemic has significantly affected 2020 performance in the first half, the resurgence of demand in the latter half helped to improve overall financials for 2020. As the new extraction units and the LPG trading business start-up in 2021, overall margins are expected to improve as JGSPG eases into new value-adding markets.

By 2022, all expanded and new units including the bimodal PE plant are expected to be fully commissioned, and the group is currently focusing on ensuring organizational readiness for the expanded operations and upcoming new products and businesses.

Business Outlook

Challenging market conditions for olefins and aromatics are likely to persist in 2021 due to long supply. However, market recovery in polymer demand, which began in the second half of 2020, is expected to continue on in 2021 for both domestic and export markets. Demand of the local market is expected to strengthen further as movement restrictions due to COVID-19 ease, and as several key business sectors have since resumed partial or full operations. Export sales are expected to pick up in 2021 with more allocation of products, with the expanded operations, completion of commissioning of the new extraction units, and the ramp up of the cracker. Furthermore, JGSPG's entry into the wholesale LPG sector through Peak Fuel Corporation is widely anticipated by the domestic market.

For 2021, four areas that will be of key focus are (1) Projects Completion and Start-up Execution, with emphasis on safe and efficient turnover to operations, (2) Improving Operational Excellence and Organizational Readiness, (3) Innovation and Market Development with its expanded product portfolios, and (4) Planning for Future Growth, through progressing studies for next phase expansion, alternative power supply options and other potential future investments. With the completion of its expansion projects and upcoming new businesses, JGSPG is now preparing to shift into higher gear as it moves forward into 2022.

Robinsons Bank Corporation

"2020 demonstrated the resilience of Robinsons Bank. At the onset of the pandemic, the Bank responded notably well by providing undisrupted delivery of all banking services, while safeguarding the welfare of all RBankers and our customers. We salute all the "RBankHeroes" for their "malasakit" in ensuring that the Bank delivers the best customer experience despite the challenges. The Bank takes pride in its commitment and dedication to serve our community, more so in a time of crisis.

Understanding the new normal, RBank accelerated the digital initiatives defined in our new five-year strategic plan. The Bank was quick to pivot and adapt to the current condition that by end-2020, Robinsons Bank delivered a sound financial performance."

- Elfren Antonio S. Sarte

President and Chief Executive Officer

2020 Financial Performance and Key Developments

Robinsons Bank (RBank) continued to deliver a solid financial performance in 2020 notwithstanding the impact of COVID-19 pandemic. During this unprecedented and challenging time, the Bank posted a record net income of Php935 million in 2020, 30% higher than 2019.

The net income takes into account Php1.1 billion provisions for losses in preparation for the possible impact of the pandemic on loan quality. This amount is almost nine times more than the provisions set aside in the prior year. RBank's non-performing loan ratio was at 2.98%, better than the industry's 3.47%. The NPL coverage ratio is at 90.9%.

In 2020, total revenues reached Php9.2 billion which grew by 13% year-on-year (YoY). This was mainly driven by the net interest margin expansion arising from the shift to higher-yielding consumer loans, and reduced funding cost due to robust CASA (Current Account Savings Account) growth. Moreover, non-interest income increased YoY on the back of hefty trading gains.

RBank achieved another milestone as its ranking, in terms of total loans, improved by another notch to 15th among Philippine universal and commercial banks based on BSP's recent industry ranking report. Since the launch of the Bank's initial five-year strategic plan in 2015, RBank's ranking has jumped by 8 notches.

Total Loans

Php86.8 billion

8.2% growth YoY, driven by consumer loan

Total Assets

Php151.2 billion

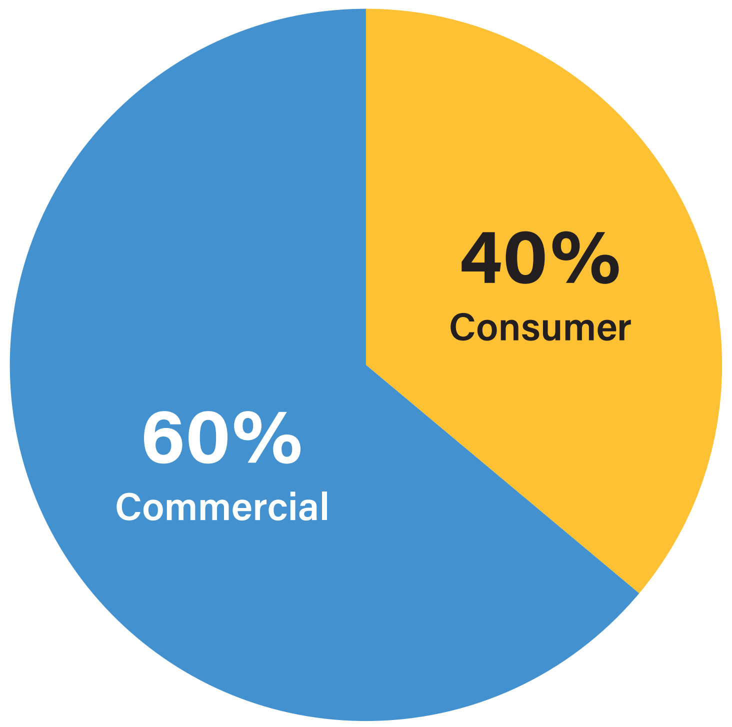
up 15.4% YoY, outperforming the industry's growth of 6.1%

Total Deposits

Php117.4 billion

20.3% higher YoY, supported by the robust growth in CASA deposits which increased 26.1%

Loan Portfolio Breakdown



Capital Adequacy Ratio

17.4%

CET1 Ratio

16.6%

COVID-19 Response

The pandemic disrupted many businesses. RBank considered it a stimulant. The Bank fast-tracked its digital initiatives that were laid down for the next five years and introduced solutions and services to enable clients to do banking within the new normal.

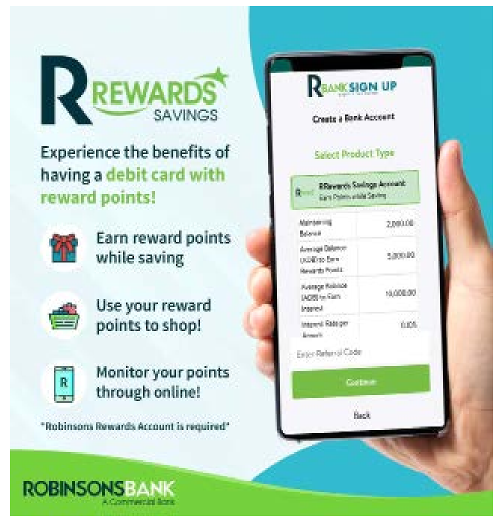
During the pandemic and heightened lockdowns, multiple products were released by the Bank.

Mid-April, Robinsons Bank launched RBank Sign Up, a mobile app that allows a fully digital and branchless account opening for retail banking customers. The app allows a prospective retail client to open various types of deposit accounts in a matter of minute via their phones. RBank Sign Up works for Android and iPhone phones, and is available in the Google Play Store and Apple Store.

In May, RBank introduced QuickR, a payment form-factor for retail clients. QuickR allows real-time peer-to-peer transfers and payments to merchants. By October, RBank transitioned to QR PH, which made our QR interoperable with other banks in the country.

Sprout, a cloud based HRIS platform that automates and simplifies payroll processing from timekeeping to payroll crediting was commercialized in early July.

Our superior Payroll Payout service was further enhanced with the launch of RBank Sign Up Payroll in July. Targeted for employees of companies which have payroll arrangements with us, the digital account opening capability made it easy for employees to open accounts with the Bank and facilitated immediate pay out of newly-hired employees via bank crediting.



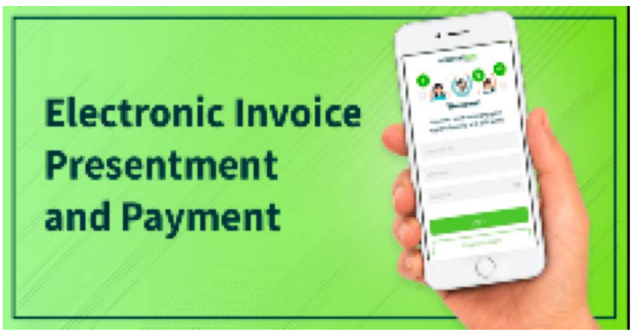
In late September, RRewards Savings was launched. Saving can be rewarding for this unique savings account product which earns points that can be redeemed for conversion to GoRewards points. A collaboration of RBank with its affiliate Robinsons Retail, GoRewards is a Loyalty Program for Robinsons Retail shoppers.

RBank Digital (RDX) is the Bank's retail online banking platform that is available via web browsers or via mobile app. The facility allows a customer to manage their accounts anytime anywhere, skipping branch queues.

Simple, convenient, and secure way to bank while on the go with these services available on your fingertips:

- Check balances and account details
- Transfer money and pay bills
- Remit money via Cebuana Lhuillier branches
- Online viewing of deposit and credit card statements
- Generate your own QR
- Pay via QR

The RBank Corporate Credit Cards allows an employee to charge their authorized international and domestic business expenses—such as hotel stays and plane tickets—without having to use their own card or cash. Issued to a Corporate, these company-guaranteed credit card can make it easier for employers to manage and have full control over expenses their employees are charging for travel and entertainment.



In early October, the Electronic Invoice Presentment and Payment (EIPP) facility was launched to facilitate B2B payment flows. The electronic platform connects Buyers and Suppliers via a digital exchange of invoices, resulting to an enhanced and accelerated payment flow, eventually improving a Supplier's Days Sales Outstanding.

A week after the release of EIPP, the Bank introduced an ATM plus ID card that can be customized for any company's design in mind.

In early November, the Bank rolled out Corporate Auto Debit Arrangement (ADA). Meant to facilitate smooth collections of recurring payments, this facility allows B2B, C2B, B2G, C2G payment transfer to a corporate seller/institution/agency via an automatic debit arrangement from their enrolled payor's account.

At the onset of the ECQ in March 2020, Robinsons Bank ensured business continuity as 60-65% of RBank's branches remained operational. This increased to 90% upon the easing to MECQ in May and to 100% under the GCQ beginning June. RBank's ATMs remained operational at 85-90% capacity to support the costumers' continued access to funds. With limitations brought about by the lockdowns, the Bank shifted to digital channels in terms of customer onboarding, transaction services, selling, and other banking activities.

RBank ended 2020 with 154 branches, 335 ATMs, and 3 cash deposit machines strategically located nationwide. Despite the pandemic, the Bank was able to open 3 new branches and installed 28 ATMs.

Serving the best value to our customers' needs during the pandemic, RBank was tapped by the Department of Social Welfare and Development as a digital payment partner to facilitate the pay-out of the government's Social Amelioration Program (SAP). This provided a major vote of confidence to the Bank's digital product and services.

L-to-R: RBank Product Management Group Head Agnes Salvador, DSWD Secretary Rolando Bautista, and RBank President and CEO Elfren Antonio Sarte

To cater to the unbanked beneficiaries from NCR and Batangas, RBank rolled out a new digital solution called "e-Ayuda" which enabled thousands of beneficiaries to receive their SAP payouts through a cardless withdrawal process using an RBank ATM.

Business Outlook

Driven to create value, we navigate 2021 with great optimism. Guided by our new five-year initiative, Roadmap 2024, we are geared towards creating significant presence in the industry. We will take advantage of the Bank's substantial competitive advantage and be compelled to get ahead of the curve in this great reset. The Bank will continue to innovate and leverage on its own capabilities. This will shape Robinsons Bank moving ahead.

Ecosystem Plays

Luzon International Premier Airport Development Corporation

"We started 2020 on an upward momentum, with a good passenger growth in January at 18% for domestic, and 16% for international vs. 2019. When COVID-19 hit and the government started imposing travel restrictions, LIPAD immediately shifted focus, implementing measures to reduce expenses by more than 70% overall.

With fewer passengers because of community quarantine, LIPAD saw a 17% increase in cargo flights. Clark International Airport also played a significant role in helping the government bring home Filipinos abroad, through its repatriation efforts."

- Bi Yong Chungunco
Chief Executive Officer

Luzon International Premier Airport Development (LIPAD) Corporation is a special purpose company established to manage the operations and maintenance of Clark International Airport.

The members of LIPAD are Filinvest Development Corporation, JG Summit Holdings Inc., Philippine Airport Ground Support Solutions Inc. and Changi Airports Philippines (I) Pte. Ltd., a wholly owned subsidiary of Changi Airports International. The consortium members each have vast experience in airport operations, air transportation and property development.

When LIPAD took over Clark International Airport in 2019, we were able to expand the network to cover 19 domestic and 12 international destinations serving 700 flights weekly from a total of 20 airlines. In 2021, we aim to continue working towards expanding this network further to pre-COVID levels, connecting Clark to more domestic and international points and cementing its position as the premier gateway for Central and Northern Luzon.

We also signed a Memorandum of Agreement with 17 airlines for the integration of the Passenger Service Charge (or what we commonly call Terminal Fees) in their airfares as part of our goal to provide passengers with a seamless travel experience.

In 2020, Clark International Airport was awarded the Airport Health Accreditation Certificate by the Airports Council International – the first airport in the Philippines that earned this certificate.

We are also excited for the role that LIPAD will play in the development of Clark International Airport as the region's premier hub seen in the continuous progress of the outfitting of the New Passenger Terminal Building. Through the JG Summit Ecosystem LIPAD is able to capitalize on the group's strong procurement system and construction management expertise for New Terminal Building requirements.

In the near term, we will be focusing on:

- Reviving pre-COVID traffic growth, which was clearly affected by the pandemic;
- Working with local governments to jumpstart domestic tourism;
- Completing the new terminal building with new commercial offerings;
- Repurposing the existing terminal into a mass vaccination centre; and
- Fulfilling our vision of developing the key aviation business in Clark and the development of Clark Airport City.

JG Digital Equity Ventures, Inc.

"The only way you can prove that you're really transforming digitally is if you have an economic impact on the landscapes in which you play. We harness our capability to achieve our objectives to have an impact on every Filipino's life."

- Elmer "Jojo" Malolos

Data Analytics Ventures, Inc., and
JG Digital Equity Venture's CEO

JGDEV

JG Digital Equity Ventures, Inc. (JGDEV), JG Summit's venture capital arm, is investing its US$50 million fund in sustainable and scalable fintech start-ups in that would have impact in the Southeast Asian market and create value to the JG ecosystem.

In these unprecedented times, the mission of JGDEV is clearer than ever: to leverage the rich and diverse JG ecosystem to accelerate the success of startups, resulting not only in capital gains upon exit for its investments, but also bringing in strategic value, positive revenue generation or cost savings for other business units in the conglomerate.

Earlier in the year, JGDEV has beefed up its team to strengthen its investment portfolio management as well as strategy and collaborations as it works closely with the business units on the value creation of the new technologies. JGDEV was instrumental in identifying and introducing digital technologies to the group.

Aligned with its mandate, the company's lean organization was quick to adapt and utilize technology ensuring zero disruptions in the workflow despite the COVID-19 lockdown and challenges. In total, JGDEV was able to assess well over 100 startups in 2020 and made a total of four investments and one fund investment.

Despite the ongoing crisis, JGDEV believes that it is on track to realize its vision to become one of the top-of-mind leading corporate venture capital firms in the region. It remains highly committed to provide tech startups with capital infusion and value-added opportunities to accelerate their success.

Data Analytics Ventures, Inc.

Taking data analytics to the next level

Data Analytics Ventures, Inc. (DAVI) continues to lead the way in making data work for both consumers and businesses.

A professionally managed combination of data science and data-driven programs enriched an already deep understanding of the customer, giving them a better experience that, in turn, increased their engagement and spend with partner merchants. Working with Robinsons Retail Holdings, Inc., Cebu Air, Inc., Robinsons Land Corporation, Robinsons Bank Corporation, Universal Robina Corporation and Summit Media Group, DAVI has leveraged the abundant and ever-growing data in the conglomerate to grow businesses in new ways.

In 2020, despite the volatile and uncertain times, DAVI navigated through shifting marketing trends and identified new consumer behavior. Through its rewards enhancements and data products and solutions, DAVI continued to grow engagement and relevance through precision marketing, offering the right product to the right customer through targeted campaigns.

Understanding the new normal and anticipating the need for the consumer to engage with online media, DAVI focused on E-commerce engagement making significant improvement to its Robinsons Rewards loyalty program, ending the year with multiple online merchants that shoppers could engage with through their mobile phones, in the safety of their homes.

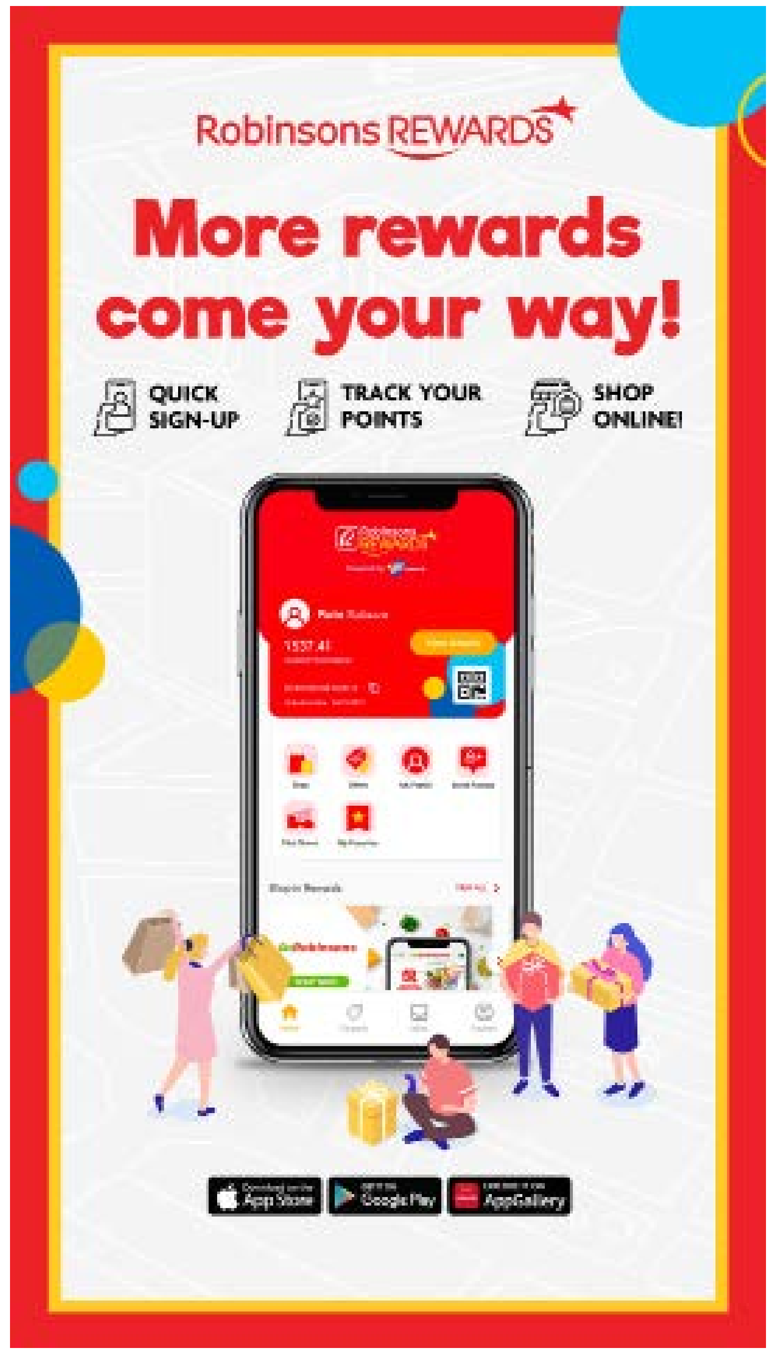
Through the combination of a well-utilized data analytics platform and a more engaging loyalty program, DAVI allowed its partners to successfully navigate through the cloud of complexity and ambiguity during the pandemic, increasing member engagement and sales contribution.

To end a strong year, DAVI also offered a free Robinsons Rewards card program to customers who met a minimum spend in strategically chosen business units and location. This brought in a significant number of new members into the loyalty program.

DAVI used its team of experts to mine its data and study the market for effective ways to create engagement between members and businesses. A major milestone was launching an innovation with Facebook to launch a first in the world online to offline solution - Collaborative Ads for Store Sales (CASS) in 2020. These initiatives will allow DAVI to continue to understand complex customer journeys and build the right campaigns for the most effective engagement across various channels.

All these initiatives also build into a robust data hub called Nexus360. To further increase this momentum, DAVI is continuously enhancing its data and tech stack providing easier access to actionable data, insights, and campaigns.

DAVI ended the year successfully addressing many opportunities and is poised to make 2021 a banner year.



"DAVI has flourished during these uncertain times by leaning heavily on our most valuable asset – data. With our knowledge of customer insights, tied to an active loyalty program and further strengthened by data solutions, DAVI is poised to continue to grow in its journey to become the most valuable data analytics company in the country through our mission of enriching and adding value to our customer's lifestyles."

- Elmer "Jojo" Malolos

Data Analytics Ventures, Inc., and JG Digital Equity Venture's CEO

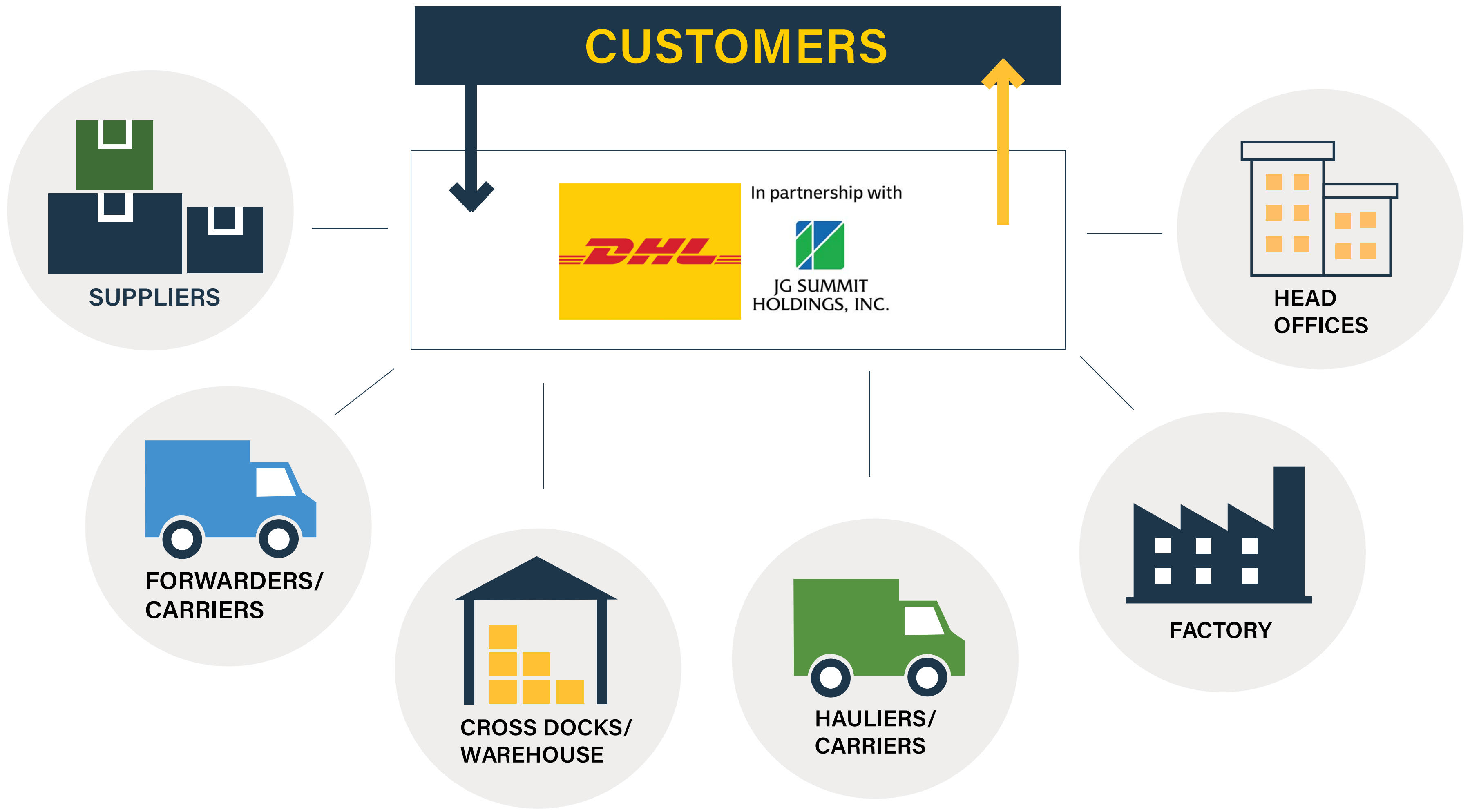
DHL Summit Solutions Inc.

"Our technology, like the BluJay TMS, coupled with other complementing system integrations such as finance, GPS, reporting and end-to-end visibility enables a holistically-connected transport network that is missing from other local transport players. We partner with businesses to bridge their supply chain gaps through digital transformation."

- Ma. Abigail "Abie" Parazo
Country Managing Director, DSSI

DHL Summit Solutions Inc. (DSSI) is a joint venture company between JG Summit and DHL Supply Chain, with the goal of becoming a game changer in the Philippine logistics market. The joint venture partnership promises to provide best-in-class distribution services with an initial focus on delivering world-class domestic transport operations. Currently, DSSI is serving the Luzon transport requirements of its first customer, Universal Robina Corporation (URC) and will soon support the rest of the JG Summit ecosystem and external customers to capitalize on the market growth opportunities in the Philippines.

DSSI was raring to start its operations as planned in July 2020, despite the onset of COVID-19. The team created several countermeasures to prevent the spread of the virus and keep its employees safe and COVID-19 free. On 15 July 2020, DSSI's operations officially went live. The transport team succeeded in transferring finished goods initially from five plants of URC to its different warehouses. Six months in, DSSI continues to deliver great results – exceeding the agreed baseline, and having a faster sales conversion. DSSI also continues to deliver the finished goods of its customer covering more than 92% of URC's Luzon transport operations.



DSSI's first year would not have been as successful without its automated systems, its skilled people consisting of 46 working in the Control Tower and 14 in management and support, and compliance to standard safety requirements. With its state-of-the-art Transport Management System (TMS), it ensured optimized load and route planning to provide quality service to its customers. In order to fully utilize the features of the system, several hours went into training its people to reach the level that they are today. This is demonstrated by a 13% improvement in the baseline for pickup timeliness and 5% increased vehicle utilization for stock transfers.

With regards to compliance, drivers of the 72 trucks serving URC also went through safety training and evaluations, proving effective with our record of more than 500,000km driven without accident and 0.02% damages in transit against a 0.25% KPI as of December 2020.

By the end of 2020, DSSI was able to deliver almost 60,000 shipments, transfer 26 million cases to different URC warehouses, and transport 22 million cases to more than 1,100 delivery points.

Off to a great start with its first customer, there is no stopping DSSI's growth as it is in the middle of getting ready for its next customer, Robinsons Retail Holdings, Inc. (RRHI), a sister company of JGS. It aims to begin operations with some of Robinsons Supermarket warehouses by mid-2021. Preparations are also ongoing for other RRHI business units such as The Generics Pharmacy (TGP), MiniStop, and South Star Drug (SSD) which are targeted to go live within 2021 and 2022.

In the long-term, DSSI's customer base will extend to those within and even outside the JGS ecosystem. Indeed, DSSI is progressively making its mark in providing world-class transport operations in the Philippine logistics market.

Core Investments

Core Investments

Manila Electric Company (MER)

The largest private sector electric distribution utility company in the Philippines and has been serving Filipinos for over 117 years. Today, the company provides electricity to 7 million customers in 36 cities and 75 municipalities in a 9,685 square km franchise area that includes Metro Manila, Rizal, Cavite, Bulacan, and portions of Pampanga, Laguna and Quezon.

29.6%
JGS' equity stake

₱16.3 billion
Net income attribute to parent
a 31% decline vs last year

₱5.0 billion
Dividends paid to JGS

meralco.com.ph

Global Business Power Corporation (GBPC)

The leading independent power producer in the Visayas region, with a presence in Mindanao and Mindoro Island and a total gross capacity of 1,091 MW. It has 13 power generation facilities located in Iloilo, Aklan, Cebu, Oriental Mindoro, and Sarangani.

30.0%*
JGS' equity stake

₱2.2 billion
Net income attribute to parent
a 19% decline vs last year

₱750 million
Dividends paid to JGS

gbp.com.ph

*Ownership stake as of December 2020; Last March 31, 2021, Manila Electric Company fully-acquired JGS' 30% stake in Global Business Power Corporation

Singapore Land Group Limited (SLG)

A Singapore-based real estate company and is one of the leading diversified developers of commercial and retail properties. It has a portfolio of 2.5 million square feet of office space and 1 million square feet of retail premises, which includes some of Singapore's well-known landmarks such as Singapore Land Tower, The Gateway and Marina Square. It also has overseas investments in Shanghai, Beijing and Tianjin, China, and London, UK.

37.0%
JGS' equity stake

S$90 million
Net income attribute to parent

₱769 million
Dividends paid to JGS

uic.com.sg

*United Industrial Corporation Limited has changed its company name to Singapore Land Group Limited effective April 23, 2021

PLDT, Inc. (PLDT)

The leading telecommunications and digital services provider in the Philippines offering a wide range of telecommunications services across the country's most extensive fiber optic backbone, and fixed lines, and cellular networks. As of December 2020, the company has over 72.9 million mobile, 3.0 million fixed line, and 3.1 million broadband subscribers nationwide.

11.3%
JGS' equity stake

₱1.9 billion
Dividends paid to JGS

pldt.com

Sustainability

As JG Summit builds on its heritage of over six decades of growth and innovation, we recognize the importance of a holistic sustainability agenda in the future. At a time when dwindling natural resources, climate-related risks, and the ever-evolving needs of the public are significantly shaping the business landscape, economic growth is becoming increasingly intertwined with environmental stewardship and inclusive social progress.

We view that our Sustainability journey brings us to our transformation where we thrive through generations and achieve our purpose: Delivering better choices of products and services for our customers and ensuring shared success to all of our stakeholders.

We enjoin you to follow our progress through our 2020 Sustainability Performance Report.

Sustainability Performance in 2020

ESG Performance

ESG Scorecard

Percentage refers to growth/ decline versus same period last year (SPLY)

ECONOMIC

Php 222.9 billion
Value Generated
-26%

Php 233.8 billion
Value Distributed
-17%

SOCIAL

22,508
Employee Headcount
+1%

1.52:1
Male to Female Ratio

18.77* hours
Average Training Hours per Employee
-41%

ENVIRONMENTAL

17,206,631 GJ
Energy Consumption
-56%

86,820 GJ
Total-owned Generated Renewable
+83%

1,655,910 tons CO2e
Total GHG Emissions
-44%

77.20 GJ/MPhp
Energy Intensity per Revenue
-40%

7.43 tCO_2e/MPhp
GHG Intensity per Revenue
-24%

13,168,077 m³
Water Withdrawal
-10%

8,947,163 m³
Water Consumption
-19%

4,217,783 m³**
Water Discharge
+21%

*In 1H2020 face-to-face training was stalled due to pandemic; digital trainings kicked-off in second half of 2020. Number does not include CCU employees.
** Increase in water discharge was due to improved data collection.

1. Shared Success

We will continue to grow and invest in business to enable shared success across our different stakeholders.

₱222,873 Million Economic Value (EV) Generated	₱233,793 Million EV Distributed to Stakeholders

Driving value to stakeholders

As our core purpose states, JGS is committed to create long-term value and wealth for our stakeholders. In 2020, the company generated PHP222.9 billion in revenue and other investments.

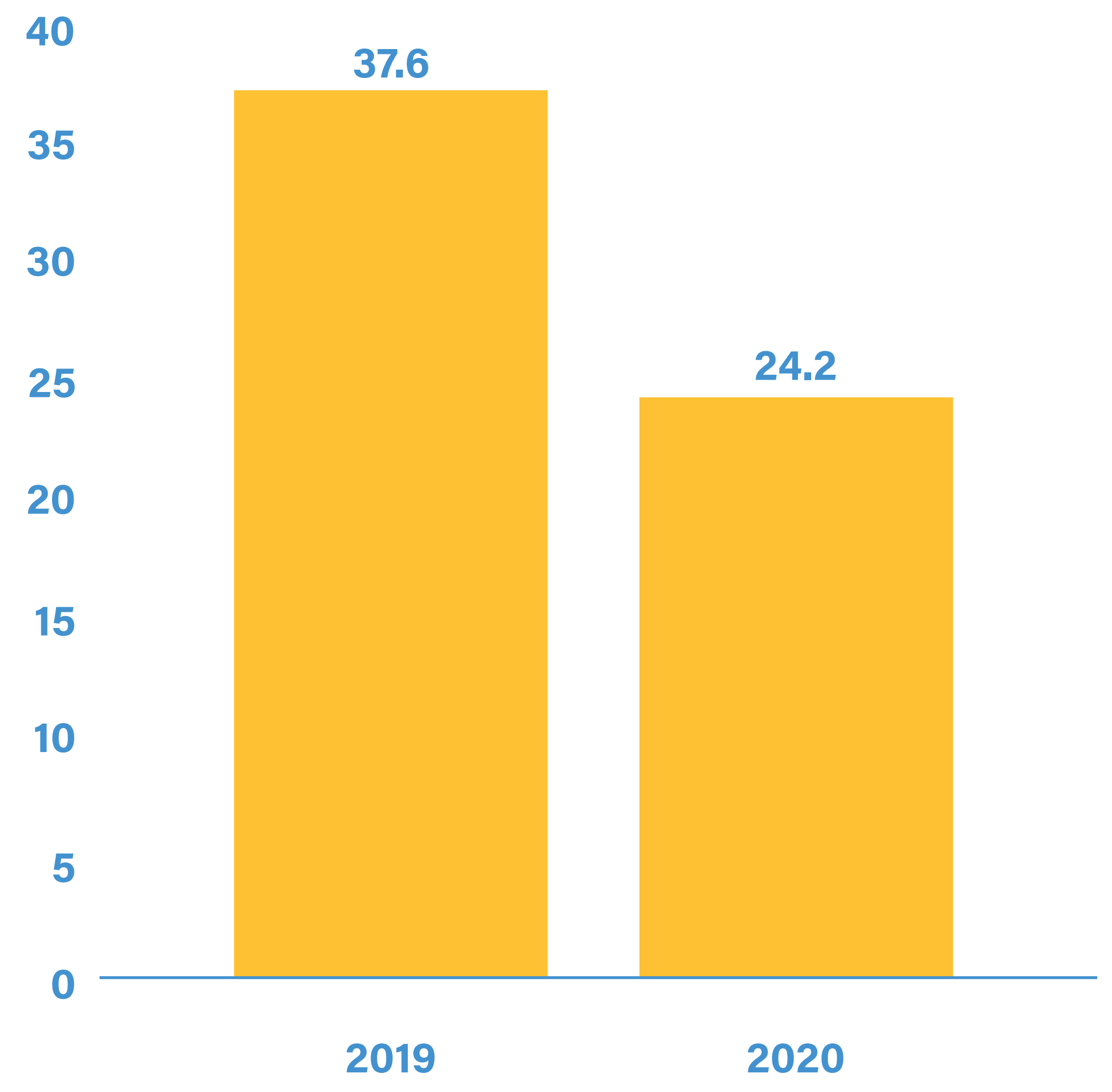
Due to the coronavirus pandemic disrupting business operations and economic flows nationwide, JGS experienced a significant decline in revenue compared to the previous year. However, the topline performance of the food, banking, and office business segments tempered the year-on-year decline in airline, malls, hotels, and petrochemical revenues.

Despite the public health and economic crisis, JGS still fulfilled its financial obligations to employees, suppliers, capital providers, and the government. The company also made investments, donations, and contributions to communities affected by the pandemic. For 2020, we distributed PHP233.8 billion to stakeholders. This significantly reflects the livelihoods of local suppliers whom we have supported during the year overtaken by the pandemic situation.

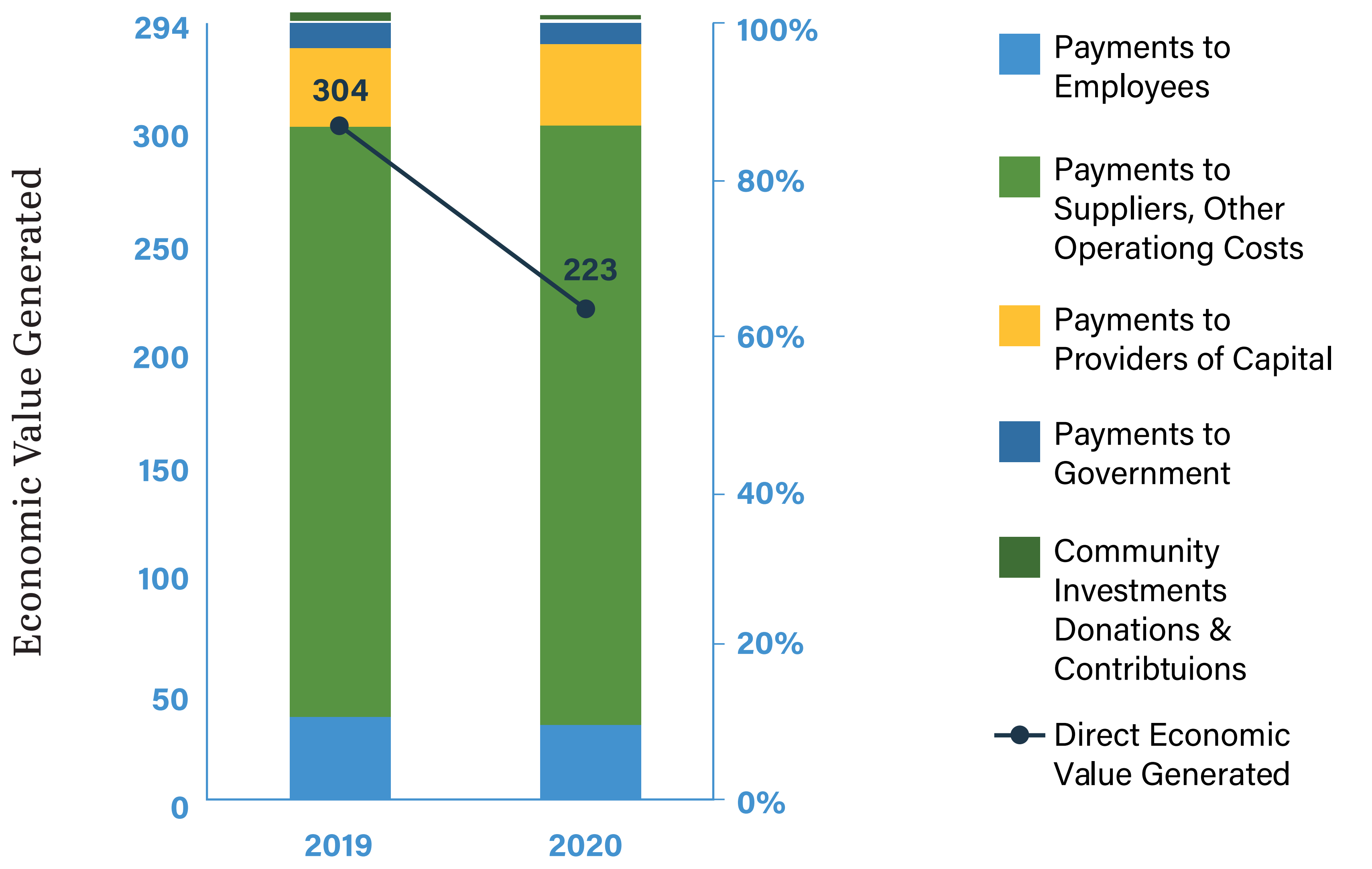
JGS' Economic Performance, in million pesos

	2019	2020
Direct Economic Value Generated	303, 918	222,873
Direct Economic Value Distributed	31,426	233,793
Payments to Employees	281,126	26,405
Payment to Suppliers, Other Operating Costs	212,737	178,855
Payment to Provides of Capital	28,021	22,118
Payments to Governments	8,905	6,406
Community Investments Donations & Distributions	37.6	24.2
Direct Economic Value Retained	22,792	(10,920)

Community investments Donations & Contributions, in million pesos



Economic Value Generated and Distributed, in billion pesos



Empowering the local economy

Beyond the financial flows from our businesses to stakeholders, we contribute indirectly to the economy through our portfolio of accessible, relevant, and high-quality products and services that stimulate economic growth.

- In 2020, RBank launched RBank Biz to help businesses and micro-merchants in pursuing new income streams in the e-commerce space.
- To bolster tourism and economic activities nationwide amid the pandemic, CEB introduced the "Juan Love-One Love for the Philippines" campaign. The social media campaign showcased the beauty and wonders of the Philippines, and highlighted stories of people behind the tourism industry and local businesses in various destinations. Juan Love seat sales were also offered to encourage people to travel again.
- In the spirit of bayanihan, business units initiated programs to support vulnerable workers in the community during the pandemic. URC's BayaniJuan Caravan drove to Manila barangays to offer discounted products to sari-sari store owners, while RLC's "ETRIKES sa Kamaynilaan" service partnered with the Manila local government to redeploy displaced jeepney drivers as e-trike drivers in Manila.
- Meanwhile, Project Salig by URC's Sugar and Renewables (SURE) division strengthens its partnership with sugarcane planters by addressing major areas of their concern, such as sugar recovery, farm yield, hauling trucks' turnaround, and customer service.

Project Salig is a program of URC SURE that started in 2019 with the aim to develop partnership with sugarcane planters in districts where URC sugar mills operate. "Salig" is a Visayan word for "trust"; hence, the program aims to create partnership based on trust. In order to gain the trust of planters and make URC sugar mills their "mill of choice", the mill endeavors to address major areas of concern for the planters – sugar recovery (LKgTC) and farm yield (tons cane per hectare), turn-around of hauling trucks during the milling season and customer service provision.

Partnering with Reputable Local and International Suppliers for Quality

To ensure a successful supply chain, JGS business units follow a strict Enterprise Accreditation Policy that makes sure the businesses transact with reputable and reliable suppliers who are compliant with applicable environmental, labor, health, and safety regulations.

To the extent possible, JGS promotes inclusivity by obtaining supply from farmers and cooperatives to support low-income communities. For URC's snack and beverage items, the company is supplied by sugar cane farmers in Negros and Batangas and corn farmers in Ilocos Sur.

Internationally, URC sources from its local sites such as tea in Vietnam and potato in Australia.

In addition, JGS joined the Roundtable on Sustainable Palm Oil (RSPO) in December 2020, allowing the group to make contributions in the growth, use, and promotion of sustainable palm oil in the market.

Engaging Local Communities and Negatively Affected Areas

At JGS, we consider local communities as valued stakeholders of our business as well as our partners in nation-building. Engagement efforts of the company aim to improve the quality of life of underdeveloped and underserved communities through programs on sustainable livelihood, financial literacy, education, nutrition, and community well-being.

In 2020, most of JGS's community engagement efforts were focused on providing support and relief for the local communities heavily affected by the public health crisis. The Bike for Good program by URC supplied bikes and a negosyo package of Baker John products to 30 beneficiaries who lost their source of income due to the pandemic or the typhoons Rolly or Ulysses.

After the community quarantine, the Locally Sourced Weekend Fair at Robinsons Malls resumed operations to help create earning opportunities for local farmers, fisherfolks, and vendors. Relief aid by the SBUs prioritized the distribution of essential products, such as grocery items and school supplies for distance learning.

CEB also mounted sweeper flights for stranded individuals and free cargo operations for essential goods and relief services.

Livelihood
- URC's Bike For Good
- URC's Sustainable Potato Program
- Locally Sourced Fair at Robinsons Malls

Education & Nutrition
- URC's Flourish Pilipinas
- JGSPG's Balik Eskwela distributions

Financial Literacy
- RBank Creates Value

Community Well-being
- Robinsons Malls' E-Jeepneys

Belief Aid
- URC's Shop & Share
- URC's URCommunity Mart
- JGSPG relief distribution in Batangas for communities during the Taal Volcano eruption, Typhoon Rolly and Quinta, and community quarantine
- CEB Sweeper flights, Locally Stranded Individuals outreach, and Free Cargo for essential goods and relief

2. Climate Action

We will reduce and/or offset our carbon emissions and strengthen our climate-related risk management.

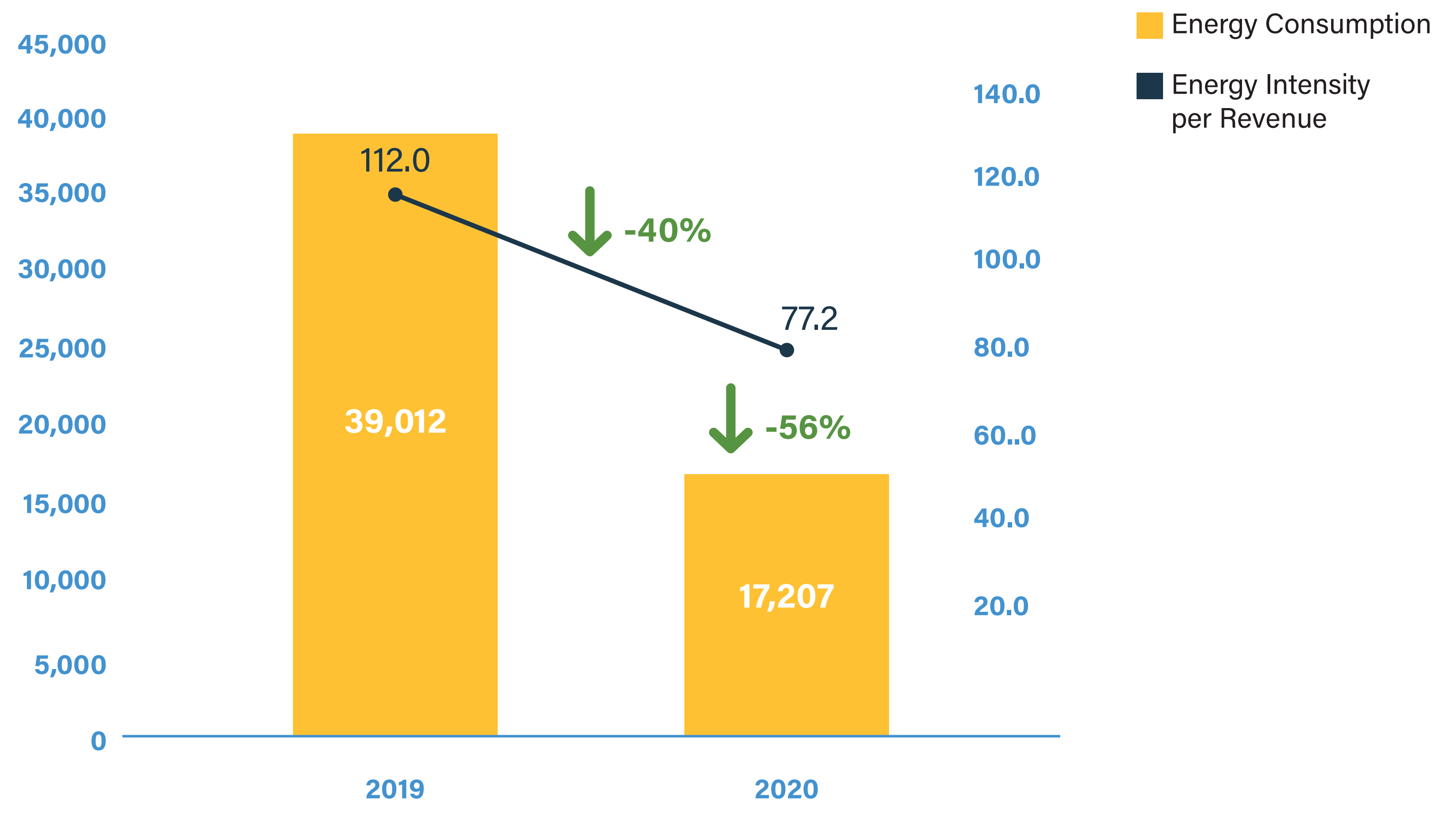
17,206,631 GJ **Energy Consumption**	**77.20** GJ/MPhp **Energy Intensity**
1,655,910 tCO2e **GHG Emission**	**7.43** tCO2e/MPhp **GHG Intensity**

Transitioning to Lower Energy Consumption

In 2020, JGS consumed 17,206,631 GJ of energy across all SBUs, a 56% decline from 39,011,696 GJ from previous year. In particular, CEB and RLC malls and hotels experienced a huge drop in energy consumption due to the nationwide lockdown and restricted air travel.

Beyond the effects of the coronavirus pandemic, we are working on promoting energy efficiency, and increasing the capacity of our renewable energy.

Energy Consumption and Intensity, TJ



Optimal Fuel Efficiency

In 2020, CEB's total fuel consumption decreased due to pandemic-related restrictions on air travel, but fewer passengers in each flight led to a decline in fuel efficiency, measured by kilometers traveled by a passenger per liter of fuel burned (pax-km/L). Fuel efficiency dropped by 15% from 28.96 pax km/L in 2019 to 25.10 pax-km/L in 2020.

Moving forward, the airline is committed to boost fuel efficiency and keep carbon emissions in check through modernization of CEB's fleet with new-generation fuel-efficient aircraft (Airbus NEO series), digitization of fuel efficiency monitoring (SkyBreathe® Fuel Efficiency Management System), and application of the best operational practices in fuel efficiency.

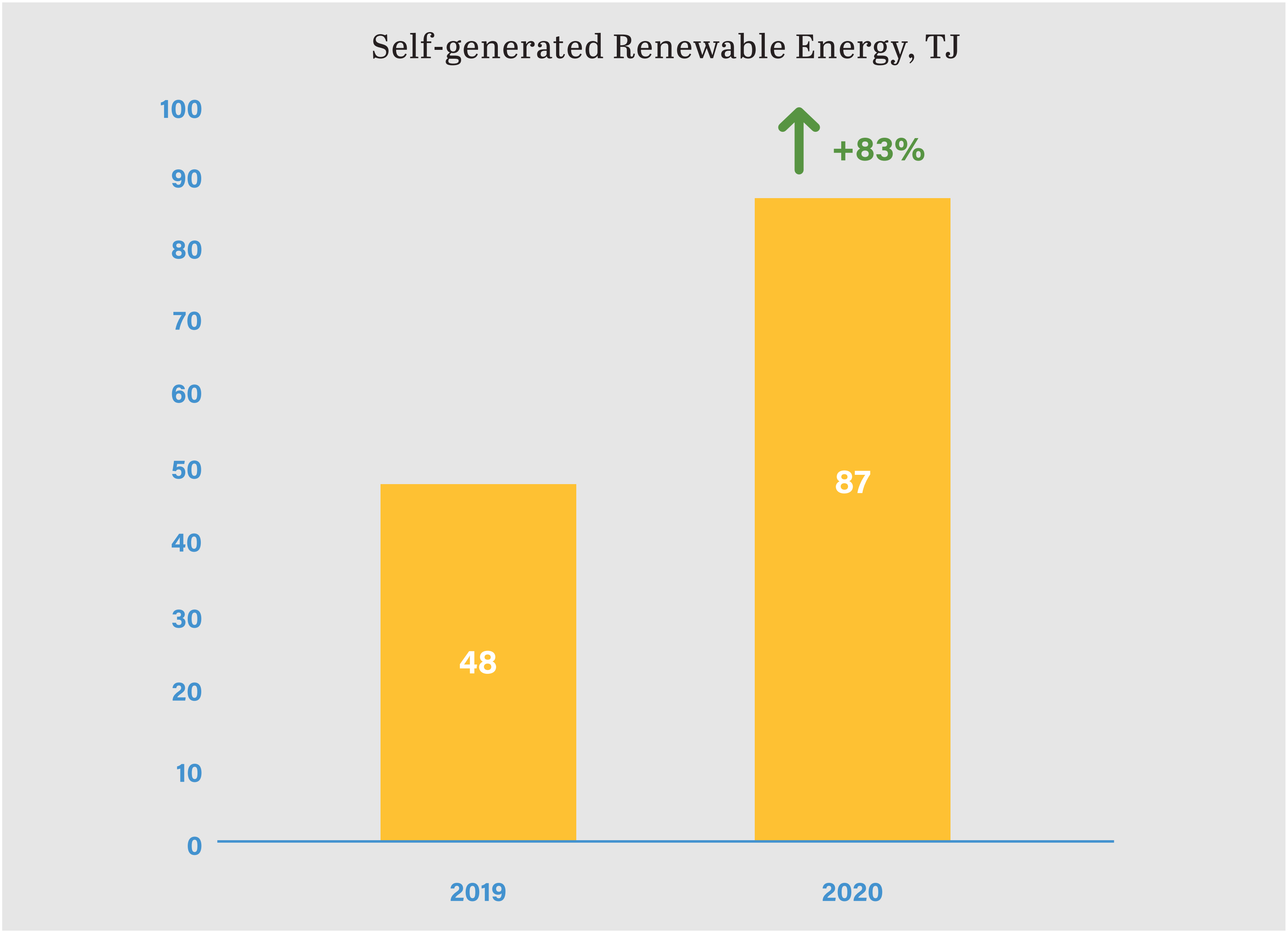
Transitioning to Low Carbon Power and Renewable Energy Sources

In line with our vision of a low-carbon future, JGS business units take the initiative to pursue solar energy (RLC and URC) and biomass-fired power (URC).

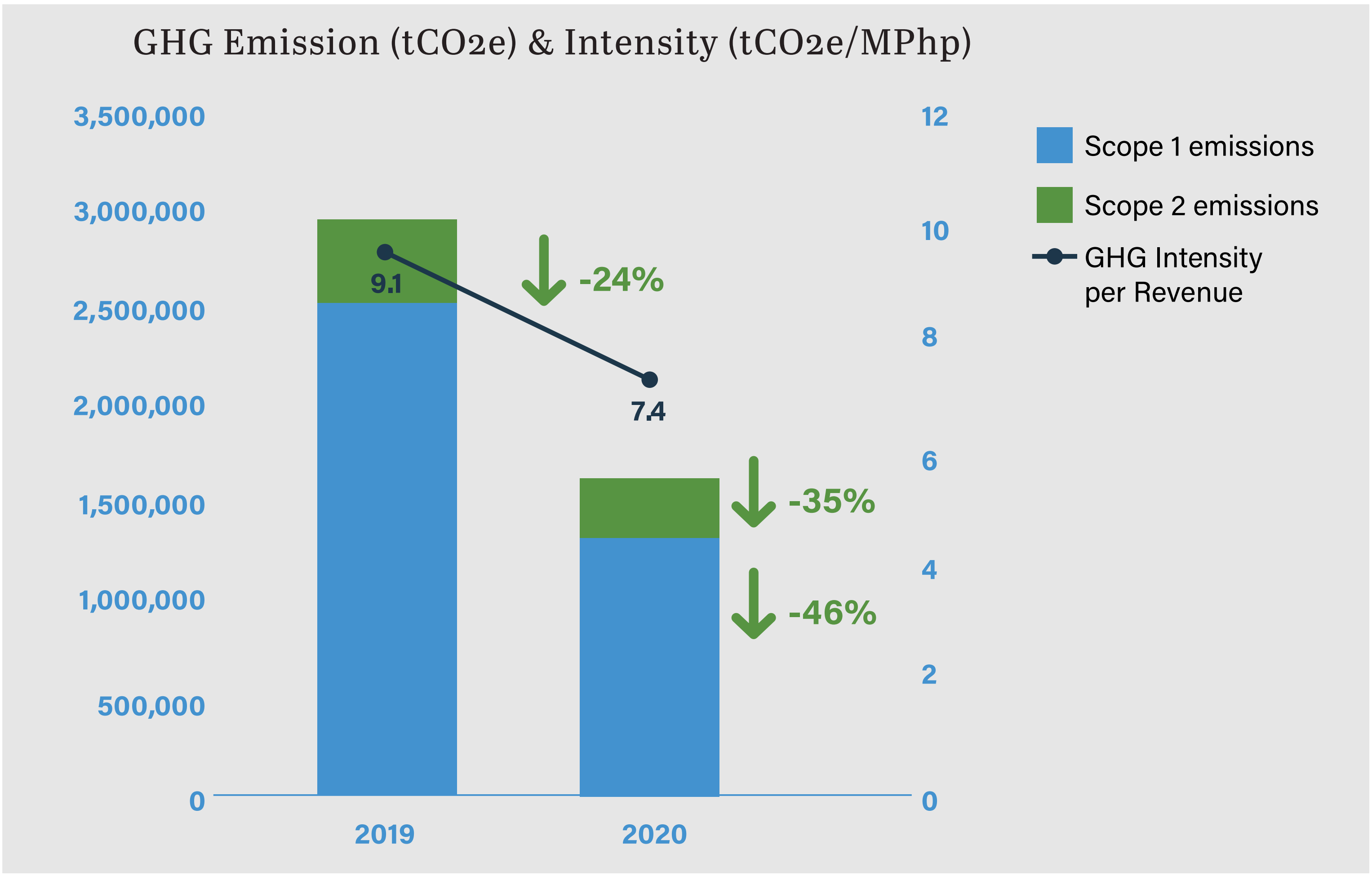
To date, RLC operates 21 solar facilities that generate a maximum capacity of 32.157M kWh (32,157 MWh). Solar panels in three more RLC commercial centers are set to become fully operational in 2021.

URC's biomass-fired power cogeneration plant SONEDCO generates 46 megawatts of power, while the recently installed one megawatt solar power rooftop plant in Canlubang, Laguna factory was designed to reduce approximately 900 metric tons of CO_2 yearly.

In BCF Vietnam, we plan to install a 2.85-megawatt solar power system in the Coffee Plant that will cover an area of 14,000 sq.m and operate 3.5 hours daily on average. In addition, BCF Thailand will install a 5-megawatt solar power system on the roofs of their warehouses and plants to help reduce approximately 4,000 metric tons of CO_2 yearly.



Tracking and Lessening Greenhouse Gas Emissions



Largely due to reduced operations throughout JGSHI, direct greenhouse gas (GHG) emissions from business operations (Scope 1) and indirect emissions including grid-sourced electricity (Scope 2) sharply declined by 46% and 35%, respectively, in 2020. Group-wide GHG emissions intensity, which compares a company's GHG emissions with its economic performance, also marked a significant drop from 9.1 tons of carbon dioxide per million in Php revenue (tCO_2/MPhp) in 2019 to 7.4 tCO_2/MPhp in 2020.

Individually, limited flight operations resulted in CEB's total GHG emissions dropping 72% from last year, but a low number of passengers in each flight caused the GHG emissions intensity per passenger kilometer ratio to rise by nearly 53%.

At the head office, work from home arrangements and reduced manpower led to a 71% reduction in electricity consumption.

Alternatively, JGSPG marked an increase in overall energy consumption as the complex resumed operations after extended turnaround maintenance from Q4 2019.

As part of JGS's agenda on climate action, CEB and JGSPG also spearhead the group's initiatives on tree planting and forest rehabilitation and protection. Since 2013, 420,944 seedlings have been planted as part of these activities.

Climate Risk Readiness

With climate change exposing our operations to potential risks like business interruptions, infrastructure losses, supply shortages, and other material hazards, we put systems in place to identify climate-related risks and to develop mitigation plans to address them.

Among JGS's climate risk readiness measures is CEB's real-time weather forecasting system that enables the airline to avoid flying in hazardous conditions. In 2020, this system led to 106 flights being diverted, delayed, or cancelled due to inclement weather, reducing the risk for more than 9,487 passengers.

3. Resource Efficiency & Circularity

We will optimize our use of natural resources and promote circularity.

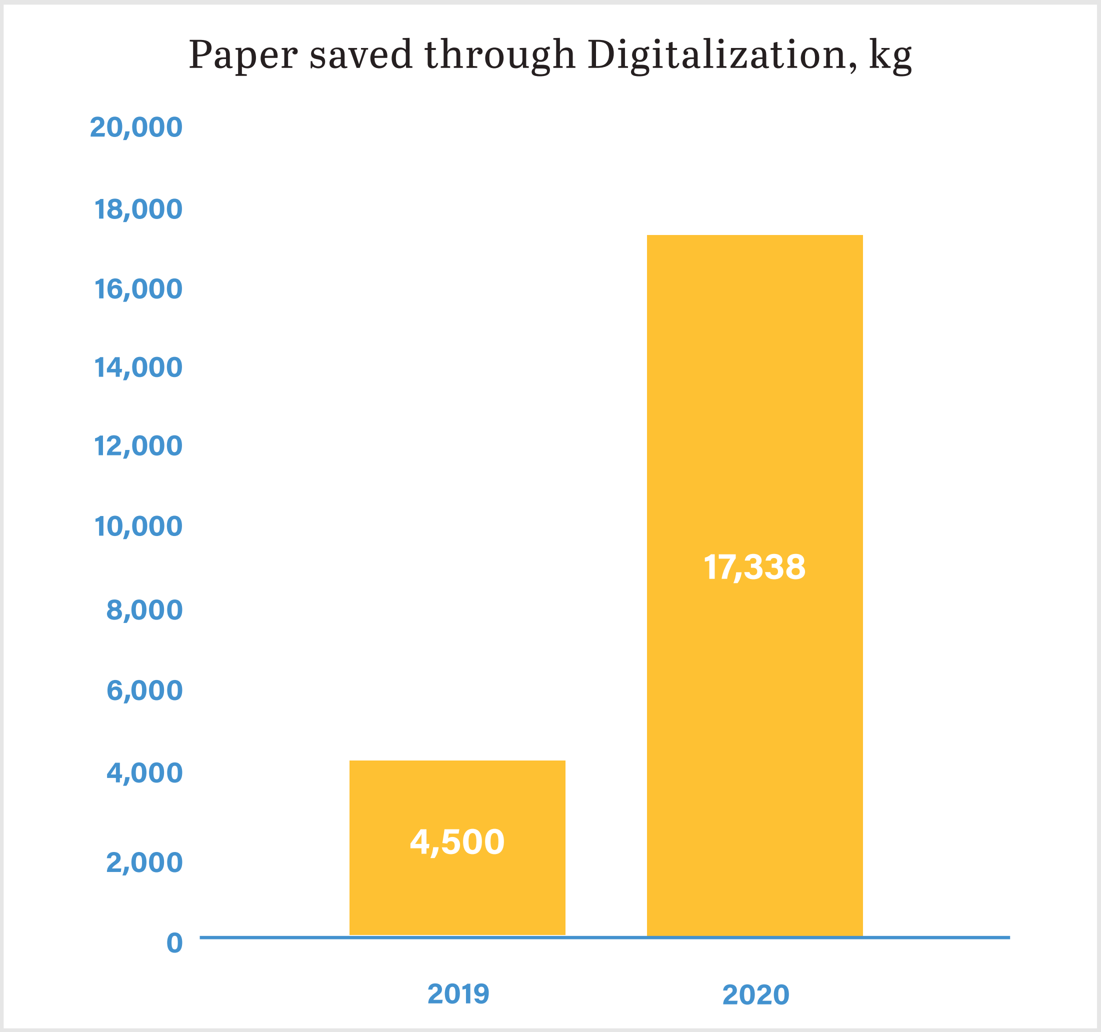
240,754 cu.m. **Recycled Water**	442* tonnes **Recycled Materials**

**URC's reground PET flakes*

Improving Resource Efficiency

Creating more value using fewer resources not only mitigates environmental impact, but also generates significant cost savings for JGS. In line with this, RLC seeks greater efficiency by reducing material intensity, which is the amount of materials needed to produce one square meter of space.

Digitization initiatives in RBank's processes, products, and services helped save a total of 17,338 kg of paper resources in 2020, quadruple the amount of paper saved in 2019.



For JGSPG, initiatives undertaken towards maximization of target production rates and improved procedures to prevent unplanned shutdowns resulted in improved efficiency.

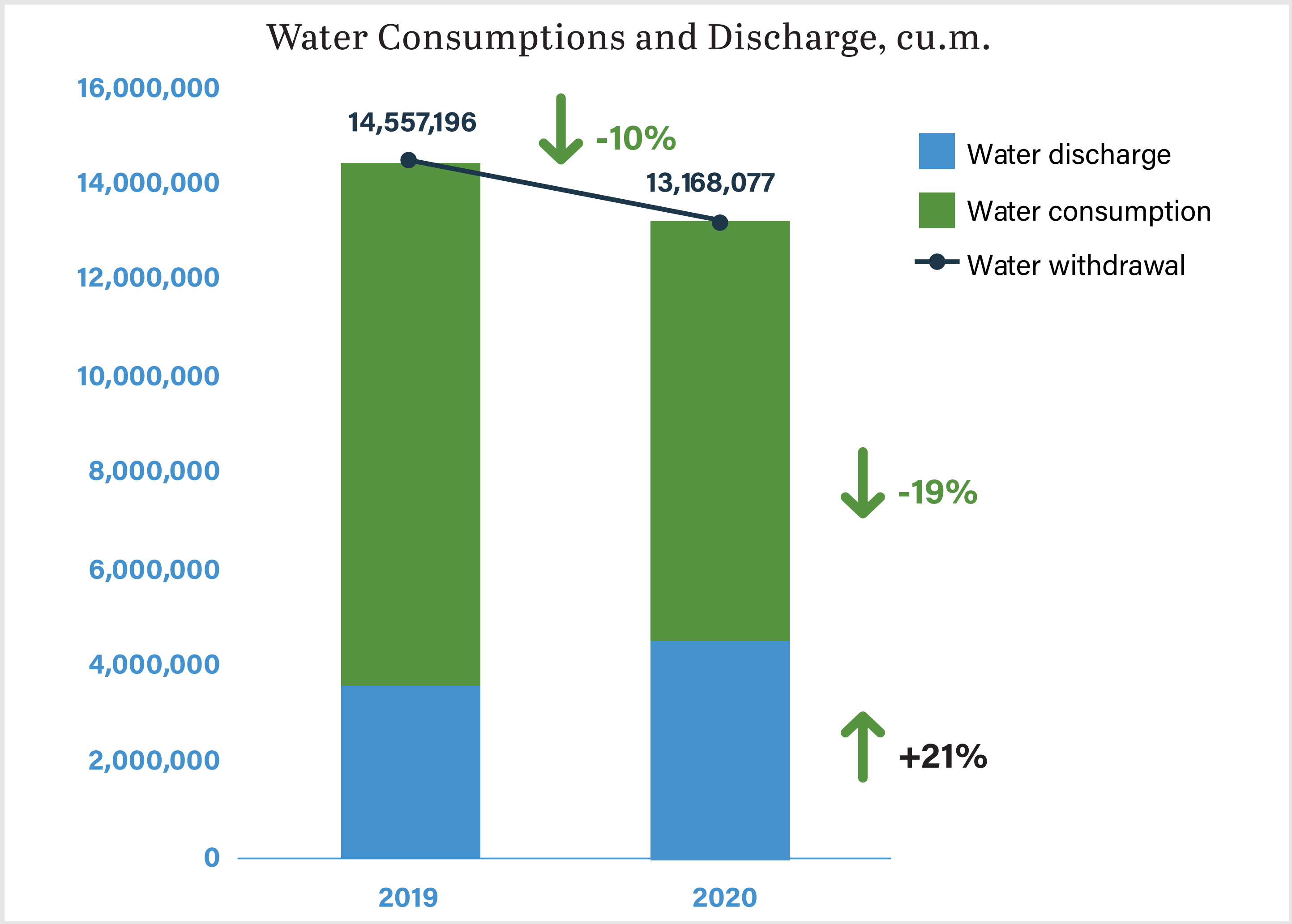
Total PE and PP capacity utilization in 2020 increased to 69% versus 63% in 2019. Overall PE and PP production totaled 389 kilotons (kT) in 2020, increasing by 12% from last year's 349 kT.

Reducing Our Water Footprint

Water management initiatives of the JGS business units include the use of rainwater collection systems (CEB, RLC) and wastewater treatment and recycling (CEB, RLC, JGSPG). Aside from groundwater wells, the businesses utilize alternative water sources such as seawater desalination (JGSPG).

Processes that utilized recycled water, eliminated water wastage, optimized water intensive cleaning activities, and reduced frequent changeovers resulted in significant improvements to JGS's overall water usage.

In the wake of these measures, as well as decreased operations due to the pandemic, JGS's total withdrawal dropped from 14,557,195 cubic meters in 2019 to 13,168,077 cubic meters in 2020. Of the water withdrawn by the SBUs, 8,947,163 cubic meters were discharged and returned to the water source, while 4,217,783 cubic meters were consumed and not returned.



Increase in water discharge was due to improved data collection

Moving Towards Circularity

In 2020, JGS and its subsidiaries generated a total of 165,017 tons of wastes. As trash collection and disposal remains an ongoing problem in the Philippines, we recognize the need to reduce, reuse, and recycle as well as practice proper waste disposal throughout our company.

For these purposes, the SBUs focused on the following initiatives:

- JGS used 442 tons of recycled input materials
- CEB's Juan Effect Program treated hazardous waste through DENR-accredited suppliers, sharing responsibility through community engagement and partnerships
- Robinsons Hotels & Resorts' We Skip the Straw Initiative, and reduction of single-use plastic consumption, focused on waste reduction
- URC reincorporated waste back into their value chain

As part of the company's push for zero waste to landfill, URC also started waste profiling using Waste Analysis and Characterization Study (WACS). As of 2020, URC's Branded Consumer Foods (BCFG) Philippines has already started the process of monitoring the group's waste to landfill information.

4. Better Choices

Our portfolio will continue to drive innovative and accessible products and services that improve the quality of life, especially of the ordinary Filipino.

Ensuring Customer Safety and Wellbeing

Guided by our purpose to provide customers with better choices, we recognize our responsibility to deliver safe, accessible, and high-quality goods and services to the public.

As consumers are more drawn to a health-conscious lifestyle, URC addresses the need to balance the taste and affordability of products with nutritional benefits. Embedded in URC's commitment is to improve the nutrition and wellness profile of product portfolio aligned with the URC wellness criteria. URC's 10 wellness criteria tackles areas of product renovation and development which includes the reduction of sugar, sodium, trans fat (TraFa), and partially hydrogenated oil (PHO) as well as the substitution of saturated fat (SaFa) and colors. As we continue to innovate our products, we monitor progress related to the percentage of products passing 1 to 10 wellness criteria. In 2020, more than 85% of URC products passed one wellness criteria; more than 65% passed two; and more than 30% passed three Wellness Criteria.

URC Wellness and Nutrition		
More than **85%** of the products passed 1 criteria	More than **65%** of the peroducts passed 2 criteria	More than **30%** of the products passed 3 or criteria

Robinsons Bank		
9,259 MPhp Financial Inclusion Financing	**16,119** MPhp Countryside Development Financing	**62.3** MPhp Banking the Unbanked

Cebu Pacific		
5,026,112 Headcount Number of Passengers Carried	**109,409** Tonnes Volume of Cargos Shipped	**57** Routes

JGS Petrochemicals Group		
925,506 Tonnes Products Sold	**73%** Products Sold Locally	**27%** Products Sold Internationally

Robinsons Land Corporation		
31,883 Transaction/Day Lingkod Pinoy Daily Transactions	**256** Hectares Land Area for 2 Townships	**63,003** Sq. m Area for Transport Hubs

Part of our sustainability commitment is giving underserved markets access to essential services, including banking (RBank), air travel (CEB), and infrastructure (RLC).

RBank understands that having access to financial services enables access to other essential services that facilitates day-to-day living and promotes wellbeing. Financial inclusion provides families and microbusinesses with a safe and secure means to make transactions, send and receive payments, as well as save money in order to plan for long-term goals and emergencies. In 2020, RBank provided 9,259 MPhp in financial inclusion financing, with 16,119 MPhp in countryside development financing, and 62.3 MPhp banking for the unbanked.

For CEB, facilitating essential air travel means supporting connections among families and delivering indispensable goods. While the pandemic paused non-essential traveling in 2020, CEB has made sure 5,026,112 passengers and 109,409 tonnes of cargo were carried safely across their 57 routes. Thereby providing an important service for Filipinos.

RLC's properties serve as convenient and critical hubs for customers in need of government services. For one, Lingkod Pinoy in 2020 made 31,883 transactions per day. The properties also provide accessibility for the transport sector, dedicating 63,003 square meters of area for transport hubs. RLC's residences also provide families with secure and safe homes. In 2020, 256 hectares were built for townships, providing people a space to live and flourish.

Privacy protection is also a priority with state-of-the art technology safeguarding customer data. In 2020, no data breach was recorded across the subsidiaries.

Product Innovation Toward Quality and Excellence

Each subsidiary ensures the consistent delivery of quality and excellence to consumers, adapting to the ever-evolving market to offer products and services that are not just innovative and accessible but also relevant to the public's present needs.

This year, RLC Hotels and Resorts addressed consumer demands in the pandemic by converting hotel rooms into Working-on-the-Go and Home-to-Go Accommodations for remote students and professionals.

A pioneer in the petrochemical industry as the largest manufacturer of polyolefins in the country, JGSPG provides key industries in the Philippines with EVALENE® polyethylene (PE) and polypropylene (PP) resins that are FDA Philippines- and Halal-certified. In 2020, JGSPG sold a total of 925,506 metric tons of products. Of these, 73% were sold locally and 27% sold internationally.

Customer Satisfaction

At JGS, we place utmost importance on customer satisfaction. In a recent customer survey through "Advantage Group," URC BCF Philippines ranked at 7th place in retailer perception after coming in at 13th in the previous year. An annual customer satisfaction survey in 2020 showed that 93% of JGSPG customers across all category segments expressed overall satisfaction with EVALENE product performance, which is an improvement from the 90% satisfaction rating in 2019. Respondents of the survey represented 57% of the total volumes sold in the previous year.

For a better gauge of consumer sentiment and expectations, JGSHI subsidiaries have created channels for customer communication such as:

- CEB's integrated facility for social intelligence and customer engagement
- URC's customer care group
- RLC's customer satisfaction surveys

5. Employee Engagement and Development

We invest in our greatest asset, our people, to thrive in the workplace of the future.

18.77* hrs/employee **Training hours per employee**	**812** headcount **Employee Promotions**
0 headcount **Fatalities**	**27** occurences **Lost Time Incidents**

In 1H2020 face-to-face training stalled due to pandemic; digital trainings kicked-off in second half of 2020. Number does not include CCU employees.

In 2020, JGS's total workforce consists of 22,508 individuals of different skills and backgrounds. Despite the economic implications of the pandemic, the company hired 3,173 new employees this year. In particular, URC's increase in data coverage and JGSPG's continuous hiring to prepare the organization for upcoming new businesses led to both companies growing in number in 2020.

- URC Thailand named among Marketeer Business Magazine's "Best Companies to Work for in Asia"
- RBank was among the winners at the Philippines Best Employer Brand Awards 2020

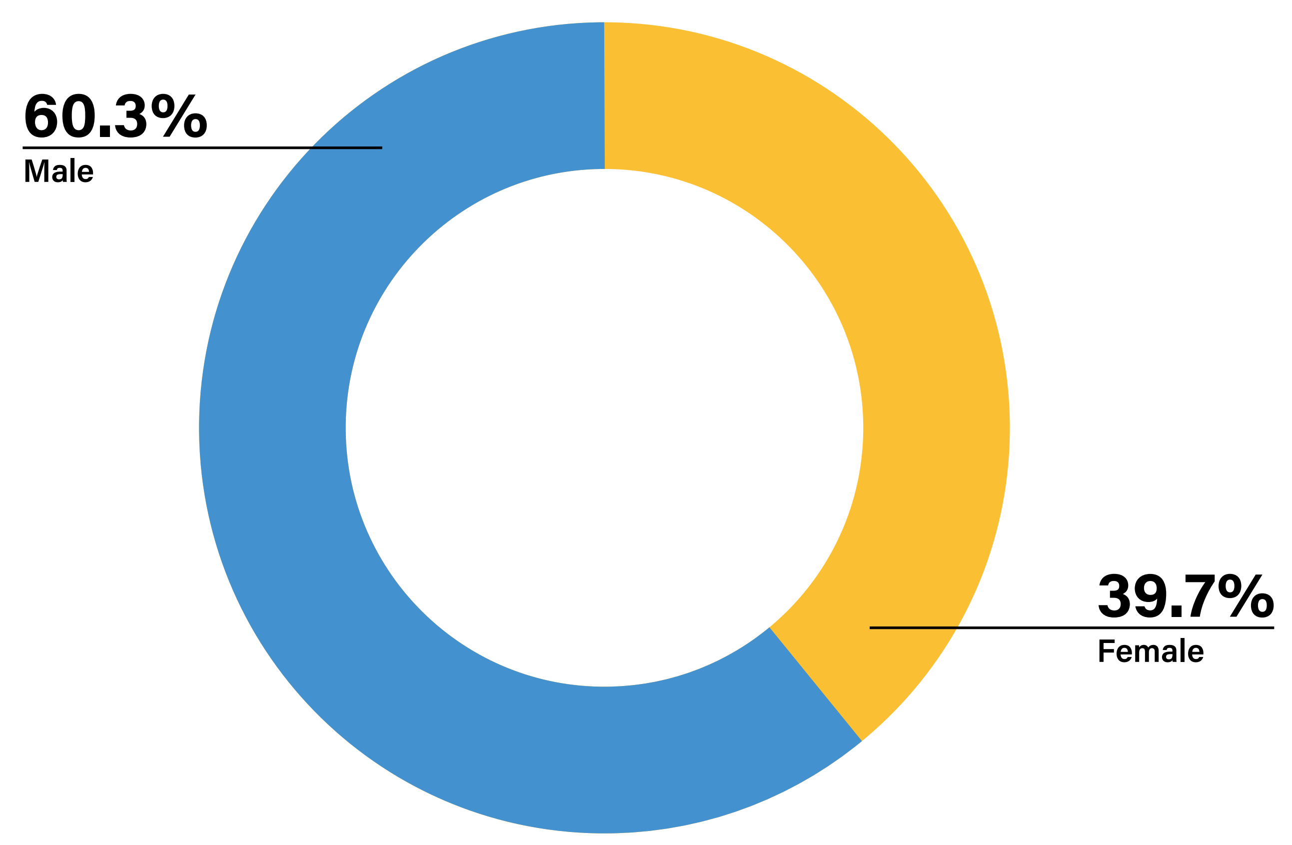
Keeping a Diverse Workforce

At JGS, we recognize the value of hiring people with diverse genders, nationalities, and ages to promote inclusivity and foster innovation. One of our priorities is accelerating gender equality and inclusion throughout the company.

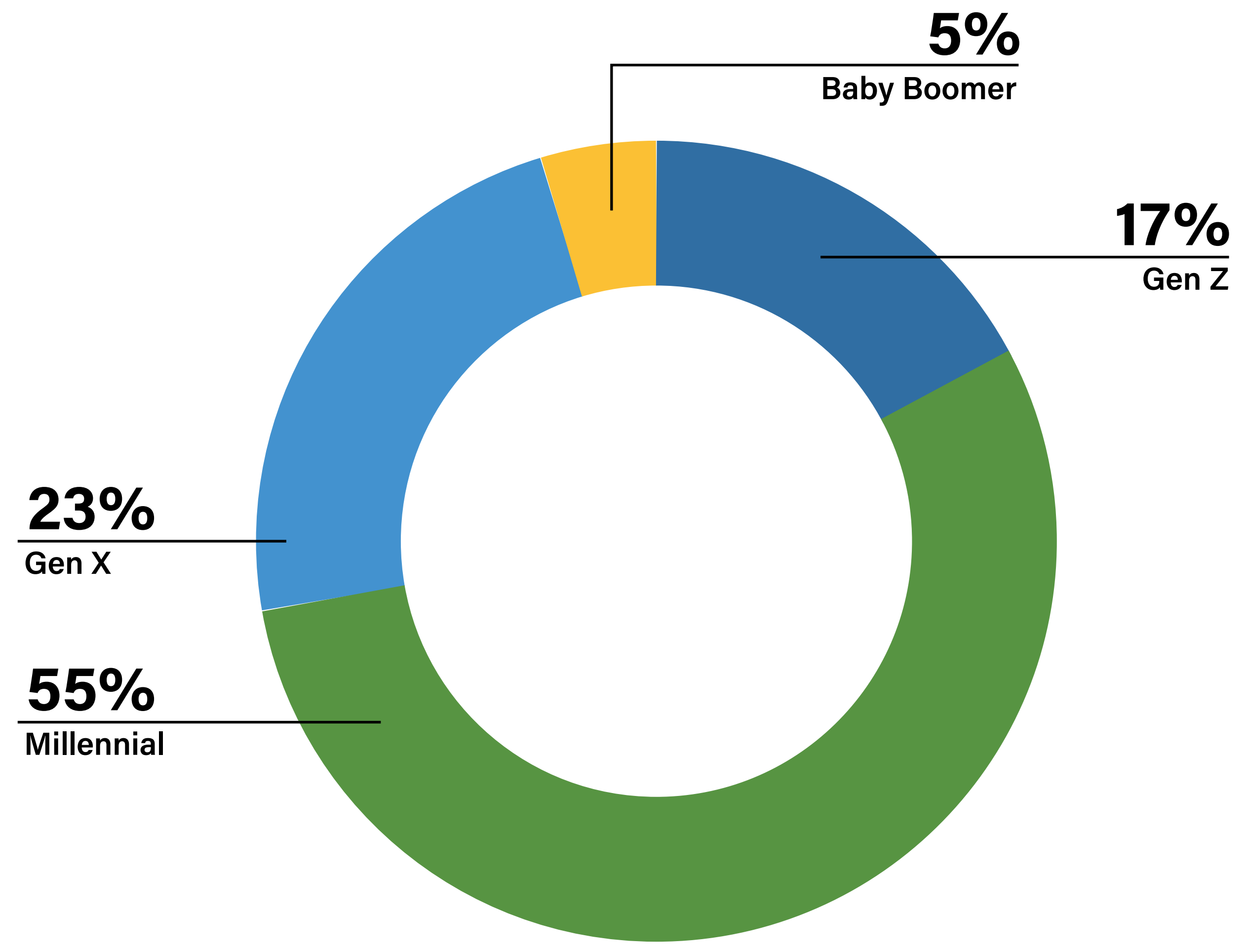
As of 2020, JGS's total workforce is 60.3% male and 39.7% female. Gender diversity and equality are further emphasized in the various JGS subsidiaries.

- URC hired two new female independent members of the board of directors
- RLC obtained a high score on the Bloomberg Gender Equality Index Recognition
- CEB partnered with the University of the Philippines Center for Women's and Gender Studies to develop a Diversity and Inclusion Manual, and Gender and Development Policies

Employee breakdown by gender

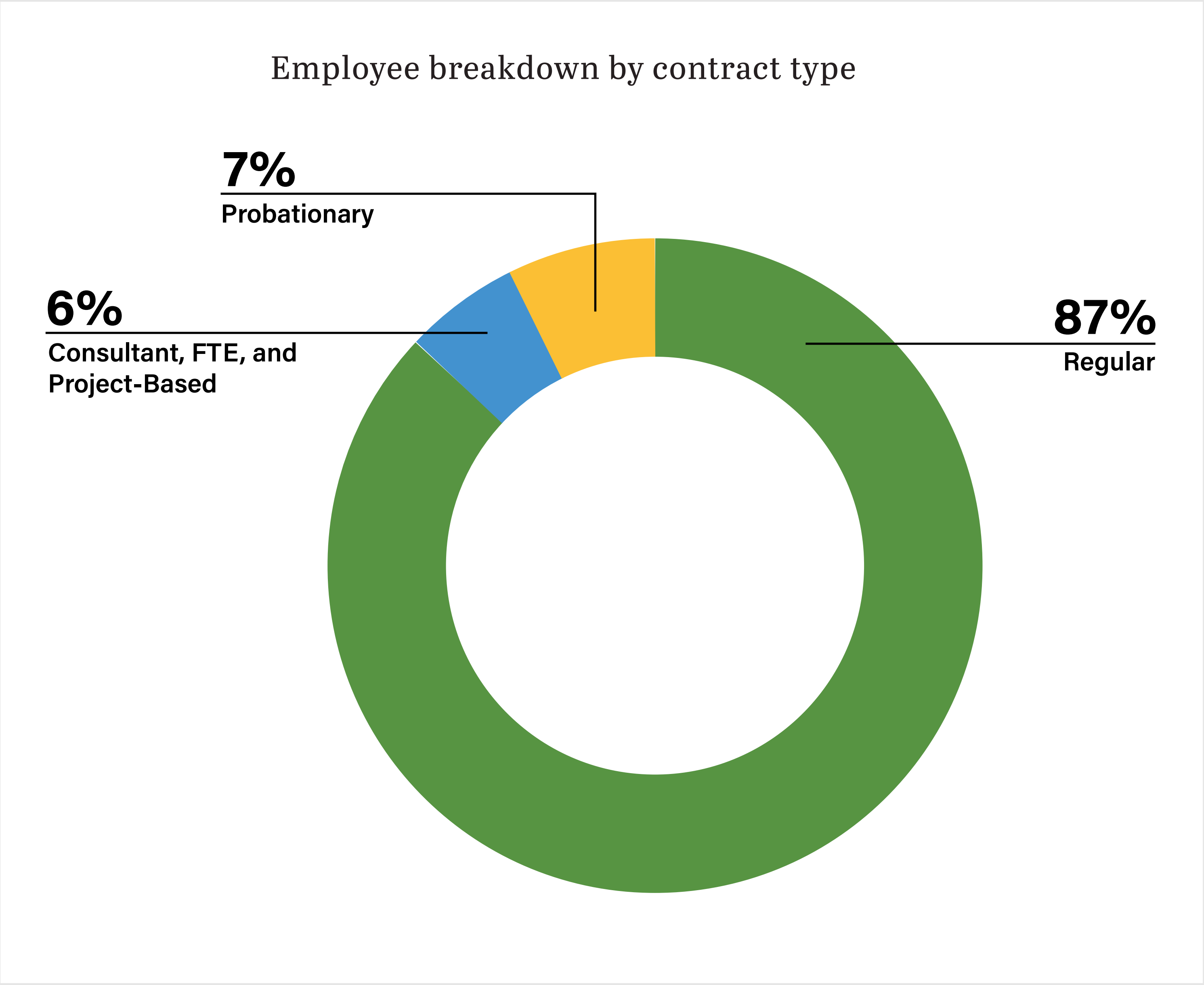


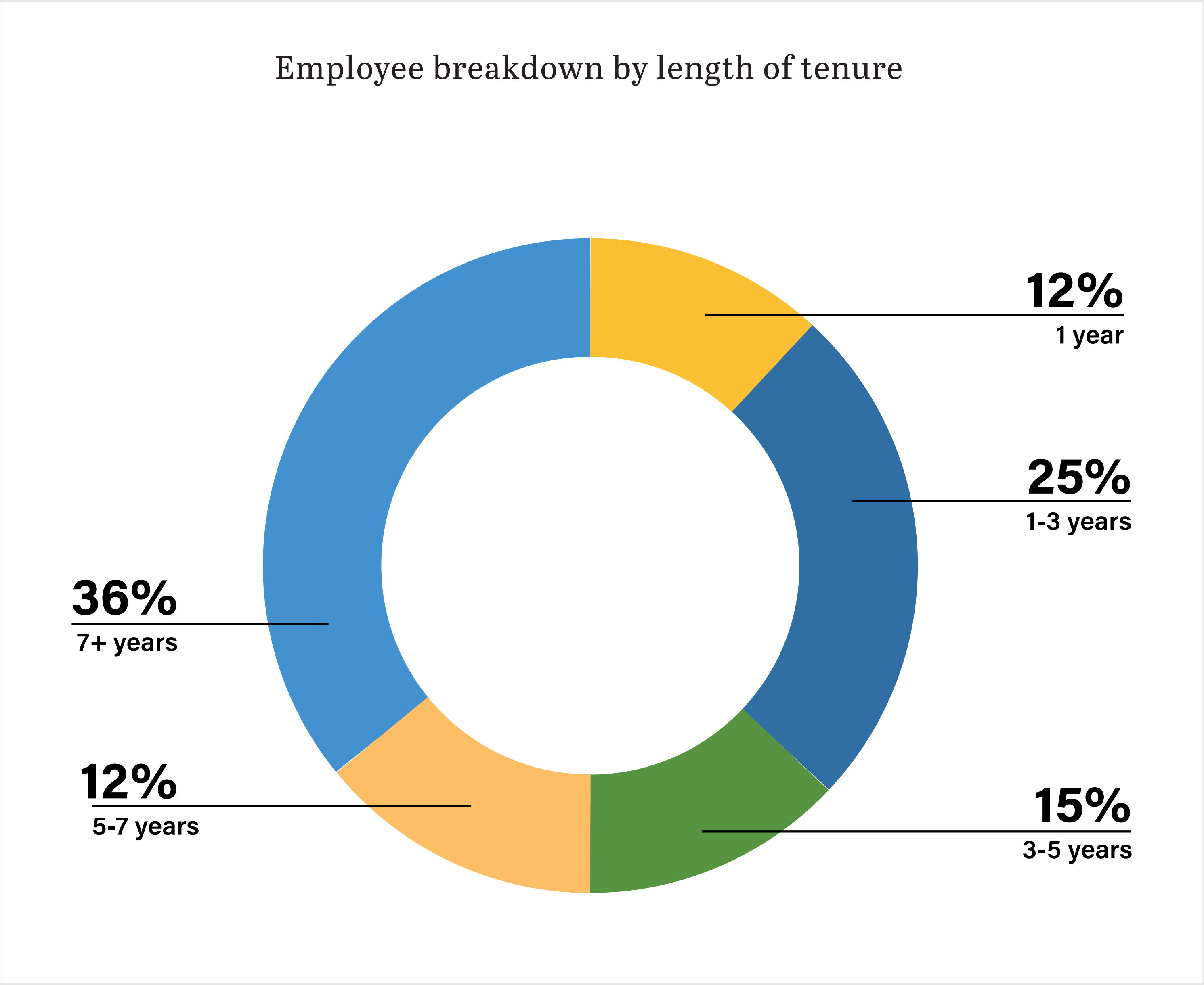
Employee breakdown by age group



Additionally, millennials, whose age is between 25 to 40 years old, mainly compose JGS's talent pool, accounting for 55% of the employees. This is followed by a crop of fresh talents from Gen X (42-56 years of age) and Gen Z (26 years old and below), making up 23% and 17% of the manpower, respectively. The rest of our talents comprise the experienced baby boomers (57 years of age and up).

Employees as Long-Term Partners





As employees are one of the most valuable assets of JGS, we are committed to cultivating a long-term partnership with them. As of 2020, most of our workforce consists of regular employees under a full-time contract. In addition, more than half of the employees have been working at the company for over three years and more than a quarter have been employed at JGS for over seven years, demonstrating long lasting partnership between the Company and the employees.

Developing Our Talent

Successful operations of the JGS subsidiaries rely in large part on the knowledge and skills of our labor force. As such, we champion the continuous growth and development of our people.

As the pandemic presented a challenge for staff training, new learning modalities and approaches were adopted to ensure that the organization maximized online learning opportunities. We have strengthened our digital delivery learning systems and platforms by providing self-directed learning content, allowing our employees to have the flexibility and access of learning anytime, and anywhere. These initiatives include JGS's LinkedIn Learning , URC University Virtual Learning Plan, and CEB's Learning Management System, and CEB University on the Go.

These online classes allowed continuous staff development with employees logging in a total of 2,437 training hours or an average of 7.25 training hours per employee for Corporate Center Units.

Individually, JGSPG invested Php 13.4 million in employee learning, development, and technical training with each employee completing an average of 32.6 training hours within the year.

Fostering a Safe Workplace Environment

Through the Environment, Health, and Safety (EHS) Group, the company sets safety standards and practices for the workplace with regular assessment of risks, hazards, and actions to eliminate or minimize incidents. Notably, JGSHI marked 65.9 million safe man-hours in 2020.

Twenty-seven lost time incidents (LTI) occurred throughout the year, more than half of last year's accidents. We continue to monitor and review safety measures to prevent further incidents from happening.

At the onset of the coronavirus pandemic, the company made sure frontline workers and remote employees were equipped with the necessary safeguards to thrive in the new normal. This includes stricter safety protocols in the workplace, transportation, personal protective equipment (PPE), health care access, and social and financial assistance.

ANNEX

Disclosure/Metrics	Units of Measure	
ECONOMIC		
Proportion of spending on local suppliers	%	55.04

ENVIRONMENTAL		
Materials		
Materials used by weight or volume	kg	803,271,906.06
Recycled input materials used	kg	6,288,351.56
Energy		
Energy Consumption	GJ	17,206,631
Energy intensity	GJ/MPhp	77.20
Water and Effluents		
Water withdrawal	m^3	13,168,076.64
Water discharge	m^3	4,217,783.15
Water consumption	m^3	8,947,163.49
Water Recycled	m^3	240,754.40

Wastes		
Non-hazardous Waste	kg	165,017,336.30
Hazardous Waste	kg	2,961,577.37
Hazardous Waste Treated and Transported	kg	2,794,327.79
Waste diverted from disposal (Updated waste disclosure GRI 306-4)		
Reused	kg	131,922.30
Recycled	kg	128,121,930.00
Composted	kg	12,703,206.49
Residuals	kg	24,060,277.50

Emissions		
Scope 1 emissions	tCO_2e	1,347,717.64
Scope 2 emissions	tCO_2e	308,192.10
GHG emissions intensity	tCO_2e/MPhp	7.43
Emissions of ozone-depleting substances	tonnes	23.72
Air pollutants (NOx)	tonnes	470.80
Air pollutants (SOx)	tonnes	125.30
Air pollutants (PM)	tonnes	26.73

ANNEX

SOCIAL		
Total Number of Employees	headcount	22,508
New employee hires	headcount	3,173
Permanent or Indefinite	headcount	2,565
Temporary or Fixed term	headcount	608
Employee Turnover	headcount	4,912
Voluntary	headcount	1,853
Involuntary	headcount	3,059
Employee by gender		
Female	headcount	8,935
Male	headcount	13,573
Employee by age group		
Gen Z (26 and below)	headcount	3,899
Millennial (27-41)	headcount	12,376
Gen X (42-56)	headcount	5,208
Baby Boomer (57 and up)	headcount	1,025

Employee breakdown by contract type		
Regular	headcount	19,656
Consultant, FTE and Project Based	headcount	1,208
Probationary	headcount	1,644
Employee Length of Tenure		
< 1 year of Tenure	headcount	2,731
1-3 years	headcount	5,599
3-5 years	headcount	3,426
5-7 years	headcount	2,585
7+ years	headcount	8,167
Parental Leaves Availment*	headcount	358

Diversity		
% of female workers in the workforce	%	39.70
% of male workers in the workforce	%	60.3
Number of employees from indigenous communities and/or vulnerable sector	#	75

OHS Data		
Safe Man-Hours	hours	65,924,820.80
No. of work-related injuries	#	381
No. of work-related fatalities	#	0
No. of work-related ill-health	#	8
No. of safety drills	#	178
No. of LTI	#	27

CBA		
% of employees covered with Collective Bargaining Agreements	%	32.77
Number of consultations conducted with employees concerning employee related policies	#	804
Data Privacy		
No. of data breaches, including leaks, thefts and losses of data	#	0

**JGS and its subsidiaries provide all mandatory benefits to 100% of its regular employees. Numbers do not include CCU employees.*

Gokongwei Brothers Foundation

The Year at a Glance

It's been 29 years since Gokongwei brothers John, Johnson, Henry, and James established the Gokongwei Brothers Foundation (GBF). Through these years, the foundation has remained true to its commitment to help Filipino educators and learners achieve their full potential by levelling the playing field and enabling opportunities to make education within reach.

In particular, through its efforts to uplift the quality of science, technology, engineering, and mathematics (STEM) education in the Philippines and increase access to it, GBF hopes to help pave the way for sustainable national development.

In fact, the foundation has committed itself to taking part in the learning journey of 10,000 educators and one million learners by 2025. To that end, new strategic imperatives have been implemented to help guide the organization as it grows:

Elevating educators' professional development

Enabling quality content to reach as many educators and learners

Supporting the growth of STEM and digitally-enabled learners and professionals

Increasing the underprivileged sector's access to quality education

A carefully organized three-year roadmap has been put in place to ensure that these plans are rolled out on schedule and in stages. The journey might be daunting, but the work has begun, with some of the seeds planted in the last year already starting to take root.

2020 Milestones

Elevating Educators' Professional Development and Developing Quality Content

TeachSTEM Scholarship Program

To further help grow the pool of competent and excellent STEM educators in the country, the foundation created the GBF TeachSTEM Scholarship Program, which supports outstanding present and future K to 12 science and math educators studying in centers of excellence for teacher education.

KaSaMa Teachers Community

GBF has continued to team up with the University of the Philippines National Institute for Science and Mathematics Education Development (UP NISMED) for KaSaMa Teachers Community, a professional online community of Filipino K to 12 science and math educators.

KaSaMa Teachers was established by UP NISMED in 2011 to help science and math educators during the transition to the K to 12 curriculum. In 2019, UP NISMED and GBF began working together towards a shared vision of continuing to empower Filipino science and math educators.

As a partner, GBF built the community's new home at www.kasamateachers.ph launched in January 2020 and has been helping in engaging and spreading the word about KaSaMa Teachers.

What KaSaMa Teachers Community provides to empower #KaScience and #KaMathematics educators

Quality teaching and learning resources

Alternative professional development opportunities

Platform for collaboration

KaSaMa Teachers Community in 2020

2,700+
members on www.kasamateachers.ph

17,000+
followers on Facebook

350+
quality teaching and learning resources for K to 12 science and math

9
webinars through Facebook Live on curriculum concerns, specific science and math content, and teaching strategies

Average of
600+
live webinar viewers

SAP University Program

To help advance the country's competence in the digital arena, GBF and JG Summit Holdings, Inc. partnered with the SAP University Alliance, a global program that aims to help educators and learners alike develop critical digital enterprise skills. In 2020, GBF sponsored the participation of the University of San Carlos and De La Salle University Dasmarinas in the program. Twenty-four teachers from the universities completed the training.

SAP University Alliance program for GBF university partners

- Intensive training on SAP S4/Hana software—one of the world's most widely-used enterprise management systems
- Integration of SAP S4/Hana training in the university curricula
- Internship of trained teachers at the JG Summit Corporate IT Department

Endowment

Financial support has been provided by the foundation to reputable institutions to strengthen academic programs that are vital to the nation's progress, such as those delivered by **Ateneo de Manila University's John Gokongwei School of Management** (2002) and **De La Salle University's Gokongwei College of Engineering** (2011). Alongside student scholarships and infrastructure development, these endowments for JGSOM and GCOE significantly provides for faculty development, research, retention, and recruitment up to today.

Increasing Access to Quality Education and Supporting the Growth of STEM Learners and Professionals

SAP University Alliance program for GBF university partners

432

Enrolled Scholars
Actual as of December 2020

496

Graduated Scholars
Cumulative as of December 2020

41

Academic Partners

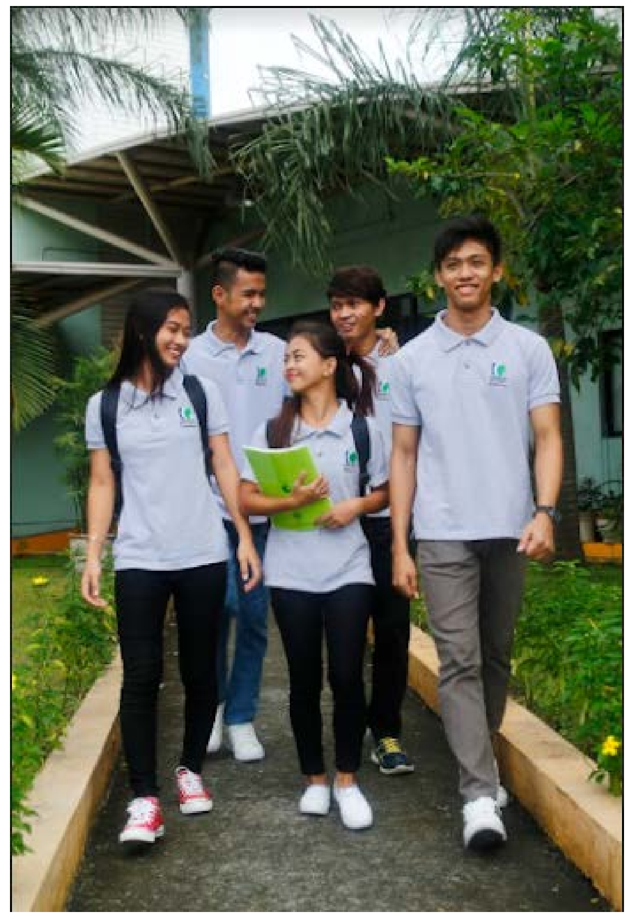
Scholarship Program	Enrolled Scholars
GBF STEM Scholarship for Excellence (2011) For outstanding students taking STEM courses in top Philippine universities. Scholars are eventually offered employment at the Gokongwei Group.	235
GBF NextGen Scholarship for Excellence (2010) For outstanding children and siblings of Gokongwei Group employees. Scholars excel in any undergraduate degree in any Philippine university and demonstrate strong leadership potential.	120
DLSU Gokongwei College of Engineering Grant (2012) For outstanding students taking any undergraduate degree program at DLSU GCOE. Scholars are supported from first year until graduation.	31
GBF Young Scientist Award Scholarship (2019) For outstanding high school and college students demonstrating global competence in STEM	16
St. Stephen High School Scholarship (2012) A merit and need-based grant for students enrolled in the Chinese high school. Scholars are supported from Grade 7 to 12.	9
Ateneo John L. Gokongwei Scholarship (2006) A merit and need-based grant for students of the Ateneo JGSOM. Scholars are supported from first year until graduation.	8
GBF-Go Family Association College Scholarship (2019) A merit and need-based grant for members of the Go family	8
Xavier-Zuloaga Scholarship Fund (2020) A merit and need-based grant for students of Xavier High School	5

JUAN Community Scholarship Programs

GBF Iskolar ni Juan Technical Vocational Scholarship

In partnership with URC, GBF grants fully-subsidized one-year technical-vocational scholarship to senior high school graduates interested in industrial machine operation. Belonging to low-income families in JUAN Communities, scholars board and train at the GBF Technical Training Center, undergo on-the-job training at URC, and are offered employment at URC as production operator or maintenance technician.

Iskolar ni Juan 2020 Highlights	
Enrolled Scholars	58
Graduates (Cumulative)	356
Programs Offered	Mechatronics Servicing Instrumentation and Controls Servicing
Certifications Earned by Graduates	TESDA National Certification II
Gokongwei Group Partners	URC Branded Consumer Foods Group URC Sugar and Renewables



GBF STEM-Agri Scholarship

In the same year, the community-based **GBF STEM-Agri Scholarship** was launched to provide support to children of current URC Sugar and Renewables (SURE) sugarcane planter partners, with hopes of encouraging them to the preserve the sugarcane planting tradition and eventually grow their own local agriculture business.

Scholarship Program	Enrolled Scholars
GBF STEM-Agri Senior High School Scholarship (2020) For URC SURE sugarcane planter partners' children taking sugar technology in senior high school	5
GBF STEM-Agri College Scholarship (2020) For URC SURE sugarcane planter partners' children enrolled in an agriculture-related undergraduate degree program	5

Promoting STEM Advocacy

Aside from providing generous scholarships, GBF also actively supports programs that promote the pursuit and development of STEM education as part of its STEM advocacy. In 2020, it partnered with DepEd in staging the country's annual National Science and Technology Fair (NSTF) for the second year in a row. The winners had been scheduled to fly to Anaheim, California to represent the Philippines at ISEF 2020 with GBF's support, but the event was held online instead because of the pandemic.

The students behind NSTF's winning projects have also been conferred the GBF Young Scientist Award, which is given to young Filipinos who demonstrate global excellence in the STEM field. The accolade comes with a STEM college scholarship to encourage the students to pursue a STEM course as well as excellence in their chosen field.

In time, GBF hopes that its efforts to support NSTF can help make it as popular with today's youth as the national Palarong Pambansa and inspire more students to develop an interest in science and mathematics.

Learn more about GBF Young Scientist Awardees and their winning works through videos here: www.youtube.com/gokongweibrothersfoundation.

Responding to Crises

The past year brought with it many unique challenges that didn't just affect the country's education sector, but also disrupted lives and displaced Filipinos all over the world. Navigating unprecedented calamities and an ongoing global pandemic, GBF, together with the Gokongwei Group, has done its best to be of service to the nation, providing relief and assistance to communities, healthcare workers, and institutions across the country.

GBF Bayanihan Fund

P156 million

Support Provided

599,751	Personal Protective Equipment, Medical Supplies & Equipment
56, 585	Food & Relief Packs
2,285	School Supplies & Equipments
	Various Logistical & Infrastructure Support

Institutions Supported

112	Hospitals & Healthcare Units
467	LGUs & Communities
18	Schools

Gokongwei Group Partners

- Universal Robina
- JG Summit Petrochemicals Group
- Robinsons Land Corporation
- cebu pacific
- RobinsonsBank A Commercial Bank
- LegazpiSavings a subsidiary of RobinsonsBank A Commercial Bank
- Robinsons Retail Holdings, Inc.
- Robinsons Supermarket
- TGP The Generics Pharmacy
- southstar drug
- Rustan's Supermarket
- Ministop
- TGP The Generics Pharmacy

Emergency Relief Operations

Calamities

- Taal Volcano eruption
- Typhoon Rolly
- Typhoon Ulysses

37,276
Relief Packs Delivered
for 50 communities

Snack Food | Beverage | Hot Meals | Hygiene Kits

599,751
Personal Protective Equipment, Medical Supplies & Equipment

91
Hospitals (Including eight testing centers)

19,309
Personal Protective Equipment, Medical Supplies & Equipment

117
Hospitals

130,000
COVID-19 Vaccine Doses

Donated to the Philippine Government through A Dose of Hope Program

Gift certificates through Project Ugnayan for economically displaced families

150,000
Individuals

Financial support for Gokongwei Group agency workers

10,311
Individuals

Essential goods and services such as food, gift certificates, shuttle service, and construction materials for local quarantine facilities

417
LGUs and Communities

Building JUAN Communities

The magnitude of crises in 2020 made it clear that more sustainable interventions were needed. In August, GBF and various companies in the Gokongwei Group strategically addressed areas where they could do the most good. Through the JUAN Communities program, GBF and Gokongwei Group companies work closely with select local government units in areas where they operate in order to provide responsive solutions to the needs of their schools, communities, and healthcare units that have been magnified or intensified by the pandemic.

Juan Communities Served in 2020

15	Cities & Municipalities	21	Barangays & Healthcare Units
17	Hospitals	18	Schools

JUAN Communities Map 2020

Metro Manila
GBF Juan Communities

With Robinsons Land Corporation

Pasig City
- City Government

City of Manila
- City Government
- 1 Hospital

Quezon City
- City Government

Central Visayas
GBF Juan Communities

With Robinsons Land Corporation

Cebu City
- 2 Schools

With Robinsons Retail Holdings, Inc.

Cebu City & Talisay City
- 2 Hospitals
- 2 Barangays/HCUs
- 2 Schools

Calabarzon
GBF Juan Communities

With URC Sugar & Renewables

Balayan & Tuy, Batangas
- 3 Hospitals
- 2 Barangays/HCUs
- 3 Schools

With URC Agro-Industrial Group

Antipolo City & Naic, Cavite
- 3 Hospitals
- 3 Barangays/HCUs
- 2 Schools

With URC Branded Consumer Foods Group

Calamba City
- With GBF TTC
- City Government
- 2 Barangays/HCUs
- 1 School

Dasmariñas City
- 2 Hospitals
- 3 Barangays/HCUs
- 2 Schools

San Pablo City
- 1 Hospital
- 4 Barangays/HCUs
- 2 Schools

With Robinsons Bank

Bacoor City
- 1 Hospital
- 2 Schools

Taytay & Cainta, Rizal
- 3 Hospital
- 5 Barangays/HCUs
- 2 Schools

JUAN Community School Partners

To help schools in adapting to the next normal in education, GBF established the JUAN Community School Partners program. In carefully evaluating and helping address the needs of select educational institutions in underprivileged circumstances or catering to underserved sectors, GBF and Gokongwei Group companies hope to build the community through education that empowers them to make positive changes back to their community.

Support Provided for 18 Juan Community School Partners

- Desktop Computers
- Mobile Devices
- Printer & Ink
- Risograph & Photocopier
- Bond Paper
- Transistor Radios
- Pocket Wifi

Juan Community LGU, Hospital, & HCU Partners

To help LGUs in strengthening public health management as communities rebuild and resume economic and livelihood activities, GBF worked with the Gokongwei Group companies in extending support to critical areas where they operate.

Support Provided for 53 LGU, Hospital & HCU Partners

- Personal protective equipment
- Sanitation Supplies & Equipment
- Test Kits
- Medicine & Vitamins
- Grocery Items & Gift Certificates
- Food Packs
- Construction Materials for Quarantine Facilities
- Hospital Beds
- Air conditioner
- Portalets
- Movable Sinks
- Computer Units
- Shuttle Service

2020 has, indeed, been one of the most trying times for the country in recent history, but through these Bayanihan efforts, GBF hopes to rebuild the nation and help our communities get back on its feet with a strong spirit.

Outlook for 2021 and Beyond

To help keep itself on track of its goal of taking part in the learning journey of 10,000 educators and one million learners by 2025, GBF has devised a two-pronged approach:

- **Develop centers of excellence**
- **Build JUAN Communities all over the country**

STEM education in areas where they can make the biggest differences while bridging the most severe educational and socioeconomic gaps that are rampant in smaller communities.

The plan starts with elevating the professional development of educators in the country. GBF has long recognized the role educators play in shaping the passions and interests of their students and the exponential power of their influence. Relying on both, GBF intends to increase TeachSTEM scholarships by more than 400%, from 29 as of end 2020 to 156 in 2021.

GBF also aims to grow the engagement and membership of the KaSaMa Teachers Community, which will help educators form stronger partnerships with each other as well as pave the way for a stronger STEM culture.

There are also plans to continue improving collaboration efforts with various academic and government institutions. Currently, the foundation is in the process of studying a flagship program under this strategic imperative.

This 2021, there are propositions to deepen scholarship engagement and establish better interventions to help scholars meet their full potential and become future co-advocates. Educators and learners alike can look forward to new development programs such as industry mentorships, new normal OJT programs, and a signature GBF leadership program.

There is also a clear mandate to strengthen JUAN Communities across the nation, extending centers of excellence scholarships and outreach work to adopted schools for both deserving students and teachers (across STEM and education fields). In addition, support to help these communities recover from the pandemic and calamities will continue.

It is GBF's hope that these efforts, in cooperation with the Gokongwei Group and other advocates of positive change, will pave the way for a better future for Filipino families. And together, the entire country can work together to build the nation through education one community at a time.

Corporate Governance

JG Summit Holdings, Inc. ("JGS" or the "Company") advocates and continues to affirm its commitment to the highest standards of corporate governance, applying the principles of transparency, integrity and accountability in all activities. Along with the Company's fostering commitment of creating sustainable value for stakeholders, achieving growth, balancing the short-term with long-term goals and protection of the interests of its shareholders, JGS believes that good corporate governance is a fundamental component to sound strategic business management and will improve the economic and commercial vitality of the Company. Further, JGS acknowledges that the enhancement of corporate governance is fundamental to fulfilling corporate social responsibilities and to enhancing corporate value. Going forward, the Company shall continue to promote initiatives in line with the purpose of the Corporate Governance Code, working to further increase corporate value.

Corporate Governance Highlights

The corporate governance principles and practices are institutionalized in the Revised Corporate Governance Manual (RCGM). The principles adopted, which guide the daily conduct of business, are pursuant to the recommendations provided in the Code of Corporate Governance for Publicly Listed Companies (PLCs). JGS aims to uphold the highest ethical standards, acting in good faith and in the best interests of all stakeholders at all times.

The Company submitted the Integrated Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on July 9, 2020. The I-ACGR is a reportorial requirement under SEC Memorandum Circular No. 15 series of 2017 to all PLCs to disclose the Company's compliance/non-compliance with the recommendations provided under the Corporate Governance Code for PLCs. With the "comply or explain" approach, voluntary compliance to recommended CG best practices is combined with mandatory disclosure.

As the Company continues to raise the bar of good governance by pursuing measures to bring up the level of awareness and practices in the organization, the Company has revised and submitted to the Commission and Exchange its amended Revised Corporate Governance Manual and Material Related Party Transactions (MRPT) Policy on December 22, 2020.

Corporate Governance Policies

As a supplement to the RCGM and to reinforce the governance framework, the Company has put in place and adopted the following policies: **Code of Business Conduct and Ethics, Board Diversity, Board Nomination and Election, Succession Planning and Remuneration, Material Related Party Transactions, Insider Trading, Whistleblowing, Stakeholders Health, Safety and Welfare, Information Security, Data Privacy, Supplier Accreditation, Directors, Officers, Stockholders and Related Interests (DOSRI).**

The above-mentioned corporate governance documents and policies may be accessed in the Governance section of the Company's website, https://www.jgsummit.com.ph/corporate-governance.

Duty to Shareholders and Other Stakeholders

JGS is transparent and fair in the conduct of its annual and special Shareholders' meetings. To foster active shareholder participation, the Board sends the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting, which also complies with the Securities Regulation Code. The Shareholders are encouraged to attend such meetings. Shareholders who are unable to attend are apprised ahead of time of their right to appoint a proxy. Subject to the requirements of law, rules and regulations and the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the favor of the shareholder.

The Company is committed to ensuring fair and equitable treatment of all shareholders, including the minority, and the protection of their rights that include the right to vote on all matters that require their consent or approval, right inspect corporate books and records, right to information, right to dividends and appraisal right.

The Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that encourages the Company's sustainable growth, while contributing to the advancement of the society where it operates. The Company employs value chain processes that take into consideration Economic, Environmental and Social Governance (EESG) issues and concerns.

Customer's Welfare

The Company adopts customer relations policies and procedures to protect the customer's welfare. This includes providing and making available the customer relations contact information. Customer relations is empowered to address and attend to customer questions and concerns.

Supplier/Contractor Selection

The Company follows the Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments. Apart from the accreditation process, suppliers and contractors also undergo orientation on Company policies and ethical practices.

Employees

The Board also establishes policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance, including but not limited to:

- Health, safety and welfare;
- Training and development; and
- Reward and compensation.

1. Performance-enhancing mechanisms for employee participation

The Company abides by the standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented, reviewed and regularly updated to ensure the security, safety, health, and welfare of the employees in the workplace.

The Company continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development (JG-ILED), the leadership platform for systematic and sustained development programs across the conglomerate. Its mission is to enable a high performing organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

During the time of pandemic and community quarantine, the Company has launched the JGILED Virtual Learning Program. Through the initiative of the Corporate Human Resources (CHR) – Leadership and People Development Team, this presented another avenue for the organization to continue learning new skills. The learning opportunity offered, among others, relevant topics to help boost productivity as the employees adjust to the new work arrangements. The employees could access any of the training courses, which were released twice a week, at their own pace.

Moreover, in support of the Digitalization thrust, the Company focused on the rapid acceleration and use of ready online delivery platforms. It even mapped out a competency-based learning architecture with more expansive and curated content linked to the JGS Competencies. The Company partnered with LinkedIn Learning, a content-rich platform that houses a number of curated courses ranging from Leadership, Functional and Digital programs. This partnership provided on-demand flexibility to the learners, as well as the opportunity to experience an immersive learning experience in a self-paced learning environment. This made managing the multifaceted process of Learning & Development more efficient as it covers end to end training administration using a single interface.

The Company also recognized that the pandemic had a profound emotional and mental toll on people around the world. The pandemic may be an "equalizer" in the sense that most people are affected by it and the same is true for its impacts on mental health. In the JG-ILED Virtual Curriculum, the Company recognizes that mental wellness is really all about coping, which is individualized. Thus, it integrated various mental health and wellness live webinar sessions for employees with interesting and relevant topics for everyone.

2. Anti-corruption programs and procedures

The ethical and behavioral standards that are expected of Directors, Officers and Employees are set out and embodied in the Company's Code of Conduct and Ethics, Anti-Corruption programs, Company Policies and Offenses Subject to Disciplinary Action (OSDA), among others. The same are disseminated to all employees across the Company through trainings to embed them in the Company's culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. Further, all concerned employees of the Conglomerate are required to comply with the Self-Disclosure Activity on Conflict of Interest and Declaration of Gifts Received on an annual basis.

The Company also has an established suitable framework for whistleblowing and ensures its enforcement to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, without fear of retaliation. They also have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.

The anti-corruption programs and procedures of the Company are summarized below:

Business Conduct & Ethics	Policy Statement
Conflict of Interest	The Company's Code of Business Conduct and Conflict of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that their judgment and discretion are not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee. The Company requires all concerned employees to declare perceived, potential, or actual conflicts of interest in an Online Self Disclosure (OSD) on an annual basis, subject to mitigations, when necessary.
Conduct of Business and Fair Dealings	The Company's employees who recommend, endorse, or approve the procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest situations in transactions they are involved in.
Receipt of Gifts from Third Parties	The Company discourages the acceptance of gifts. The Code of Business Conduct and Ethics also provides guidelines on acceptable gifts and sponsorships threshold, subject to recording requirements in the Online Self Disclosure.
Compliance with Laws and Regulations	The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.
Respect for Trade Secrets/ Use of Non-public Information	The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after the disclosure to the SEC and the PSE by the Company's authorized officers.
Use of Company Funds, Assets and Information	Employees are required to safeguard Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.
Employment and Labor Laws and Policies	The Company ensures the observance, strict implementation and compliance with employment and labor laws and policies with regards to recruitment, employment, retention and benefits of the employees.
Disciplinary Action	Violation of any provision of the Code of Business Conduct may result in disciplinary action, including dismissal and reimbursement for any loss to the Company that has resulted from the employee's actions. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.

Business Conduct & Ethics	Policy Statement
Whistleblowing	The stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee. Reports or disclosures can be made in writing or by email using the following contact details: a. email address: cicom@jgsummit.com.ph b. fax number 8395-3888 c. mailing address Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential-To Be Opened by Addressee Only" CICOM JG Summit Holdings, Inc. 40th Flr. Robinsons Equitable Tower ADB Avenue, Cor., Poveda Road Pasig City The complaint shall be filed using the Complaint/Disclosure Form (CDF) available on the company website. All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM. The Company commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in enforcing the policy. On May 2020, the Company launched iSpeak, an initiative in line with the Company's Whistleblowing Policy. iSpeak is a digital platform where employees can freely and securely share feedback, complaints and reports on non-adherence to Company values including policies on Anti-Corruption. The Company ensures that Employees reporting via iSpeak are protected from harassment, retaliation or punishment.
Conflict Resolution	The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.
Respect for Trade Secrets/ Use of Non-public Information	The Conflicts of Interest Committee (CICOM) submits recommendations on courses of action to be taken on conflicts of interest situations.

The Board of Directors

The Company continuously strives to strengthen and improve its corporate governance framework by adopting best practices that include building a competent board, aligning strategies with goals, managing risk effectively, adhering to high standards of ethics and integrity, and promoting accountability by defining roles and responsibilities.

The Board of Directors ("The Board") is primarily responsible for the governance of the Company and provides an independent check on management. JGS is headed by a competent board to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its objectives, goals, strategies and measures (OGSM) and the long-term best interests of the shareholders and other stakeholders.

The Board formulates the Company's vision, mission, strategic objectives, policies and procedures that guide its activities, including the means to effectively monitor Management's performance. It provides direction and approval in relation to matters concerning the Company's business strategies, policies and plans, while the day-to-day business operations are delegated to the Executive Committee.

The Board exercises care, skill and judgment and observes good faith and loyalty in the conduct and management of the business and affairs of the Company. It ensures that all its actions are within the scope of power and authority as prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules and regulations. To uphold high standard for the Company, its Shareholders, and other Stakeholders, the Board conducts itself with honesty and integrity in the performance of its duties and responsibilities.

Board Duties and Responsibilities

The roles, duties and responsibilities of the Board of Directors in compliance with relevant laws, rules and regulations are defined in the Company's Revised Corporate Governance Manual:

https://www.jgsummit.com.ph/corporate-governance/Revised Corporate Governance Manual

Balanced Board Composition

The Company recognizes the benefits of having a diverse Board and its value in maintaining sound corporate governance while achieving strategic objectives and sustainable growth. The Board Member's biographical details are set out in the Information Statement. The Board is diverse in terms of expertise, gender and professional experience. As of May 14, 2020, the Board has 10 Directors, 9 of these Directors are Non-Executive and 3 of which are Independent Directors. The Board also has 2 women forming part of the Non-Executive Directors. Furthermore, the posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in the Revised Corporate Governance Manual.

Board Independence

The Board has three (3) Independent Directors that possess all the necessary qualifications and none of the disqualifications to hold the position. The Company reinforces proper mechanisms for disclosure, protection of the rights of shareholders, and equitable treatment of shareholders. The accountability of the Board and Management are in place. In cases of conflicts of interest, Directors with a material interest in any transaction with the Company abstain from participating in the deliberation of the same.

Board Meetings

The Board schedules meetings at the beginning of the year, holds regular meetings in accordance with its By-Laws and convenes special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials are furnished to the Directors at least five (5) business days prior to each meeting. Meeting minutes are duly taken. The Independent Directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

Attendance of Directors

Board	Name	Date of Election	No. of meetings held during the year	No. of meetings attended	%
Director, Chairman	James L. Go	May 14, 2020	14	14	100
Director, President and CEO	Lance Y. Gokongwei	May 14, 2020	14	14	100
Director	Lily G. Ngochua	May 14, 2020	14	14	100
Director	Patrick Henry C. Go	May 14, 2020	14	14	100
Director	Johnson Robert G. Go, Jr.	May 14, 2020	14	14	100
Director	Robina Gokongwei-Pe	May 14, 2020	14	14	100
Non-Executive Director	Cirilo P. Noel	May 14, 2020	14	14	100
Independent Director	Jose T. Pardo	May 14, 2020	14	14	100
Independent Director	Renato T. De Guzman	May 14, 2020	14	14	100
Independent Director	Antonio L. Go	May 14, 2020	14	14	100

The Board Committees

To enable better and more focused attention on the affairs of the Company and aid in the optimal performance of its roles and responsibilities, the Board delegates particular matters to the Board Committees set up for the purpose mainly (a) Audit Committee, (b) Corporate Governance Committee (c) Board Risk Oversight Committee (BROC) and (d) Related Party Transactions Committee

A. Audit Committee

The Audit Committee provides oversight over the Company's financial reporting, Internal Control System, Internal and External Audit processes, and monitor compliance with applicable laws and regulations. It ensures that systems and processes are put in place to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of business operations, and proper safeguarding and use of the Company's resources and assets.

Position	Director
Chairman	Antonio L. Go (ID)
Members	Renato T. De Guzman (ID) Jose T. Pardo (ID) Cirilo P. Noel (NED) James L. Go – Advisory Member

B. Corporate Governance Committee

The Corporate Governance Committee oversees the development and implementation of Corporate Governance principles and policies and recommends a formal framework on the nomination, remuneration and evaluation of the performance of the Directors and key Management Officers consistent with the Company's culture, strategies and the business environment.

Position	Director
Chairman	Jose T. Pardo (ID)
Members	Renato T. De Guzman (ID) Antonio L. Go (ID)

C. Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) oversees the establishment of ERM framework that effectively identify, monitor, assess and manage key business risks and assess the effectiveness of risk management strategies. The BROC is responsible for defining the Company's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

Position	Director
Chairman	Renato T. De Guzman (ID)
Members	Antonio L. Go (ID) Jose T. Pardo (ID) Lance Y. Gokongwei

D. Related Party Transactions Committee

The Related Party Transactions Committee ensures that there is group-wide policy and system governing Material Related Party Transactions (MRPTs), particularly those that breach the materiality threshold. The policy shall include the appropriate review and approval of MRPTs, which guarantee fairness and transparency of the transactions.

Position	Director
Chairman	Jose T. Pardo (ID)
Members	Renato T. De Guzman (ID) Cirilo P. Noel (NED)

The Corporate Secretary

The Corporate Secretary assists the Board and the Board Committees in the conduct of their meetings, including preparation of the annual schedule of Board and Committee meetings and the annual Board calendar. She also assists the Board Chairs and its Committees in setting agendas for the meetings, safekeeps and preserves the integrity of the minutes of the meeting of the Board and its Committees, as well as other official records of the Company.

The Corporate Secretary keeps herself abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advice the Board and the Chairman on all relevant issues as they arise. She works fairly and objectively with the Board, Management and Shareholders and contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and its Stakeholders, including Shareholders.

Atty. Maria Celia H. Fernandez-Estavillo is the Senior Vice President and General Counsel of JGSHI since March 1, 2017. She was appointed as Corporate Secretary of JGSHI, Universal Robina Corporation and JG Summit Petrochemical Corporation on October 1, 2020. She was also appointed as Assistant Secretary of Gokongwei Brothers Foundation, Inc. on October 1, 2020. Prior to her appointment in JGSHI, Atty. Fernandez-Estavillo was the Head of the Legal and Regulatory Affairs Group, Corporate Secretary and member of the Board of Directors of Rizal Commercial Banking Corporation. She was Assistant Vice President of Global Business Development of ABS-CBN. She also held positions in government as Head of the Presidential Management Staff, Assistant Secretary at the Department of Agriculture and Chief of Staff of Senator Edgardo J. Angara. She began her legal career in ACCRA. She graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics (Summa Cum Laude) and a Bachelor of Laws degree (Cum Laude). She completed her Master of Laws (LLM) in Corporate Law from New York University School of Law. She received the highest score in the Philippine Bar examinations of 1997.

The Compliance Officer

The Compliance Officer monitors, reviews, evaluates and ensures the compliance by the Company; its Officers and Directors with the provisions and requirements of the Corporate Governance Manual and the relevant laws, the Corporate Governance Code, rules and regulations and all governance issuances of regulatory agencies. He also ensures the integrity and accuracy of all documentary submissions to the regulators; identifies possible areas of compliance issues and works towards the resolution of the same. He assists the Board and the Corporate Governance Committee in the performance of their governance functions, including their duties to oversee the formulation or review and implementation of the Corporate Governance structure and policies of the Company.

Mr. Francisco M. Del Mundo is the Senior Vice President, Chief Financial Officer (CFO) and Compliance Officer of JG Summit Holdings Inc. (JGSHI). He is also concurrently the CFO of Universal Robina Corporation (URC) and Aspen Business Solutions, Inc. (ABSI). In 2013, he joined JGSHI as Vice President for JG Summit and Affiliates Shared Services. He was appointed as CFO of URC International the same year, concurrent with his Shared Services role. He brings with him 27 years of experience in all aspects of the finance career. He has built his career from 17 years of rigorous training in Procter & Gamble (P&G) and 3 years in Coca-Cola prior to joining the JG Summit Group. He has worked in three different markets: Manila, Thailand and Singapore, and has held numerous CFO and Regional Finance Head positions, namely: CFO for ASEAN, Head of Accounting Shared Services for Central and Eastern Europe, Middle East and Africa, and Asia Hub Manager for Internal Controls for P&G. During his stint with Coca-Cola, he was the CFO for Coca-Cola Bottlers Philippines, Inc. and concurrently the CEO of Coca-Cola Bottlers Business Services, the company's global shared service handling Philippines, Singapore and Malaysia.

Enterprise Risk Management, Accountability and Audit

The Company recognizes the increasing importance of sound risk management practices to drive business growth and sustainability. The Company implemented systems and processes to facilitate proper risk identification, monitoring and control, which are key to effective corporate governance. Timely and accurate management and financial reporting systems, internal controls, and audits are also employed to protect and maximize stakeholders' value.

The Board oversees Management's adoption and implementation of a sound risk management framework for identifying, monitoring and managing key risk areas. The Board of Directors reviews Management reports with due diligence to enable the company to anticipate, minimize, control and manage risks or possible threats to its operational and financial viability

Enterprise Risk Management

Through a sound Enterprise Risk Management (ERM) framework, the Company effectively identifies, monitors, assesses and manages key business risks. The framework guides the Board in identifying units/business lines and enterprise level risk exposures, as well as the effectiveness of risk management strategies.

The ERM framework revolves around the following eight interrelated risk management approaches:

1. Internal Environmental Scanning

It involves the review of the overall prevailing risk profile of the Company to determine how risks are viewed and addressed by the management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Company.

2. Objective Setting

The Company's Board mandates Management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives that are aligned with the Company's goals.

3. Event Identification

It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.

4. Risk Assessment

The identified risks are analyzed relative to the probability and severity of potential loss that serves as basis for determining how the risks will be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's action or monitoring, and risks that may materially weaken the Company's earnings and capital.

5. Risk Response

The Company's Board, through the oversight role of the Internal Control Group ensures action plan is executed to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.

6. Control Activities

Policies and procedures are established and approved by the Company's Board and implemented to ensure that the risk responses are effectively carried out enterprise-wide.

7. Information and Communication

Relevant risk management information is identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.

8. Monitoring

The Internal Control Group of the respective Company and BUs as well as Corporate Internal Audit constantly monitor the management of risks through audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Internal Controls

With the leadership of the Company's Chief Financial Officeer (CFO), internal control is embedded in the operations of the company and in each Business Unit and Corporate Center Unit. Thus, increasing their accountability and ownership in the execution of BU's internal control framework. To accomplish the established goals and objectives, BU's implement and efficient process controls to ensure:

1. Compliance with policies, procedures, laws and regulations
2. Economic and efficient use of resources
3. Check and balance and proper segration of duties
4. Identification and remeditation control weaknesses
5. Reliability and integrity of information
6. Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud

Accountability and Audit

The Board ensures that its Shareholders are provided with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis. Interim and other reports that could adversely affect its business are also made available in the Company website including its submissions and disclosures to the SEC and PSE.

Management formulates the rules and procedures on financial reporting and internal control for presentation to the Audit Committee in accordance with the guidelines: set out in the Company's Revised Corporate Governance Manual.

https://www.jgsummit.com.ph/corporate-governance/Revised Corporate Governance Manual

Internal Audit

The Corporate Internal Audit is focused on delivering its mandate of determining whether the governance, risk management and control processes, as designed and represented by management, are adequate and functioning in a manner that provides reasonable level of confidence that:

1. Employees' actions are compliant with policies, standards, procedures, and applicable laws and regulations;
2. Quality and continuous improvement are fostered in the control processes;
3. Programs, plans, and objectives are achieved;
4. Resources are acquired economically, used efficiently, and protected adequately
5. Significant financial, managerial, and operating information is accurate, reliable, and timely;
6. Significant key risks are appropriately identified and managed; and
7. Significant legislative or regulatory issues impacting the Company are recognized and properly addressed.

Opportunities for improving management control, profitability and the Company's reputation may be identified during audits.

Other Matters

External Auditor and their fees

Name of Auditor	Audit and Audit-Related Fees	2020
SyCip, Gorres, Velayo & Co.	Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	Php3,790,000
	All Other Fees	Php5,500,000
	Total	Php9,290,000

Ownership Structure

Holding 5% shareholding or more (as of December 31, 2020)

Shareholder	Number of Shares	Percent	Beneficial Owner
Gokongwei Brothers Foundation, Inc.	2,096,930,273	27.881%	Same as record owner
PCD Nominee Corporation (Filipino)	1,817,376,033	24.164%	PCD Participants & their clients
RSB-TIG No. 030-46-000001-9	1,084,985,186	14.426%	Trustee's designated officers
PCD Nominee Corporation (Non-Filipino)	912,902,244	12.138%	PCD Participants & their clients

Dealing in securities (Shareholdings of Directors and Key Officers)

A. Elected Directors for the calendar year 2020

Name of Director	Number of Direct Shares	% to Total Outstanding Shares
James L. Go	156,113,638	2.1%
Lance Y. Gokongwei	568,930,503	7.6%
Lily G. Ngochua	407,418	0.0%
Patrick Henry C. Go	98,175	0.0%
Robina Y. Gokongwei-Pe	188,433,000	2.5%
Johnson Robert G. Go, Jr.	1	0.0%
Cirilo P. Noel	1	0.0%
Jose T. Pardo	1	0.0%
Renato T. De Guzman	22,838	0.0%
Antonio L. Go	1	0.0%

B. Elected Officers for the calendar year 2020

Name of Officer	Position/ Designation	Number of Shares	% to Total Outstanding Shares
Bach Johann M. Sebastian	Senior Vice President, Strategic Investments	0	0.0%
Nicasio L. Lim	Senior Vice President, Corporate Human Resources	0	0.0%
Maria Celia H. Fernandez-Estavillo	Senior Vice President, General Counsel and Corporate Secretary	5,250	0.0%
Renato T. Salud	Senior Vice President, Corporate Affairs and Sustainability	0	0.0%
Aldrich T. Javellana	Senior Vice President and Treasurer	0	0.0%
Francisco M. Del Mundo	Senior Vice President, Chief Financial Officer and Compliance Officer	0	0.0%
Michael P. Liwanag	Senior Vice President, Investor Relations and Chief of Staff	0	0.0%
Alan D. Surposa	Senior Vice President and Chief Procurement Officer	0	0.0%
Lisa Y. Gokongwei-Cheng	Senior Vice President, Digital Transformation and Corporate Services	143,986,500	1.91%
Carlos G. Santos	Vice President for Corporate Services and Chief Information Officer	0	0.0%
Ian Pajantoy	Data Protection Officer	0	0.0%
Andre Ria B. Buzeta-Acero	Assistant Corporate Secretary	0	0.0%

Dividends

The Board of Directors of JG Summit Holdings, Inc. (JGS) approved on May 13, 2020 the declaration of a regular cash dividend in the amount of Thirty Eight Centavos (Php 0.38) per common share from unrestricted retained earnings of JGS as of December 31, 2019 to all stockholders of record as of June 11, 2020 and paid on July 8, 2020.

In addition, last August 14, 2020, the JGS Board approved the declaration of a 5% stock dividend or 358,142,083 common shares to all stockholders of record as of October 30, 2020 and was distributed on November 25, 2020. This was also approved by JGS' shareholders during a Special Stockholders' Meeting held via video conferencing on October 20, 2020.

Company Website

The Company updates the public with operating and financial results through timely disclosures filed with SEC and PSE. These are available on the company's website:

https://www.jgsummit.com.ph/

Financial Statements

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the input method as the measure of progress in determining real estate revenue; (4) determination of the actual costs incurred as cost of sales; and (5) recognition of cost to obtain a contract.

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

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total costs of the real estate project requires technical inputs by project engineers.

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

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

The disclosures related to the real estate revenue are included in Notes 2, 3 and 26 to the consolidated financial statements.

Audit Response

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

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

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price

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against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as purchase order, billings and invoices of contractors and other documents evidencing receipt of materials and services from contractors. We visited selected project sites and made relevant inquiries with project engineers. We performed test computation of the POC calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as capital fulfillment plan, capital expenditure requests and related executive committee approvals. We likewise performed inquiries with the project engineers for the revisions.

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

Recoverability of Goodwill and Intangible Assets

Under PFRSs, the Group is required to test annually the amount of goodwill and intangible assets with indefinite useful lives for impairment. As of December 31, 2020, the Group's goodwill attributable to the acquisition of Consolidated Snacks, Pty. Ltd., Griffin's Food Limited and other acquired entities amounted to ₱31.2 billion. The Group's intangible assets with indefinite useful lives consist of brands and trademarks and product formulation amounting to ₱9.4 billion and ₱0.4 billion, respectively. These items are significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate, discount rate and terminal growth rate.

The Group's disclosures about goodwill and intangible assets are included in Notes 3 and 18, and 19 to the consolidated financial statements.

Audit response

We involved our internal specialists in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, discount rate and terminal growth rate. We compared the key assumptions used, such as revenue growth and terminal growth rates against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data. We also assessed the reasonableness of the discount rate used by comparing these against entities with similar risk profiles and market information. In all cases as applicable, we considered the impact associated with the coronavirus pandemic. We also reviewed the Group's disclosures about those

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assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite useful lives.

Adequacy of Allowance for Credit Losses on Loans and Receivables from the Banking Segment

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

Allowance for credit losses on loans and receivables as of December 31, 2020 for the Group amounted to ₱2.6 billion. Provision for credit losses of the Group in 2020 amounted to ₱1.1 billion.

The disclosures related to the allowance for credit losses on loans and receivables of the banking business are included in Notes 3 and 11 to the consolidated financial statements.

Audit response

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

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

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

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated and parent company financial statements. We involved our internal specialist in the performance of the above procedures.

Accounting for Investment in an Associate

The Group has an investment in Manila Electric Company (Meralco) that is accounted for under the equity method. For the year ended December 31, 2020, the Group's share in the net income of Meralco amounted to ₱4.6 billion and accounts for 6.5**%** of the Group's consolidated gross income.

The Group's share in Meralco's net income is significantly affected by Meralco's revenues from the sale of electricity which arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within Meralco's franchise area. The revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates including the reasonableness of the estimated billings during the community lockdown; (b) the propriety of rates computed and applied across customer classes including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the IT systems involved in processing the billing transactions.

In addition, Meralco is involved in certain proceedings and claims for which the Group has recognized provisions for probable costs and/or expenses, which may be incurred, and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

The disclosures in relation to investments in associates are included in Note 14 to the consolidated financial statements.

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over, the customer master file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the bill amounts using the ERC-approved rates, adjustments and formulae, as well as actual pass-through costs incurred, and compared them with the amounts reflected in the billing statements. We involved our internal specialist in understanding the IT processes and in understanding and testing the IT general controls over the IT systems supporting the revenue process.

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We also examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group's financial statements and involved our internal specialist when necessary. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the internal and external legal counsels. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence.

We obtained the financial information of Meralco for the year ended December 31, 2020 and recomputed the Group's share in total comprehensive income for the year ended December 31, 2020.

Impairment Testing of Property and Equipment and Right-of-use Assets

Under PFRSs, the Group tests for impairment its property and equipment and right-of-use assets where indicators of impairment exist. As of December 31, 2020, the Group has property and equipment and right-of-use assets relating to its airline business amounting to P91.3 billion and P17.7 billion, respectively. The disruption caused by the COVID-19 pandemic to the Group's airline operations, which reported a significant net loss in 2020, is considered by management as an indicator of impairment of property and equipment and right-of-use assets. Accordingly, management has performed impairment tests to determine whether the carrying amounts of property and equipment and right-of-use assets have exceeded their recoverable amounts.

Management's impairment assessment process on property and equipment and right-of-use assets require significant judgment and is based on assumptions, specifically discount rate and cash flow projections, that are subject to higher level of estimation uncertainty especially given the current economic conditions as impacted by the COVID-19 pandemic.

We consider the impairment testing as a key audit matter given that the amounts of property and equipment and right-of-use assets are significant to the consolidated financial statements of the Group, the heightened level of estimation uncertainty on the future economic outlook and market forecast associated with current market conditions and the significant judgment and estimation involved.

The Group's disclosures in relation to property and equipment and right-of-use assets are included in Notes 3, 16 and 42 to the consolidated financial statements.

Audit response

With the involvement of our internal specialist, we evaluated the key assumptions, such as forecasted revenues, operating costs and discount rates, that were used to estimate the discounted cash flows of the cash generating units where management attributes the property and equipment and right-of-use assets. We evaluated these key assumptions based on our understanding of the Group's business plans and by reference to historical information and relevant market data. In our sensitivity analyses, we considered past, current and anticipated changes in the business and economic environment. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of property and equipment and right-of-use assets.

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Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-5 (Group A),
April 16, 2019, valid until April 15, 2022
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-053-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534310, January 4, 2021, Makati City

April 5, 2021

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019 (As Restated - see Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱81,491,412,768**	₱64,343,249,162
Financial assets at fair value through profit or loss (Note 9)	**5,565,016,984**	4,384,644,970
Financial assets at fair value through other comprehensive income (Note 10)	**31,894,154,102**	22,259,890,046
Receivables (Note 11)	**68,368,485,048**	50,719,948,493
Inventories (Note 12)	**75,777,125,084**	68,513,876,509
Biological assets (Note 17)	**99,919,468**	733,435,525
Assets held for sale (Note 14)	**11,101,305,051**	–
Other current assets (Note 13)	**26,991,150,439**	23,200,634,578
Total Current Assets	**301,288,568,944**	234,155,679,283
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 10)	**32,847,478,716**	24,050,346,528
Receivables (Note 11)	**66,846,238,081**	68,756,683,183
Investment securities at amortized cost (Note 10)	**8,049,365,423**	11,357,261,241
Investments in associates and joint ventures (Note 14)	**139,332,835,472**	151,691,572,588
Property, plant and equipment (Note 16)	**260,415,739,705**	259,242,816,964
Investment properties (Note 15)	**104,675,085,905**	99,000,246,036
Right-of-use assets (Note 42)	**23,048,735,045**	20,531,421,297
Goodwill (Note 19)	**32,160,471,793**	32,005,604,356
Intangible assets (Note 18)	**14,154,901,195**	13,898,390,399
Biological assets (Note 17)	**134,331,929**	224,128,072
Other noncurrent assets (Note 20)	**16,654,770,116**	13,395,368,730
Total Noncurrent Assets	**698,319,953,380**	694,153,839,394
	₱999,608,522,324	₱928,309,518,677
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 21 and 42)	**₱172,620,587,036**	₱146,327,371,857
Short-term debts (Note 23)	**44,418,092,185**	54,047,410,004
Current portion of long-term debts (Note 23)	**34,413,387,739**	6,819,093,642
Income tax payable	**532,809,008**	1,771,270,985
Other current liabilities (Note 22)	**43,594,117,685**	36,173,794,887
Total Current Liabilities	**295,578,993,653**	245,138,941,375
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 23)	**237,928,498,602**	212,116,441,065
Deferred tax liabilities (Note 38)	**8,661,143,952**	8,318,082,154
Other noncurrent liabilities (Note 24)	**49,329,529,759**	54,088,911,216
Total Noncurrent Liabilities	**295,919,172,313**	274,523,434,435
Total Liabilities	**591,498,165,966**	519,662,375,810

(Forward)

	December 31	
	2020	2019
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 25)	**₱52,832,571,475**	₱30,755,866,814
Retained earnings (Note 25)	**242,690,846,520**	267,972,795,556
Equity reserve (Note 25)	**30,870,428,825**	30,870,148,859
Other comprehensive losses (Note 36)	**(18,072,540,464)**	(24,787,168,710)
	308,321,306,356	304,811,642,519
Non-controlling interests (Note 25)	**99,789,050,002**	103,835,500,348
Total Equity	**408,110,356,358**	408,647,142,867
	₱999,608,522,324	₱928,309,518,677

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE (Note 26)			
Sale of goods and services:			
Foods	**₱133,140,081,384**	₱134,174,527,579	₱127,769,949,329
Real estate and hotels	**24,897,015,631**	30,210,187,210	29,467,564,096
Air transportation	**22,617,967,165**	84,806,810,363	74,113,776,885
Petrochemicals	**21,275,283,602**	29,053,982,086	42,351,966,134
Banking	**9,174,583,626**	8,121,662,955	6,132,382,567
Equity in net earnings of associates and joint ventures (Note 14)	**7,616,221,319**	13,357,511,170	10,181,841,883
Dividend income (Note 28)	**2,011,120,839**	1,348,711,916	1,227,572,942
Supplementary businesses	**907,768,085**	749,175,892	670,963,828
	221,640,041,651	301,822,569,171	291,916,017,664
COST OF SALES AND SERVICES			
Cost of sales (Note 30)	**113,940,656,492**	122,977,293,487	129,734,114,999
Cost of services (Note 30)	**36,911,036,629**	66,804,207,760	63,858,758,345
	150,851,693,121	189,781,501,247	193,592,873,344
GROSS INCOME	**70,788,348,530**	112,041,067,924	98,323,144,320
NET OPERATING EXPENSES			
General and administrative expenses (Note 31)	**57,267,125,344**	57,983,100,861	52,912,530,779
Provision for (reversal of) impairment losses and others (Note 34)	**1,420,479,998**	(2,144,968,452)	145,801,581
	58,687,605,342	55,838,132,409	53,058,332,360
OPERATING INCOME	**12,100,743,188**	56,202,935,515	45,264,811,960
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	**(9,692,142,544)**	(10,965,846,901)	(9,635,374,773)
Finance income (Note 27)	**1,232,992,615**	2,096,212,143	1,745,547,717
Foreign exchange gains (losses)	**2,584,645,951**	828,657,682	(2,854,338,888)
Market valuation gains (losses) on financial assets at fair value through profit or loss - net (Note 9)	**(307,614,214)**	703,885,932	(683,102,223)
Market valuation losses on derivative financial instruments - net (Note 8)	**(2,025,330,184)**	(63,352,472)	(336,784,218)
Others (Notes 21 and 29)	**(632,037,618)**	(764,665,540)	(459,468,426)
INCOME BEFORE INCOME TAX	**3,261,257,194**	48,037,826,359	33,041,291,149
PROVISION FOR INCOME TAX (Note 38)	**2,864,050,835**	5,372,314,510	5,143,793,706
NET INCOME	**397,206,359**	42,665,511,849	27,897,497,443
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 36)			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustments	**(1,910,864,049)**	1,200,011,485	1,486,465,748
Net gains (losses) on financial assets at FVOCI (debt securities) (Note 10)	**457,815,933**	1,496,992,980	(2,041,409,693)
Net gains (losses) from cash flow hedges (Note 8)	**(230,922,782)**	175,171,778	(3,336,553)
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (debt securities) (Note 14)	**29,562,000**	176,256,150	(137,490,800)

(Forward)

	Years Ended December 31		
	2020	2019	2018
Items that will not be reclassified to profit or loss:			
Net gains (losses) on financial assets at FVOCI (equity securities) (Note 10)	**₱8,599,375,242**	(₱2,403,711,068)	(₱5,897,064,704)
Remeasurements of the net defined benefit liability (Note 37)	**(65,080,677)**	(588,565,201)	312,977,712
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (equity securities) (Note 14)	**26,101,285**	–	(3,913,766)
Share in remeasurements of the net defined benefit liability of associates (Note 14)	**(1,083,403,985)**	(1,170,380,505)	387,758,074
	5,822,582,967	(1,114,224,381)	(5,896,013,982)
TOTAL COMPREHENSIVE INCOME	**₱6,219,789,326**	₱41,551,287,468	₱22,001,483,461
NET INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company	**(₱468,159,528)**	₱31,285,246,332	₱19,186,040,273
Non-controlling interests (Note 25)	**865,365,887**	11,380,265,517	8,711,457,170
	₱397,206,359	₱42,665,511,849	₱27,897,497,443
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company	**₱6,246,468,718**	₱29,342,932,092	₱12,843,653,219
Non-controlling interests (Note 25)	**(26,679,392)**	12,208,355,376	9,157,830,242
	₱6,219,789,326	₱41,551,287,468	₱22,001,483,461
Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings (loss) per share	**(₱0.06)**	₱4.16*	₱2.55*

**Restated to show the effect of stock dividends distributed in 2020.*

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2020, 2019 and 2018

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY															
	Paid-up Capital (Note 25)				Retained Earnings (Note 25)				Other Comprehensive Income (Note 36)							
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve (Note 25)	Cumulative Translation Adjustments (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Net Unrealized Losses on Cash Flow Hedge (Note 8)	Remeasurements of the Net Defined Benefit Liability (Note 37)	Total Other Comprehensive Income (Loss)	Total	NON-CONTROLLING INTERESTS (Note 25)	TOTAL EQUITY
Balance at January 1, 2020	**₱7,202,841,657**	**₱23,553,025,157**	**₱–**	**₱30,755,866,814**	**₱149,688,466,157**	**₱118,284,329,399**	**₱267,972,795,556**	**₱30,870,148,859**	**₱135,082,929**	**(₱23,832,621,540)**	**₱121,882,506**	**(₱1,211,512,605)**	**(₱24,787,168,710)**	**₱304,811,642,519**	**₱103,835,500,348**	**₱408,647,142,867**
Total comprehensive income	**–**	**–**	**–**	**–**	**(468,159,528)**	**–**	**(468,159,528)**	**–**	**(1,059,967,321)**	**9,038,023,663**	**(145,612,532)**	**(1,117,815,564)**	**6,714,628,246**	**6,246,468,718**	**(26,679,392)**	**6,219,789,326**
Cash dividends	**–**	**–**	**–**	**–**	**(2,737,084,847)**	**–**	**(2,737,084,847)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,737,084,847)**	**(4,494,502,566)**	**(7,231,587,413)**
Stock dividends	**358,142,001**	**21,595,962,660**	**122,600,000**	**22,076,704,661**	**(22,076,704,661)**	**–**	**(22,076,704,661)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Increase (decrease) in subsidiary's treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**279,966**	**–**	**–**	**–**	**–**	**–**	**279,966**	**(45,040,628)**	**(44,760,662)**
Acquisition of non-controlling interest by a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**327,772,240**	**327,772,240**
Issuance of shares by a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**192,000,000**	**192,000,000**
Balance at December 31, 2020	**₱7,560,983,658**	**₱45,148,987,817**	**₱122,600,000**	**₱52,832,571,475**	**₱124,406,517,121**	**₱118,284,329,399**	**₱242,690,846,520**	**₱30,870,428,825**	**(₱924,884,392)**	**(₱14,794,597,877)**	**(₱23,730,026)**	**(₱2,329,328,169)**	**(₱18,072,540,464)**	**₱308,321,306,356**	**₱99,789,050,002**	**₱408,110,356,358**
Balance at January 1, 2019	₱7,202,841,657	₱23,553,025,157	₱–	₱30,755,866,814	₱121,317,360,041	₱117,784,329,399	₱239,101,689,440	₱29,573,169,046	(₱538,392,593)	(₱22,647,670,192)	₱2,541,653	₱338,666,662	(₱22,844,854,470)	₱276,585,870,830	₱90,891,989,709	₱367,477,860,539
Effect of adoption of new accounting standard and interpretation	–	–	–	–	250,911,197	–	250,911,197	–	–	–	–	–	–	250,911,197	163,040,229	413,951,426
Balance at January 1, 2019, as restated	7,202,841,657	23,553,025,157	–	30,755,866,814	121,568,271,238	117,784,329,399	239,352,600,637	29,573,169,046	(538,392,593)	(22,647,670,192)	2,541,653	338,666,662	(22,844,854,470)	276,836,782,027	91,055,029,938	367,891,811,965
Total comprehensive income	–	–	–	–	31,285,246,332	–	31,285,246,332	–	673,475,522	(1,184,951,348)	119,340,853	(1,550,179,267)	(1,942,314,240)	29,342,932,092	12,208,355,376	41,551,287,468
Reversal of appropriation of retained earnings	–	–	–	–	24,500,000,000	(24,500,000,000)	–	–	–	–	–	–	–	–	–	–
Appropriation of retained earnings	–	–	–	–	(25,000,000,000)	25,000,000,000	–	–	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	(2,665,051,413)	–	(2,665,051,413)	–	–	–	–	–	–	(2,665,051,413)	(5,768,961,389)	192,000,000
Property dividends (subsidiary)	–	–	–	–	–	–	–	(18,260,801)	–	–	–	–	–	(18,260,801)	(20,477,594)	(38,738,395)
Increase in subsidiary's treasury shares	–	–	–	–	–	–	–	(16,132,408)	–	–	–	–	–	(16,132,408)	(104,451,717)	(120,584,125)
Incorporation of a subsidiary (by a subsidiary)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	159,250,000	159,250,000
Sale of equity interest in a subsidiary (Note 44)	–	–	–	–	–	–	–	1,331,373,022	–	–	–	–	–	1,331,373,022	6,066,755,734	7,398,128,756
Issuance of shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	240,000,000	240,000,000
Balance at December 31, 2019	₱7,202,841,657	₱23,553,025,157	₱–	₱30,755,866,814	₱149,688,466,157	₱118,284,329,399	₱267,972,795,556	₱30,870,148,859	₱135,082,929	(₱23,832,621,540)	₱121,882,506	(₱1,211,512,605)	(₱24,787,168,710)	₱304,811,642,519	₱103,835,500,348	₱408,647,142,867
Balance at January 1, 2018	₱7,202,841,657	₱23,553,025,157	₱–	₱30,755,866,814	₱104,292,172,265	₱117,784,329,399	₱222,076,501,664	₱29,638,831,336	(₱1,302,514,721)	(₱14,954,413,164)	₱4,385,162	(₱249,924,693)	(₱16,502,467,416)	₱265,968,732,398	₱77,927,468,808	₱343,896,201,206
Total comprehensive income	–	–	–	–	19,186,040,273	–	19,186,040,273	–	764,122,128	(7,693,257,028)	(1,843,509)	588,591,355	(6,342,387,054)	12,843,653,219	9,157,830,242	22,001,483,461
Cash dividends (Note 25)	–	–	–	–	(2,160,852,497)	–	(2,160,852,497)	–	–	–	–	–	–	(2,160,852,497)	(5,068,481,993)	(7,229,334,490)
Issuance of shares by a subsidiary	–	–	–	–	–	–	–	(41,366,805)	–	–	–	–	–	(41,366,805)	8,987,219,560	8,945,852,755
Acquisition of non-controlling interest by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	120,000,000	120,000,000
Increase in subsidiary's treasury shares	–	–	–	–	–	–	–	(24,295,485)	–	–	–	–	–	(24,295,485)	(231,921,908)	(256,217,393)
Sale of investment by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(125,000)	(125,000)
Balance at December 31, 2018	₱7,202,841,657	₱23,553,025,157	₱–	₱30,755,866,814	₱121,317,360,041	₱117,784,329,399	₱239,101,689,440	₱29,573,169,046	(₱538,392,593)	(₱22,647,670,192)	₱2,541,653	₱338,666,662	(₱22,844,854,470)	₱276,585,870,830	₱90,891,989,709	₱367,477,860,539

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,261,257,194**	₱48,037,826,359	₱33,041,291,149
Adjustments for:			
Depreciation and amortization (Notes 15, 16, 18, 33 and 42)	**31,607,025,151**	30,012,996,106	20,567,280,014
Interest expense (Note 35)	**9,498,175,745**	10,735,461,364	9,377,151,320
Equity in net earnings of associates and joint ventures (Note 14)	**(7,616,221,319)**	(13,357,511,170)	(10,181,841,883)
Unrealized foreign exchange (gains) losses	**(2,584,645,951)**	(828,657,682)	2,854,338,888
Dividend income (Note 28)	**(2,011,120,839)**	(1,348,711,916)	(1,227,572,942)
Market valuation losses on derivative financial instruments - net (Note 8)	**2,025,330,184**	63,352,472	336,784,218
Provision for (recovery from) impairment losses (Note 34)	**1,420,479,998**	(2,144,971,130)	137,853,532
Finance income (Note 27)	**(1,232,992,615)**	(2,096,212,143)	(1,745,547,717)
Write-down of biological assets (Note 17)	**550,573,074**	238,990,324	–
Loss (gain) on sale and retirement of property, plant and equipment (Note 16)	**370,195,060**	223,819,896	(37,107,773)
Market valuation losses (gains) on financial assets at fair value through profit or loss - net (Note 9)	**307,614,214**	(703,885,932)	683,102,223
Gain on sale of investment securities at amortized cost (Note 10)	**(190,914,608)**	(62,879,198)	–
Gain on remeasurement of investment in associate (Note 14)	**(71,324,225)**	–	–
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	**(37,039,948)**	70,184,825	467,471,975
Gain on sale and disposal of investments in associates and joint ventures (Note 14)	**(34,465,240)**	–	(297,544,736)
Gain on sale of financial assets at fair value through OCI (Notes 10 and 29)	**(23,850,313)**	(277,810,114)	(34,208,528)
Gain on retirement and disposal of investment properties (Note 15)	**–**	(17,356,519)	–
Inventory obsolescence and market decline (Note 34)	**–**	2,678	7,948,049
Operating income before changes in working capital accounts	**35,238,075,562**	68,544,638,220	53,949,397,789
Changes in operating assets and liabilities:			
Decrease (increase) in			
Financial assets at fair value through profit or loss	**(1,487,986,228)**	(231,289,647)	10,357,763,247
Derivative assets	**–**	(49,787,891)	712,613,827
Receivables	**(16,557,142,519)**	(24,978,680,750)	(13,423,728,260)
Inventories	**(6,606,036,520)**	(4,573,432,766)	(6,160,883,910)
Biological assets	**102,612,963**	(266,553,047)	(272,030)
Other current assets	**(3,622,276,914)**	(6,011,704,518)	(11,202,740,796)
Increase (decrease) in			
Accounts payable and accrued expenses	**16,215,497,373**	12,832,086,217	14,830,290,358
Unearned revenue	**(8,210,131,825)**	771,081,559	2,060,166,577
Other current liabilities	**13,334,767,937**	909,221,590	12,235,065,367
Net cash generated from operations	**28,407,379,829**	46,945,578,967	63,357,672,169
Interest paid	**(7,853,607,844)**	(10,266,404,487)	(9,179,922,623)
Income taxes paid	**(4,600,167,595)**	(5,346,484,101)	(5,282,816,210)
Interest received	**682,902,238**	1,921,379,426	1,622,433,282
Net cash provided by operating activities	**16,636,506,628**	33,254,069,805	50,517,366,618
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Financial assets at fair value through other comprehensive income (Note 10)	**(29,694,236,608)**	(28,047,982,472)	(17,076,977,295)
Property, plant and equipment (Note 16)	**(27,046,779,261)**	(62,087,888,513)	(56,823,519,232)
Investment properties (Notes 15 and 46)	**(10,302,106,286)**	(10,060,530,771)	(11,500,194,701)
Investment securities at amortized cost	**(860,922,314)**	(196,260,131)	(796,741,357)
Intangible assets (Note 18)	**(519,916,914)**	(137,886,422)	(197,000,528)
Investments in associates and joint ventures (Note 14)	**(412,556,393)**	(1,544,789,775)	(3,273,567,354)
Subsidiaries, net of cash acquired (Notes 14 and 19)	**(200,877,673)**	–	(173,995,570)

(Forward)

	Years Ended December 31		
	2020	2019	2018
Dividends received on investments in associates and joint ventures (Note 14)	**₱7,227,674,931**	₱6,866,259,987	₱5,914,109,460
Dividends received (Note 28)	**2,011,120,839**	1,348,711,916	1,227,572,942
Decrease (increase) in the amounts of other noncurrent assets (Note 20)	**(3,259,614,783)**	18,056,459,316	(5,025,344,901)
Proceeds from sale/maturity of:			
Financial assets at fair value through other comprehensive income (Note 10)	**20,343,881,852**	24,243,072,327	2,808,442,571
Investment securities at amortized cost (Note 10)	**4,359,732,740**	1,498,635,579	171,000,000
Investment in associate and joint venture (Note 14)	**373,377,600**	–	–
Property, plant and equipment (Note 16)	**7,382,224,579**	4,453,351,444	4,783,915,239
Investment properties	**–**	50,004,269	–
Investment in a subsidiary	**–**	–	56,079,593
Proceeds from sale of business without loss of control (Note 44)	**–**	7,204,512,000	–
Net cash used in investing activities	**(30,598,997,691)**	(38,354,331,246)	(79,906,221,133)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Short-term debts (Note 46)	**114,373,521,775**	85,967,968,788	127,722,440,023
Long-term debts (Note 46)	**66,185,040,215**	47,449,632,216	62,986,402,288
Dividends paid to non-controlling interests (Note 25)	**(4,494,502,566)**	(5,768,961,389)	(5,068,481,993)
Increase (decrease) in other noncurrent liabilities (Note 24)	**(5,821,511,988)**	5,114,680,765	7,405,661,745
Settlements of:			
Short-term debts (Note 46)	**(118,820,360,881)**	(67,145,701,321)	(138,428,074,125)
Long-term debts (Notes 23 and 46)	**(10,489,146,497)**	(35,529,183,139)	(37,019,495,036)
Principal portion of lease liabilities (Note 42)	**(7,560,312,120)**	(7,453,216,220)	–
Dividends paid on:			
Common shares (Note 25)	**(2,721,884,847)**	(2,650,251,413)	(2,148,852,497)
Preferred shares (Note 25)	**(15,200,000)**	(14,800,000)	(12,000,000)
Cash received from non-controlling interest for newly incorporated subsidiary (Note 25)	**327,772,240**	399,250,000	120,000,000
Subsidiary's purchase of treasury shares	**(44,760,662)**	(120,584,125)	(256,217,393)
Cash received from non-controlling interest for issuance of shares by a subsidiary (Note 25)	**192,000,000**	–	1,200,000,000
Net proceeds from stock rights offering of a subsidiary	**–**	–	7,745,852,755
Net cash provided by financing activities	**31,110,654,669**	20,248,834,162	24,247,235,767
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**17,148,163,606**	15,148,572,721	(5,141,618,748)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**64,343,249,162**	49,194,676,441	54,336,295,189
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱81,491,412,768**	₱64,343,249,162	₱49,194,676,441

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

JG Summit Holdings, Inc. (the Parent Company) was incorporated in the Philippines on November 23, 1990 with a corporate term of 50 years from the date of incorporation. On May 8, 2014, the Board of Directors (BOD) of the Parent Company approved its amendment to Article Three of the Amended Articles of Incorporation to change the principal office address of the Parent Company from “Metro Manila, Philippines” to “43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City” in accordance with Securities and Exchange Commission (SEC) Memorandum Circular No. 6, Series of 2014.

The Parent Company, a holding company, is the ultimate parent of the JG Summit Group (the Group). The Group has business interests in branded consumer foods, agro-industrial and commodity food products, real property development, hotels, banking and financial services, telecommunications, petrochemicals, air transportation and power distribution.

The Group conducts business throughout the Philippines, but primarily in and around Metro Manila where it is based. The Group also has branded food businesses in the People’s Republic of China, in the Association of Southeast Asian Nations region, New Zealand and Australia and interests in property development businesses in Singapore and People’s Republic of China.

The principal activities of the Group are further described in Note 6, *Segment Information*, to the consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI), and derivative financial instruments that are measured at fair value, and certain biological assets and agricultural produce that are measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine peso (₱), the functional currency of the Parent Company. All values are rounded to the nearest peso except when otherwise stated.

A summary of the functional currencies of certain foreign subsidiaries within the Group follows:

Subsidiaries	Country of Incorporation	Functional Currency
Parent Company		
JG Summit Cayman Limited	Cayman Islands	US Dollar
JG Summit Philippines, Ltd. and Subsidiaries		
JG Summit Philippines, Ltd.	-do-	-do-
JGSH Philippines, Limited	British Virgin Islands	-do-
Telegraph Development, Ltd.	-do-	-do-
Summit Top Investment, Ltd.	-do-	-do-
JG Digital Equity Ventures and subsidiary		
JG Digital Capital Pte. Ltd.	Singapore	Singapore Dollar

(Forward)

Subsidiaries	Country of Incorporation	Functional Currency
URC Group		
Universal Robina (Cayman), Limited	Cayman Islands	US Dollar
URC Philippines, Limited	British Virgin Islands	-do-
URC Asean Brands Co. Ltd.	-do-	-do-
Hong Kong China Foods Co. Ltd.	-do-	-do-
URC International Co., Ltd.	-do-	-do-
URC China Commercial Co. Ltd.	China	Chinese Renminbi
Xiamen Tongan Pacific Food Co., Ltd.	-do-	-do-
Shanghai Peggy Foods Co., Ltd.	-do-	-do-
Guangzhou Peggy Foods Co., Ltd.	-do-	-do-
Jiangsu Acesfood Industrial Co.	-do-	-do-
Shantou SEZ Shanfu Foods Co., Ltd.	-do-	-do-
Shantou Peggy Co., Ltd.	-do-	-do-
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	-do-	-do-
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd.	-do-	-do-
Acesfood Network Pte. Ltd.	-do-	-do-
Acesfood Holdings Pte. Ltd.	-do-	-do-
Acesfood Distributors Pte. Ltd.	-do-	-do-
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Hong Kong Company Limited	China	Hong Kong Dollar
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	-do-	-do-
URC Central Co. Ltd.	-do-	-do-
Ricellent Sdn. Bhd.	Malaysia	Malaysian Ringgit
URC Snack Foods (Malaysia) Sdn. Bhd.	-do-	-do-
URC Oceania Company Ltd.	British Virgin Islands	US Dollar
Uni Snack Holding Company Ltd	Australia	Australian Dollar
Uni Snack Mid Company Ltd	-do-	-do-
URC New Zealand Holding Company Ltd.	New Zealand	New Zealand Dollar
URC New Zealand Finance Company Ltd.	-do-	-do-
Griffin’s Foods Limited	-do-	-do-
Nice & Natural Limited	-do-	-do-
URC Australia Holding Company Ltd.	Australia	Australian Dollar
URC Australia Finance Company Ltd.	-do-	-do-
Consolidated Snacks Pty Ltd	-do-	-do-
Yarra Valley Group Holding Pty Ltd.	-do-	-do-
Snack Brands Australia Partnership	-do-	-do-
RLC Group		
Robinsons (Cayman) Limited	Cayman Islands	US Dollar
RLC Resources Ltd	British Virgin Islands	-do-
Land Century Holdings, Ltd.	China	Hong Kong Dollar
World Century Enterprise Ltd.	-do-	-do-
First Capital Development, Ltd.	-do-	-do-
Chengdu Xin Yao Real Estate Development, Co. Ltd	-do-	Chinese Renminbi

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) which include the availment of the relief granted by the SEC under Memorandum Circular No. 4-2020 and Memorandum Circular Nos. 14-2018 and 3-2019 for the following implementation issues of PFRS 15 affecting the real estate industry:

Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry

a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
d. Implementation of International Financial Reporting Standards (IFRS) Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (Philippine Accounting Standards 23, *Borrowing Cost*) for Real Estate industry

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

The consolidated financial statements also include the availment of relief under SEC MC No. 4-2020 to defer the adoption of *IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2020.

In December 2020, the SEC issued MC No. 34-2020, allowing the further deferral of the adoption of provisions (a) and (b) above of PIC Q&A 2018-12 and the IFRIC Agenda Decision on Borrowing Cost, for another other (three) 3 years or until December 31, 2023.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned subsidiaries:

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2020	2019
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	**55.25**	55.25
CFC Corporation	-do-	-do-	**55.25**	55.25
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	**55.25**	55.25
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**28.17****	28.17**
URC Snack Ventures Inc. (formerly, Calbee-URC, Inc. (CURCI))	-do-	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	**55.25**	55.25
URC Beverage Ventures Inc. (formerly, Hunt-URC (HURC))	-do-	-do-	**55.25**	55.25
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**55.25**	55.25
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	**55.25**	55.25
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands, British West Indies	**55.25**	55.25
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	**55.25**	55.25
Najalin Agri-Ventures, Inc. (NAVI) (Note 16)	Philippines	CAC Compound, La Carlota City, Negros Occidental	**95.82**	-
Air Transportation				
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	Philippines	2nd Floor, Doña Juanita Marquez Lim Building, Osmeña Boulevard, Cebu City	**100.00**	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	-do-	**67.80**	67.64
CEBGO, Inc. (CEBGO)	-do-	AO-08-09 Mezzanine Level, Passenger Terminal Building, Clark International Airport, Clark Freeport Zone, Pampanga	**67.80**	67.64
Aviation Partnership (Philippines) Corp	-do-	3rd Floor Aviation Partnership Philippines Bldg. 8006 Domestic Road Pasay City	**100.00**	33.14
Real Estate and Hotels				
Robinsons Land Corporation (RLC) and Subsidiaries	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**60.97**	60.97
Robinson's Inn, Inc.	-do-	-do-	**60.97**	60.97
Robinsons Realty and Management Corporation	-do-	-do-	**60.97**	60.97
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**60.97**	60.97
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	**60.97**	60.97
Manhattan Buildings and Management Corp	-do-	-do-	**60.97**	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	**31.09****	31.09**

(Forward)

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Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2020	2019
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	**31.09****	31.09**
RLC Resources Ltd	British Virgin Islands	British Virgin Islands	**60.97**	60.97
Land Century Holdings, Ltd.	China	Hong Kong	**60.97**	60.97
World Century Enterprise Ltd.	-do-	Hong Kong	**60.97**	60.97
First Capital Development, Ltd	-do-	Hong Kong	**60.97**	60.97
Chengdu Xin Yao Real Estate Development Co. Ltd.	-do-	China	**60.97**	60.97
Bacoor R and F Land Corporation (BRFLC)	Philippines	Philippines	**42.68**	42.68
Bonifacio Property Ventures, Inc.	-do-	Philippines	**60.97**	60.97
Altus Mall Ventures, Inc.	-do-	Philippines	**60.97**	60.97
RLGB Land Corporation (RLGB)	-do-	Philippines	**60.97**	60.97
Altus Property Ventures, Inc. (formerly Altus San Nicolas Corporation) (APVI)	-do-	Brgy. 1 San Francisco, San Nicolas, Ilocos Norte	**60.97**	60.97
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	Philippines	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	**100.00**	100.00
Peak Fuel Corporation	-do-	10th Floor Robinsons Cybergate Gamma, Bldg., Topaz and Ruby Roads, Ortigas Center, Pasig City	**100.00**	–
JG Summit Olefins Corporation (JGSOC)	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**100.00**	100.00
JGSOC Philippines Limited	British Virgin Islands	British Virgin Islands	**100.00**	--
Banking				
Robinsons Bank Corporation (RBC) and a Subsidiary	-do-	17th floor, Galleria Corporate Center EDSA corner Ortigas Avenue, Quezon City	**60.00**	60.00
Legazpi Savings Bank, Inc. (LSB)	-do-	Rizal Street, Barangay Sagpon, Albay, Legazpi City	**60.00**	60.00
Supplementary Businesses				
Data Analytics Ventures, Inc. (DAVI)	-do-	42nd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	**45.17****	45.17**
JG Digital Equity Ventures, Inc. (formerly Express Holdings, Inc. or EHI) and Subsidiary (JG DEV)	-do-	29th Floor, Galleria Corporate Center, EDSA, Quezon City	**100.00**	100.00
JG Digital Capital Pte. Ltd (JDCPL)	Singapore	168 Tagore Lane Singapore	**100.00**	100.00
JG Summit Capital Services Corp. (JGSCSC) and Subsidiaries	Philippines	40th Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	**100.00**	100.00
JG Summit Capital Markets Corporation (JGSMC)	-do-	-do-	**100.00**	100.00
Summit Internet Investments, Inc.	-do-	-do-	**100.00**	100.00
JG Summit Cayman, Ltd. (JGSCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**100.00**	100.00
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	-do-	**100.00**	100.00
JGSH Philippines, Limited	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**100.00**	100.00
Telegraph Developments, Ltd.	-do-	-do-	**100.00**	100.00
Summit Top Investments, Ltd.	-do-	-do-	**100.00**	100.00
Unicon Insurance Brokers Corporation (UIBC)	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	**100.00**	100.00

(Forward)

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Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2020	2019
JG Summit Infrastructure Holdings Corporation	-do-	43rd Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City	**100.00**	100.00
Merbau Corporation	-do-	Ground floor Cybergate Tower 1 Edsa cor Pioneer St. Mandaluyong City	**100.00**	100.00
Batangas Agro-Industrial Development				
Corporation (BAID) and Subsidiaries	-do-	5th Floor Citibank Center, Makati	**100.00**	100.00
Fruits of the East, Inc.	-do-	Citibank Center, Paseo de Roxas, Makati	**100.00**	100.00
Hometel Integrated Management Corporation	-do-	-do-	**100.00**	100.00
King Leader Philippines, Inc.	-do-	5th Floor Citibank Center, Makati	**100.00**	100.00
Tropical Aqua Resources	-do-	-do-	**100.00**	100.00
United Philippines Oil Trading, Inc.	-do-	-do-	**100.00**	100.00
Samar Commodities Trading and Industrial Corporation	-do-	-do-	**100.00**	100.00

* *Certain subsidiaries are located in other countries, such as China, Malaysia, Singapore, Thailand, Vietnam, etc.*

** *These are majority-owned subsidiaries of the Parent Company's directly-owned subsidiaries.*

Transfer of direct control over APVI
On July 31, 2019, RLC declared its 93.89% stake in APVI as property dividends in favor of its registered shareholders. As a result, the Parent Company now has direct control over APVI. However, this has no impact in the consolidated financial statements.

Incorporation of DAVI
On December 4, 2018, the Group, through its majority-owned subsidiaries CAI and RLC and wholly-owned subsidiary JG DEV and in partnership with Robinsons Retail Holdings, Inc. (RRHI), launched DAVI, the conglomerate's data services firm.

On June 5, 2020, the Group made additional capital infusion to DAVI amounting to ₱288.0 million.

The Group controls an investee if and only if the Group 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.

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 and potential voting rights.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. 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 Group.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

<u>Business Combinations</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at 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. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRS. Changes in the fair value of contingent consideration classified as equity are not recognized.

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 the accounting is 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 of the acquisition date that if known, would have affected the amounts recognized as of 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 of the acquisition date and is subject to a maximum period of one year.

If the business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date when the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss in the consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss in the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

<u>Goodwill</u>
Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in profit or loss in the consolidated statement of comprehensive income as a bargain purchase gain.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss in the consolidated statement of comprehensive income and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

  The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

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

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

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

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

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

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

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

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

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

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

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

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

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The adoption of these amendments does not have a significant impact on the Group's financial statements

Significant Accounting Policies

Fair Value Measurement
For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each reporting 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 by the Group.

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

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

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

Foreign Currency Translation
The Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. Each entity in 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 in foreign currencies are initially recorded by the Group's entities in their respective functional currencies at the foreign exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the statement of comprehensive income.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

Cash and Cash Equivalents
Cash represents 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 the dates of placement, and that are subject to an insignificant risk of changes in value.

Financial Instruments – Classification and Measurement
Initial recognition and measurement of financial assets
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

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

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 computed based on valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is

determined using data which are not observable from the market, the difference between the transaction price and the model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the amount of 'Day 1' difference.

Contractual cash flows characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Instruments that do not pass this test are automatically classified at fair value through profit or loss. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Business model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the portfolio and the financial assets held within that portfolio are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the portfolio (and the financial assets held within that portfolio) and how these risks are managed and how managers of the business are compensated.

Subsequent measurement of financial assets
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVPL.

Investment securities at amortized cost
A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. 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 consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for impairment losses and others' in the consolidated statement of comprehensive income.

Financial assets at FVOCI
Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Net gains (losses) on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the consolidated statements of comprehensive income. Interest earned on holding debt securities at debt securities at FVOCI are reported as interest income using the EIR method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the consolidated statements of comprehensive income is recognized in profit or loss. The expected credit losses (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for impairment losses and others' in the consolidated statements of comprehensive income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the consolidated statements of comprehensive income as 'Dividend income' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at FVPL
Financial assets are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity and debt investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the profit or loss in the statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of debt instruments classified as FVOCI and investments securities at amortized cost.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered SPPI

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

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

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Initial recognition and measurement of financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of financial liabilities
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income. Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Other financial liabilities
This category pertains to the Group's interest-bearing loans and borrowing and payables. After initial recognition, these other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Exchange or modification of financial liabilities
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When 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. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Reclassifications of financial instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets
The Group recognizes an allowance for ECL for all debt instruments not classified as FVPL. ECLs represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Staging assessment
PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The Group recognizes a 12-month ECL for Stage 1 financial instruments. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Group recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of "default" and "restored"

The Group eventually classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Group considers a variety of instances that may indicate unlikeliness to pay. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Significant increase in credit risk

The assessment of whether there has been a SICR is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

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

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group applied the general approach for customer receivables from its Banking Segment. For the trade receivables of other segments, the standard's simplified approach was applied where ECLs are calculated based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk of these receivables, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For the Real estate and hotels segment's installment contract, the vintage analysis approach is used. This method accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the PD from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, short-term investments and debt securities, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a SICR since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Debt instruments measured at FVOCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statements of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets are measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

Write-off of Financial Assets
A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows (e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the Group has effectively exhausted all collection efforts).

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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business of default, and event of solvency or bankruptcy of the Group and all of the counterparties.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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.

Inventories
Inventories, including work-in-process, are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for materials, spare parts and other supplies represents the related replacement costs. In determining the NRV, the Group deducts from cost 100.0% of the carrying value of slow-moving items and nonmoving items for more than one year.

When inventories are sold, the carrying amounts of those inventories are recognized under ‘Cost of sales and services’ in profit or loss in the period when the related revenue is recognized.

Some inventories may be allocated to other asset accounts, for example, inventory used as a component of a self-constructed property, plant or equipment. Inventories allocated to another asset in this way are recognized as an expense during the useful life of that asset.

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

Finished goods, work-in-process, raw materials and packaging materials
a. *Petrochemicals*
   Cost is determined using the moving average costing method. Cost of finished goods and work-in-process includes direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced.

b. *Branded consumer foods, agro-industrial and commodity food products*
   Cost is determined using the weighted average method. Under the weighted average costing method, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. Cost of finished goods and work-in-process include direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Subdivision land and condominium and residential units for sale
Subdivision land, condominium and residential units for sale in the ordinary course of business are carried at the lower of cost and NRV. Cost includes land costs, costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction.

NRV is the estimated selling price in the ordinary course of business less cost of completion and estimated costs necessary to make the sale.

The cost of inventory recognized in the consolidated statement of comprehensive income is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Factory supplies and spare parts
Cost is determined using the weighted average method.

Investments in Associates and Joint Ventures
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.

The Group also has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The Group’s investments in its associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investments in associates and joint ventures 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 associates and joint ventures. The consolidated statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognized in the investees’ other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income. Profits and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associates and joint ventures.

The Group's investments in certain associates and joint ventures include goodwill on acquisition, less any impairment in value. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized.

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used in line with those used by the Group.

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

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and impairment loss, if any. Land is carried at cost less impairment loss, if any. Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at the 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 the 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).

The Group's investment properties are depreciated using the straight-line method over their estimated useful lives (EUL) as follows:

Land improvements	5 to 10 years
Buildings and improvements	10 to 30 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 investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. 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. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under 'Property, plant and equipment' up to the date of change in use.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of investment properties are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Property, Plant and Equipment

Property, plant and equipment, except land which is stated at cost less any impairment in value, are carried at cost less accumulated depreciation, amortization and impairment loss, if any.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation (ARO) relating to property, plant and equipment installed/constructed on leased properties or leased aircraft.

Subsequent replacement costs of parts of property, plant and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Foreign exchange differentials arising from the acquisition of property, plant and equipment are charged against profit or loss in the consolidated statement of comprehensive income and are no longer capitalized.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use, and are computed using the straight-line method over the EUL of the assets, regardless of utilization.

The EUL of property, plant and equipment of the Group follow:

	EUL
Land and improvements	10 to 40 years
Buildings and improvements	10 to 30 years
Machinery and equipment	4 to 50 years
Leasehold improvements	15 years
Passenger aircraft	15 years
Other flight equipment	3 to 5 years
Transportation, furnishing and other equipment	3 to 5 years

Leasehold improvements are amortized over the shorter of their EULs or the corresponding lease terms.

The assets' residual values, useful lives and methods of depreciation and amortization 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, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property, plant and equipment when the construction and other related activities necessary to prepare the properties for their intended use are completed and the properties are available for use.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the consolidated statement of comprehensive income, in the year the item is derecognized.

ARO

The Group is contractually required under various lease contracts to either restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. The event that gives rise to the obligation is the actual flying hours, flying cycles or calendar months of the asset as used, as the usage determines the timing and nature of the overhaul and restoration work required or the amount to be contributed at the end of the lease term. For certain lease agreements, the Group provides for these costs over the terms of the leases through contribution to a maintenance reserve fund (MRF) which is recorded as outright expense. If the estimated cost of restoration is expected to exceed the cumulative MRF, an additional obligation is accounted on an accrual basis. Regular aircraft maintenance is accounted for as expense when incurred.

If there is a commitment related to maintenance of aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is made based on historical experience, manufacturers' advice and if relevant, contractual obligations, to determine the present value of the estimated future major airframe inspections cost and engine overhauls.

Advance payment for materials for the restoration of the aircraft is initially recorded under 'Advances to supplier' account in the consolidated statement of financial position. This is recouped when the expenses for restoration of aircraft have been incurred.

The Group regularly assesses the provision for ARO and adjusts the related liability.

Borrowing Costs

Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate for general borrowings. For specific borrowings, all borrowing costs are eligible for capitalization.

Borrowing costs which do not qualify for capitalization are expensed as incurred.

Interest expense on loans is recognized using the effective interest method over the term of the loans.

Biological Assets

The biological assets of the Group are divided into two major categories with sub-categories as follows:

Swine livestock	-	Breeders (livestock bearer)
	-	Sucklings (breeders' offspring)
	-	Weanlings (comes from sucklings intended to be breeders or to be sold as fatteners)
	-	Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat)
Poultry livestock	-	Breeders (livestock bearer)
	-	Chicks (breeders' offspring intended to be sold as breeders)

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

A gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in the consolidated statement of income in the period in which it arises.

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 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.

Bank Licenses
Bank licenses arise from the acquisition of branches of a local bank by the Group and commercial bank license. The Group's bank licenses have indefinite useful lives and are subject to annual individual impairment testing.

Intangible Assets
Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment loss, if any.

The EUL of intangible assets are assessed to be either finite or indefinite.

The useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives.

The period and the method of amortization of an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the EUL 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 on intangible assets with finite useful lives is recognized under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with finite lives are assessed for impairment, whenever there is an indication that the intangible assets may be impaired.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level (see further discussion under Impairment of Nonfinancial Assets). Such intangibles are not amortized. The intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If the indefinite useful life is no longer appropriate, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Costs incurred to acquire computer software (which are not an integral part of its related hardware) and costs to bring it to its intended use are capitalized as intangible assets. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are also recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

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 profit or loss in the consolidated statement of comprehensive income when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets follows:

	Technology Licenses	Branch Licenses	Product Formulation and Brands	Software Costs	Customer Relationship	Trademarks
EUL	Finite (12 to 13.75 years)	Indefinite	Indefinite	Finite (5 years)	Finite (35 years)	Indefinite
Amortization method used	Amortized on a straight-line basis over the EUL of the license	No amortization	No amortization	Amortized on a straight-line basis over the EUL of the software cost	Straight line amortization	No amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's 'Investments in associates and joint ventures', 'Investment properties', 'Property, plant and equipment', 'Biological assets at cost' , 'Intangible assets', 'Goodwill', "Right-of-Use assets" and 'Deferred subscriber acquisition and retention costs'.

Except for goodwill and intangible assets with indefinite lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial 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 (or cash-generating unit'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, 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 (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing 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 (or cash-generating unit).

Impairment losses or reversal of impairment losses from continuing operations are recognized under 'Provision for (reversal of) impairment losses and others' in profit or loss in the statement of comprehensive income.

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

Property, plant and equipment, investment properties, right-of-use assets, intangible assets with definite useful lives and costs
For property, plant and equipment, investment properties, intangible assets with definite useful lives, an assessment is made at each 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. 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 profit or loss in the consolidated statement of comprehensive 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 useful life.

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 by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its impairment test of goodwill every annually.

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates and joint ventures. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount under 'Impairment losses and others' in profit or loss.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment annually as of year-end either individually or at the cash-generating unit level, as appropriate.

Equity
Common and preferred stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of changes in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings represent the cumulative balance of periodic net income/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. No gain or loss is recognized in profit or on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Significant Accounting Policies Generally Applicable to Foods, Agro-Industrial and Commodities and Petrochemicals

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

Sales of goods
Revenue from sale of goods and services is recognized at the point in time when control of the goods or services is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Sale of sugar
Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment of delivery and acceptance by the customers. Sale of molasses warehouse receipts, which represents ownership title over the molasses inventories.

Rendering of tolling services
Revenue derived from tolling activities is recognized as revenue at a point in time when the related services have been rendered.

Significant Accounting Policies Generally Applicable to Air Transportation

Revenue Recognition
Revenue from contracts with passengers and cargo customers, and any related revenue from services incidental to the transportation of passengers, is recognized when carriage is provided or when the passenger is lifted in exchange for an amount that reflects the consideration to which the Group expects to be entitled to.

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

Sale of air transportation services
Passenger ticket and cargo waybill sales are initially recorded as contract liabilities under 'Unearned transportation revenue' account in the consolidated statement of financial position until earned and recognized under 'Revenue' account in the consolidated statement of comprehensive income when carriage is provided or when the passenger is lifted or flown.

Flight and booking services
Revenue from services incidental to the transportation of passengers such as excess baggage, inflight sales and rebooking and website administration fees are initially recognized as contract liabilities under 'Unearned transportation revenue' account in the consolidated statement of financial position until the services are rendered.

Other ancillary revenue
Other revenue such as refund surcharges, service income and cancellation fees are recognized when the services are provided.

Liability under Lifestyle Rewards Program
The Group operates a lifestyle rewards program called 'Getgo'. A portion of passenger revenue attributable to the award of Getgo points, which is estimated based on expected utilization of these benefits, is deferred until utilized. The fair value of the consideration received in respect of the initial sale is allocated to the award credits based on its fair value. The deferred revenue is included under 'Other noncurrent liabilities' account in the consolidated statement of financial position. Any remaining unutilized benefits are recognized as revenue upon redemption or expiry.

Significant Accounting Policies Generally Applicable to Real Estate and Hotels

Revenue Recognition

Revenue from Contract with Customers

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, and common use service area in its mall retail spaces, wherein it is acting as agent.

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

Real estate sales – Philippines Operations – Performance obligation is satisfied over time

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

In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

The impact of the significant financing component on the transaction price has not been considered since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023.

Real estate sales – Philippines Operations – Performance obligation is satisfied at a point in time

The Group also derives real estate revenue from sale of parcels of raw land. Revenue from the sale of these parcels of raw land are recognized at a point in time (i.e., upon transfer of control to the buyer) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use but the Group does not have an enforceable right to payment for performance completed to date. The Group is only entitled to payment upon delivery of the land to the buyer and if the contract is terminated, the Group has to return all payments made by the buyer.

Real estate sales – China Operations

Taking into account the contract terms per house purchase and sales contract, Chengdu Xin Yao's business practice and the legal and regulatory environment in China, most of the property sales contracts in China do not meet the criteria for recognizing revenue over time and therefore, revenue from property sales continues to be recognized at a point in time, while some property sales contracts

meet the criteria for recognizing revenue over time as the properties have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from customer for performance completed to date. Under PFRS 15, revenue from property sales is generally recognized when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Rental income

The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Amusement income

Revenue is recognized upon rendering of services or at a point in time.

Revenue from hotel operations

Revenue from hotel operations is recognized when services are rendered or at a point in time. Revenue from banquets and other special events are recognized when the events take place or at a point in time. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term. Revenue from food and beverage are recognized when these are served. Other income from transport, laundry, valet and other related hotel services are recognized when services are rendered.

Interest income

Interest income is recognized as the interest accrues using the effective interest rate (EIR) method.

Other income

Other income is recognized when earned.

Costs Recognition

Cost of Real Estate Sales

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

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Costs and General and Administrative Expense

Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

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

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

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

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

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

Amortization, de-recognition and impairment of capitalized costs to obtain a contract
The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within general and administrative expenses.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Reclassifications
In September 2019, the Philippine Interpretations Committee (PIC) issued a letter to the various organizations in the real estate industry to clarify certain issues in relation to the PFRS 15 Implementation Issues and other accounting issues affecting real estate industry. The letter includes the clarification on the conclusion of PIC Q&A 2018-12D Step 3 on the recording of contract asset for the difference between the consideration received from the customer and the transferred goods or services to a customer. In the letter, the PIC would allow for the meantime, the recording of the difference between the consideration received from the customer and the transferred goods or services to a customer as either a contract asset or unbilled receivable. If presented as contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be followed.

As a result, the Group elected to record in 2020 the difference between the consideration received from the customer and the transferred goods or services to a customer as installment contract receivables which differs from the 2019 presentation where the difference was recognized as a contract asset. Also, the 2019 excess of collections over receivables based on percentage of completion previously recognized as contract liabilities have been presented in the 2020 consolidated financial statements as customers' deposit.

Accordingly, the affected assets and liabilities accounts as of December 31, 2019 have been reclassified to conform with the 2020 presentation of accounts. Details follow:

	As previously reported December 31, 2019	Reclassification	As adjusted December 31, 2019
Current assets			
Receivables (Note 11)	₱47,712,909,823	₱3,007,038,670	₱50,719,948,493
Contract assets	3,007,038,670	(3,007,038,670)	–
Noncurrent assets			
Noncurrent receivables (Note 11)	60,913,547,800	7,843,135,383	68,756,683,183
Noncurrent contract assets	7,843,135,383	(7,843,135,383)	–
Current liabilities			
Other current liabilities (Note 22)	21,989,131,302	14,184,663,585	36,173,794,887
Contract liabilities	14,184,663,585	(14,184,663,585)	–
Noncurrent liabilities			
Other noncurrent liabilities (Note 24)	51,130,429,050	2,958,482,166	54,088,911,216
Noncurrent contract liabilities	2,958,482,166	(2,958,482,166)	–
	₱209,739,337,779	₱–	₱209,739,337,779

The reclassification did not impact the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2019.

Significant Accounting Policies Generally Applicable to Banking

The following revenues which are generally applicable to the banking segment are outside of the scope of PFRS 15:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVPL and financial assets at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Unearned discount is recognized as income over the terms of the receivables using the EIR method and is shown as a deduction from loans.

Service fees and commission income
The Group earns fees and commission income from the diverse range of services it provides to its customers. 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, portfolio fees, credit-related fees and other service and management fees. Fees on deposit-related accounts are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collection.

Trading and securities gain (loss)
Trading and securities gain (loss) represents results arising from trading activities, including all gains losses from changes in the fair values of FVPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI.

Gain from sale of properties, investments and other assets
Gain from sale of properties, investments and other assets is recognized upon completion of the earning process and the collectibility of the sales price is reasonably assured.

Other Income of the Group (Outside of Scope of PFRS 15)

Rental income
The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided

under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

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

<u>Provisions</u>
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. 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 an interest expense under 'Financing costs and other charges' account in the consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

<u>Pension Costs</u>
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs 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.

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 and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Income Taxes</u>
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 as of reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- 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; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized, except:

- 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 future taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

<u>Leases – Group as a Lessee (Upon adoption of PFRS 16 beginning January 1, 2019)</u>

The Group assesses whether a contract is, or contains a lease, at the inception of a contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of the asset, whether the Group has the right to direct the use of the asset. The Group recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets.

Right-of-use assets
The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and any estimated costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The depreciation period for each class of ROU assets follow:

	Period
Land and improvements	2 to 50 years
Buildings and improvements	2 to 30 years
Passenger aircraft and other flight equipment	1.25 to 18 years
Transportation and other equipment	2 to 30 years

ROU assets are also subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflected the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the commencement date if the interest rate implicit to the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The current portion of lease liabilities is presented within the "Other current liabilities" account in the consolidated statement of financial position.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of other flight equipment, furniture and fixtures, and machineries (i.e., lease term of 12 months or less). It also applies the lease of low-value assets recognition exemption to leases of office spaces that are considered low-value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases (Prior to adoption of PFRS 16)

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, 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 an extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

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

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to 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 is included in the consolidated statement of financial position under 'Property, plant and equipment' with the corresponding liability to the lessor included under 'Long-term debt'. 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 charged directly to profit or loss in the consolidated statement of comprehensive income. Capitalized leased assets are depreciated over the shorter of the EUL 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 risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense under 'Cost of sales and services' and 'General administrative expenses' in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

A sale and leaseback transaction includes the sale of an asset and the leasing back of the same asset. If the leaseback is classified as an operating lease, then, any gain is recognized immediately in the profit or loss if the sale and leaseback terms are demonstrably at fair value. Otherwise, the sale and leaseback are accounted for as follows:
- If the sale price is below the fair value, then, the gain or loss is recognized immediately other than to the extent that a loss is compensated for by future rentals at below market price, then the loss is deferred and amortized over the period that the asset is expected to be used.
- If the sale price is above the fair value, then, any gain is deferred and amortized over the period that the asset is expected to be used.
- If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognized immediately as a on the sale.

Applicable to both periods prior to and upon adoption of PFRS 16 beginning January 1, 2019

Group as a lessor
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 period in which they are earned.

Joint Operation
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognize in relation to its interest in a joint operation its assets, including its share of any assets held jointly; liabilities, including its share of any liabilities incurred jointly; revenue from the sale of its share of the output arising from the joint operation; share of the revenue from the sale of the output by the joint operation; and expenses, including its share of any expenses incurred jointly.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the period attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company (after deducting interest of the preferred shares, if any) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

Segment Reporting
The Group's operating segments 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 operating segments is presented in Note 6 to the consolidated financial statements.

Subsequent Events
Any post-year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at the reporting date (adjusting event) is reflected in the consolidated financial statements. Any post-year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

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

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

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

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

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

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

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

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

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

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC agenda decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

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

  The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

  This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings.

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

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

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

	Deferral Period
c. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

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

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

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

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

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

The Group has adopted PIC Q&A 2020-02 and has included the uninstalled customized materials in the measurement of progress. This is consistent with the Group's policy.

As the Group adopted PIC Q&A 2020-02 on uninstalled materials, the Group availed of the SEC reliefs to defer certain specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contract receivables, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. The Group believes that the mismatch for its contract to sell does not constitute a significant financing component based on the examples provided in the PIC letter dated November 11, 2020.

b. The exclusion of land in the determination of POC would have reduced the POC of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and installment contract receivables; increased real estate inventories and would have impacted deferred tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings.

c. Had the Group accounted for the revenue from air-conditioning services, CUSA and handling services as principal, this would have resulted in the gross presentation of the related revenue, costs and expenses. The Group opts to use alternative presentation of CUSA as other income as the gross amount of revenue and related costs and expenses are not individually material. There is no impact on opening retained earnings, income and expense and the related balance sheet accounts.

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

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

a. The financial statements are not considered to be in accordance with PFRS and should specify in the *"Basis of Preparation of the Financial Statements"* section of the financial statements that the accounting framework is:

   PFRS, as modified by the application of the following financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic:

   1) Treatment of land in the determination of the percentage-of-completion; and
   2) Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04)

b. The Auditor's report will:

   i. reflect in the Opinion paragraph that the financial statements are prepared in accordance with the compliance framework described in the notes to the financial statements; and
   ii. include an Emphasis of Matter paragraph to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

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

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

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

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

The Group availed of the SEC relief to defer of adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at cost. The Group has opted to implement approach 3 in its accounting for sales cancellation.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated 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.

<u>Judgments</u>
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:

a. Revenue and cost recognition on real estate sales

<u>Existence of a contract</u>
The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other duly executed and signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

<u>Identifying performance obligation</u>
In 2018, the Group entered into a contract to sell covering a land upon which, site preparation will be performed prior to turnover to the buyer. The Group concluded that the revenue and cost of real estate sales should be recorded upon completion of the site preparation activities as specifically stated in the contract to sell, which is at a point in time, since there is only one performance obligation (i.e., developed land) and the Group does not have a right to demand payment for work performed to date from the buyer. For the years ended December 31, 2020, 2019 and 2018, no revenue has been recognized as the performance obligations under the contract to sell are ongoing.

In 2018, the Group entered into a contract to sell covering raw land. The Group concluded that there is one performance obligation in this contract, the raw land. Revenue and cost of real estate sales should be recorded upon delivery of the raw land to the buyer which is at a point in time. For the years ended December 31, 2020, 2019 and 2018, no revenue has been recognized as the performance obligations under the contract to sell are ongoing.

Revenue recognition method and measure of progress
For the revenue from real estate sales in the Philippines, the Group concluded that revenue is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% on projects that are under development and construction demonstrate the buyer's commitment to pay. For certain inventories that have been fully completed and ready for occupancy, outright investment of the buyer of about 5% demonstrates the buyer's commitment to pay.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Principal versus agent considerations
The contract for the mall retail spaces and office spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and common usage service area (CUSA) like maintenance, janitorial and security services.

For the electricity and water usage and CUSA, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company and to provide services such as maintenance, janitorial and security services. The utility and service companies, and not the real estate developer, are primary responsible for the provisioning of the utilities while the Group, administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the provision of air conditioning, the Group acts as a principal because it retains the right to direct the service provider of air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the air conditioning charges. However, since the Group has availed of the relief to the real estate industry by deferring the application of accounting to CUSA charges discussed in PIC Q&A No. 2018-12-H, the Group retained its current assessment and accounting for air conditioning charges.

Revenue and cost recognition
The Group's real estate sales is recognized overtime and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Expected project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Real estate revenue and cost recognition from pre-selling in Chengdu Project
In July 2018, Chengdu Xin Yao Real Estate Development Co. Ltd. secured the license to sell the condominium units in Phase 1 of its residential development in Chengdu Xin Yao Ban Bian Jie. As of December 31, 2020 and 2019, no revenue has been recognized and the deposits received from buyers amounted to ₱22.7 billion and ₱9.1 billion, respectively.

Revenue from the sale of real estate units of Chengdu Xin Yao will be accounted for under a full accrual method (i.e., at a point in time) in the Group's consolidated financial statements. Under paragraph 35(c) of PFRS 15, "*An entity shall consider the terms of the contract, as well as any laws that apply to the contract, when evaluating whether it has an enforceable right to payment for performance completed to date in accordance with paragraph 35 (c). The right to payment for performance completed to date does not need to be for a fixed amount. However, at all times throughout the duration of the contract, the entity must be entitled to an amount that at least compensates the entity for performance completed to date if the contract is terminated by the customer or another party for reasons other than the entity's failure to perform as promised.*" Based on management's assessment, throughout the duration of the contract term, Chengdu Xin Yao is entitled to an amount that does not compensate it for performance completed to date if the contract is terminated by the buyer or another party for reasons other than Chengdu Xin Yao's failure to perform as promised.

b. Revenue recognition on sale of goods from the food business
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

i. Existence of a contract
The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement / exclusive distributorship agreement constitute a valid contract.

ii. Identifying performance obligation
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the

good or service to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, other than the sale of goods and services, no other performance obligations were identified except in the case of milling revenue.

iii. *Recognition of revenue as the Group satisfies the performance obligation*
The Group recognizes its revenue for all revenue streams at a point in time, when the goods are sold and delivered and when services are already rendered. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

iv. *Method to estimate variable consideration and assess constraint*
The Group uses historical experience with key accounts and distributors from the past 12 months to determine the expected value of rights of return and constrain the consideration under the contract accordingly.

v. *Recognition of milling revenue under output sharing agreement*
The Group applies both output sharing agreement and cane purchase agreement in relation to milling operation. Under output sharing agreement, milling revenue is recognized based on the fair value of the millshare at average raw sugar selling price on the month with sugar production after considering in-purchase, which represents cane purchase agreement. Under cane purchase agreement, the Group purchases raw sugar from the traders and/or planters. The in-purchase rate is derived by determining the total raw sugar purchases and the total planters' share. Raw production costs are allocated systematically based on the output sharing and cane purchase agreement rates.

c. *Classification of financial assets from the banking business*
Evaluation of business model in managing financial instruments
The Group manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them.

The Bank's BOD approved its documentation of business models which contains broad categories of business models. The business model includes the Bank's lending activities as well as treasury business activities broken down into liquidity and investment portfolios.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

d. *Classification of financial assets from the other businesses*
The Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

The Group performs the business model assessment based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of those assets managed or on the contractual cash flows collected
- Expected frequency, value, and timing of sales

e. *Determination of fair values of financial instruments*
The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in fair value of these financial assets and liabilities would affect the consolidated statements of comprehensive income.

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statements 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. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Refer to Note 5 for the fair value measurements of financial instruments.

f. *Determining whether it is reasonably certain that a renewal and termination option will be exercised – Group as a lessee (Beginning January 1, 2019)*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include renewal and termination options. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or terminate (e.g., a change in business strategy).

For most of its leases, the Group did not include the renewal or termination options in the lease term as the Group assesses that these options are not reasonably certain to be exercised. However, for some leases of parcels of land, the Group included the renewal period as part of the lease term due to significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one year) and there will be a significant negative effect on the operations if a replacement is not readily available. Refer to Note 42 for the disclosure on the Group's leases.

g. *Classification of leases*

<u>*Operating Lease*</u>

Operating lease commitments - Group as lessee (Prior to January 1, 2019)

The Group has entered into leases on premises it uses for its operations. The Group has determined, based on evaluation of the terms and conditions of the lease agreements that the significant risk and rewards of ownership to these properties did not transfer to the Group. In determining this, the Group considers the following:

- the lease does not transfer the ownership of the asset to the lessee by the end of the lease term; and
- the related lease term does not approximate the EUL of the assets being leased.

Operating lease commitments - Group as lessor

Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all significant risks and rewards of ownership to these properties. In determining this, the Group considers, the following:

- the leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease; and
- the related lease term does not approximate the EUL of the assets being leased.

<u>*Finance Lease*</u>

Group as lessee (Prior to January 1, 2019)

The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments payable amounts to at least substantially all of the fair value of leased asset, lease term if 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 obtained all significant risks and rewards of ownership of the properties it leased on finance leases.

Group as lessor

The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments receivable amounts to at least substantially all of the fair value of leased asset, lease term if 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.

Refer to Note 42 for the disclosure on the Group's leases.

h. *Assessment on whether lease concessions granted constitute a lease modification*

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Group for the year ended December 31, 2020 amounted to ₱3.5 billion.

i. *Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the 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, the property is accounted for as an 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 an investment property. The Group considers each property separately in making its judgment.

j. *Consolidation of SPEs*

The Group periodically undertakes transactions that may involve obtaining the rights to variable returns from its involvement with the SPEs. These transactions include the purchase of aircraft and assumption of certain liabilities. In all such cases, management makes an assessment as to whether the Group has: (a) power over the SPEs; (b) the right over the returns of its SPEs; and (c) the ability to use power over the SPEs to affect the amount of the Group's return, and based on these assessments, the SPEs are consolidated as a subsidiary or associated company. In making these assessments, management considers the underlying economic substance of the transaction and not only the contractual terms. The Group has assessed that it will benefit from the economic benefits of the SPEs' activities and it will affect the returns for the Group. The Group is directly exposed to the risks and returns from its involvement with the SPEs. Such rights and risks associated with the benefits and returns are indicators of control. Accordingly, the SPEs are consolidated.

Upon loss of control, the Group derecognizes the assets and liabilities of its SPEs and any surplus or deficit is recognized in profit or loss.

k. *Determination of functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine an 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, each entity in 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.

In the case of an intermediate holding company or finance subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

l. *Significant influence over an associate with less than 20.0% ownership*
In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.0%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation on 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.

m. *Determination of jet fuel/sing kero price risk components*
The Group has historically entered into fuel derivatives to provide extensive protection against the unexpected jet fuel prices movement due to various economic and political events happening across the world. Beginning September 1, 2019, the Group commenced the application of hedge accounting under PFRS 9 on fuel derivatives maturing in 2020 and beyond and has classified these as cash flow hedges. Fuel derivatives that matured in 2019 were treated as economic hedges. Along with the jet fuel price risk hedging, the Group also adopted risk component hedging strategy given the lack of liquidity in the jet fuel derivatives with long-term maturities across financial markets. Risk components of the jet fuel price are identified as the Brent crude oil and cracks. These components are determined to be separately identifiable and changes in the fair value of the jet fuel attributable to changes in the Brent crude oil price can be measured reliably.

The existence of a separate market structure for the Brent crude oil and the crack which represents the refining component corroborates with the management's assertion that these two risk components are separately identifiable and corresponding prices can be reliably measured among others.

Estimates
The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

a. *Impairment of goodwill and intangible assets*
The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The following assumptions were also used in computing value-in-use:

Growth rate estimates - growth rates include revenue growth and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is the most sensitive to changes in revenue growth rates and discount rates.

In the case of goodwill and intangible assets with indefinite lives, at a minimum, such assets are subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

As of December 31, 2020 and 2019, the balance of the Group's goodwill and intangible assets, net of accumulated depreciation, amortization and impairment loss, follow:

	2020	2019
Goodwill (Note 19)	**₱32,160,471,793**	₱32,005,604,356
Intangible assets (Note 18)	**14,154,901,195**	13,898,390,399

b. *Expected credit losses on receivables*
For loans and receivables from the banking business, the Group reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the balance sheet and any changes thereto in the statement of income. In particular, judgments and estimates by management are required in determining the following:
- whether a financial asset has had a significant increase in credit risk since initial recognition; whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of
- default as well as the Group's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;
- sufficiency and appropriateness of data used and relationships assumed in building the
- components of the Group's expected credit loss models;
- measuring the exposure at default for unused commitments on which an expected credit loss
- should be recognized and the applicable loss rate

For installment contracts receivables from the real estate business, the Group uses vintage analysis approach to calculate ECLs for installment contracts. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other trade receivables, provision matrix was used to calculate ECLs. The provision rates are based on historical default rates days past due for groupings of various segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Refer to Note 11 for the carrying amount of receivables subject to ECL and the related allowance for credit losses as of December 31, 2020 and 2019.

c. *Revenue and cost recognition from the real estate business*
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost from real estate where performance obligation is satisfied over time and recognized based on the POC is measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of the project. For the years ended December 31, 2020, 2019 and 2018, the real estate sales recognized over time amounted to ₱11.7 billion, ₱8.7 billion and ₱8.3 billion, respectively, while the related cost of real estate sales amounted to ₱6.1 billion, ₱4.2 billion and ₱4.5 billion, respectively.

The Group also recognized revenue when control is passed on a certain point in time. The Group's revenue and cost of real estate sales were recognized upon transfer of control to the buyer. Real estate sales pertaining to this transaction amounted to ₱132.6 million, ₱320.9 million and ₱2.5 billion for the years ended December 31, 2020, 2019 and 2018, respectively. The related cost of sales amounted to ₱12.0 million, ₱85.0 million and ₱398.0 million for the years ended December 31, 2020 and 2019, respectively.

d. *Valuation of ROU assets and lease liabilities*
The application of PFRS 16 requires the Group to make assumptions that affect the valuation of its ROU assets and lease liabilities. These include determining the length of the lease term and determining the interest rate to be used for discounting future cash flows.

Lease term. The lease term determined by the Group comprises non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For lease contracts with indefinite term the Group estimates the length of the contract to be equal to the economic useful life of noncurrent assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the

average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of ROU assets.

Discount rate. The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is determined using the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

As at December 31, 2020, the Group's ROU assets and lease liabilities amounted to ₱22.8 billion and ₱25.2 billion, respectively (see Note 42). As at December 31, 2019, the Group's ROU assets and lease liabilities amounted to ₱20.5 billion and ₱21.1 billion, respectively (see Note 42).

e. *Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination*
The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property. Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

The Group's acquisitions are discussed in Note 44 to the consolidated financial statements.

f. *Determination of NRV of inventories*
The Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally providing a 100.0% write down for nonmoving items for more than one year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

Inventory obsolescence and market decline included under 'Provision for impairment losses and others' in profit or loss in the consolidated statements of comprehensive income are disclosed in Notes 12 and 34 to the consolidated financial statements.

The carrying value of the Group's inventories, net of inventory obsolescence and market decline, is disclosed in Note 12 to the consolidated financial statements.

g. *Estimation of ARO*
The Group is contractually required under certain lease contracts to restore certain leased passenger aircraft to stipulated return condition or to bear a proportionate cost of restoration at the end of the contract period. The contractual obligation includes regular aircraft maintenance, overhaul and restoration of the leased aircraft to its original condition. Since the first operating lease entered by the Group in 2001, these costs are accrued based on an internal estimate which includes certain overhaul, restoration, and redelivery costs at the end of the operating aircraft lease. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis. Calculations of such costs includes assumptions and estimates in respect of the anticipated rate of aircraft utilization which includes flying hours and flying cycles and calendar months of the asset as used.

Assumptions and estimates used to compute ARO are reviewed and updated annually by the Group. As of December 31, 2020 and 2019, the cost of restoration is computed based on the Group's assessment on expected future aircraft utilization.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. The recognition of ARO would increase other noncurrent liabilities and repairs and maintenance expense.

The carrying values of the Group's ARO (included under 'Other noncurrent liabilities' in the consolidated statements of financial position) is disclosed in Note 24 to the consolidated financial statements.

h. *Estimation of useful lives of property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost*
The Group estimates the useful lives of its depreciable property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost based on the period over which the assets are expected to be available for use. The EUL of the said depreciable assets are reviewed at least annually and are updated, if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these 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 above. A reduction in the EUL of the depreciable property, plant and equipment, investment properties and intangible assets would increase depreciation and amortization expense and decrease noncurrent assets.

The carrying balances of the Group's depreciable assets are disclosed in Notes 15, 16, 17 and 18 to the consolidated financial statements.

i. *Determination of fair values less estimated costs to sell of biological assets*
The fair values of biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit or based on adjusted commercial farmgate prices. Costs to sell costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transportation and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated, if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

The Group recognized gain (loss) arising from changes in the fair value of biological assets amounting to ₱37.0 million, (₱70.2 million) and (₱467.5 million) (included in 'Cost of sales and services' in profit or loss in the consolidated statements of comprehensive income) in 2020, 2019 and 2018, respectively (see Note 17).

The carrying value of the Group's biological assets carried at fair values less estimated costs to sell is disclosed in Note 17 to the consolidated financial statements.

j. *Estimation of pension and other benefits costs*
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 37). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

As of December 31, 2020 and 2019, the balance of the Group's present value of defined benefit obligations and other employee benefits is shown in Note 37 to the consolidated financial statements.

k. *Assessment of impairment of nonfinancial assets excluding goodwill and intangible assets*
The Group assesses impairment on its nonfinancial assets (i.e., property, plant and equipment, investment properties, investments in associates and joint venture and biological assets carried at cost) 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:
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. In 2019, following the review of the Petrochemical business, the outlook for the industry and Petrochemical's operating plan, a reversal of impairment loss has been recognized to adjust the carrying value of certain buildings of the Group to their estimated recoverable values, which is the higher of fair value less to sell and value-in-use, but not exceeding the depreciated historical cost that would have been if the impairment had not been recognized.

Provision for impairment losses on nonfinancial assets recognized in 2020, 2019 and 2018 is disclosed in Note 34 to the consolidated financial statements.

As of December 31, 2020 and 2019, the balance of the Group's nonfinancial assets excluding goodwill and intangible assets, net of accumulated depreciation, amortization and impairment loss are shown in Notes 14, 15, and 16 to the consolidated financial statements.

l. Recognition of deferred tax assets
The Group reviews the carrying amounts of its deferred tax assets at each reporting date and reduces the deferred tax assets 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 assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

The Group's recognized deferred tax assets are shown in Note 38.

The Group has certain subsidiaries which enjoy the benefits of an income tax holiday (ITH). As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (see Note 38).

The total amount of temporary differences for which the Group did not recognize any deferred tax assets are shown in Note 38 to the consolidated financial statements.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, investment securities at amortized cost, financial assets at FVPL, financial assets at FVOCI, financial liabilities at FVPL and interest-bearing loans and borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as receivables and payables which arise directly from its operations. Also, the Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options and commodity swaps and options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.

The BOD of the Parent Company and its subsidiaries review and approve the policies for managing each of these risks which are summarized below, together with the related risk management structure.

<u>Risk Management Structure</u>
The BOD of the Parent Company and the respective BODs of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management

performance, and identification of areas and opportunities for improvement in the risk management process.

Each BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks.

AC
The AC shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems and the internal audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and audit standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
c. audit activities of internal auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal auditors; and
d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Corporate Governance and Management Systems (CGMS)
The CGMS was created to be primarily responsible for the execution of the enterprise risk management framework. The CGMS's main concerns include:

a. recommendation of risk policies, strategies, principles, framework and limits;
b. management of fundamental risk issues and monitoring of relevant risk decisions;
c. support to management in implementing the risk policies and strategies; and
d. development of a risk awareness program.

Corporate Governance Compliance Officer
Compliance with the principles of good corporate governance is one of the objectives of the Group's BOD. To assist the Group's BOD in achieving this purpose, the Group's BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance of the Group with the provisions and requirements of good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties for such infringements for further review and approval of the Group's BOD, among others.

Day-to-day risk management functions
At the business unit or company level, the day-to-day risk management functions are handled by four different groups, namely:

1. Risk-taking Personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
2. Risk Control and Compliance. This group includes middle management personnel who perform the day-to-day compliance check to approved risk policies and risk mitigation decisions.
3. Support. This group includes back office personnel who support the line personnel.
4. Risk Management. This group pertains to the business unit's Management Committee which makes risk-mitigating decisions within the enterprise-wide risk management framework.

Enterprise Resource Management (ERM) Framework
The Parent Company's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Parent Company. The Parent Company's BOD also shares the responsibility with the CGMS in promoting the risk awareness program enterprise-wide.

The ERM framework revolves around the following eight interrelated risk management approaches:

1. Internal Environmental Scanning. It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.

2. Objective Setting. The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.

3. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.

4. Risk Assessment. The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.

5. Risk Response. The Group's BOD, through the oversight role of the Enterprise Resource Management Group (ERMG), approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.

6. Control Activities. Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.

7. Information and Communication. Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.

8. Monitoring. The CGMS, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Risk management support groups
The Group's BOD created the following departments within the Group to support the risk management activities of the Parent Company and the other business units:

1. Corporate Security and Safety Board (CSSB). Under the supervision of CGMS, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.

2. Corporate Supplier Accreditation Team (CORPSAT). Under the supervision of CGMS, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.

3. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.

4. Corporate Strategy. The Corporate Strategy is responsible for the administration of strategic planning, budgeting and performance review processes of business units.

<u>Risk Management Policies</u>
The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk, such as foreign currency risk, commodity price risk, equity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group transacts only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

The Group has a counterparty credit risk management policy which allocates investment limits based on counterparty credit ratings and credit risk profile.

With respect to the Banking Segment, there are several credit risk mitigation practices in place, as follow:
- The Banking Segment offers a variety of loan products with substantial collateral values. The policy on collateral and other credit enhancements are discussed further below.
- Limits are set on the amount of credit risk that the Banking Segment is willing to take for customers and counterparties, and exposures are monitored against such credit limits.
- The Banking Segment also observes related regulatory limits such as the single borrower's limit (SBL) and directors, officers, stockholders and related interests (DOSRI) ceiling.
- To protect against settlement risk, the Banking Segment employs a delivery-versus-payment (DvP) settlement system, wherein payment is effected only when the corresponding asset has been delivered.
- There is an internal credit risk rating system (ICRRS) in place, providing a structured format for collating and analyzing borrower data to arrive at a summary indicator of credit risk.
- Past due and non-performing loan (NPL) ratios are also used to measure and monitor the quality of the loan portfolio.

a. Credit risk exposure

The Group's maximum exposure to on-balance sheet credit risk is equal to the carrying value of its financial assets except for the following accounts:

	2020			
	Carrying amount	**Fair Value of Collateral**	**Financial Effect of Collateral**	**Maximum Exposure to Credit Risk**
Interbank loans receivable	**₱4,495,757,260**	**₱3,482,833,472**	**₱3,482,833,472**	**₱1,012,923,788**
Loans and receivables:				
Finance receivables:				
Commercial	**50,553,891,099**	**20,323,330,178**	**20,173,222,478**	**30,380,668,621**
Real estate	**23,784,586,061**	**14,977,290,926**	**13,158,698,385**	**10,625,887,676**
Consumption	**7,946,628,780**	**8,027,850,118**	**5,126,507,945**	**2,820,120,835**
Domestic bills purchased	**239,061,088**	**49,266,008**	**49,070,099**	**189,990,989**
Other receivables	**13,770,516,048**	**2,503,927,608**	**11,463,819,563**	**2,306,696,485**
Total credit risk exposure	**₱100,790,440,336**	**₱49,364,498,310**	**₱53,454,151,942**	**₱47,336,288,394**

	2019			
	Carrying amount	Fair Value of Collateral	Financial Effect of Collateral	Maximum Exposure to Credit Risk
Interbank loans receivable	₱2,408,705,460	₱1,603,350,278	₱1,603,350,278	₱805,355,182
Loans and receivables:				
Finance receivables:				
Commercial	49,105,221,842	13,966,555,107	11,818,030,519	37,287,191,323
Real estate	19,067,998,568	14,588,487,309	10,314,921,736	8,753,076,832
Consumption	10,161,292,294	9,716,871,923	5,166,992,449	4,994,299,845
Other receivables	13,662,275,394	3,071,001,245	2,953,779,279	10,708,496,115
Total credit risk exposure	₱94,405,493,558	₱42,946,265,862	₱31,857,074,261	₱62,548,419,297

Collateral and other credit enhancements
The Group holds collateral in the form of real estate and chattel mortgages, government securities and standby letters of credit. The amount and type of collateral required depends on an assessment of credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
- Mortgages over real estate and vehicle for consumer lending
- Chattels over inventory and receivable for commercial lending
- Government securities for interbank lending

It is the Group's policy to dispose of repossessed properties in an orderly fashion. In general, the proceeds are used to reduce or repay the outstanding claim, and are not occupied for business use.

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

The Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. In order to avoid excessive concentrations of risks, identified concentrations of credit risks are controlled and managed accordingly.

i. Concentration by geographical location

The Group's credit risk exposures as of December 31, 2020 and 2019, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2020					
	Philippines	**Asia (excluding Philippines)**	**United States**	**Europe**	**Others***	**Total**
Cash and cash equivalents**	**₱66,171,018,714**	**₱9,865,803,531**	**₱–**	**₱–**	**₱2,448,831,586**	**₱78,485,653,831**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	**86,520,711**	**–**	**–**	**–**	**–**	**86,520,711**
Investment in convertible notes	**–**	**127,703,174**	**3,615,304,272**	**–**	**–**	**3,743,007,446**
Derivative assets	**–**	**–**	**–**	**–**	**556,022**	**556,022**
	86,520,711	**127,703,174**	**3,615,304,272**	**–**	**556,022**	**3,830,084,179**
Financial assets at FVOCI						
Debt securities:						
Government	**9,188,953,838**	**415,766,043**	**–**	**–**	**77,187,170**	**9,681,907,051**
Private	**15,327,767,754**	**4,291,238,360**	**341,227,427**	**911,334,464**	**453,646,675**	**21,325,214,680**
	24,516,721,592	**4,707,004,403**	**341,227,427**	**911,334,464**	**530,833,845**	**31,007,121,731**
Investment securities at amortized cost:						
Debt securities:						
Government	**6,251,706,056**	**–**	**–**	**–**	**–**	**6,251,706,056**
Private	**1,800,257,800**	**–**	**–**	**–**	**–**	**1,800,257,800**
	8,051,963,856	**–**	**–**	**–**	**–**	**8,051,963,856**
Receivables:						
Finance receivables	**86,382,308,879**	**–**	**–**	**–**	**–**	**86,382,308,879**
Trade receivables	**37,029,026,584**	**3,053,277,276**	**–**	**81,689,168**	**94,709,155**	**40,258,702,183**
Due from related parties	**2,483,583,930**	**68,826,811**	**–**	**–**	**–**	**2,552,410,741**
Interest receivable	**1,586,398,705**	**87,174,889**	**762,355**	**13,682,781**	**42,201,201**	**1,730,219,931**
Other receivables***	**6,559,957,496**	**40,443,883**	**–**	**–**	**–**	**6,600,401,379**
	134,041,275,594	**3,249,722,859**	**762,355**	**95,371,949**	**136,910,356**	**137,524,043,113**
Refundable deposits****	**856,057,644**	**–**	**–**	**–**	**–**	**856,057,644**
Restricted cash****	**5,019,269,617**					**5,019,269,617**
	₱238,742,827,728	**₱17,950,233,967**	**₱3,957,294,054**	**₱1,006,706,413**	**₱3,117,131,809**	**₱264,774,193,971**

* *Others include South American countries (i.e., Argentina and Mexico), New Zealand and Australia*
** *Excludes cash on hand amounting to ₱3,005,758,937*
*** *Excludes claims receivable of JGSPC and JGSOC amounting to ₱304,301,630*
**** *Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

	December 31, 2019					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱40,392,933,814	₱18,612,975,697	₱–	₱–	₱1,926,564,972	₱60,932,474,483
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	3,943,264	–	–	–	–	3,943,264
Investment in convertible notes	–	135,257,546	2,525,914,569	–	–	2,661,172,115
Derivative assets	–	–	–	–	992,618	992,618
	3,943,264	135,257,546	2,525,914,569	–	992,618	2,666,107,997
Financial assets at FVOCI						
Debt securities:						
Government	8,557,069,472	533,085,422	–	–	302,652,089	9,392,806,983
Private	7,914,619,579	2,216,841,137	412,067,883	1,114,327,255	244,512,384	11,902,368,238
	16,471,689,051	2,749,926,559	412,067,883	1,114,327,255	547,164,473	21,295,175,221
Investment securities at amortized cost:						
Debt securities:						
Government	9,507,201,849	–	–	–	–	9,507,201,849
Private	1,850,398,340	–	–	–	–	1,850,398,340
	11,357,600,189	–	–	–	–	11,357,600,189

(Forward)

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	December 31, 2019					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Receivables:						
Finance receivables	₱79,837,553,053	₱–	₱–	₱–	₱–	₱79,837,553,053
Trade receivables	26,744,081,043	3,185,020,020	14,326,882	7,292,674	2,931,606,998	32,882,327,617
Due from related parties	1,930,866,127	616,848,658	–	–	–	2,547,714,785
Interest receivable	1,021,865,233	62,250,924	76,588,422	12,517,056	6,907,919	1,180,129,554
Other receivables***	4,171,397,322	100,203,277	–	100,475,902	80,896,862	4,452,973,363
	113,705,762,778	3,964,322,879	90,915,304	120,285,632	3,019,411,779	120,900,698,372
Refundable security deposits****	817,115,232	181,057,483	–	–	–	998,172,715
Restricted cash****	2,533,017,832	–				2,533,017,832
	₱185,282,062,160	₱25,643,540,164	₱3,028,897,756	₱1,234,612,887	₱5,494,133,842	₱220,683,246,809

* *Others include South American countries (i.e., Argentina and Mexico), New Zealand and Australia*
** *Excludes cash on hand amounting to ₱3,410,774,679*
*** *Excludes claims receivable of JGSPC and JGSOC amounting to ₱265,769,076*
**** *Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

ii Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2020 and 2019, before taking into account any collateral held or other credit enhancements.

	2020										
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Construction	Government Institutions	Others*	Total
Cash and cash equivalents**	₱–	₱–	₱–	₱78,485,653,831	₱–	₱–	₱–	₱–	₱–	₱–	₱78,485,653,831
Financial assets at FVPL:											
Held-for-trading:											
Debt securities:											
Government	–	–	–	–	–	–	–	–	86,520,711	–	86,520,711
Investment in convertible notes	3,615,304,272	75,390,662	–	–	–	–	–	–	–	52,312,512	3,743,007,446
Derivative financial assets:		–	556,022	–	–	–	–	–	–	–	556,022
	3,615,304,272	75,390,662	556,022	–	–	–	–	–	86,520,711	52,312,512	3,830,084,179
Financial assets at FVOCI											
Debt securities:											
Government	–	–	–	133,849,706	–	–	–	–	9,055,104,132	492,953,213	9,681,907,051
Private	525,512,471	1,715,060,766	1,154,604,887	12,244,136,695	2,378,713,117	–	1,609,552,651	99,638,120	–	1,597,995,973	21,325,214,680
	525,512,471	1,715,060,766	1,154,604,887	12,377,986,401	2,378,713,117	–	1,609,552,651	99,638,120	9,055,104,132	2,090,949,186	31,007,121,731
Investment securities at amortized cost											
Debt securities:											
Government	–	–	–	–	–	–	–	–	6,251,706,056	–	6,251,706,056
Private	–	–	–	1,800,257,800	–	–	–	–	–	–	1,800,257,800
	–	–	–	1,800,257,800	–	–	–	–	6,251,706,056	–	8,051,963,856
Receivables:											
Finance receivables	7,421,032,602	26,955,339,711	9,505,695,108	4,731,217,800	3,184,693,822	6,988,120,232	6,911,769,831	3,093,265,976	63,721,392	17,527,452,405	86,382,308,879
Trade receivables	16,828,073,728	20,498,080,026	–	329,983,689	1,632,909,592	–	–	–	–	969,655,148	40,258,702,183
Due from related parties	214,744,158	–	–	28,728,789	–	–	–	–	–	2,308,937,794	2,552,410,741
Interest receivable	11,310,630	46,198,320	5,318,075	1,483,001,580	24,765,701	–	19,867,131	2,068,014	–	137,690,480	1,730,219,931
Other receivables***	1,343,724,555	962,457,538	16,409,156	457,027,257	19,556	–	–	–	–	3,820,763,317	6,600,401,379
	25,818,885,673	48,462,075,595	9,527,422,339	7,029,959,115	4,842,388,671	6,988,120,232	6,931,636,962	3,095,333,990	63,721,392	24,764,499,144	137,524,043,113
Refundable security deposits ****	–	67,694,161	–	–		–	–	–	–	788,363,483	856,057,644
Restricted cash****	–	4,006,791,007	–	–	1,012,478,610	–	–	–	–	–	5,019,269,617
	₱29,959,702,416	₱54,327,012,191	₱10,682,583,248	₱99,693,857,147	₱8,233,580,398	₱6,988,120,232	₱8,541,189,613	₱3,194,972,110	₱15,457,052,291	₱27,696,124,325	₱264,774,193,971

** Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
*** Excludes cash on hand amounting to ₱3,005,758,937*
**** Excludes claims receivable of JGSPC and JGSOC amounting to ₱304,301,630*
***** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

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	2019										
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Construction	Government Institutions	Others*	Total
Cash and cash equivalents**	₱–	₱–	₱–	₱60,932,474,483	₱–	₱–	₱–	₱–	₱–	₱–	₱60,932,474,483
Financial assets at FVPL:											
Held-for-trading:											
Debt securities:											
Government	–	–	–	–	–	–	–	–	3,943,264	–	3,943,264
Investment in convertible notes	2,525,914,569	–	–	–	–	–	–	–	–	135,257,546	2,661,172,115
Derivative financial assets:	992,618	–	–	–	–	–	–	–	–	–	992,618
	2,526,907,187	–	–	–	–	–	–	–	3,943,264	135,257,546	2,666,107,997
Financial assets at FVOCI											
Debt securities:											
Government	–	–	–	135,954,975	–	–	–	–	8,421,114,497	835,737,511	9,392,806,983
Private	82,553,480	2,197,715,030	1,089,917,160	2,339,409,241	1,711,775,125	–	3,010,699,877	159,880,013	–	1,310,418,312	11,902,368,238
	82,553,480	2,197,715,030	1,089,917,160	2,475,364,216	1,711,775,125	–	3,010,699,877	159,880,013	8,421,114,497	2,146,155,823	21,295,175,221
Investment securities at amortized cost											
Debt securities:											
Government	–	–	–	–	–	–	–	–	9,507,201,849	–	9,507,201,849
Private	–	900,000,000	–	–	–	–	900,369,072	–	–	50,029,268	1,850,398,340
	–	900,000,000	–	–	–	–	900,369,072	–	9,507,201,849	50,029,268	11,357,600,189
Receivables:											
Finance receivables	6,042,470,393	23,581,999,040	11,915,966,452	3,367,657,345	5,708,836,368	745,140,759	9,286,645,005	2,032,813,147	49,185,312	17,106,839,232	79,837,553,053
Trade receivables	14,353,540,146	15,519,455,271	–	–	2,096,259,003	–	–	–	–	913,073,197	32,882,327,617
Due from related parties	122,951,766	1,352,507,422	69,694,182	477,236,444	18,499,416	–	–	–	–	506,825,555	2,547,714,785
Interest receivable	121,263,990	134,536,899	63,314,841	141,337,454	79,484,674	20,723,154	81,275,246	21,977,064	229,690,209	286,526,023	1,180,129,554
Other receivables***	1,552,915,535	796,124,107	–	1,110,366,899	274,299,627	–	6,445	112,212	2,673,497	716,475,041	4,452,973,363
	22,193,141,830	41,384,622,739	12,048,975,475	5,096,598,142	8,177,379,088	765,863,913	9,367,926,696	2,054,902,423	281,549,018	19,529,739,048	120,900,698,372
Refundable security deposits ****	–	815,111,232	–	–	181,057,483	–	–	–	–	2,004,000	998,172,715
Restricted cash****	–	2,533,017,832	–	–	–	–	–	–	–	–	2,533,017,832
	₱24,802,602,497	₱47,830,466,833	₱13,138,892,635	₱68,504,436,841	₱10,070,211,696	₱765,863,913	₱13,278,995,645	₱2,214,782,436	₱18,213,808,628	₱21,863,185,685	₱220,683,246,809

** Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
*** Excludes cash on hand amounting to ₱3,410,774,679*
**** Excludes claims receivable of JGSPC and JGSOC amounting to ₱265,769,076*
***** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

c. Credit quality per class of financial assets

The table below shows the maximum exposure to credit risk for the Group’s financial assets not measured at fair value by credit rating grades:

	2020 (in millions)				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash and cash equivalents					
Neither Past Due nor Individually Impaired					
High Grade	₱49,631	₱–	₱–	₱–	₱49,631
Standard	28,855	–	–	–	28,855
Financial Assets at FVPL					
Debt securities					
High Grade	86	–	–	–	86
Investment in convertible note					
Unrated	3,743	–	–	–	3,743
Derivative assets					
High Grade	1	–	–	–	1
Financial Assets at FVOCI					
Neither Past Due nor Individually Impaired					
High Grade	19,103	–	–	–	19,103
Standard	11,904	–	–	–	11,904
Investment securities at Amortized Cost					
Neither Past Due nor Individually Impaired					
Standard	8,052	–	–	–	8,052
Receivables:					
Finance receivables					
Neither Past Due nor Individually Impaired					
High Grade	20,264	2,590	1	–	22,855
Standard	20,688	3,277	24	–	23,989
Substandard	2,222	1,837	–	–	4,059
Unrated	29,026	744	233	–	30,003
Past Due but not Individually Impaired		1,772	2,019	–	3,791
Individually Impaired	384	375	926	–	1,685
Trade receivables					
Neither Past Due nor Individually Impaired					
High Grade	–	–	–	27,006	27,006
Standard	–	–	–	10,536	10,536
Past Due but not Individually Impaired	–	–	–	2,219	2,219
Individually Impaired	–	–	–	498	498
Due from related parties					
Neither Past Due nor Individually Impaired					
High Grade	–	–	–	2,537	2,537
Standard	–	–	–	15	15
Interest receivable					
Neither Past Due nor Individually Impaired					
High Grade	1,690	–	–		1,690
Standard	4		–	–	4
Past Due but not Individually Impaired	₱36	₱–	₱–	₱	₱36
Other receivables					
Neither Past Due nor Individually Impaired					
High Grade	1,468	–	–	–	1,468
Standard	3,828	–	–	–	3,828
Past Due but not Individually Impaired	873	–	–	–	873
Individually Impaired	330	11	90	–	431
Refundable deposits* **					
Neither Past Due nor Individually Impaired					
High Grade	856	–	–	–	856
Restricted cash* **					
Neither Past Due nor Individually Impaired					
High Grade	2,533	–	–	–	2,533
	₱205,577	₱10,606	₱3,293	₱42,811	₱262,287

Excludes cash on hand amounting to ₱3,005,758,937
*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱304,301,630*
****Included under ‘Other current’ and ‘Other noncurrent assets’ in the consolidated statements of financial position*

	2019 (in millions)				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash and cash equivalents					
Neither Past Due nor Individually Impaired					
High Grade	₱43,844	₱–	₱–	₱–	₱43,844
Standard	17,088	–	–	–	17,088
Financial Assets at FVPL					
Debt securities					
High Grade	4	–	–	–	4
Investment in convertible note					
Unrated	2,661	–	–	–	2,661
Derivative assets					
High Grade	1	–	–	–	1
Financial Assets at FVOCI					
Neither Past Due nor Individually Impaired					
High Grade	7,530	–	–	–	7,530
Standard	13,765	–	–	–	13,765
Investment securities at Amortized Cost					
Neither Past Due nor Individually Impaired					
Standard	11,357	–	–	–	11,357
Receivables:					
Finance receivables					
Neither Past Due nor Individually Impaired					
High Grade	18,942	5	–	–	18,947
Standard	24,373	2,585	–	–	26,958
Substandard	4,086	1,254	1	–	5,341
Unrated	25,968	293	5	–	26,266
Past Due but not Individually Impaired	40	1,350	860	–	2,250
Individually Impaired	6	6	392	–	404
Trade receivables					
Neither Past Due nor Individually Impaired					
High Grade	–	–	–	28,290	28,290
Standard	–	–	–	377	377
Past Due but not Individually Impaired	–	–	–	4,016	4,016
Individually Impaired	–	–	–	199	199
Due from related parties					
Neither Past Due nor Individually Impaired					
High Grade	–	–	–	2,091	2,091
Standard	–	–	–	457	457
Interest receivable					
Neither Past Due nor Individually Impaired					
High Grade	194	–	–	229	423
Standard	393	28	–	–	421
Substandard	2	26	–	–	28
Unrated	78	1	26	–	105
Past Due but not Individually Impaired	78	39	66	1	184
Individually Impaired	–	–	19	–	19
Other receivables					
Neither Past Due nor Individually Impaired					
High Grade	305	–	–	1,574	1,879
Standard	4	–	–	810	814
Substandard	6	–	–	30	36
Unrated	16	2	3	–	21
Past Due but not Individually Impaired	827	2	17	488	1,334
Individually Impaired	15	–	43	311	369
Refundable security deposits* **					
Neither Past Due nor Individually Impaired					
High Grade	934	–	–	–	934
Standard	64	–	–	–	64
Restricted cash* **					
Neither Past Due nor Individually Impaired					
High Grade	2,553	–	–	–	2,553
	₱175,134	₱5,591	₱1432	₱38,873	₱221,030

Excludes cash on hand amounting to ₱3,410,774,679
*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱265,769,076*
****Included under ‘Other current’ and ‘Other noncurrent assets’ in the consolidated statements of financial position*

Classification of Financial Assets by Class used by the Group except for the Banking Segment
High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability.

Other high grade accounts are considered to be of high value since the counterparties have a remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

Classification of Financial Assets by Class used by the Banking Segment
For loans and receivables from customers, the Banking Segment's internal credit risk rating (ICCR) system was approved in 2007 and further enhanced to reflect latest updates. Last enhancement was made in 2017 for the ICRRS covering corporate credit exposures as defined by BSP Circular 439, initially for those borrowers with asset size of more than ₱15.0 million. In compliance with BSP Circular 855, the Banking Segment also developed another ICRRS in 2016 for those borrowers with asset size of ₱15.0 million and below which was also enhanced in 2018.

The Banking Segment's internal credit risk rating is as follows:

Grades	Categories	Description
High grade		
Risk rating 1	Excellent	Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events.
Risk rating 2	Super Prime	Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events.
Risk rating 3	Prime	Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions.
Risk rating 4	Very Good	Moderately low probability of default; more than adequate capacity for payment of financial commitments; but adverse business/economic conditions are more likely to impair this capacity.
Risk rating 5	Good	More pronounced probability of default; business or financial flexibility exists which supports the servicing of financial commitments; vulnerable to adverse business/economic changes.

Grades	Categories	Description
Standard		
Risk rating 6	Satisfactory	Material probability of default is present, but a margin of safety remains; financial commitments are currently being met although the capacity for continued payment is vulnerable to deterioration in the business/economic condition.
Risk rating 7	Average	Greater probability of default which is reflected in the volatility of earnings and overall performance; repayment source is presently adequate; however, prolonged unfavorable economic period would create deterioration beyond acceptable levels.
Risk rating 8	Fair	Sufficiently pronounced probability of default, although borrowers should still be able to withstand normal business cycles; any prolonged unfavorable economic/market conditions would create an immediate deterioration of cash flow beyond acceptable levels.
Sub-standard grade		
Risk rating 9	Marginal	Elevated level of probability of default, with limited margin; repayment source is adequate to marginal.
Risk rating 10	Watch list	Unfavorable industry or company specific risk factors represent a concern, financial strength may be marginal; will find it difficult to cope with significant downturn.
Risk rating 11	Special mention	Loans have potential weaknesses that deserve close attention; borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized due to evidence of weakness in the borrower's financial condition.
Risk rating 12	Substandard	Substantial and unreasonable degree of risk to the institution because of unfavorable record or unsatisfactory characteristics; with well-defined weaknesses that jeopardize their liquidation e.g. negative cash flow, case of fraud.
Past due and impaired		
Risk rating 13	Doubtful	Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable.
Risk rating 14	Loss	Uncollectible or worthless.

The Banking Segment's internal credit risk rating system intends to provide a structure to define the corporate credit portfolio, and consists of an initial rating for the borrower risk later adjusted for the facility risk. Inputs include an assessment of management, credit experience, financial condition, industry outlook, documentation, security and term.

Below is the staging parameters adopted by the Banking Segment.

Staging Parameter	Stage	Description
Staging by Days Past Due		*Applicable to all loan products.*
	1	Accounts with 0 – 30 days past due (applicable for all loan products except for microfinancing loans wherein days past due for Stage 1 accounts is 0 – 6 days).
	2	Accounts with 31 – 90 days past due (applicable for all loan products except for microfinancing loans wherein days past due for Stage 2 accounts is 7 – 10 days).
	3	Accounts with days past due of 91 days and above (applicable for all loan products except for microfinancing loans wherein days past due for Stage 3 accounts is 11 days and above).
Staging by Status		*Applicable to all loan products except for Microfinance.*
	1	Accounts tagged as Current in its Status are classified under Stage 1.
	2	Accounts tagged as Past due performing in its Status are classified under Stage 2.
	3	Accounts tagged as ITL and NPL in its Status are classified under Stage 3.
Staging by Origination Rating vs Current Rating		*Applicable to Commercial Loans (Large Scale and Medium Scale) only*
	1	If no movement in the ratings from origination rating against the latest rating, the staging will be based on the current ICRRS rating. If the account's current rating is either Excellent, Super Prime, Prime, Very Good, Good, Satisfactory, Average, Fair, the account will be tagged under Stage 1.
	2	If the account's current rating/equivalent Risk Level deteriorates by 2 notches from its origination rating/equivalent Risk Level, the account is tagged under Stage 2. If no movement in the ratings from origination rating against the latest rating, the staging will be based on the latest ICRRS rating. If the account's latest Rating is either Marginal, Watchlist or Especially Mentioned, account will be tagged under Stage 2.
Staging by Maturity Date vs Cut-off Date		*Applicable to all loan products*
	1	If maturity date of the account is after the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is less than 30 days, the account is tagged under Stage 1 (For Microfinance loans, if maturity date of the account is after the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is less than 10 days, the account is tagged under Stage 1).
	3	If maturity date of the account is prior to the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 30 days, the account is tagged under Stage 3 (For Microfinance loans, if Maturity Date of the account is prior the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 10 days, the account is tagged under Stage 3).

External ratings
In ensuring a quality investment portfolio, the Group monitors credit risk from investments using credit ratings based on Standard and Poor (S&P). Credit quality of due from BSP and other banks and interbank loans receivable are based on available accredited international and local credit raters using Fitch as standard of rating.

The Group assigns the following credit quality groupings based on ratings prior to PFRS 9 adoption as follows:

Credit Quality	Fitch	Moody's	S&P	Stage*
High Grade	AAA to A-	Aaa to A3	AAA to A-	1
Standard Grade	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	1
Substandard Grade	B+ to C-	B1 to Ca	B+ to C	2
Past due and impaired	D	C	D	3

**Applicable to Banking Segment only.*

d. Aging analysis of receivables by class

The aging analysis of the Group's Past Due but Not Impaired receivables as of December 31, 2020 and 2019 follow:

	2020 *(in millions)*				
	Less than 30 Days	**30 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Finance receivables	**₱2,429**	**₱303**	**₱223**	**₱836**	**₱3,791**
Trade receivables	**1,857**	**185**	**35**	**142**	**2,219**
Interest receivable	**5**	**1**	**1**	**29**	**36**
Others	**28**	**80**	**116**	**649**	**873**
	₱4,319	**₱ 569**	**₱375**	**₱1,656**	**₱6,919**

	2019 *(in millions)*				
	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Total
Finance receivables	₱34	₱937	₱414	₱865	₱2,250
Trade receivables	2,113	773	263	867	4,016
Interest receivable	65	35	16	68	184
Others	829	47	129	329	1,334
	₱3,041	₱1,792	₱822	₱2,129	₱7,784

Liquidity risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include obtaining bank loans and capital market issues both onshore and offshore.

With respect to the Banking Segment, liquidity risk is considered in assets and liabilities management. The Banking Segment seeks to lengthen liability maturities, diversify existing fund sources, and continuously develop new instruments that cater to different segments of the market. The Assets and Liabilities Committee (ALCO) is composed of some members of the Senior Management including the Lending Groups and Treasury Group Heads. ALCO conducts weekly meetings. The Banking Segment also has specialized units that help monitor market and regulatory developments pertinent to interest rates and liquidity position, as well as prepare cash position reports as needed to measure the liquidity and reserves position of the Banking Segment.

The Banking Segment also keeps credit lines with financial institutions, as well as a pool of liquid or highly marketable securities. Reserves management is another specialized function within the Banking Segment, complying with BSP reserve requirements, which may be a buffer against unforeseen liquidity drains.

The liquidity or maturity gap report is another tool for measuring liquidity risk. Although available contractual maturity dates are generally used for putting instruments into time bands, expected liquidation periods, often based on historical data, are used if contractual maturity dates are unavailable. The liquidity gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive liquidity gap is an estimate of the Banking Segment's net excess funds for the time band. A negative liquidity gap is an estimate of a future funding requirement of the Banking Segment. Although such gaps are a normal part of the business, a significant negative amount may bring significant liquidity risk. To help control liquidity risk arising from negative liquidity gaps, maximum cumulative outflow (MCO) targets are set for time bands up to one year.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on the applicable undiscounted contractual payments as of December 31, 2020 and 2019:

	2020					
	On Demand	**Up to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**	**Total**
Financial Assets						
Cash and cash equivalents*	**₱37,166,361,025**	**₱41,406,969,859**	**₱–**	**₱–**	**₱–**	**₱78,573,330,884**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	–	**87,076,733**	–	–	–	**87,076,733**
Equity securities:						
Quoted	**639,008,134**	–	**1,095,924,671**	–	–	**1,734,932,805**
Investment in convertible note	–	–	**3,743,007,446**	–	–	**3,743,007,446**
Derivative financial assets designated as accounting hedges	–	**556,022**	–	–	–	**556,022**
	639,008,134	**87,632,755**	**4,838,932,117**	–	–	**5,565,573,006**
Financial assets at FVOCI:						
Debt securities:						
Private	–	**7,151,226,095**	**12,347,191,134**	**4,511,669,014**	–	**24,010,086,243**
Government	–	–	**626,802,919**	**1,282,139,746**	**10,384,000,000**	**12,292,942,665**
	–	**7,151,226,095**	**12,973,994,053**	**5,793,808,760**	**10,384,000,000**	**36,303,028,908**

(Forward)

	2020					
	On Demand	**Up to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**	**Total**
Equity securities:						
Quoted	**₱–**	**₱–**	**₱225,509,061**	**₱32,847,478,716**	**₱–**	**₱33,072,987,777**
Unquoted	–	–	**661,523,310**	–	–	**661,523,310**
	–	–	**887,032,371**	**32,847,478,716**	–	**33,734,511,087**
	–	**7,151,226,095**	**13,861,026,424**	**38,641,287,476**	**10,384,000,000**	**70,037,539,995**
Investment securities at amortized cost:	–	**189,998,044**	**613,993,681**	**5,636,941,982**	**3,260,966,437**	**9,701,900,144**
Receivables:						
Trade receivables	**8,749,389,152**	**13,878,889,080**	**10,768,993,091**	**5,675,489,844**	**1,185,941,016**	**40,258,702,183**
Finance receivables	**187,479,392**	**16,548,718,259**	**10,164,332,652**	**20,575,320,247**	**38,906,458,329**	**86,382,308,879**
Due from related parties	**2,552,410,741**	–	–	–	–	**2,552,410,741**
Interest receivable	**15,613,421**	**1,456,596,411**	**258,010,099**	–	–	**1,730,219,931**
Other receivables	**2,937,523,557**	**2,312,923,575**	**1,349,954,246**	–	–	**6,600,401,378**
	14,442,416,263	**34,197,127,325**	**22,541,290,088**	**26,250,810,091**	**40,092,399,345**	**137,524,043,112**
Refundable security deposits***	**76,413,292**	–	**2,004,000**	**514,748,450**	**262,891,902**	**856,057,644**
Restricted cash***	**5,019,269,617**	–	–	–	–	**5,019,269,617**
	₱57,343,468,331	**₱83,032,954,078**	**₱41,857,246,310**	**₱71,043,787,999**	**₱54,000,257,684**	**₱307,277,714,402**

** Excludes cash on hand amounting to ₱3,005,758,937*
***Excludes claims receivable of JGSPC and JGSOC amounting to ₱304,301,630*
****Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position.*

	2019					
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Financial Assets						
Cash and cash equivalents*	₱42,522,355,730	₱21,820,893,432	₱–	₱–	₱–	₱64,343,249,162
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	–	3,943,264	–	–	–	3,943,264
Equity securities:						
Quoted	528,355,475	–	1,190,181,498	–	–	1,718,536,973
Investment in convertible note	45,460,289	–	2,615,711,826	–	–	2,661,172,115
Derivative financial assets designated as accounting hedges	–	992,618	–	–	–	992,618
	573,815,764	4,935,882	3,805,893,324	–	–	4,384,644,970
Financial assets at FVOCI:						
Debt securities:						
Private	–	6,675,856,535	6,632,403,950	141,485,426	–	13,449,745,911
Government	–	–	971,692,486	4,358,709,309	6,500,681,132	11,831,082,927
	–	6,675,856,535	7,604,096,436	4,500,194,735	6,500,681,132	25,280,828,838
Equity securities:						
Quoted	–	–	477,659,667	24,050,346,528	–	24,528,006,195
Unquoted	–	–	487,055,158	–	–	487,055,158
	–	–	964,714,825	24,050,346,528	–	25,015,061,353
	–	6,675,856,535	8,568,811,261	28,550,541,263	6,500,681,132	50,295,890,191
Investment securities at amortized cost:		232,049,978	445,235,627	7,451,852,090	6,271,641,421	14,400,779,116
Receivables:						
Trade receivables	2,656,578,478	26,100,054,631	568,719,166	1,228,589,330	2,268,385,448	32,822,327,053
Finance receivables	56,322,341	15,731,975,446	11,688,238,526	29,678,349,307	22,682,667,433	79,837,553,053
Due from related parties	2,547,714,785	–	–	–	–	2,547,714,785
Interest receivable	29,839,278	1,001,310,207	148,980,069	–	–	1,180,129,554
Other receivables**	718,832,255	3,616,614,779	117,526,329	–	–	4,452,973,363
	6,009,287,137	46,449,955,063	12,523,464,090	30,906,938,637	24,951,052,881	120,840,697,808
Refundable security deposits***	8,602,019	729,686	3,677,942	526,479,521	458,683,547	998,172,715
Restricted cash***	2,533,017,832	–	–	–	–	2,533,017,832
	₱51,647,078,482	₱75,184,420,576	₱25,347,082,244	₱67,435,811,511	₱38,182,058,981	₱257,796,451,794

** Excludes cash on hand amounting to ₱3,410,774,679*
***Excludes claims receivable of JGSPC and JGSOC amounting to ₱265,769,076*
****Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position.*

	2020					
	On Demand	**Up to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**	**Total**
Financial Liabilities						
Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Deposit liabilities' and 'Due to related parties')	**₱ 29,147,965,035**	**₱ 17,377,663,255**	**₱ 7,936,805,221**	**₱ 631,664,005**	**₱ 3,649,350,136**	**₱58,743,447,652**
Short-term debt	–	**44,472,288,532**	–	–	–	**44,472,288,532**
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	**95,635,547,107**	**47,905,917,842**	**8,214,052,168**	**10,315,999,044**	**955,474,565**	**163,026,990,726**

(Forward)

	2020					
	On Demand	**Up to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**	**Total**
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**143,059,245**	**–**	**–**	**–**	**–**	**143,059,245**
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**–**	**1,428,487,668**	**1,556,490,880**	**1,749,043,359**	**1,546,956,716**	**6,280,978,623**
Long-term debt (including current portion)	**–**	**7,566,551,276**	**28,705,604,081**	**209,318,827,685**	**52,324,494,732**	**297,915,477,774**
Lease liabilities (including current portion)	**–**	**2,162,562,732**	**4,822,499,832**	**11,345,918,128**	**13,621,966,050**	**31,952,946,742**
Derivative liabilities	**–**	**–**	**245,940,423**		**–**	**245,940,423**
	₱124,926,571,387	**₱120,913,471,305**	**₱51,481,392,605**	**₱233,361,452,221**	**₱72,098,242,199**	**₱602,781,129,717**

	2019					
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Financial Liabilities						
Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Deposit liabilities' and 'Due to related parties')	₱28,968,671,174	₱21,403,027,473	₱8,343,107,934	₱2,101,793,041	₱2,113,477,833	₱62,930,077,455
Short-term debt	–	45,096,301,236	9,035,787,121	–	–	54,132,088,357
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	36,147,499,220	42,169,130,854	6,161,174,852	22,143,516,512	3,006,821	106,624,328,259
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	114,835,410	–	–	–	–	114,835,410
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	–	1,432,862,955	1,495,736,314	1,764,874,057	1,406,670,869	6,100,144,195
Long-term debt (including current portion)	–	1,970,653,285	4,778,823,378	179,026,630,295	54,956,806,354	240,732,913,312
Lease liabilities (including current portion)	–	1,384,646,021	4,784,042,167	7,600,538,187	9,257,140,388	23,026,366,763
Derivative liabilities	–	462,908	305,835,400	126,312,502	–	432,610,810
	₱65,231,005,804	₱113,457,084,732	₱34,904,507,166	₱212,763,664,594	₱67,737,102,265	₱494,093,364,561

Market risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

The following discussion covers the market risks of the Group except for its Banking Segment:

Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The Group makes use of derivative financial instruments, such as currency swaps, to hedge foreign currency exposure (Note 8).

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of December 31, 2020, 2019 and 2018, approximately 28.4%, 32.0% and 34.5%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 28.5% and 30.8% of total debt are denominated in US Dollar as of December 31, 2020 and 2019, respectively. The Group's capital expenditures are likewise substantially denominated in US Dollar.

The tables below summarize the Group's exposure to foreign currency risk as of December 31, 2020 and 2019:

	2020		
	US Dollar	**Other Currencies***	**Total**
Assets			
Cash and cash equivalents	**₱20,828,526,472**	**₱12,437,944,085**	**₱33,266,470,557**
Financial assets at FVPL	**4,280,667,629**	**1,434,105,577**	**5,714,773,206**
Financial assets at FVOCI	**11,903,833,912**	**–**	**11,903,833,912**
Receivables	**13,792,457,236**	**158,983,933**	**13,951,441,169**
Other current assets	**116,734,897**	**–**	**116,734,897**
	50,922,220,146	**14,031,033,595**	**64,953,253,741**
Liabilities			
Accounts payable and accrued expenses	**10,405,525,500**	**1,024,934,564**	**11,430,460,064**
Financial liabilities at FVPL	**769,321,983**	**320,238,126**	**1,089,560,109**
Short-term debt	**12,057,556,671**	**–**	**12,057,556,671**
Long-term debt (including current portion)	**84,002,606,117**	**7,727,531,814**	**91,730,137,931**
	107,235,010,271	**9,072,704,504**	**116,307,714,775**
Net Foreign Currency-Denominated Assets (Liabilities)	**(₱56,312,790,125)**	**₱4,958,329,091**	**(₱51,354,461,034)**

** Other currencies include Hongkong Dollar, Singapore Dollar, Chinese Yuan, Japanese Yen, Thai Baht, Malaysian ringgit, Korean won, New Taiwan dollar, Australian dollar and Euro*

	2019		
	US Dollar	Other Currencies*	Total
Assets			
Cash and cash equivalents	₱7,542,120,251	₱7,981,872,497	₱15,523,992,748
Financial assets at FVPL	3,360,997,415	949,756,815	4,310,754,230
Financial assets at FVOCI	7,529,856,518	–	7,529,856,518
Receivables	7,358,744,421	627,967,213	7,986,711,634
Other current assets	181,057,483	–	181,057,483
	25,972,776,088	9,559,596,525	35,532,372,613
Liabilities			
Accounts payable and accrued expenses	11,232,068,685	1,472,923,402	12,704,992,087
Financial liabilities at FVPL	126,312,501	–	126,312,501
Short-term debt	9,822,359,631	–	9,822,359,631
Long-term debt (including current portion)	62,925,369,057	8,424,916,122	71,350,285,179
	84,106,109,874	9,897,839,524	94,003,949,398
Net Foreign Currency-Denominated Assets (Liabilities)	(₱58,133,333,786)	(₱338,242,999)	(₱58,471,576,785)

** Other currencies include Hongkong Dollar, Singapore Dollar, Chinese Yuan, Japanese Yen, Thai Baht, Malaysian ringgit, Korean won, New Taiwan dollar, Australian dollar and Euro*

The exchange rates used to convert the Group's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2020 and 2019 follow:

	2020	2019
US dollar-Philippine peso exchange rate	**₱48.023 to US$1.00**	₱50.640 to US$1.00

The following table sets forth the impact of the range of reasonably possible changes in the US Dollar-Philippine peso exchange rate on the Group's income before income tax (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2020 and 2019:

Reasonably Possible Changes in Exchange rates	Change in Income Before Income Tax **2020**	Change in Income Before Income Tax 2019
₱2.0	**(₱2,345,242,493)**	(₱2,296,171,967)
(2.0)	**₱2,345,242,493**	₱2,296,171,967

Other than the potential impact on the Group's pre-tax income, the Group does not expect any other material effect on equity.

The Group does not expect the impact of the volatility on other currencies to be material.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

In 2020 and 2019, changes in fair value of equity instruments held as financial assets at FVOCI due to a reasonably possible change in equity indices, with all other variables held constant, will increase equity by ₱352.8 million and ₱244.2 million if equity prices will increase by 1.5%. In 2020, 2019 and 2018, changes in fair value of equity instruments held as financial assets at FVPL due to a reasonably possible change in equity indices, with all other variables held constant, will increase profit by ₱6.0 million, ₱6.1 million and ₱8.3 million, respectively, if equity prices will increase by 1.5%. An equal change in the opposite direction would have decreased equity and profit by the same amount.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Parent Company's and its subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group makes use of derivative financial instruments, such as interest rate swaps, to hedge the variability in cash flows arising from fluctuation in benchmark interest rates.

The following tables show information about the Group's long-term debt with floating interest rate presented by maturity profile:

	2020										
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In Original Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
Long-term debt											
Philippine peso											
Floating rate											
Commercial loans from banks											
Interest rate 5.0%-7.0% (PDST-R2 and BVAL)	**₱1,333,333,333**	**₱1,333,333,333**	**₱2,501,773,388**	**₱5,403,111,290**	**₱4,374,354,865**	**₱5,233,218,885**	**₱20,179,125,094**	**₱20,179,125,094**	**₱–**	**₱20,179,125,094**	**₱22,156,344,184**
BDO Term loan											
Interest rate (Prevailing market rate + GRT)	**375,000,000**	**375,000,000**	**10,155,136,986**	**–**	**–**	**–**	**10,905,136,986**	**10,000,000,000**	**38,283,218**	**9,961,716,782**	**10,342,148,835**
MBTC Term loan											
Interest rate (BVAL + 0.5%)	**189,575,000**	**189,575,000**	**5,094,527,808**	**–**	**–**	**–**	**5,473,677,808**	**5,000,000,000**	**19,322,399**	**4,980,677,601**	**4,959,418,878**
BPI Term Loan											
Interest rate (BVAL + 0.75%)	**285,600,000**	**285,600,000**	**285,600,000**	**7,190,400,000**	**–**	**–**	**8,047,200,000**	**7,000,000,000**	**39,323,497**	**6,960,676,503**	**6,901,859,603**
BPI Term Loan											
Interest rate (BVAL + 0.75%)	**691,188,200**	**691,188,200**	**691,188,200**	**14,921,394,765**	**–**	**–**	**16,994,959,365**	**14,508,000,000**	**-**	**14,508,000,000**	**15,942,294,497**
BPI Term Loan											
Interest rate (BVAL + 0.75%)	**122,800,000**	**120,396,334**	**120,467,944**	**4,120,867,729**	**–**	**–**	**4,484,532,007**	**4,000,000,000**	**-**	**4,000,000,000**	**4,491,126,624**
Foreign currencies:											
Floating rate											
US Dollar loans											
JPY Commercial loans											
Less than 1.0% (JPY LIBOR)	**¥1,552,581,304**	**¥1,560,736,932**	**¥1,568,936,150**	**¥1,577,004,749**	**¥1,585,465,365**	**¥8,849,014,560**	**¥16,693,739,060**	**7,727,531,810**	**-**	**7,727,531,810**	**7,834,358,952**
USD Commercial loans											
Interest rate 3.0%-5.0% (USD LIBOR)	**US$58,056,478**	**US$61,687,707**	**US$55,937,634**	**US$48,045,784**	**US$40,500,961**	**US$263,295,279**	**US$527,523,843**	**25,333,277,532**	**-**	**25,333,277,532**	**29,224,128,671**
New Zealand Dollar loans											
Interest rate (NZ BKBM+1.10%)	**NZ$5,622,167**	**NZ$5,606,806**	**NZ$400,560,722**	**-**	**-**	**-**	**NZ$411,789,695**	**13,625,258,770**	**126,604,870**	**13,498,653,900**	**13,568,528,873**
Australian Dollar loans											
Interest rate (BBSY BID+1.25%)	**AU$488,118,042**	**-**	**-**	**-**	**-**	**-**	**AU$488,118,042**	**17,888,983,093**	**50,085,857**	**17,838,897,236**	**17,931,239,219**
								₱125,262,176,299	**₱273,619,841**	**₱124,988,556,458**	**₱133,351,448,336**

	2019										
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In Original Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
Long-term debt											
Philippine peso											
Floating rate											
Commercial loans from banks											
Interest rate 5.0%-7.0% (PDST-R2 and BVAL)	₱2,612,028,929	₱2,612,028,929	₱2,612,028,929	₱2,612,028,929	₱2,612,028,929	₱5,189,113,255	₱18,249,257,900	₱18,249,257,900	₱-	₱18,249,257,900	₱17,431,910,845
BDO Term loan											
Interest rate (Prevailing market rate + GRT)	376,027,397	375,000,000	375,000,000	10,155,136,986	–	–	11,281,164,383	10,000,000,000	53,102,517	9,946,897,483	10,587,401,374
MBTC Term loan											
Interest rate (BVAL + 0.5%)	190,094,384	189,575,000	189,575,000	5,094,527,808	–	–	5,663,772,192	5,000,000,000	26,674,921	4,973,325,079	5,367,527,315
BPI Term Loan											
Interest rate (BVAL + 0.75%)	286,382,466	285,600,000	285,600,000	285,600,000	7,190,400,000	–	8,333,582,466	7,000,000,000	49,117,085	6,950,882,915	7,043,524,084
BPI Term Loan											
Interest rate (BVAL + 0.75%)	656,550,402	691,188,200	691,188,200	691,188,200	14,921,394,765	–	17,651,509,767	14,508,000,000	–	14,508,000,000	17,213,688,871
Foreign currencies:											
Floating rate											
US Dollar loans											
JPY Commercial loans											
Less than 1.0% (JPY LIBOR)	¥1,506,555,004	¥1,552,581,304	¥1,560,736,932	¥1,568,936,150	¥1,577,004,749	¥10,434,479,925	¥18,200,294,064	8,424,916,122	–	8,424,916,122	9,713,858,495
USD Commercial loans											
Interest rate 3.0%-5.0% (USD LIBOR)	US$70,618,924	US$71,715,442	US$82,704,501	US$93,909,666	US$73,530,123	US$209,285,879	US$601,764,535	30,470,347,254	–	30,470,347,254	28,906,899,365
New Zealand Dollar loans											
Interest rate (NZ BKBM+1.10%)	NZ$9,505,456	NZ$9,557,683	NZ$9,531,569	NZ$404,453,228	NZ$-	NZ$-	NZ$433,047,936	13,462,223,310	165,466,470	13,296,756,840	13,488,831,019
Australian Dollar loans											
Interest rate (BBSY BID+1.25%)	AU$8,987,286	AU$490,891,198	AU$-	AU$-	AU$-	AU$-	AU$499,878,484	17,200,057,755	110,736,987	17,089,320,768	17,077,499,232
								₱124,314,802,341	₱405,097,980	₱123,909,704,361	₱126,831,140,600

	2018										
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In Original Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
Long-term debt											
Philippine peso											
Floating rate											
Commercial loans from banks											
Interest rate 5.0%-7.0% (PDST-R2 and BVAL)	₱2,612,028,929	₱5,224,057,858	₱5,224,057,858	₱2,612,028,929	₱2,217,526,135	₱2,971,587,120	₱20,861,286,829	₱20,861,286,829	₱–	₱20,861,286,829	₱18,333,530,913
BDO Term loan											
Interest rate (Prevailing market rate + GRT)	375,000,000	376,027,397	375,000,000	375,000,000	10,155,136,986	–	11,656,164,383	11,656,164,383	67,253,782	9,932,746,218	9,510,777,881
MBTC Term loan											
Interest rate (BVAL + 0.5%)	189,575,000	190,094,384	189,575,000	189,575,000	5,094,527,808	–	5,853,347,192	5,853,347,192	33,742,915	4,966,257,085	4,798,824,663
Foreign currencies:											
Floating rate											
US Dollar loans											
ECA-backed loans											
Interest rate 3.0%-5.0% (USD LIBOR)	US$9,819,016	US$18,277,415	US$18,945,211	US$8,903,291	US$-	US$-	US$55,944,933	2,941,584,577	–	2,941,584,577	2,986,387,732
Commercial loans											
Interest rate 3.0%-5.0% (USD LIBOR)	51,420,508	105,761,290	126,584,502	56,812,864	49,187,586	55,985,704	445,752,454	23,437,663,985	–	23,437,663,985	28,557,308,374
New Zealand Dollar loans											
Interest rate (NZ BKBM+1.10%)	NZ$12,753,563	NZ$12,580,750	NZ$12,649,875	NZ$12,615,313	NZ$12,615,313	NZ$394,896,312	NZ$395,000,000	13,924,974,927	210,508,867	13,714,466,060	13,770,609,805
Australian Dollar loans											
Interest rate (BBSY BID+1.25%)	AU$13,625,723	AU$13,700,180	AU$494,387,449	AU$-	AU$-	AU$-	AU$484,224,000	17,922,355,336	179,697,514	17,742,657,822	17,815,292,020
								₱96,597,377,229	₱491,203,078	₱93,596,662,576	₱95,772,731,388

The following table sets forth the impact of the range of reasonably possible changes in the interest rates on the Group's income from floating debt obligations before income tax:

Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax	
	2020	2019
+150.0 basis points (bps)	**(₱2,468,301,430)**	(₱2,568,951,727)
-150.0 bps	**2,468,301,430**	2,568,951,727

Price interest rate risk
The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's financial assets at FVPL and financial assets at FVOCI investments.

Except for RBC, which uses Earnings-at -Risk (EaR) as a tool for measuring and managing interest rate risk in the banking book, the table below shows the impact on income before income tax of the estimated future yield of the related market indices of the Group's FVPL and FVOCI investments using a sensitivity approach.

Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax	
	2020	2019
+150.0 basis points (bps)	**₱92,136,733**	(₱89,708,389)
-150.0 bps	**(87,776,261)**	227,545,442

Reasonably Possible Changes in Interest Rates	Change in Other Comprehensive Income	
	2020	2019
+150.0 basis points (bps)	**₱149,003,990**	₱118,806,932
-150.0 bps	**(149,003,990)**	(118,806,932)

Commodity price risk
The Group enters into commodity derivatives to hedge its exposure to jet fuel price risks arising from its forecasted fuel purchases. Commodity hedging allows stability in prices, thus, offsetting the risk of volatile market fluctuations. Depending on the economic hedge cover, the price changes on the commodity derivative positions are offset by higher or lower purchase costs on fuel. A change in price by US$10.0 per barrel of jet fuel affects the Group's fuel costs in pre-tax income by ₱758.5 million and ₱2.6 billion for the years December 31, 2020 and 2019, respectively, in each of the covered periods, assuming no change in volume of fuel is consumed.

Derivative financial instruments which are part of hedging relationships do not expose the Group to market risk since changes in the fair value of the derivatives are offset by the changes in the fair value of the hedged items.

These hedging activities are in accordance with the risk management strategy and objectives outlined in the TRM policies and guidelines which have been approved by the Executive Committee on September 1, 2019.

Banking Segment's Market Risk
Market risk is defined as the possibility of loss due to adverse movements in market factors such as rates and prices. Market risk is present in both trading and non-trading activities. These are the risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. The risk arises from market-making, dealing and position-taking in quoted debt securities and foreign exchange.

RBC observes market risk limits, which are approved by the BOD and reviewed at least annually. Limits are set in such a way as to ensure that risks taken are based on RBC's existing capital adequacy framework, and corresponding monitoring reports are prepared regularly by an independent risk management unit.

When limits are breached, approval is sought from successive levels of authority depending on the amount of the excess. Limit breaches are periodically presented to the BOD.

Value-at-Risk (VaR) is computed to estimate potential losses arising from market movements. RBC calculates and monitors VaR and profit or loss on a daily basis.

VaR objectives and methodology
VaR is used by RBC to measure market risk exposure from its trading and investment activities. VaR is an estimate of the maximum decline in value on a given position over a specified holding period in a normal market environment, with a given probability of occurrence. RBC uses the historical simulation method in estimating VaR. The historical simulation method is a non-parametric approach to VaR calculation, in which asset returns are not subject to any functional distribution assumption. VaR is estimated directly from historical data without deriving parameters or making assumptions about the entire data distribution.

In employing the historical simulation method, RBC assumes a 500 historical data (approximately 2 years) and updates its dataset on a daily basis. Per RBC's policy, VaR is based on a one-day holding period and a confidence level of 99.0%.

VaR methodology limitations and assumptions
Discussed below are the limitations and assumptions applied by RBC on its VaR methodology:

a. VaR is a statistical estimate; thus, it does not give the precise amount of loss RBC may incur in the future;
b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a RBC's exposure to market risk;
c. Since VaR is computed from end-of-day positions and market factors, VaR does not capture intraday market risk.
d. VaR systems depend on historical data. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Therefore, market shifts (i.e., an unexpected collapse of the market) will not be captured and may inflict losses larger than VaR; and
e. The limitation relating to the pattern of historical returns being indicative of future returns is addressed by supplementing VaR with daily stress testing reported to the RMC, ALCO and the concerned risk-takers.

VaR back testing is the process by which financial institutions periodically compare ex-post profit or loss with the ex-ante VaR figures to gauge the robustness of the VaR model. RBC performs quarterly back testing.

RBC's VaR figures are as follows (in millions):

	2020			
	Average Daily	**Highest**	**Lowest**	**December 31**
Local interest rates	**₱1.2249**	**₱12.5745**	**₱0.0103**	**₱0.9802**
Foreign interest rates	**$0.0041**	**$0.0294**	**$0.0004**	**$0.0047**

	2019			
	Average Daily	Highest	Lowest	December 31
Local interest rates	₱0.0092	₱1.8670	₱0.0382	–
Foreign interest rates	$0.0005	$0.0022	$0.0001	$0.0004

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

RBC's ALCO surveys the interest rate environment, adjusts the interest rates for RBC's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities. RBC uses EaR as a tool for measuring and managing interest rate risk in the banking book.

EaR objectives and methodology
EaR is a statistical measure of the likely impact of changes in interest rates to the RBC's net interest income (NII). To do this, repricing gaps (difference between interest rate-sensitive assets and liabilities) are classified according to time to repricing and multiplied with applicable historical interest rate volatility, although available contractual repricing dates are generally used for putting instruments into time bands, contractual maturity dates (e.g., for fixed rate instruments) or expected liquidation periods often based on historical data are used alternatively. The repricing gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive repricing gap implies that RBC's net interest income could decline if interest rates decrease upon repricing. A negative repricing gap implies that RBC's net interest income could decline if interest rates increase upon repricing. Although such gaps are a normal part of the business, a significant change may bring significant interest rate risk.

To help control interest rate risk arising from repricing gaps, maximum repricing gap and EaR/NII targets are set for time bands up to one year. EaR is prepared and reported to the Risk Management Committee quarterly.

RBC's EaR figures are as follows (in PHP millions):

	2020			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱292.75**	**₱450.47**	**₱197.00**	**₱450.47**
Instruments sensitive to foreign interest rates	**$1.32**	**$2.16**	**$0.17**	**$2.16**

	2019			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱292.65	₱361.38	₱195.18	₱302.75
Instruments sensitive to foreign interest rates	$0.18	$0.25	$0.11	$0.18

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The BOD has set limits on positions by currency. In accordance with the RBC's policy, positions are monitored on a daily basis and are used to ensure positions are maintained within established limits.

December 31, 2020		**Statement of Income**
+10.0% USD appreciation	**USD**	**₱33,301,868**
	Other Foreign Currencies*	**3,481,676**
-10.0% USD depreciation	**USD**	**(33,301,868)**
	Other Foreign Currencies*	**(3,481,676)**

December 31, 2019		Statement of Income
+10.0% USD appreciation	USD	₱64,889,289
	Other Foreign Currencies*	813,063
-10.0% USD depreciation	USD	(64,889,289)
	Other Foreign Currencies*	(813,063)

**Significant position held in EUR, GBP and AUD*

5. **Fair Value Measurement**

The following methods and assumptions were used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash and cash equivalents, receivables (except for finance receivables and installment contract receivables), accounts payable and accrued expenses and short-term debt
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Finance receivables
Fair values of loans are estimated using the discounted cash flow methodology, using RBC's current incremental lending rates for similar types of loans. Where the instruments are repriced on a quarterly basis or have a relatively short-term maturity, the carrying amounts approximate fair values.

Installment contract receivables
Fair values of installment contract receivables are based on the discounted value of future cash flows using the applicable rates for similar types of receivables. The discount rates used range from 1.9% to 2.7% in 2020 and from 3.6% to 4.3% in 2019.

Debt securities
Fair values of debt securities are generally based on quoted market prices. If the fair value of financial assets cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models using inputs from observable markets subject to a degree of judgment.

Quoted equity securities
Fair values are based on quoted prices published in markets.

Unquoted equity securities
Investment in unquoted equity security classified as FVOCI include interest in unlisted preference shares of stock of a fintech company. The adjusted net asset value approach was used in estimating the fair value of the equity security where assets and liabilities are restated to current fair values.

Due from and due to related parties
Carrying amounts of due from and due to related parties which are collectible/payable on demand approximate their fair values. Due from related parties are unsecured and have no foreseeable terms of repayments.

Noninterest-bearing refundable security deposits
The fair values are determined as the present value of estimated future cash flows using prevailing market rates.

Investment in convertible note
The fair value of the convertible notes are determined using HP Binomial Pyramid model and comparable companies' market data.

Biological assets
Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on adjusted commercial farmgate prices. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

Derivative financial instruments
The fair values of the interest rate swaps and commodity swaps and options are determined based on the quotes obtained from counterparties. The fair values of forward exchange derivatives are calculated by reference to the prevailing interest differential and spot exchange rate as of valuation date, taking into account the remaining term-to-maturity of the forwards. The fair values of cross currency swaps are based on the discounted cash flow swap valuation model of a third-party provider.

Investment properties
Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appraisers, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.

Time deposits
Fair values are estimated using the discounted cash flow methodology using RBC's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liabilities being valued.

Long-term negotiable certificates of deposit (LTNCD)
Fair values of LTNCD are estimated using quoted market rates for the instrument.

Deposits from lessees
The fair value of customers' deposits is based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables as of reporting date. The discount rates used range from 1.9% to 2.7% in 2020 and 3.6% to 4.3% in 2019.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows (interests and principal) using the applicable rates for similar types of loans. The discount rates used range from 1.9% to 2.7% in 2020 and 2.0% to 6.0% in 2019.

Fair Value Hierarchy Assets and Liabilities
Assets and liabilities carried at fair value are those whose fair values are required to be disclosed.

(a) Level 1: quoted (unadjusted) prices in an active market for identical assets or liabilities;
(b) Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
(c) Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the Group's assets and liabilities carried at fair value:

	December 31, 2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
Assets measured at fair value					
Financial assets at FVPL:					
Held-for-trading:					
Debt securities:					
Government	₱86,520,711	₱86,520,711	₱–	₱–	₱86,520,711
Equity securities:					
Quoted	1,734,932,805	1,734,932,805	–	–	1,734,932,805
Investment in convertible notes	3,743,007,446	–	3,743,007,446	–	3,743,007,446
Derivative assets	556,022	–	556,022	–	556,022
	5,565,016,984	1,821,453,516	3,743,563,468	–	5,565,016,984
Financial assets at FVOCI					
Debt securities:					
Government	9,681,907,051	8,833,121,582	848,785,469	–	9,681,907,051
Private	21,325,214,680	19,616,749,471	1,708,465,209	–	21,325,214,680
	31,007,121,731	28,449,871,053	2,557,250,678	–	31,007,121,731
Equity securities:					
Quoted	33,072,987,777	32,997,587,777	75,400,000	–	33,072,987,777
Unquoted	661,523,310	–	661,523,310	–	661,523,310
	33,734,511,087	32,997,587,777	736,923,310	–	33,734,511,087
	64,741,632,818	61,447,458,830	3,294,173,988	–	64,741,632,818
Biological assets	234,251,397	–	8,146,945	226,104,452	234,251,397
	₱70,540,901,199	₱63,268,912,346	₱7,045,884,401	₱226,104,452	₱70,540,901,199
Assets for which fair values are disclosed					
Investment securities at amortized cost	₱8,049,365,423	₱3,315,813,283	₱4,734,104,150	₱–	₱8,049,917,433
Receivables:					
Trade receivables	39,760,722,565	–	–	37,745,119,499	37,745,119,499
Finance receivables	84,697,325,229	–	–	76,049,104,924	76,049,104,924
Other receivables	6,474,044,664	–	–	6,470,552,438	6,470,552,438
Refundable deposits	856,057,644	–	–	1,148,472,883	1,148,472,883
Investment properties	104,675,085,905	–	–	287,711,868,671	287,711,868,671
	₱244,512,601,430	₱3,315,813,283	₱4,734,104,150	₱409,125,118,415	₱417,175,035,848
Deposit liabilities	₱122,324,413,205	₱–	₱–	₱122,808,748,920	₱122,808,748,920
Derivative liabilities	245,940,423	–	32,214,937	213,725,486	245,940,423
Deposits from lessees	6,280,367,371	–	–	5,916,713,775	5,916,713,775
Long-term debt (including current portion)	272,341,886,341	–	–	274,690,959,987	274,690,959,987
	₱401,192,607,340	₱–	₱32,214,937	₱403,630,148,168	₱403,662,363,105

	December 31, 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Assets measured at fair value					
Financial assets at FVPL:					
Held-for-trading:					
Debt securities:					
Government	₱3,943,264	₱3,943,264	₱–	₱–	₱3,943,264
Equity securities:					
Quoted	1,718,536,973	1,718,536,973	–	–	1,718,536,973
Investment in convertible notes	2,661,172,115	–	2,661,172,115		2,661,172,115
Derivative assets	992,618	–	992,618	–	992,618
	4,384,644,970	1,722,480,237	2,662,164,733	–	4,384,644,970
Financial assets at FVOCI					
Debt securities:					
Government	9,392,806,983	9,392,806,983	–	–	9,392,806,983
Private	11,902,368,238	11,902,368,238	–	–	11,902,368,238
	21,295,175,221	21,295,175,221	–	–	21,295,175,221
Equity securities:					
Quoted	24,528,006,195	24,451,716,195	76,290,000	–	24,528,006,195
Unquoted	487,055,158	–	487,055,158	–	487,055,158
	25,015,061,353	24,451,716,195	563,345,158	–	25,015,061,353
	46,310,236,574	45,746,891,416	563,345,158	–	46,310,236,574
Biological assets	957,563,597	–	59,841,764	897,721,833	957,563,597
	₱51,652,445,141	₱47,469,371,653	₱3,285,351,655	₱897,721,833	₱51,652,445,141
Assets for which fair values are disclosed					
Investment securities at amortized cost	₱11,357,261,241	₱3,954,282,863	₱7,126,636,855	₱–	₱11,080,919,718
Receivables:					
Trade receivables	21,833,432,330	–	–	21,822,778,474	21,822,778,474
Finance receivables	78,822,852,386	–	–	68,103,804,141	68,103,804,141
Other receivables	4,006,361,653	–	–	4,037,334,437	4,037,334,437
Refundable deposits	998,172,715	–	–	989,252,873	989,252,873
Investment properties	99,000,246,036	–	–	248,990,916,682	248,990,916,682
	₱216,018,326,361	₱3,954,282,863	7,126,636,855	₱343,944,086,607	₱355,025,006,325
Deposit liabilities	₱103,995,566,150	₱–	₱–	₱104,726,603,234	₱104,726,603,234
Derivative liabilities	432,610,810	–	432,610,810	–	432,610,810
Deposits from lessees	6,100,144,195	–	–	5,535,394,216	5,535,394,216
Long-term debt (including current portion)	218,935,534,707	–	–	209,263,641,879	209,263,641,879
	₱329,463,855,862	₱–	₱432,610,810	₱319,525,639,329	₱319,958,250,139

In 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial asset determined under Level 3 includes investment properties. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

Description of significant unobservable inputs to valuation:

Account	Valuation Technique	Significant Unobservable Inputs
Loans and receivables	Discounted cash flow method	4.0% - 42.0% risk premium rate
Biological assets	Adjusted commercial farmgate prices	Commercial farmgate prices
Investment properties	Market data approach and Cost approach	Price/cost per square meter, size, shape, location, time element, discount, replacement cost and depreciation for improvements
	Discounted cash flow method	Discount rate, capitalization rate, growth rate, occupancy rate
Refundable deposits	Discounted cash flow method	0.3% - 11.5% risk premium rate
Repossessed chattels	Market data approach	Price per unit, size, shape, location, time element and discount
Time deposits	Discounted cash flow method	0.3% - 3.9% risk premium rate
Long-term debt	Discounted cash flow method	1.9% - 2.7% discount rate

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets, considering all other variables are held constant.

Significant Unobservable Inputs

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 the 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 investor's 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.
Risk premium	The return in excess of the risk-free rate of return that an investment is expected to yield.
Reasonable profit margin	Mark up of biological assets at different stages of development.
Adjusted commercial farmgate prices	Fair value based on commercial farmgate prices, adjusted by considering the age, breed and genetic merit

6. **Segment Information**

Operating Segments

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.

The industry segments where the Group operates are as follows:

- Foods, agro-industrial and commodities businesses - manufacturing of snack foods, granulated coffee and pre-mixed coffee, chocolates, candies, biscuits, instant noodles, ice cream and frozen novelties, pasta and tomato-based products and canned beans; raising of hog, chicken and manufacturing and distribution of animal feeds, corn products and vegetable oil and the synthesis of veterinary compound; and sugar milling and refining and flour milling.

- Air transportation - air transport services, both domestic and international, for passengers and cargoes.

- Real estate and hotels - ownership, development, leasing and management of shopping malls and retail developments; ownership and operation of prime hotels in major Philippine cities; development, sale and leasing of office condominium space in office buildings and mixed-use developments including high rise residential condominiums; and development of land into residential subdivisions and sale of subdivision lots and residential houses and the provision of customer financing for sales.

- Petrochemicals - manufacturer of polyethylene (PE) and polypropylene (PP), polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

- Banking - commercial banking operations, including deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing.

- Other supplementary businesses - asset management, insurance brokering, foreign exchange and securities dealing. This also includes dividend income from PLDT and equity in net earnings of Meralco and GBPC.

No operating segments have been aggregated to form the above reportable operating business segments.

The Group does not have a single external major customer (which represents 10.0% of Group's revenues).

Management monitors the operating results of each segment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as the consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance cost and other charges), finance income, market valuation gains(losses) on financial assets at FVPL and derivatives, foreign exchange gains (losses), other operating income, general and administrative expenses, impairment losses and others and income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on arm's length basis in a manner similar to transactions with third parties.

The Executive Committee (Excom) is actively involved in planning, approving, reviewing, and assessing the performance of each of the Group's segments. The Excom oversees Group's decision making process. The Excom's functions are supported by the heads of each of the operating segments, which provide essential input and advice in the decision-making process. The Excom is the Group's chief operating decision maker.

The following tables present the financial information of each of the operating segments in accordance with PFRS except for 'Core earnings', EBIT' and EBITDA' as of and for the years ended December 31, 2020, 2019 and 2018. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL, market valuation gains (losses) on derivative financial instruments and foreign exchange gains (losses).

The Group's operating segment information follows:

	December 31, 2020							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱133,140,081,384	₱22,617,967,165	₱24,897,015,631	₱21,275,283,602	₱9,174,583,626	₱907,768,085	₱–	₱212,012,699,493
Intersegment revenues	–	–	352,791,286	746,044,686	–	–	(1,098,835,972)	–
	133,140,081,384	22,617,967,165	25,249,806,917	22,021,328,288	9,174,583,626	907,768,085	(1,098,835,972)	212,012,699,493
Dividend income (Note 28)	64,605,739	–	–	–	14,890,056	1,931,625,044	–	2,011,120,839
Equity in net earnings of associates and joint ventures (Note 14)	(30,387,041)	(316,115,081)	2,647,283,834	–	–	5,172,348,019	143,091,588	7,616,221,319
Total revenue	133,174,300,082	22,301,852,084	27,897,090,751	22,021,328,288	9,189,473,682	8,011,741,148	(955,744,384)	221,640,041,651
Cost of sales and services (Note 30)	92,081,882,538	21,277,642,920	13,322,557,728	22,693,576,725	2,255,332,241	189,672,908	(968,971,939)	150,851,693,121
Gross income	₱41,092,417,544	₱1,024,209,164	₱14,574,533,023	(₱672,248,437)	₱6,934,141,441	₱7,822,068,240	₱13,227,555	70,788,348,530
General and administrative expenses (Note 31)								57,267,125,344
Provision for (reversal of) impairment losses and others (Note 34)								1,420,479,998
Operating income								12,100,743,188
Financing cost and other charges (Note 35)								(9,692,142,544)
Finance income (Note 27)								1,232,992,615
Other operating income (Note 29)								(632,037,618)
Core earnings								3,009,555,641
Market valuation gains (losses) on financial assets								(2,332,944,398)
Foreign exchange gains (losses)								2,584,645,951
Income before income tax								3,261,257,194
Provision for income tax (Note 38)								2,864,050,835
Net income								₱397,206,359
Net income attributable to equity holders of the Parent Company	₱5,937,767,259	(₱15,091,628,081)	₱5,701,662,067	(₱1,978,617,551)	₱560,752,150	₱4,197,530,744	₱204,373,884	(₱468,159,528)
EBIT	₱16,047,156,363	(₱20,769,259,127)	₱8,493,865,051	(₱2,157,576,434)	₱905,208,132	₱9,581,349,203	₱–	₱12,100,743,188
Depreciation and amortization (Notes 15, 16, 18 and 33)	7,364,956,118	16,074,455,052	5,184,698,880	2,608,155,788	610,301,346	197,072,356	(432,614,389)	31,607,025,151
EBITDA	₱23,412,112,481	(₱4,694,804,075)	₱13,678,563,931	₱450,579,354	₱1,515,509,478	₱9,778,421,559	(₱432,614,389)	₱43,707,768,339
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱32,583,003	₱102,043,756	₱180,022,673	₱–	₱1,098,049,322	₱–	₱–	₱1,412,698,754
Other assets	–	–	–		4,005,198	3,776,046	–	7,781,244
	₱32,583,003	₱102,043,756	₱180,022,673	0	₱1,102,054,520	₱3,776,046	₱–	₱1,420,479,998

	December 31, 2019							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱134,174,527,579	₱84,806,810,363	₱30,210,187,210	₱29,053,982,086	₱8,121,662,955	₱749,175,892	₱–	₱287,116,346,085
Intersegment revenues	–	–	373,648,355	1,021,253,450	–	–	(1,394,901,805)	–
	134,174,527,579	84,806,810,363	30,583,835,565	30,075,235,536	8,121,662,955	749,175,892	(1,394,901,805)	287,116,346,085
Dividend income (Note 28)	16,151,435	–	–	–	10,178,075	1,323,581,816	(1,199,410)	1,348,711,916
Equity in net earnings of associates and joint ventures (Note 14)	(158,602,482)	66,959,384	6,105,626,129	–	–	7,291,201,995	52,326,144	13,357,511,170
Total revenue	134,032,076,532	84,873,769,747	36,689,461,694	30,075,235,536	8,131,841,030	9,363,959,703	(1,343,775,071)	301,822,569,171
Cost of sales and services (Note 30)	93,861,929,762	49,518,018,515	14,204,146,300	30,232,850,986	3,173,237,752	–	(1,208,682,068)	189,781,501,247
Gross income	₱40,170,146,770	₱35,355,751,232	₱22,485,315,394	(₱157,615,450)	₱4,958,603,278	₱9,363,959,703	₱(135,093,003)	112,041,067,924
General and administrative expenses (Note 31)								57,983,100,861
Provision for (reversal of) impairment losses and others (Note 34)								(2,144,968,452)
Operating income								56,202,935,515
Financing cost and other charges (Note 35)								(10,965,846,901)
Finance income (Note 27)								2,096,212,143
Other operating income (Note 29)								(764,665,540)
Core earnings								46,568,635,217
Market valuation gains (losses) on financial assets								640,533,460
Foreign exchange gains (losses)								828,657,682
Income before income tax								48,037,826,359
Provision for income tax (Note 38)								5,372,314,510
Net income								₱42,665,511,849
Net income attributable to equity holders of the Parent Company	₱5,399,282,651	₱6,185,199,432	₱11,333,531,130	₱970,642,663	₱431,655,905	₱6,920,739,679	₱44,194,872	₱31,285,246,332
EBIT	₱15,011,957,658	₱12,621,017,504	₱12,282,895,865	₱858,955,829	₱781,026,480	₱14,647,082,179	₱–	₱56,202,935,515
Depreciation and amortization (Notes 15, 16, 18 and 33)	7,310,056,927	15,399,075,784	4,966,545,415	1,954,567,251	579,139,834	173,478,564	(369,867,669)	30,012,996,106
Reversal of impairment losses on property, plant and equipment	–	–	–	(2,274,795,253)	–	–	–	(2,274,795,253)
EBITDA	₱22,322,014,585	₱28,020,093,288	₱17,249,441,280	₱538,727,827	₱1,360,166,314	₱14,820,560,743	(₱369,867,669)	₱83,941,136,368
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱2,208,724	₱3,427	₱–	₱–	₱131,435,597	₱–	₱–	₱133,647,748
Inventory obsolescence and market decline (Note 12)	2,678	–	–	–	–	–	–	2,678
Property, plant and equipment	–	–	–	(2,274,795,253)	–	–	–	(2,274,795,253)
Impairment losses on other assets	–	–	–	–	(3,823,625)	–	–	(3,823,625)
	₱2,211,402	₱3,427	₱–	(₱2,274,795,253)	₱127,611,972	₱–	₱–	(₱2,144,968,452)

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	December 31, 2018							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱127,769,949,329	₱74,113,776,885	₱29,467,564,096	₱42,351,966,134	₱6,132,382,567	₱670,963,828	₱–	₱280,506,602,839
Intersegment revenues	–	–	77,749,795	1,424,297,376	–	–	(1,502,047,171)	–
	127,769,949,329	74,113,776,885	29,545,313,891	43,776,263,510	6,132,382,567	670,963,828	(1,502,047,171)	280,506,602,839
Dividend income (Note 28)	32,302,870	–	–	–	11,212,315	1,185,257,167	(1,199,410)	1,227,572,942
Equity in net earnings of associates and joint ventures (Note 14)	(132,407,965)	136,264,174	3,213,224,264	–	–	6,970,712,104	(5,950,694)	10,181,841,883
Total revenue	127,669,844,234	74,250,041,059	32,758,538,155	43,776,263,510	6,143,594,882	8,826,933,099	(1,509,197,275)	291,916,017,664
Cost of sales and services (Note 30)	90,332,569,588	48,039,492,056	13,668,592,264	40,917,554,303	2,275,281,099	–	(1,640,615,966)	193,592,873,344
Gross income	₱37,337,274,646	₱26,210,549,003	₱19,089,945,891	₱2,858,709,207	₱3,868,313,783	₱8,826,933,099	₱131,418,691	98,323,144,320
General and administrative expenses (Note 31)								52,912,530,779
Provision for (reversal of) impairment losses and others (Note 34)								145,801,581
Operating income								45,264,811,960
Financing cost and other charges (Note 35)								(9,635,374,773)
Finance income (Note 27)								1,745,547,717
Other operating income (Note 29)								(459,468,426)
Core earnings								36,915,516,478
Market valuation gains (losses) on financial assets								(1,019,886,441)
Foreign exchange gains (losses)								(2,854,338,888)
Income before income tax								33,041,291,149
Provision for income tax (Note 38)								5,143,793,706
Net income								₱27,897,497,443
Net income attributable to equity holders of the Parent Company	₱5,085,554,061	₱2,653,143,265	₱8,248,872,579	₱1,054,195,029	₱190,609,473	₱2,358,536,287	(₱404,870,421)	₱19,186,040,273
EBIT	₱13,380,612,790	₱7,049,885,460	₱11,880,368,758	₱1,529,162,830	₱437,211,655	₱10,987,570,467	₱–	₱45,264,811,960
Depreciation and amortization (Notes 15, 16, 18 and 33)	6,369,775,844	7,479,321,315	4,456,732,645	1,848,781,422	318,332,674	94,336,114	–	20,567,280,014
EBITDA	₱19,750,388,634	₱14,529,206,775	₱16,337,101,403	₱3,377,944,252	₱755,544,329	₱11,081,906,581	₱–	₱65,832,091,974
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱17,774,108	₱–	₱–	₱–	₱99,575,581	₱–	₱–	₱117,349,689
Inventory obsolescence and market decline (Note 12)	7,948,049	–	–	–	–	–	–	7,948,049
Property, plant and equipment	1,699,792	–	–	–	–	–	–	1,699,792
Impairment losses on goodwill and other assets	17,579,587	–	–	–	1,224,464	–	–	18,804,051
	₱45,001,536	₱–	₱–	₱–	₱100,800,045	₱–	₱–	₱145,801,581

Other information on the Group's operating segments follow:

December 31, 2020	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 14)	₱386,494,519	₱354,516,067	₱58,399,603,679	₱–	₱–	₱80,318,664,883	(₱126,443,676)	₱139,332,835,472
Segment assets	₱176,144,366,677	₱128,636,426,252	₱215,491,845,876	₱134,035,514,013	₱144,988,155,781	₱305,273,746,704	(₱104,961,532,979)	₱999,608,522,324
Short-term debt (Note 23)	₱10,122,879,567	₱–	₱–	₱34,166,510,354	₱–	₱128,702,264	₱–	₱44,418,092,185
Long-term debt (Note 23)	₱31,337,551,136	₱53,239,934,436	₱53,603,778,783	₱30,000,000,000	₱–	₱104,160,621,986	₱–	₱272,341,886,341
Segment liabilities	₱78,360,204,740	₱107,429,300,736	₱112,621,037,119	₱79,935,613,266	₱126,662,541,422	₱124,925,942,551	(₱38,436,473,868)	₱591,498,165,966
Capital expenditures (Notes 15 and 16)	₱6,690,489,884	₱4,044,960,019	₱11,154,452,396	₱15,129,963,318	₱248,236,782	₱80,783,148	₱–	₱37,348,885,547

December 31, 2019	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 14)	₱421,625,100	₱1,221,452,018	₱56,653,592,667	₱–	₱–	₱93,658,009,900	(₱263,107,097)	₱151,691,572,588
Segment assets	₱168,652,989,873	₱157,977,016,711	₱189,651,209,761	₱115,700,303,303	₱131,141,546,214	₱187,953,903,640	(₱22,767,450,825)	₱928,309,518,677
Short-term debt (Note 23)	₱12,595,841,120	₱–	₱8,491,700,000	₱21,524,562,580	₱–	₱11,435,306,304	₱–	₱54,047,410,004
Long-term debt (Note 23)	₱30,386,077,608	₱57,144,521,276	₱34,715,272,176	₱22,000,000,000	₱–	₱74,689,663,647	₱–	₱218,935,534,707
Segment liabilities	₱73,468,487,679	₱114,441,734,821	₱89,573,539,283	₱59,620,821,793	₱114,081,071,846	₱99,227,402,926	(₱30,750,682,538)	₱519,662,375,810
Capital expenditures (Notes 15 and 16)	₱8,988,692,239	₱25,570,098,817	₱11,500,261,557	₱25,199,924,879	₱222,320,890	₱667,120,902	₱–	₱72,148,419,284

December 31, 2018	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 14)	₱520,917,510	₱943,781,695	₱50,364,656,041	₱–	₱–	₱93,085,241,987	₱–	₱144,914,597,233
Segment assets	₱151,935,713,410	₱129,589,739,922	₱174,158,160,285	₱98,142,227,756	₱121,509,063,300	₱192,420,794,526	(₱48,468,683,365)	₱819,287,015,834
Short-term debt (Note 23)	₱8,480,998,575	₱–	₱896,700,000	₱–	₱–	₱5,062,308,755	₱–	₱14,440,007,330
Long-term debt (Note 23)	₱31,457,123,882	₱53,797,546,261	₱36,488,539,001	₱–	₱–	₱88,505,758,204	₱–	₱210,248,967,348
Segment liabilities	₱67,942,234,140	₱90,905,166,290	₱80,238,443,780	₱42,975,790,820	₱106,163,467,794	₱106,145,084,629	(₱42,561,032,158)	₱451,809,155,295
Capital expenditures (Notes 15 and 16)	₱8,641,730,098	₱26,030,449,395	₱14,083,962,187	₱19,870,115,618	₱282,544,066	₱37,112,569	(₱622,200,000)	₱68,323,713,933

Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2020	2019	2018
Income before income tax	**₱3,261,257,194**	₱48,037,826,359	₱33,041,291,149
Finance income	**(1,232,992,615)**	(2,096,212,143)	(1,745,547,717)
Financing cost and other charges	**9,692,142,544**	10,965,846,901	9,635,374,773
Other operating income	**632,037,618**	764,665,540	459,468,426
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**2,332,944,398**	(640,533,460)	1,019,886,441
Foreign exchange (gains) losses	**(2,584,645,951)**	(828,657,682)	2,854,338,888
EBIT	**12,100,743,188**	56,202,935,515	45,264,811,960
Depreciation and amortization	**31,607,025,151**	30,012,996,106	20,567,280,014
Reversal of impairment losses	**–**	(2,274,795,253)	–
EBITDA	**₱43,707,768,339**	₱83,941,136,368	₱65,832,091,974
Income before income tax	**₱3,261,257,194**	₱48,037,826,359	₱33,041,291,149
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**2,332,944,398**	(640,533,460)	1,019,886,441
Foreign exchange (gains) losses	**(2,584,645,951)**	(828,657,682)	2,854,338,888
Core earnings	**₱3,009,555,641**	₱46,568,635,217	₱36,915,516,478

The table below presents the consolidated statement of financial position of the Group broken down between industrial and banking components:

	December 31, 2020			December 31, 2019		
	Non-banks*	**Banks***	**Consolidated**	Non-banks*	Banks*	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	**₱56,087,730,858**	**₱25,403,681,910**	**₱81,491,412,768**	₱48,573,642,579	₱15,769,606,583	₱64,343,249,162
Financial assets at fair value through profit and loss	**5,477,940,251**	**87,076,733**	**5,565,016,984**	4,380,701,706	3,943,264	4,384,644,970
Financial assets at fair value through other comprehensive income	**12,578,348,139**	**19,315,805,963**	**31,894,154,102**	8,286,428,203	13,973,461,843	22,259,890,046
Receivables - net	**40,385,785,079**	**27,982,699,969**	**68,368,485,048**	26,673,226,542	24,046,721,951	50,719,948,493
Inventories - net	**75,777,125,084**	**–**	**75,777,125,084**	68,513,876,509	–	68,513,876,509
Biological assets - net	**99,919,468**	**–**	**99,919,468**	733,435,525	–	733,435,525
Assets held for sale	**11,101,305,051**	**–**	**11,101,305,051**	–	–	–
Other current assets	**26,365,792,030**	**625,358,409**	**26,991,150,439**	23,074,666,097	125,968,481	23,200,634,578
Total current assets	**227,873,945,960**	**73,414,622,984**	**301,288,568,944**	180,235,977,161	53,919,702,122	234,155,679,283
Noncurrent Assets						
Financial assets at fair value through other comprehensive income	**32,847,478,716**	**–**	**32,847,478,716**	24,050,346,528	–	24,050,346,528
Receivables - noncurrent	**7,861,430,860**	**58,984,807,221**	**66,846,238,081**	11,520,497,445	57,236,185,738	68,756,683,183
Investments at amortized cost	**–**	**8,049,365,423**	**8,049,365,423**	–	11,357,261,241	11,357,261,241
Investments in associates and JVs - net	**139,332,835,472**	**–**	**139,332,835,472**	151,691,572,588	–	151,691,572,588
Investments properties - net	**104,210,195,008**	**464,890,897**	**104,675,085,905**	98,617,891,032	382,355,004	99,000,246,036
Property, plant and equipment - net	**259,870,423,147**	**545,316,558**	**260,415,739,705**	258,325,525,374	917,291,590	259,242,816,964
Right-of-use assets	**22,236,389,037**	**812,346,008**	**23,048,735,045**	20,140,084,838	391,336,459	20,531,421,297
Biological assets - bearer	**134,331,929**	**–**	**134,331,929**	224,128,072		224,128,072
Goodwill - net	**31,916,144,787**	**244,327,006**	**32,160,471,793**	31,761,277,350	244,327,006	32,005,604,356
Intangibles - net	**12,841,509,107**	**1,313,392,088**	**14,154,901,195**	12,598,588,522	1,299,801,877	13,898,390,399
Other noncurrent assets	**15,495,682,520**	**1,159,087,596**	**16,654,770,116**	12,570,259,549	825,109,181	13,395,368,730
Total Noncurrent Assets	**626,746,420,583**	**71,573,532,797**	**698,319,953,380**	621,500,171,298	72,653,668,096	694,153,839,394
	₱854,620,366,543	**₱144,988,155,781**	**₱999,608,522,324**	₱801,736,148,459	₱126,573,370,218	₱928,309,518,677

**Balances are after elimination of intercompany balances between industrial and banking components*

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	December 31, 2020			December 31, 2019		
	Non-banks*	**Banks***	**Consolidated**	Non-banks*	Banks*	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable and accrued expenses	**₱57,742,980,481**	**₱114,877,606,555**	**₱172,620,587,036**	₱59,307,013,927	₱87,020,357,930	₱146,327,371,857
Short-term debt	**44,418,092,185**	**–**	**44,418,092,185**	54,047,410,004	–	54,047,410,004
Current portion of long-term debt	**34,413,387,739**	**–**	**34,413,387,739**	6,819,093,642	–	6,819,093,642
Derivative liabilities	**245,940,423**	**–**	**245,940,423**	418,640,661	462,908	419,103,569
Income tax payable	**531,260,647**	**1,548,361**	**532,809,008**	1,768,570,932	2,700,053	1,771,270,985
Other current liabilities	**43,347,790,462**	**386,800**	**43,348,177,262**	35,754,281,218	410,100	35,754,691,318
Total current liabilities	**180,699,451,937**	**114,879,541,716**	**295,578,993,653**	158,115,010,384	87,023,930,991	245,138,941,375
Noncurrent liabilities						
Long-term debt - net of current portion	**237,928,498,602**	**–**	**237,928,498,602**	212,116,441,065	–	212,116,441,065
Deferred tax liabilities - net	**8,661,143,952**	**–**	**8,661,143,952**	8,318,082,154	–	8,318,082,154
Other noncurrent liabilities	**37,546,530,053**	**11,782,999,706**	**49,329,529,759**	31,599,946,357	22,488,964,859	54,088,911,216
Total noncurrent liabilities	**284,136,172,607**	**11,782,999,706**	**295,919,172,313**	252,034,469,576	22,488,964,859	274,523,434,435
Total Liabilities	**464,835,624,544**	**126,662,541,422**	**591,498,165,966**	410,149,479,960	109,512,895,850	519,662,375,810
Stockholders' equity	**297,190,870,163**	**11,130,436,193**	**308,321,306,356**	294,575,357,898	10,236,284,621	304,811,642,519
Minority interest in consolidated subsidiaries	**92,593,871,836**	**7,195,178,166**	**99,789,050,002**	97,011,310,601	6,824,189,747	103,835,500,348
	₱854,620,366,543	**₱144,988,155,781**	**₱999,608,522,324**	₱801,736,148,459	₱126,573,370,218	₱928,309,518,677

**Balances are after elimination of intercompany balances between industrial and banking components*

Intersegment Revenues
Intersegment revenues are eliminated at the consolidation level.

Segment Results
Segment results pertain to the net income (loss) of each of the operating segments adjusted by the subsequent take up of significant transactions of operating segments with fiscal year-end and the capitalization of borrowing costs at the consolidated level for qualifying assets held by a certain subsidiary. The chief decision maker also uses the 'Core earnings', 'EBIT' and 'EBITDA' in measuring the performance of each of the Group's operating segments. The Group defines each of the operating segment's 'Core earnings' as the total of the 'Operating income', 'Finance income' and 'Other operating income' deducted by the 'Financing cost and other charges'. EBIT is equivalent to the Group's operating income while EBITDA is computed by adding back to the EBIT the depreciation and amortization expenses during the period. Depreciation and amortization include only the depreciation and amortization of plant and equipment, investment properties and intangible assets.

Depreciation and amortization
In 2020, 2019 and 2018, the amount of reported depreciation and amortization includes depreciation for investment properties and property, plant and equipment, and amortization of intangible assets.

Segment Assets
Segment assets are resources owned by each of the operating segments with the exclusion of intersegment balances, which are eliminated, and adjustment of significant transactions of operating segment with fiscal year-end.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments excluding intersegment balances which are eliminated. The Group also reports, separately, to the chief operating decision maker the breakdown of the short-term and long-term debt of each of the operating segments.

Capital Expenditures
The components of capital expenditures reported to the chief operating decision maker are the acquisitions of investment property and property, plant and equipment during the period, including those acquired through business combination.

Geographical Information
The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore, Vietnam, Myanmar, New Zealand and Australia.

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:

	2020	2019	2018
Domestic	**₱158,721,099,465**	₱205,285,144,077	₱191,174,505,600
Foreign	**62,918,942,186**	96,537,425,094	100,741,512,064
	₱221,640,041,651	₱301,822,569,171	₱291,916,017,664

The Group has no significant customer which contributes 10.0% or more of the consolidated revenues of the Group.

The table below shows the Group's carrying amounts of noncurrent assets per geographic location excluding noncurrent financial assets, deferred tax assets and pension assets:

	2020	2019
Domestic	**₱462,761,227,172**	₱466,917,956,819
Foreign	**122,662,724,858**	119,815,104,673
	₱585,423,952,030	₱586,733,061,492

7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱3,005,758,937**	₱3,410,774,679
Cash in banks (Note 40)	**38,893,100,714**	28,576,315,526
Cash equivalents (Note 40)	**39,592,553,117**	32,356,158,957
	₱81,491,412,768	₱64,343,249,162

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group, and earn annual interest ranging from 1.0% to 3.5%, from 0.05% to 7.5% and from 0.01% to 6.5% in 2020, 2019 and 2018, respectively (Note 27).

8. Derivative Financial Instruments

The tables below show the fair values of the Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of December 31, 2020 and 2019. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2020			
	Notional Amounts (in Millions)		**Derivative Assets**	**Derivative Liabilities**
	Japanese Yen	**Dollar**	(Note 9)	(Note 22)
Derivatives Not Designated as Accounting Hedges				
Freestanding:				
Call option			**₱–**	**₱169,449,156**
Foreign currency swaps	**JPY9.65**		**556,022**	**–**
			₱556,022	**₱169,449,156**
Derivatives Designated as Accounting Hedges				
Zero cost collars*		**US$7.46**	**₱–**	**₱32,214,937**
Currency options		**NZ$28.20**		**44,276,330**
			₱–	**₱76,491,267**
Presented in the consolidated statements of financial position as:				
Current			**₱556,022**	**₱245,940,423**
Noncurrent			**₱–**	**₱–**

**Notional quantity amounted to 120,000 US barrels as of December 31, 2020*

	December 31, 2019			
	Notional Amounts (in Millions)		Derivative	Derivative
		United States	Assets	Liabilities
	Japanese Yen	Dollar	(Note 9)	(Notes 22 and 24)
Derivatives Not Designated as Accounting Hedges				
Freestanding:				
Call option			₱–	₱305,835,400
Foreign currency swaps	JPY9.14		992,618	462,908
			₱992,618	₱306,298,308
Derivatives Designated as Accounting Hedges				
Zero cost collars and commodity swaps*		US$165.0	₱–	₱126,312,502
			₱–	₱126,312,502
Presented in the consolidated statements of financial position as:				
Current			₱992,618	₱419,103,569
Noncurrent			₱–	₱13,507,241

**Notional quantity amounted to 1,980,000 US barrels as of December 31, 2019*

Derivatives not designated as accounting hedges
The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purpose.

- Zero cost collars and commodity swap
  On March 16, 2020, CAI discontinued, for the first time, the application of hedge accounting on some of its fuel hedges following the suspension of flights in response to government-imposed enhanced community quarantine over the entire Luzon due to outbreak of COVID-19.

  Following the Philippine Government announcing the easing of community quarantine after March 31, 2020, CAI's commercial flights during the next six months were either suspended or significantly reduced leading to lower forecasted fuel and USD-denominated purchases. With the newly available information, Management reassessed its hedging portfolio requiring discontinuation of hedge accounting for certain fuel and FX derivatives designated as cash flow hedges as corresponding hedged items were no longer highly probable and not expected to occur. Consequently, the related effective portion of the fair value losses recognized in OCI amounting to ₱2.2 billion were immediately recycled from equity to profit or loss for the period.

  As of December 31, 2020 and 2019, CAI has no outstanding fuel derivatives treated as economic hedges.

- Foreign currency forwards
  On March 16, 2020, CAI likewise discontinued, for the first time, the hedge accounting application on some FX forwards because of reduced forecasted fuel purchase following the suspension of flights in response to government-imposed enhanced community quarantine over the entire Luzon due to outbreak of COVID-19 and due to unforeseen drop in oil prices.

  Following the Philippine Government announcing the easing of community quarantine after March 31, 2020, CAI's commercial flights during the next six months were either suspended or significantly reduced leading to lower forecasted fuel and USD-denominated purchases. With the new available information, Management reassessed its hedging portfolio requiring discontinuation

  of hedge accounting for certain fuel and FX derivatives designated as cash flow hedges as corresponding hedged items were no longer highly probable and not expected to occur. Consequently, the related effective portion of the fair value losses recognized in OCI amounting to ₱124.6 million were immediately recycled from equity to profit or loss for the year ended December 31, 2020.

  As of December 31, 2020 and 2019, CAI has no outstanding FX derivatives treated as economic hedges.

- Foreign currency swaps
  RBC entered into foreign currency swap transactions with positive fair values of ₱0.6 million and ₱0.5 million as of December 31, 2020 and 2019, respectively. In 2020, 2019 and 2018, RBC recognized net changes in fair value of derivatives amounting to ₱17.0 million gain, ₱45.0 million gain and ₱1.5 million loss, respectively.

- Call Option
  As part of change in ownership of URC Oceania Group, Intersnack was also given an option to acquire an additional 9.0% equity share in UHC. The call option has a fair value of ₱169.5 million and ₱305.8 million as of December 31, 2020 and 2019, respectively.

Derivatives designated as accounting hedges
As part of its asset and liability management, the Group uses derivatives, particularly interest rate swaps and currency options, as cash flow hedges in order to reduce its exposure to market risks that is achieved by hedging portfolios of floating rate financial instruments.

The accounting treatment explained in Note 2 to the consolidated financial statements, *Hedge Accounting*, varies according to the nature of the hedged item and compliance with the hedge criteria. Hedges entered into by the Group which provide economic hedges but do not meet the hedge accounting criteria are included under derivatives not designated as accounting hedges.

- Currency options
  URC entered into currency options with a total notional amount of NZ$28.2 million and initial fair value of ₱7.5 million. URC recognized unrealized loss in other comprehensive income under 'Net gains (losses) from cash flow hedges' amounting to ₱19.1 million, ₱4.6 million and ₱3.3 million for the years ended December 31, 2020, 2019, and 2018. URC made a settlement of ₱4.6 million in 2019 for the related derivatives. URC's currency options have negative fair value of ₱44.3 million and nil as of December 31, 2020 and 2019.

- Zero cost collars and commodity swaps
  CAI enters into zero cost collars and commodity swaps derivative contracts to manage its exposure to fuel price fluctuations. The notional quantity is the amount of the derivatives' underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. These swaps and collars can be exercised at various calculation dates with specified quantities on each calculation date. Hedge accounting under PFRS 9 were applied on instruments with various maturity dates through 2020 until 2021 starting September 1, 2019.

  CAI has designated for hedge accounting derivatives with net liability position amounting to ₱32.2 million as of December 31, 2020 and net asset position of ₱47.9 million as of December 31, 2019.

- Foreign currency forwards
  CAI enters into foreign currency forwards to manage its exposures to foreign currency-denominated transactions given its global operations. These forwards have various maturity dates through 2020 where hedge accounting under PFRS 9 were also applied beginning September 1, 2019.

  As of December 31, 2019, CAI recognized net derivative liability amounting to ₱174.2 million (nil in 2020).

Hedge Effectiveness Results
The hedge is assessed to be effective as the critical terms of the hedging instrument match the terms of the hedged item.

Fair Value Changes in Derivatives
Fair value changes of derivatives designated as accounting hedges
The net movements in fair value of the Group's derivative financial instruments designated as accounting hedges follow:

	2020	2019
Beginning balance	**(₱126,312,502)**	₱6,389,048
Net changes shown in other comprehensive income (Note 36):		
Net changes in fair value of derivatives taken to other comprehensive income	**(230,922,782)**	175,171,778
Fair value of settled instruments	**280,744,017**	(307,873,328)
	(₱76,491,267)	(₱126,312,502)

Net changes in fair value of derivatives taken to other comprehensive income are recorded under 'Net gains (losses) from cash flow hedges' in the consolidated statement of comprehensive income.

Fair value changes of derivatives not designated as accounting hedges
The net movements in fair value of the Group's derivative financial instruments not designated as accounting hedges follow:

	2020	2019
Balance at beginning of year:		
Derivative assets	**₱992,618**	₱–
Derivative liabilities	**306,298,308**	763,322,060
	(305,305,690)	(763,322,060)
Net losses from changes in fair value of derivatives taken to profit or loss	**(2,008,251,915)**	(18,307,172)
Fair value of settled instruments	**2,144,664,471**	476,323,542
	(₱168,893,134)	(₱305,305,690)
Balance at end of year:		
Derivative assets (Note 9)	**₱556,022**	₱992,618
Derivative liabilities (Note 8)	**169,449,156**	306,298,308

The net changes in fair value of derivatives taken to profit or loss are included under 'Market valuation gains (losses) on derivative financial instruments' in the consolidated statements of comprehensive income, except for the foreign currency swaps of RBC, where the net changes in fair value are taken to profit or loss under 'Trading and securities gains' (see Note 26).

9. Financial Assets at Fair Value through Profit or Loss

This account consists of the following:

	2020	2019
Debt securities:		
Government	**₱86,520,711**	₱3,943,264
Equity securities:		
Quoted	**1,734,932,805**	1,718,536,973
Investment in convertible notes	**3,743,007,446**	2,661,172,115
Derivatives (Note 8)	**556,022**	992,618
	₱5,565,016,984	₱4,384,644,970

Sea Limited
On April 13, 2017, JGSPL invested in a convertible note from Sea Limited in the amount of US$25.0 million (or ₱1.3 billion). The Principal Amount excluding any accrued and unpaid interest may be converted into fully paid and non-assessable voting ordinary shares of Sea Limited.

In 2019, the note was converted into 1,834,188 ordinary shares of Sea Limited which was then sold for a total price of US$43.7 million, resulting in realized market valuation gain of US$10.9 million (₱566.6 million).

Oriente
On December 14, 2018, JGDEV entered into a Securities Exchange Agreement with ORT Philippines Holdings Pte. Ltd. (ORT Philippines), wherein JGDEV sold to the latter all its shares (including deposit for future subscription) in Oriente Techsystem Philippines Corporation (OETC) and Paloo Financing Inc. (Paloo). Also, ORT Philippines transferred to JGDEV 6,627,087 Series A-2 Preferred shares of Oriente Finance Group Limited (OFGL) and a convertible note with a face value of $1.975 million. As of December 31, 2018, the convertible note of OFGL is classified under financial assets at fair value through profit or loss while the preferred shares are classified under financial assets at FVOCI. In 2018, the Group recorded gain from the disposal of its investment in OETC and Paloo amounting to ₱198.1 million.

On December 5, 2019, the convertible note with face value of $1.975 million was converted to 819,641 Series B-1 preferred shares. As of December 31, 2019, Series A-2 and Series B-1 preferred shares are classified under financial assets at FVOCI (see Note 10).

JUUL Labs, Inc
In August 2019, JGSPL invested in USD50.0 million Convertible Notes of JUUL Labs, Inc. ("JUUL Labs"). JUUL Labs is a private company based in California, USA, which is in the business of manufacturing and distributing e-cigarettes. In January 2020, JGSPL made additional investment amounting to USD25.0 million.

The Convertible Notes have the following features:
1. Repayable after 5 years;
2. 7.0% p.a. coupon accruing and compounding quarterly paid in kind thru increase in the outstanding principal ("Accreted principal");
3. Conversion into class of shares (or mix thereof) as specified in paragraph 1.12 of the Note Purchase Agreement;

4. Conversion can be:
   a. Automatic in the event of any of the following qualified financing events (e.g., qualified private financing, qualified IPO and qualified direct listing), with conversion price determined as the higher of the valuation floor and lower of valuation cap and discounted valuation in the financing event; or
   b. Optional (i) in the event of financing events whereby conditions for qualification were not met, and in that case the conversion price is determined using the basis in (a) above; (ii) upon JUUL Labs' direct listing or starting on the 24th month anniversary, and in such cases the conversion price is the valuation cap; and (iii) when exercised on maturity date and the conversion price is USD30.4 million; and
5. Early redemption at the option of JUUL Labs but subject to the consent of majority investors or one (1) owner provided the Issuer offered the same terms to other investors. The redemption price should not be less than the accreted principal as of the redemption date.

Snapcart Group (HK) Limited
On March 5, 2019, JGDEV entered into a Deed of Adherence with Snapcart Group (HK) Limited pursuant to the Convertible Loan Agreement entered into on February 20, 2019. The consideration is for a loan amount of $1.0 million at a rate of 3.0% interest per annum. The convertible loan was set to mature on December 20, 2019 but subsequently amended to extend maturity to March 31, 2020. The convertible note is classified under financial assets at FVPL.

On March 31, 2020, convertible loan from Snapcart Group (HK) Limited matured and was converted into 102,402 shares of series B amounting to $1.03 million.

Zuzu Hospitality Solutions Pte. Ltd.
On September 10, 2019, JGDCPL entered into a Note Purchase Agreement with Zuzu Hospitality Solutions Pte. Ltd. (Zuzu Hospitality) to invest in a Convertible Note amounting to SGD1 million. Zuzu Hospitality is a private company incorporated and based in Singapore that offers outsourced revenue management to independent hotels. Zuzu Hospitality currently operates in Indonesia and Taiwan.

As of December 31, 2020, 2019 and 2018, unrealized loss on debt securities recognized amounted to ₱25.3 million, ₱9.2 million and ₱264.0 million, respectively.

As of December 31, 2020, 2019 and 2018, unrealized gain (loss) on equity securities recognized amounted to (₱282.3 million), ₱713.1 million and (₱419.1 million), respectively.

In 2020, 2019 and 2018, the Group recognized net market valuation gains (losses) on financial assets at FVPL (excluding derivatives) amounting to (₱307.6 million), ₱703.9 million and (₱683.1 million), respectively, included under 'Market valuation gains (losses) on financial assets at fair value through profit or loss' in the consolidated statements of comprehensive income.

Interest income on financial assets at FVPL consists of (see Note 27):

	2020	2019	2018
Debt securities:			
Government	**₱7,424,489**	₱13,181,655	₱130,079,434
Private	**–**	87,690,303	474,106,446
	₱7,424,489	₱100,871,958	₱604,185,880

10. **Investment Securities**

Financial Assets at Fair Value through Other Comprehensive Income

This account consists of investments in:

	2020	2019
Debt securities:		
Government	**₱9,681,907,051**	₱9,392,806,983
Private	**21,325,214,680**	11,902,368,238
	31,007,121,731	21,295,175,221
Equity securities:		
Quoted	**33,072,987,777**	24,528,006,195
Unquoted	**661,523,310**	487,055,158
	33,734,511,087	25,015,061,353
	₱64,741,632,818	₱46,310,236,574

Breakdown of financial assets at FVOCI as shown in the consolidated statements of financial position follows:

	2020	2019
Current portion	**₱31,894,154,102**	₱22,259,890,046
Noncurrent portion	**32,847,478,716**	24,050,346,528
	₱64,741,632,818	₱46,310,236,574

The Group has classified its 17.3 million PLDT shares representing 8.0% ownership interest and the additional ownership interest equivalent to 3.23% through the acquisition of American Depositary Receipts (ADRs) in December 2019 as financial assets at FVOCI, which have carrying values of ₱32.8 billion and ₱24.1 billion as of December 31, 2020 and 2019, respectively. The ADRs were converted into 7.0 million PLDT common shares in January 2020.

Interest income on debt financial assets at FVOCI follows (Note 27):

	2020	2019	2018
Debt securities:			
Private	**₱888,193,462**	₱664,109,167	₱374,775,163
Government	**212,212,623**	363,288,259	448,401,992
	₱1,100,406,085	₱1,027,397,426	₱823,177,155

The range of the Group's effective interest rates on government securities are as follows:

	2020	2019	2018
Peso-denominated securities	**2.63%-8.13%**	5.75%-8.00%	3.62%-7.20%
Foreign currency-denominated securities	**2.75%-6.75%**	4.75%-7.75%	3.16%-6.47%

The range of the Group's effective interest rates on the private bonds are as follows:

	2020	2019	2018
Peso-denominated securities	**3.82%-6.49%**	4.20%-6.49%	4.20%-7.82%
Foreign currency-denominated securities	**3.90%-7.25%**	4.38%-7.38%	4.01%-6.02%

The movements in net unrealized gains (losses) on financial assets at FVOCI follow:

	2020		
	Parent Company	**Non-controlling Interests**	**Total**
Balance at beginning of year	**(₱23,832,621,540)**	**₱249,569,240**	**(₱23,583,052,300)**
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on financial assets at FVOCI of the Parent Company and its subsidiaries	**9,007,575,421**	**74,830,797**	**9,082,406,218**
Realized gain on sale of financial assets at FVCOI (Note 29)	**(23,850,313)**	**–**	**(23,850,313)**
Provision for impairment loss	**(1,364,730)**	**–**	**(1,364,730)**
	(14,850,261,162)	**324,400,037**	**(14,525,861,125)**
Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14)	**55,663,285**	**–**	**55,663,285**
Balance at end of year	**(₱14,794,597,877)**	**₱324,400,037**	**(₱14,470,197,840)**

	2019		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(₱22,647,670,192)	(₱204,920,170)	(₱22,852,590,362)
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on financial assets at FVOCI of the Parent Company and its subsidiaries	(1,081,326,798)	454,489,410	(626,837,388)
Realized gain on sale of financial assets at FVOCI (Note 29)	(277,810,114)	–	(277,810,114)
Provision for impairment loss	(2,070,586)	–	(2,070,586)
	(24,008,877,690)	249,569,240	(23,759,308,450)
Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14)	176,256,150	–	176,256,150
Balance at end of year	(₱23,832,621,540)	₱249,569,240	(₱23,583,052,300)

	2018		
	Parent Company	Non-controlling Interests	Total
Balance at January 1, 2018	(₱14,954,413,164)	₱181,701,765	(₱14,772,711,399)
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on financial assets at FVOCI of the Parent Company and its subsidiaries	(7,517,643,934)	(386,621,935)	(7,904,265,869)
Realized gain on sale of financial assets at FVOCI (Note 29)	(34,208,528)	–	(34,208,528)
	(22,506,265,626)	(204,920,170)	(22,711,185,796)
Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14)	(141,404,566)	–	(141,404,566)
Balance at end of year	(₱22,647,670,192)	(₱204,920,170)	(₱22,852,590,362)

Investment Securities at Amortized Cost

The investment securities at amortized cost of the Group consist of the following:

	2020	2019
Government securities	**₱6,251,706,056**	₱9,507,201,849
Private bonds	**1,800,257,800**	1,850,398,340
	8,051,963,856	11,357,600,189
Less allowance for impairment losses	**2,598,433**	338,948
	₱8,049,365,423	₱11,357,261,241

The effective interest rates for peso-denominated investment securities at amortized cost of the Group ranges from 3.82% to 8.13%, from 3.25% to 8.13% and from 2.08% to 6.00% in 2020, 2019 and 2018, respectively. The effective interest rates for foreign currency-denominated investment securities at amortized cost of the Group is 2.75% in 2020 and 2019 and from 2.76% to 5.31% 2018.

In 2020, the Group disposed 'Investment Securities at Amortized Cost' with carrying value of ₱4.1 billion resulting in a gain on disposal amounting to ₱190.9 million. The sale was conducted in response to the implementation of the Republic Act No. 11468 or the "Bayanihan To Heal as One Act" which grants a moratorium on all loan payments falling due within the period of enhanced community quarantine for a minimum of thirty (30) days without incurring interests, penalties, fees, or other charges; as well as in anticipation of withdrawals from depositors to fund their expenses. Prior to the sale, the banking segment also noted significant withdrawals by its depositors causing its liquidity to decline. The remaining held-to-collect (HTC) securities of the Group will remain to be under a HTC business model.

Interest income on investment securities at amortized cost amounted to ₱356.6 million, ₱477.8 million and ₱364.3 million in 2020, 2019 and 2018, respectively (see Note 27).

11. Receivables

This account consists of:

	2020	2019
Finance receivables	**₱86,382,308,879**	₱79,837,553,053
Trade receivables	**40,258,702,183**	32,882,327,617
Due from related parties (Note 40)	**2,552,410,741**	2,547,714,785
Interest receivable	**1,730,219,931**	1,180,129,554
Other receivables	**6,904,703,009**	4,718,742,439
	137,828,344,743	121,166,467,448
Less allowance for impairment losses	**2,613,621,614**	1,689,835,772
	₱135,214,723,129	₱119,476,631,676

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

	2020	2019
Current portion	**₱68,368,485,048**	₱50,719,948,493
Noncurrent portion	**66,846,238,081**	68,756,683,183
	₱135,214,723,129	₱119,476,631,676

Noncurrent receivables consist of:

	2020	2019
Finance receivables	**₱58,984,807,221**	₱57,236,185,738
Trade receivables	**6,861,430,860**	10,190,497,445
Due from related parties	**1,000,000,000**	1,330,000,000
	₱66,846,238,081	₱68,756,683,183

Finance Receivables
Breakdown of finance receivables, which represent receivables from customers of RBC and its subsidiary, follows:

	2020	2019
Receivables from customers:		
Commercial	**₱51,507,822,886**	₱49,514,835,477
Real estate	**24,157,056,273**	19,328,435,011
Consumption	**10,608,170,674**	10,827,271,508
Domestic bills purchased	**480,028,717**	495,192,826
	86,753,078,550	80,165,734,822
Less unearned interest and discounts	**370,769,671**	328,181,769
	₱86,382,308,879	₱79,837,553,053

Interest income on finance receivables included under 'Banking revenue' in profit or loss in the consolidated statements of comprehensive income, consists of (see Notes 26 and 27):

	2020	2019	2018
Receivables from customers:			
Commercial	**₱3,237,021,544**	₱3,173,161,721	₱2,488,181,208
Consumption	**2,004,957,885**	1,806,095,578	1,334,075,467
Real estate	**1,364,197,120**	1,076,020,078	741,540,449
Domestic bills purchased	**73,149**	459,690	278,928
Others	**4,399,035**	6,703,541	6,224,286
	₱6,610,648,733	₱6,062,440,608	₱4,570,300,338

Others consist of sales contract receivables and lease receivables.

Restructured receivables which do not meet the BSP requirements to be treated as performing receivables shall be considered as nonperforming loans. Restructured receivables as of December 31, 2020 and 2019 amounted to ₱3.8 billion and ₱247.8 million, respectively.

Trade Receivables
Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱11.5 billion and ₱1.3 billion as of December 31, 2020 and 2019. These are collectible in monthly installments over a period of one year to ten years. These are carried at amortized cost, except for receivables from lease-to-own arrangements which are carried at fair value through OCI. The title of the real estate property, which is the subject of the installment contract receivable, passes to the buyer once the receivable is fully paid. Revenue from real estate and hotels includes interest income earnings from installment contract receivables amounting to ₱2.1 billion, ₱0.3 billion and ₱0.9 billion in 2020, 2019 and 2018, respectively, and is recorded under 'Sale of goods and service' on the consolidated statements of comprehensive income.

Other trade receivables are noninterest-bearing and generally have 30 to 90-day terms.

Others
Other receivables include claims receivables, advances to brokers and other non-trade receivables. As of December 31, 2020 and 2019 claims receivables amounted to ₱2.3 billion and ₱1.1 billion, respectively.

Allowance for Impairment Losses on Receivables
Changes in the allowance for impairment losses on receivables follow:

	2020			
	Trade Receivables	**Finance Receivables**	**Other Receivables**	**Total**
Balance at beginning, as adjusted	**₱198,721,234**	**₱1,014,700,667**	**₱476,413,871**	**₱1,689,835,772**
Provision for impairment losses (Note 34)	**314,649,432**	**1,062,890,752**	**35,158,570**	**1,412,698,754**
Written-off	**(14,771,574)**	**(392,607,769)**	**(81,569,388)**	**(488,948,731)**
Unrealized foreign exchange gains	**(71,326)**	**−**	**(2,051,964)**	**(2,123,290)**
Reclassification/Others	**(548,149)**	**−**	**2,707,258**	**2,159,109**
Balance at end of year	**₱497,979,617**	**₱1,684,983,650**	**₱430,658,347**	**₱2,613,621,614**

	2019			
	Trade Receivables	Finance Receivables	Other Receivables	Total
Balance at beginning, as adjusted	₱279,302,415	₱965,785,839	₱379,848,898	₱1,624,937,152
Provision for impairment losses (Note 34)	5,674	126,554,564	7,087,510	133,647,748
Written-off	−	−	(2,206,477)	(2,206,477)
Unrealized foreign exchange gains	(56,539)	−	(2,280,185)	(2,336,724)
Reclassification/Others	(80,530,316)	(77,639,736)	93,964,125	(64,205,927)
Balance at end of year	₱198,721,234	₱1,014,700,667	₱476,413,871	₱1,689,835,772

Provision for impairment losses on receivables for the years ended December 31, 2020, 2019 and 2018 amounted to ₱1.4 billion, ₱133.6 million and ₱117.3 million, respectively.

Allowance for credit losses on other receivables includes credit losses on non-trade receivables, advances to officers and employees and other receivables. Allowance for credit losses on advances to officers and employees amounted to ₱19.6 million as of December 31, 2020 and 2019.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to commercial loans follow:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2020	**₱45,227,258,622**	**₱3,860,868,821**	**₱426,708,034**	**₱49,514,835,477**
New assets originated or purchased	**50,428,244,448**	**−**	**−**	**50,428,244,448**
Assets derecognized or repaid (excluding write offs)	**(47,012,473,601)**	**(1,203,710,763)**	**(20,295,308)**	**(48,236,479,672)**
Transfers to Stage 1	**2,624,185,861**	**(2,624,185,861)**	**−**	**−**
Transfers to Stage 2	**(7,767,057,149)**	**7,767,480,660**	**(423,511)**	**−**
Transfers to Stage 3	**(167,362,533)**	**(19,193,927)**	**186,556,460**	**−**
Amounts written off	**(14,607,708)**	**−**	**(184,169,659)**	**(198,777,367)**
	₱43,318,187,940	**₱7,781,258,930**	**₱408,376,016**	**₱51,507,822,886**
ECL allowance as at January 1, 2020	**₱147,083,052**	**₱73,137,283**	**₱196,172,277**	**₱416,392,612**
Provisions for (recovery of) credit losses*	**452,904,775**	**(70,836,854)**	**13,923,311**	**395,991,232**
Transfers to Stage 1	**2,415,898**	**(2,415,898)**	**−**	**−**
Transfers to Stage 2	**(317,630,379)**	**317,630,379**	**−**	**−**
Transfers to Stage 3	**(46,386,054)**	**(3,436,340)**	**49,822,394**	**−**
Amounts written off/reversals/others	**(6,533,728)**	**−**	**(10,481,964)**	**(17,015,692)**
	₱231,853,564	**₱314,078,570**	**₱249,436,018**	**₱795,368,152**

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

	2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2019	₱41,921,932,935	₱ 2,192,660,381	₱408,537,691	₱44,523,131,007
New assets originated or purchased	46,602,442,842	–	–	46,602,442,842
Assets derecognized or repaid (excluding write offs)	(40,627,258,041)	(895,796,642)	(79,196,179)	(41,602,250,862)
Transfers to Stage 1	19,042,241	(18,262,028)	(780,213)	–
Transfers to Stage 2	(2,606,146,389)	2,606,146,389	–	–
Transfers to Stage 3	(82,754,966)	(23,879,279)	106,634,245	–
Amounts written off	–	–	(8,487,510)	(8,487,510)
	₱45,227,258,622	₱3,860,868,821	₱426,708,034	₱49,514,835,477
ECL allowance as at January 1, 2019	₱83,537,302	₱100,794,487	₱203,967,077	₱388,298,866
Provisions for (recovery of) credit losses*	129,961,685	(55,321,666)	(19,441,269)	55,198,750
Transfers to Stage 1	563,644	(555,842)	(7,802)	–
Transfers to Stage 2	(41,030,960)	41,030,960	–	–
Transfers to Stage 3	(25,948,619)	(12,810,656)	38,759,275	–
Amounts written off/reversals/others	–	–	(27,105,004)	(27,105,004)
	₱147,083,052	₱73,137,283	₱196,172,277	₱416,392,612

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to real estate follow:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2019	**₱18,037,358,388**	**₱1,035,203,454**	**₱255,873,169**	**₱19,328,435,011**
New assets originated or purchased	**6,990,949,236**	**–**	**–**	**6,990,949,236**
Assets derecognized or repaid (excluding write offs)	**(1,920,528,775)**	**(175,031,342)**	**(26,482,162)**	**(2,122,042,279)**
Transfers to Stage 1	**395,613,018**	**(382,623,933)**	**(12,989,085)**	**–**
Transfers to Stage 2	**(1,565,599,074)**	**1,578,168,014**	**(12,568,940)**	**–**
Transfers to Stage 3	**(881,913,959)**	**(285,875,230)**	**1,167,789,189**	**–**
Amounts written off	**(11,287,052)**	**(12,870,799)**	**(16,127,844)**	**(40,285,695)**
	₱21,044,591,782	**₱1,756,970,164**	**₱1,355,494,327**	**₱24,157,056,273**
ECL allowance as at January 1, 2019	**₱11,981,916**	**₱1,382,175**	**₱6,653,654**	**₱20,017,745**
Provisions for (recovery of) credit losses*	**127,577,169**	**32,421,611**	**16,511,828**	**176,510,608**
Transfers to Stage 1	**493,931**	**(488,257)**	**(5,674)**	**–**
Transfers to Stage 2	**(7,595,069)**	**7,645,728**	**(50,659)**	**–**
Transfers to Stage 3	**(98,661,356)**	**(32,042,438)**	**130,703,794**	**–**
Amounts written off/reversals/others	**(523,406)**	**(922,260)**	**(564,887)**	**(2,010,553)**
	₱33,273,185	**₱7,996,559**	**₱153,248,056**	**₱369,017,855**

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

	2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2019	₱13,768,377,307	₱506,920,608	₱100,992,043	₱14,376,289,958
New assets originated or purchased	6,914,015,679	–	–	6,914,015,679
Assets derecognized or repaid (excluding write offs)	(1,822,041,114)	(115,817,336)	(24,012,176)	(1,961,870,626)
Transfers to Stage 1	153,185,241	(145,123,078)	(8,062,163)	–
Transfers to Stage 2	(869,062,811)	870,508,779	(1,445,968)	–
Transfers to Stage 3	(107,115,914)	(81,285,519)	188,401,433	–
Amounts written off	–	–	–	–
	₱18,037,358,388	₱1,035,203,454	₱255,873,169	₱19,328,435,011

(Forward)

	2019			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at January 1, 2019	₱3,192,152	₱77,690	₱21,255,559	₱24,525,401
Provisions for (recovery of) credit losses*	10,278,180	178,557	(15,024,227)	(4,567,490)
Transfers to Stage 1	65,712	(62,917)	(2,795)	–
Transfers to Stage 2	(1,258,639)	1,259,253	(614)	–
Transfers to Stage 3	(295,489)	(70,408)	365,897	–
Amounts written off/reversals/others	–	–	59,834	59,834
	₱11,981,916	₱1,382,175	₱6,653,654	₱20,017,745

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to consumer loans follow:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2019	**₱9,614,890,909**	**₱598,101,501**	**₱614,279,098**	**10,827,271,508**
New assets originated or purchased	**8,576,790,434**	**–**	**–**	**8,576,790,434**
Assets derecognized or repaid (excluding write offs)	**(7,472,730,546)**	**(227,678,134)**	**(59,027,655)**	**(7,759,436,335)**
Transfers to Stage 1	**61,224,550**	**(58,752,436)**	**(2,472,114)**	**–**
Transfers to Stage 2	**(690,964,174)**	**693,693,376**	**(2,729,202)**	**–**
Transfers to Stage 3	**(593,942,478)**	**(140,740,777)**	**734,683,255**	**–**
Amounts written off	**(592,114,177)**	**(126,529,362)**	**(317,811,394)**	**(1,036,454,933)**
	₱8,903,154,518	**₱738,094,168**	**₱966,921,988**	**₱10,608,170,674**
ECL allowance as at January 1, 2019	**₱97,478,442**	**₱7,575,959**	**₱473,235,909**	**₱578,290,310**
Provisions for (recovery of) credit losses*	**345,279,451**	**65,394,102**	**79,715,359**	**490,388,912**
Transfers to Stage 1	**1,026,939**	**(942,948)**	**(83,991)**	**–**
Transfers to Stage 2	**(50,146,488)**	**50,296,590**	**(150,102)**	**–**
Transfers to Stage 3	**(222,447,738)**	**(51,642,611)**	**274,090,349**	**–**
Amounts written off/reversals/others	**(52,277,745)**	**(17,788,278)**	**(303,515,501)**	**(373,581,524)**
	₱118,912,861	**₱52,892,814**	**₱523,292,023**	**₱695,097,698**

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

	2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2019	₱7,299,551,418	₱636,617,017	₱608,890,125	₱8,545,058,560
New assets originated or purchased	13,357,901,496	–	–	13,357,901,496
Assets derecognized or repaid (excluding write offs)	(10,233,327,334)	(502,348,180)	(256,909,581)	(10,992,585,095)
Transfers to Stage 1	37,818,753	(33,334,187)	(4,484,566)	–
Transfers to Stage 2	(555,784,021)	560,260,790	(4,476,769)	–
Transfers to Stage 3	(229,800,248)	(53,131,558)	282,931,806	–
Amounts written off	(61,469,155)	(9,962,381)	(11,671,917)	(83,103,453)
	₱9,614,890,909	₱598,101,501	₱614,279,098	₱10,827,271,508
ECL allowance as at January 1, 2019	₱94,119,655	₱29,016,475	₱429,825,442	₱552,961,572
Provisions for (recovery of) credit losses*	76,827,427	(6,429,006)	5,524,883	75,923,304
Transfers to Stage 1	714,750	(591,394)	(123,356)	–
Transfers to Stage 2	(6,887,238)	7,005,271	(118,033)	–
Transfers to Stage 3	(67,296,152)	(21,425,387)	88,721,539	–
Amounts written off/reversals/others	–	–	(50,594,566)	(50,594,566)
	₱97,478,442	₱7,575,959	₱473,235,909	₱578,290,310

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, RBC, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the following:

- Restructuring of existing receivables including extension of payment terms
- Relief for principal and interest repayments

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. Total modification losses recognized in the statement of comprehensive income under miscellaneous expense amounted to ₱273.5 million (see Note 29).

The effect of the above modifications on the measurement of ECL is not significant to the Group.

12. Inventories

This account consists of inventories at cost held as follows:

	2020	2019
Subdivision land, condominium and residential units for sale	**₱41,251,901,420**	₱36,062,897,387
Spare parts, packaging materials and other supplies	**12,518,601,770**	10,901,828,797
Raw materials	**12,015,292,878**	10,718,499,893
Finished goods	**8,389,220,485**	9,155,597,372
Work-in-process	**1,600,716,266**	1,667,556,834
By-products	**1,392,265**	7,496,226
	₱75,777,125,084	₱68,513,876,509

Summary of the movements in real estate inventory follows:

	2020	2019
Balance at beginning of year	**₱36,062,897,387**	₱31,464,454,298
Construction and development costs incurred	**9,171,932,407**	8,723,176,262
Costs of real estate sales (Note 30)	**(6,161,235,541)**	(4,235,325,163)
Transfers from investment properties, property and equipment and unrealized land cost (Notes 15 and 16)	**2,178,307,167**	110,591,990
Balance at end of year	**₱41,251,901,420**	₱36,062,897,387

Borrowing cost capitalized amounted to ₱304.0 million and ₱486.0 million in 2020 and 2019, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2020 and 2019 is 4.54% and 4.59%, respectively. This amount was included in the construction and development costs incurred.

The amount of subdivision land, condominium and residential units for sale recognized as cost of real estate sales in the consolidated statements of comprehensive income amounted to ₱6.2 billion, ₱4.2 billion and ₱4.9 billion for the years ended December 31, 2020, 2019 and 2018, respectively.

Under the terms of agreements covering liabilities under trust receipts amounting to ₱7.5 billion and ₱8.7 billion as of December 31, 2020 and 2019, respectively, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks (see Note 23). The Group is accountable to the banks for the value of the trusteed inventories or their sales proceeds.

The Group recognized impairment losses on its inventories included under 'Provision for (reversal of) impairment losses and others ' amounting to nil, ₱2,678 and ₱7.9 million in 2020, 2019 and 2018, respectively (see Note 34).

On October 20, 2015, the Chinese government awarded the Contract for Assignment of the Rights to the Use of State-Owned Land (the Contract) to the Group. In May 2016, the Masterplan had been completed and was submitted for approval to the Chinese government in the same month. The Chinese government approved the Masterplan in the first quarter of 2017 and construction activities have commenced (recognized as land use right and development cost included in 'Subdivision land, condominium and residential units for sale').

Under the Contract, the Group is entitled to transfer, lease, mortgage all or part of the state-owned construction land use right to a third party. Upon receipt of the Certificate of State-owned Land Use Right Assignment, the land title will be subdivided into Individual Property Titles which will be issued to unit owners one year after completion of the development and turn-over of the units to the buyers. When all or part of the state-owned construction land use right is transferred, through sale of commercial units and high-rise condominium units to buyers, the rights and obligations specified in the Contract and in the land registration documents shall be transferred accordingly to the buyer. The use term will be the remaining years as of the date of transfer based on the original use term specified in the Contract.

When the use term under the Contract expires (residential: 70 years and commercial: 40 years) and the land user continues using the assigned land under the Contract, an application for renewal shall be submitted to the Chinese government not less than one (1) year prior to the expiration of the use term.

The land use right (included in 'Subdivision land, condominium and residential units for sale') amounting to ₱10.2 billion as at December 31, 2018 is pledged as security to the Renminbi (RMB) 216 million (₱1,651 million) loan from Agricultural Bank of China. The said loan was fully paid in December 2019. No subdivision land, condominium and residential units for sale were pledged as security to liabilities as of December 31, 2020.

13. **Other Current Assets**

This account consists of:

	2020	2019
Input value-added tax (VAT)	**₱11,432,179,257**	₱9,301,277,182
Restricted cash	**5,019,269,617**	2,533,017,832
Advances to suppliers (Note 2)	**4,175,244,931**	4,859,810,484
Prepaid expenses	**3,275,215,633**	2,542,682,724
Creditable withholding tax	**2,234,459,512**	1,785,546,288
Advances to lot owners and joint operations	**331,941,593**	2,142,570,836
Utility deposits	**8,719,131**	15,212,133
Others	**514,120,765**	20,517,099
	₱26,991,150,439	₱23,200,634,578

Input VAT
Input tax pertains to VAT from purchases of goods and services, which will be claimed as credit against output tax liabilities in a manner prescribed by pertinent revenue regulations. The Group believes that the amount of input VAT is fully realizable in the future.

Restricted Cash
RLC has restricted cash that includes the deposits in local banks for the purchase of land and deposits of buyers of Chengdu Xin Yao which will mainly be used for construction of real estate inventories.

In 2020, CAI has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors.

Advances to Suppliers
Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. This also includes prepayments for the construction of residential projects.

Prepaid Expenses
This account consists of prepayments on rent, insurance, taxes, and office supplies.

Advances to Lot Owners and Joint Operations
Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired. The application is expected to be within twelve (12) months after the reporting date.

This also includes deposit to various joint operations partners representing share in an ongoing real estate development which will be liquidated at the end of the joint venture agreement. This deposit will be realized through RLC's share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.

14. **Investments in Associates and Joint Ventures**

Details of this account follow:

	2020	2019
Acquisition cost:		
Balance at beginning of year	**₱119,256,844,701**	₱117,629,554,926
Additional investments	**412,556,393**	1,544,789,775
Disposal of investment	**(577,306,470)**	–
Reclassification/ transfer	**(11,819,164,524)**	82,500,000
Balance at end of year	**107,272,930,100**	119,256,844,701
Accumulated equity in net earnings:		
Balance at beginning of year	**32,981,671,569**	26,863,845,970
Equity in net earnings	**7,616,221,319**	13,357,511,170
Dividends received	**(7,227,674,931)**	(6,866,259,987)
Reclassification / transfer	**660,071,604**	(147,578,714)
Elimination of unrealized gains on downstream sales	**(198,216,371)**	(225,846,870)
Accumulated equity in net losses (earnings) of disposed investment	**22,709,554**	–
Balance at end of year	**33,854,782,744**	32,981,671,569
Share in unrealized gain (loss) on financial assets at FVOCI of associates:		
Balance at beginning of year	**34,851,584**	(141,404,566)
Share in net changes in fair value of financial assets at FVOCI of associates	**55,663,285**	176,256,150
Balance at end of year	**90,514,869**	34,851,584
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	**(584,449,410)**	585,931,095
Share in net changes in remeasurements of the net defined benefit liability of associates	**(1,083,403,985)**	(1,170,380,505)
Reclassification / transfer	**57,787,869**	–
	(1,610,065,526)	(584,449,410)
Cumulative translation adjustment	**22,123,682**	300,104,541
	139,630,285,869	151,989,022,985
Less allowance for impairment losses	**297,450,397**	297,450,397
	₱139,332,835,472	₱151,691,572,588

Equity in net earnings amounting to ₱10.1 billion in 2017 excludes the excess of the share in net loss over the investment in a joint venture amounting to ₱147.6 million (presented in 'Other noncurrent liabilities). In 2019, this amount was reclassified to and recorded as part of the accumulated equity in net earnings of joint venture as a result of the additional investment during the year.

The composition of the carrying value of the Group’s investments in associates and joint ventures and the related percentages of effective ownership interest are shown below:

	Effective Ownership		Carrying Value	
	2020	2019	**2020**	2019
			(In Million Pesos)	
Associates				
Domestic:				
Manila Electric Company (Meralco)	**29.56**	29.56	**₱78,681.0**	₱80,372.8
Oriental Petroleum and Mining Corporation (OPMC)	**19.40**	19.40	**748.7**	758.3
G2M Solutions Philippines Pte. Ltd (G2M)	**0.00**	0.00	**381.1**	160.5
Luzon International Premiere Airport Development Corp. (LIPAD)	**33.00**	33.00	**358.4**	171.3
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**58.9**	59.1
DHL Summit Solutions, Inc. (DSSI) formerly Summit Supply Chain Solutions, Inc.	**50.00**	50.00	**1.2**	30.0
1Aviation Groundhandling Services Corp.	**27.05**	27.05	**–**	30.7
Shang Robinsons Properties, Inc.	**30.49**	30.49	**–**	–
Global Business Power Corporation (GBPC)*	**30.00**	30.00	**–**	11,979.7
Foreign:				
United Industrial Corp., Limited (UICL)	**37.05**	37.05	**56,026.9**	54,303.4
Zyllem Pte. Ltd	**13.33**	13.33	**54.9**	50.8
Air Black Box (ABB)	**10.15**	10.15	**43.7**	43.7
			136,354.8	147,960.3
Joint Ventures				
Domestic:				
RHK Land Corporation	**36.58**	36.58	**1,341.6**	1,375.5
Robinsons DoubleDragon Corporation	**40.07**	40.07	**673.7**	613.3
RLC DMCI Property Ventures, Inc	**30.49**	30.49	**357.5**	361.3
Philippine Academy for Aviation Training (PAAT)	**33.82**	33.82	**218.8**	237.7
Vitasoy-URC, Inc (VURCI)	**27.63**	27.63	**–**	76.3
Danone Universal Robina Beverages, Inc. (DURBI)	**27.63**	27.63	**–**	–
MPIC-JGS Airport Holdings, Inc.	**–**	41.25	**–**	3.8
SIA Engineering (Philippines) Corp. (SIAEP)	**–**	23.67	**–**	470.6
Aviation Partnership (Philippines) Corp. (A-Plus)	**–**	33.14	**–**	247.5
Foreign:				
Proper Snack Foods Limited (PSFL)	**27.68**	27.68	**341.1**	312.8
Calbee – URC Malaysia Sdn. Bhd (CURM)	**27.63**	27.63	**45.4**	32.5
			2,978.1	3,731.3
			₱139,332.9	₱151,691.6

**Carrying value amounting to ₱11.1 billion as of December 31, 2020 has been reclassified to ‘Assets held for sale’*

Material investees

Meralco

On June 14, 2017, the Parent Company acquired an additional 27,500,000 common shares of Meralco for a total cost of ₱6.9 billion. After this transaction, the total number of shares held by the Parent Company is 333,189,397 representing 29.56% of Meralco’s total outstanding common shares.

OPMC

The Group accounts for its investment in OPMC as an associate although the Group holds less than 20.00% of the issued share capital, as the Group has the ability to exercise significant influence over the investment, due to the Group’s voting power (both through its equity holding and its representation in key decision-making committees) and the nature of the commercial relationships with OPMC.

UICL

UICL, a company incorporated in Singapore, is engaged in residential property management. UICL follows the fair value model in measuring investment properties while the Group follows the cost model in measuring investment properties. The financial information of UICL below represents the adjusted amounts after reversal of the effect of revaluation and depreciation on the said assets.

GBPC

On June 30, 2016, the Parent Company completed the acquisition of 577,206,289 shares of GBPC consisting of 423,284,613 shares from GT Capital Holdings, Inc. and 153,921,676 shares from Meralco PowerGen Corporation for a total cost of ₱11.8 billion. The acquisition represents 30.0% of GBPC’s total outstanding common shares. GBPC is a company incorporated in the Philippines engaged in power generation.

In 2016, the Parent Company engaged the services of a third-party valuer to perform a purchase price allocation of the Parent Company’s investment in GBPC among the identifiable assets and liabilities based on fair values. Based on the final purchase price allocation, the difference of ₱4.2 billion between the Parent Company’s share in the carrying values of GBPC’s specific identifiable assets and liabilities and total cost of the Parent Company’s investment was allocated to the Parent Company’s share in the difference between the fair value and carrying value of GBPC’s specific and identifiable assets and liabilities as follows: ₱2.8 billion for intangible assets; ₱442.3 million for property, plant and equipment; ₱4.2 million for long term receivables; ₱333.3 million for long-term debt and the remaining balance of ₱1.3 billion for goodwill.

On December 23, 2020, the Parent Company entered into a share purchase agreement with Meralco PowerGen for the sale of 30% of the issued and outstanding shares of GBPC. The total consideration for the sale of the shares is around ₱12.0 billion which shall be paid in installments. The purchase price will be subject to adjustment based on the amount of dividends from GBPC that the Parent Company will be entitled to receive after the signing date.

The closing of the transaction is expected to be completed in 2021 and subject to conditions precedent, including approval by the Philippine Competition Commission. As of December 31, 2020, the carrying value is reclassified as “Assets held for sale” in the consolidated statement of financial position. The closing of the transaction was completed on March 31, 2021.

Fair value of investments in listed associates

As of December 31, 2020 and 2019, the Group’s investments in the following listed investee companies have fair values of:

	Exchange Listed	**2020**	2019
Meralco	Philippine Stock Exchange	**₱97,291,303,924**	₱105,621,038,849
UICL	Singapore Exchange Limited	**44,917,170,226**	57,839,671,246
OPMC	Philippine Stock Exchange	**474,708,952**	426,890,219

As of December 31, 2020 and 2019, the breakdown of the total fair market value of the Group’s investment in OPMC follows:

	2020	2019
Class A Common Stock	**₱117,136,910**	₱99,115,847
Class B Common Stock	**357,572,042**	327,774,372
	₱474,708,952	₱426,890,219

The fair value is based on the quoted price prevailing as of the reporting date.

Summarized below is the financial information of the significant associates of the Group:

- Summarized statements of financial position of the Group's significant associates as of December 31, 2020 and 2019:

	2020				2019			
	Meralco	**GBPC**	**UICL**	**OPMC**	Meralco	GBPC	UICL	OPMC
Current assets	**₱128,381,000,000**	**₱18,645,218,822**	**₱14,009,378,256**	**₱878,847,676**	₱117,689,831,692	₱20,184,035,973	₱16,201,055,165	₱1,052,518,706
Noncurrent assets	**261,885,000,000**	**51,115,729,579**	**310,965,619,141**	**3,686,205,785**	239,328,530,315	53,315,336,661	323,370,941,921	3,654,791,311
Current liabilities	**142,600,000,000**	**15,351,679,468**	**21,097,792,531**	**21,275,297**	127,562,136,965	11,410,541,046	25,530,846,420	83,985,743
Noncurrent liabilities	**166,935,000,000**	**23,449,784,029**	**13,381,857,374**	**42,282,042**	144,221,146,025	31,005,793,045	14,045,653,002	72,166,166
Equity	**₱80,731,000,000**	**₱30,959,484,904**	**₱290,495,347,492**	**₱4,501,496,122**	₱85,235,079,017	₱31,083,038,543	₱299,995,497,664	₱4,551,158,108
Group's carrying amount of the investment	**₱78,680,964,375**	**₱11,101,305,051**	**₱56,026,898,785**	**₱748,668,457**	₱79,941,986,898	₱12,126,046,658	₱48,981,302,371	₱791,595,964

As of December 31, 2020 and 2019, the Group's share in Meralco's net assets amounted to ₱23.9 billion and ₱25.2 billion, respectively. As of December 31, 2020 and 2019, the excess of the carrying value over the Group's share in Meralco's net assets is attributable to the notional goodwill and the difference between the fair value and carrying value of Meralco's net assets at the date of acquisition.

As of December 31, 2020 and 2019, the Group's share in GBPC's net assets amounted to ₱9.3 billion and ₱9.3 billion, respectively. The excess of the Group's share in the carrying value of GBPC's net assets over the carrying value of the investment is attributable to the notional goodwill and the difference between the fair value and carrying value of GBPC's net assets at the date of acquisition.

As of December 31, 2020 and 2019, the Group's share in UICL's net assets amounted to ₱107.6 billion and ₱111.1 billion, respectively. The excess of the Group's share in the carrying value of UICL's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of UICL's net assets at the date of acquisition.

As of December 31, 2020 and 2019, the Group's share in OPMC's net assets amounted to ₱873.3 million and ₱882.9 million, respectively. The excess of the Group's share in the carrying value of OPMC's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of OPMC's net assets at the date of acquisition.

- Summarized statements of comprehensive income of the Group's significant associates for the period ended December 31, 2020, 2019 and 2018:

	2020				2019			
	Meralco	**GBPC**	**UICL**	**OPMC**	Meralco	GBPC	UICL	OPMC
Revenue	**₱275,304,000,000**	**₱21,876,546,660**	**₱25,517,515,967**	**₱ 169,560,225**	₱319,322,222,397	₱24,664,347,108	₱968,672,147	₱373,034,295
Expenses	**254,313,000,000**	**15,538,527,602**	**16,677,920,134**	**134,808,203**	289,069,727,910	17,390,229,780	467,453,130	299,805,689
Finance costs (income)	**(1,424,000,000)**	**2,203,211,624**	**46,288,892**	**(79,762,983)**	(1,662,088,758)	2,264,670,273	2,930,980	–
Profit before tax	**22,415,000,000**	**4,134,807,434**	**8,793,306,941**	**114,515,005**	31,914,583,245	5,009,447,055	498,288,037	73,228,606
Income tax expense	**6,266,000,000**	**1,088,892,516**	**1,021,844,374**	**–**	8,543,046,152	1,102,612,239	41,642,037	–
Profit for the year (continuing operations)	**₱16,149,000,000**	**₱3,045,914,918**	**₱7,771,462,567**	**₱114,515,005**	₱23,371,537,093	₱3,906,834,816	₱456,646,000	₱73,228,606
Other comprehensive income (loss) for the year	**(4,299,000,000)**	**–**	**–**	**–**	(2,995,676,854)	–	–	–
Total comprehensive income for the year (continuing operations)	**₱11,850,000,000**	**₱3,045,914,918**	**₱7,771,462,567**	**₱114,515,005**	₱20,375,860,239	₱3,906,834,816	₱456,646,000	₱73,228,606
Group's share of profit for the year	**₱4,607,335,920**	**₱541,296,119**	**₱2,492,264,217**	**₱28,644,075**	₱6,667,422,170	₱671,236,006	₱6,037,320,136	₱14,206,355

	2018			
	Meralco	GBPC	UICL	OPMC
Revenue	₱306,484,000,000	₱27,219,494,275	₱26,398,495,164	₱546,215,154
Expenses	276,737,000,000	20,342,220,593	16,158,971,353	390,232,352
Finance costs	(798,000,000)	2,239,282,564	9,696,634	–
Profit before tax	30,545,000,000	4,637,991,118	10,229,827,177	155,982,802
Income tax expense	7,443,000,000	1,120,985,283	1,486,108,349	35,520,914
Profit for the year (continuing operations)	₱23,102,000,000	₱3,517,005,835	₱8,743,718,828	₱120,461,888
Total comprehensive income for the year (continuing operations)	480,000,000	–	–	–
Total comprehensive income for the year (continuing operations)	₱23,582,000,000	₱3,517,005,835	₱8,743,718,828	₱120,461,888
Group's share of profit for the year	₱6,588,285,540	₱621,783,963	₱3,239,372,942	₱22,017,011

Individually immaterial investees

LIPAD

On February 18, 2019, the Parent Company invested in Luzon International Premiere Airport Development Corporation (LIPAD). The shares acquired represented 33% of LIPAD's total outstanding common shares. LIPAD is a corporation organized and incorporated in the Philippines to engage in the operation and maintenance of airports, whether operating as a domestic or international airport or both, including day-to-day administration, functioning, management, manning, upkeep, and repair of all facilities necessary for the use or required for the safe and proper operation of airports.

In December 2020, the Parent Company made additional investment amounting to ₱115.5 million equivalent to 115.5 million shares.

CLIPI

As of December 31, 2020 and 2019, the Group has deposit for future stock subscription in CLIPI amounting to ₱10.0 million. These represents 20.0% of CLIPI's proposed increase in authorized capital stock.

G2M

On September 20, 2018, the Parent Company invested in G2M's convertible note amounting to $5.9 million. The Parent Company paid $2.97 million to G2M as first installment payment. On January 2020, the Parent Company paid $2.97 million as second installment payment for its convertible note since certain conditions were met. The convertible note gives the Parent Company the right to convert to 14.90% of the outstanding stock of G2M. The Parent Company has one representation on the BOD of the G2M.

On September 16, 2020, the Parent Company entered into an assignment of agreement with JG Digital Capital Pte. Ltd (JGDCPL) to assign all its rights and obligations in the investment.

On December 14, 2020, JGDCPL invested in G2M's convertible amounting to $1.45 million which is equivalent to 23,112 shares in the company upon conversion.

PAAT

Investment in PAAT pertains to CAI's 60.00% investment in shares of the joint venture. However, the joint venture agreement between the CAI and CAE International Holdings Limited (CAE) states that CAI is entitled to 50.00% share on the net income/loss of PAAT. As such, the CAI recognizes equivalent 50.00% share in net income and net assets of the joint venture.

As of December 31, 2020 and 2019, CAI's investment in PAAT amounted to ₱218.8 million and ₱237.7 million, respectively.

DURBI

On May 23, 2014, URC entered into a joint venture agreement with Danone Asia Holdings Pte. Ltd., a corporation duly organized in the Republic of Singapore to form Danone Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "B'lue" brand name, which is under exclusive license to DURBI in the Philippines.

In 2018, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱82.5 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

In 2019, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 10,000,000 common shares for a total cost of ₱125.0 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

PSFL

On June 30, 2017, Griffin's Food Limited (Griffin's) purchased 50.1% of the shares in Proper Snack Foods Ltd (a Nelson, New Zealand-based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ$8.0 million, or ₱282.1 million. PSFL manufactures and distributes crisps.

Calbee-URC Malaysia

On August 23, 2017, URC Malaysia entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC Malaysia Sdn Bhd (CURM), a corporation registered with the Companies Commission of Malaysia organized to manufacture savory snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

Shang Robinsons Properties, Inc

On November 13, 2017, RLC's BOD approved the agreement with Shang Properties, Inc. (SPI) to form a joint venture corporation (JVC).

On May 23, 2018, Shang Robinsons Properties, Inc., the JVC, was incorporated. Both RLC and SPI each own 50% of the outstanding shares in the JVC. The office address of the JVC is at Lower Ground Floor, Cyber Sigma Building, Lawton Avenue, Fort Bonifacio Taguig.

RLC and SPI, through the JVC, shall build and develop a property situated at McKinley Parkway corner 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The project is intended to be a mixed-use development and may include residential condominium units, serviced apartments and commercial retail outlets. The JVC also plans to pursue other development projects.

RHK Land Corporation

On February 5, 2018, RLC's BOD approved the agreement with Hong Kong Land Group (HKLG) represented by Hong Kong Land International Holdings, Ltd. and its subsidiary Ideal Realm Limited to form a joint venture corporation (JVC).

On June 14, 2018, RHK Land Corporation, the JVC, was incorporated. RLC and HKLG owns 60% and 40%, respectively, of the outstanding shares in the JVC. The principal office of the JVC is at 12F Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, Ortigas Center, Pasig City.

RLC and HKLG, through the JVC, shall engage in the acquisition, development, sale and leasing of real property. The JVC shall initially undertake the purchase of a property situated in Block 4 of Bridgetowne East, Pasig City, develop the property into a residential enclave and likewise carry out the marketing and sales of the residential units. The JVC also plans to pursue other development projects.

On October 2018, RLC entered into a Shareholder Loan Agreement with the JVC. Repayment date falls on the fifth anniversary of the effective date.

Robinsons DoubleDragon Corporation (RDDC)

On December 26, 2019, Robinsons DoubleDragon Corp. (RDDC) was incorporated as the joint venture company (JVC) between RLC and DoubleDragon Corporation. The primary purpose is to engage in realty development.

RLC DMCI Property Ventures, Inc.
In October 2018, the Parent Company entered into a Joint Venture Agreement with DMCI Project Developers, Inc. (DMCI PDI) to develop, construct, manage, and sell a residential condominium situated in Las Piñas City. Both parties agreed to incorporate a joint venture corporation where each party will hold a 50% ownership.

On March 18, 2019, RLC DMCI Property Ventures, Inc. (RLC DMCI) was incorporated as the joint venture company (JVC) between RLC and DMCI PDI. The proposed project is intended to be a multi-tower residential condominium and may include commercial spaces.

DHL Summit Solutions, Inc. (DSSI)
On December 18, 2019, the Parent Company invested in DSSI. DSSI was incorporated on October 1, 2019 and shall engage in the business of providing domestic transportation, logistics, warehousing and distribution of cargoes, and other supply chain management activities. DSSI started commercial operations in July 2020.

Zyllem Pte. Ltd.
In August 2019, JGDCPL invested in 7,476,857 Series A+ shares of Zyllem Pte. Ltd. (Zyllem) at SGD0.1806 per share, or total subscription price of SGD1.35 million. Zyllem is a private company incorporated and based in Singapore that provides fast, cost-effective and reliable on-demand delivery service. Zyllem operates in certain cities in Southeast Asia. Post-subscription, JGDCPL holds 13.33% ownership interest in Zyllem. Also, under the Shareholders' Agreement, subject to JGDCPL holding less than 10% ownership interest, JGDCPL is entitled to appoint one (1) director. The investment in Zyllem is accounted for as investment in an associate since the Group has one representation on the BOD of Zyllem.

On November 13, 2020, JGDCPL invested in convertible note with face value of SGD0.3 million equivalent to ₱10.7 million.

Aviation Partnership (Philippines) Corporation (A-Plus) and SIA Engineering (Philippines) Corporation (SIAEP)
CAI's investment in APPC and SIAEP were established for the purpose of providing line, light and heavy maintenance services to foreign and local airlines, utilizing the facilities and services at airports in the country, as well as aircraft maintenance and repair organizations.

APPC was incorporated in the Philippines on May 24, 2005 and started commercial operations on July 1, 2005 while SIAEP was incorporated on July 27, 2008 and started commercial operations on August 17, 2009.

On October 26, 2020, CAI signed a Share Sale and Purchase Agreement (SPA) with SIA Engineering Company Limited (SIAEC) for the acquisition of SIAEC's entire 51% shareholding in A-Plus. The consideration paid was US$5,607,378 and consists of a one-time payment in cash. The consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of A-Plus.

On November 3, 2020, CAI and SIAEC signed the Deed of Absolute Sale of Shares for this transaction making A-Plus a wholly owned subsidiary of CAI.

On October 26, 2020, CAI also entered into an SPA with SIAEC to divest CAI's 35% shareholding in SIAEP which resulted in a gain on disposal of ₱34.5 million. This divestment is in line with CAI's strategy to streamline its fleet management and rationalize its aircraft base maintenance, repair and overhaul offerings to optimize its operational efficiency and further strengthen its core competencies.

The consideration received was US$7,740,000 via a one-time cash receipt. The consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of SIAEP. On November 3, 2020, CAI and SIAEC signed the Deed of Absolute Sale of Shares for this transaction, thus, CAI no longer has any equity interest in SIAEP.

Aggregate information of associates and joint ventures that are not individually material follows:

	2020		2019	
	Associates	**Joint Venture**	Associates	Joint Venture
Group's share of:				
Profit (loss) for the year	**₱38,771,914**	**₱92,425,640**	₱36,240,500	(₱68,913,997)
Other comprehensive income for the year	**–**	**–**	–	–
Total comprehensive income for the year	**₱38,771,914**	**₱92,425,640**	₱36,240,500	(₱68,913,997)
Group's share of dividends for the year	**₱1,000,000**	**₱–**	₱2,000,000	₱48,693,162
Group's carrying amount of the investment	**₱898,261,334**	**₱2,978,042,521**	₱546,086,425	₱3,731,311,972

Investment in Subsidiaries
Financial information of subsidiaries that have material non-controlling interest is provided below:

- Portion of equity interest held by non-controlling interest

Name of Subsidiary	Country of Incorporation and Operation	**December 31, 2020**	December 31, 2019
Universal Robina Corporation (URC)	Philippines	**44.75**	44.75
Robinsons Land Corporation (RLC)	Philippines	**39.03**	39.03
Cebu Air, Inc. (CAI)	Philippines	**32.20**	32.20
Robinsons Bank Corporation (RBC)	Philippines	**40.00**	40.00

- Accumulated balances of material non-controlling interest:

Name of Subsidiary	**2020**	2019
URC	**₱46,809,364,089**	₱44,697,172,077
RLC	**40,628,491,243**	39,413,894,384
CAI	**7,291,166,799**	14,471,966,173
RBC	**7,330,245,744**	6,689,122,170

- Profit allocated to material non-controlling interest:

Name of Subsidiary	**2020**	2019
URC	**₱5,686,835,451**	₱4,797,010,497
RLC	**2,049,886,134**	3,401,193,211
CAI	**(7,145,696,887)**	2,953,400,776
RBC	**373,834,767**	275,770,603

The summarized financial information of subsidiaries with material non-controlling interest are provided below. This information is based on amounts before inter-company eliminations.

- Summarized statement of financial position as at December 31, 2020:

	URC	**RLC**	**CAI**	**RBC**
Current assets	**₱65,562,838,524**	**₱78,953,290,052**	**₱12,138,683,588**	**₱146,676,027,057**
Noncurrent assets	**110,632,091,743**	**136,247,435,005**	**116,319,897,988**	**4,539,360,153**
Current liabilities	**53,667,829,890**	**52,974,616,397**	**33,790,839,089**	**131,975,249,476**
Noncurrent liabilities	**24,742,938,443**	**59,508,077,025**	**71,976,865,872**	**914,523,375**

- Summarized statement of financial position as at December 31, 2019:

	URC	RLC	CAI	RBC
Current assets	₱64,844,632,262	₱56,779,122,872	₱25,970,368,533	₱47,939,220,762
Noncurrent assets	103,808,357,611	132,872,086,889	131,762,204,029	83,201,717,832
Current liabilities	34,933,350,028	41,345,192,866	42,696,069,925	90,539,016,591
Noncurrent liabilities	38,535,137,651	48,228,346,417	70,135,526,977	23,541,447,635

- Summarized statements of comprehensive income for 2020:

	URC	**RLC**	**CAI**	**RBC**
Revenue	**₱133,140,081,384**	**₱25,404,826,534**	**₱22,617,967,165**	**₱8,401,849,879**
Profit (loss) for the year from continuing operations	**11,624,602,710**	**5,259,364,231**	**(22,236,441,976)**	**934,586,917**
Total comprehensive income	**9,882,497,384**	**4,923,206,500**	**(22,165,338,382)**	**1,265,139,991**
Dividends paid to non-controlling interests	**3,449,909,754**	**1,023,801,914**	–	–

- Summarized statements of comprehensive income for 2019:

	URC	RLC	CAI	RBC
Revenue	₱134,174,527,579	₱30,583,835,565	₱84,806,810,363	₱8,121,662,955
Profit for the year from continuing operations	10,114,683,777	8,692,609,758	9,122,952,680	719,426,508
Total comprehensive income	11,004,041,325	8,763,698,639	9,125,843,406	1,712,920,576
Dividends paid to non-controlling interests	3,395,036,779	1,019,391,907	1,354,532,703	–

- Summarized statements of comprehensive income for 2018:

	URC	RLC	CAI	RBC
Revenue	₱127,769,949,329	₱29,558,482,650	₱74,113,776,885	₱6,132,382,567
Profit for the year from continuing operations	9,462,786,222	8,223,964,585	3,922,744,538	317,113,802
Total comprehensive income	11,304,232,869	8,244,577,443	3,929,651,955	(635,921,001)
Dividends paid to non-controlling interests	3,445,317,586	729,728,560	893,435,847	–

- Summarized statements of cash flows for 2020:

	URC	**RLC**	**CAI**	**RBC**
Operating	**₱18,936,381,384**	**₱12,676,825,680**	**(₱13,216,604,168)**	**₱14,241,687,736**
Investing	**(11,352,455,654**	**(12,303,802,822)**	**3,508,206,021**	**(722,941,692)**
Financing	**(9,202,794,126)**	**6,570,797,403**	**(3,940,966,965)**	**(2,306,284,717)**
Effect of exchange rate changes	–	–	**(221,963,106)**	**87,417,783**
Net cash flows	**₱9,733,587,258**	**₱6,943,820,261**	**(₱13,871,328,218)**	**₱11,299,879,110**

- Summarized statements of cash flows for 2019:

	URC	RLC	CAI	RBC
Operating	₱15,610,917,681	₱18,130,230,953	₱29,244,053,595	(₱9,356,844,870)
Investing	(1,753,099,045)	(15,658,603,768)	(20,812,478,783)	1,867,570,934
Financing	(6,396,659,690)	2,044,970,511	(6,601,315,417)	4,164,929,253
Effect of exchange rate changes	–	–	(527,534,227)	9,141,111
Net cash flows	₱7,461,158,946	₱4,516,597,696	₱1,302,725,168	(₱3,315,203,572)

- Summarized statements of cash flows for 2018:

	URC	RLC	CAI	RBC
Operating	₱14,657,595,147	₱13,290,007,948	₱15,287,432,831	(₱6,741,597,348)
Investing	(8,680,124,323)	(17,232,445,256)	(22,906,778,155)	(6,561,616,665)
Financing	(7,789,986,703)	4,410,823,612	8,459,574,791	12,193,415,048
Effect of exchange rate changes	–	–	438,876,572	(17,420,981)
Net cash flows	(₱1,812,515,879)	₱468,386,304	₱1,279,106,039	(₱1,127,219,946)

15. Investment Properties

Movements in this account follow:

	2020			
	Land and Land Improvements	**Buildings and Improvements**	**Construction In-Progress**	**Total**
Cost				
Balance at beginning of year	**₱33,211,109,147**	**₱95,036,367,934**	**₱7,012,269,569**	**₱135,259,746,650**
Additions	**1,641,867,500**	**1,515,051,620**	**7,145,187,166**	**10,302,106,286**
Disposals/transfers and other adjustments	**(900,612,551)**	**2,061,273,201**	**(1,286,036,483)**	**(125,375,833)**
Balance at end of year	**33,952,364,096**	**98,612,692,755**	**12,871,420,252**	**145,436,477,103**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**184,401,753**	**36,047,768,445**	**–**	**36,232,170,198**
Depreciation and amortization	**28,039,744**	**4,308,960,652**	**–**	**4,337,000,396**
Disposals/transfers and other adjustments		**165,494,670**	**–**	**165,494,670**
Balance at end of year	**212,441,497**	**40,522,223,767**	**–**	**40,734,665,264**
Allowance for Impairment Losses				
Balance at beginning of year	**25,930,193**	**1,400,223**	**–**	**27,330,416**
Provision for impairment losses	**8,679**	**144,448**	**–**	**153,127**
Reversal of impairment losses	**(733,483)**	**(24,126)**	**–**	**(757,609)**
Balance at end of year	**25,205,389**	**1,520,545**	**–**	**26,725,934**
	₱33,714,717,210	**₱58,088,948,443**	**₱12,871,420,252**	**₱104,675,085,905**

	2019			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱32,721,622,396	₱87,262,961,198	₱6,314,587,588	₱126,299,171,182
Additions	950,264,717	2,754,948,866	6,355,317,188	10,060,530,771
Disposals/transfers and other adjustments	(460,777,966)	5,018,457,870	(5,657,635,207)	(1,099,955,303)
Balance at end of year	33,211,109,147	95,036,367,934	7,012,269,569	135,259,746,650
Accumulated Depreciation and Amortization				
Balance at beginning of year	₱158,981,682	₱32,288,559,129	₱–	₱32,447,540,811
Depreciation and amortization	26,209,217	4,031,059,216	–	4,057,268,433
Disposals/transfers and other adjustments	(789,146)	(271,849,900)	–	(272,639,046)
Balance at end of year	184,401,753	36,047,768,445	–	36,232,170,198
Allowance for Impairment Losses				
Balance at beginning of year	23,214,800	11,444,696	–	34,659,496
Reversal of impairment losses	(470,209)	(3,353,416)	–	(3,823,625)
Disposals/transfers/other adjustments	3,185,602	(6,691,057)	–	(3,505,455)
Balance at end of year	25,930,193	1,400,223	–	27,330,416
Net Book Value at End of Year	₱33,000,777,201	₱58,987,199,266	₱7,012,269,569	₱99,000,246,036

Investment properties consist mainly of land held for appreciation, shopping malls or commercial centers, office buildings and warehouses that are held to earn rentals. Also included under this account are the properties acquired by the Group's banking segment through foreclosures. Most of the Group's properties are in prime locations across the Philippines.

Construction in progress amounting to ₱12.9 billion and ₱5.7 billion as of December 31, 2020 and 2019, respectively, represents the cost of ongoing construction and development of malls and office buildings for lease.

Borrowing costs capitalized amounted to ₱0.35 billion and ₱0.32 billion in 2020 and 2019, respectively. These amounts were included in the consolidated statements of cash flows under additions to investment properties. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2020 and 2019 were 4.54% and 4.59%, respectively.

Consolidated rent income from investment properties included under 'Real estate and hotels revenue' in the consolidated statements of comprehensive income amounted to ₱10.6 billion, ₱15.4 billion and ₱13.5 billion in 2020, 2019 and 2018, respectively.

Property operations and maintenance costs included under 'Cost of services' arising from investment properties amounted to ₱492.0 million, ₱680.0 million and ₱791.0 million for the year ended December 31, 2020, 2019 and 2018, respectively.

Gain on sale or retirement and disposal of investment properties amounted to nil, ₱17.4 million and nil for the years ended December 31, 2020, 2019 and 2018, respectively.

<u>Depreciation and Amortization</u>
The breakdown of consolidated depreciation and amortization on investment properties follows:

	2020	2019	2018
Depreciation and amortization expense included under:			
Cost of services (Note 33)	**₱4,295,854,563**	₱4,023,366,050	₱3,699,469,319
General and administrative expenses (Note 33)	**41,145,833**	33,902,383	31,728,747
	₱4,337,000,396	₱4,057,268,433	₱3,731,198,066

<u>Collaterals</u>
As of December 31, 2020 and 2019, the Group has no investment properties that are pledged as collateral.

16. Property, Plant and Equipment

The composition of and movements in this account follow:

	December 31, 2020							
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost								
Balance at beginning of year	₱7,880,937,530	₱36,161,110,685	₱132,350,689,804	₱12,599,686,600	₱118,200,275,859	₱73,207,836,386	₱5,053,650,131	₱385,454,186,995
Additions	53,638,164	1,223,980,637	7,291,843,198	788,088,965	3,531,787,491	14,063,691,815	93,748,991	27,046,779,261
Acquisition of assets that qualified as a business	1,757,652,552	158,230,318	2,587,630,231	–	–	–	–	4,503,513,101
Transfers, disposals and other adjustments	(125,691,204)	(2,891,329,489)	(671,015,376)	1,008,020,617	(18,137,756,628)	(38,901,685)	(231,748,698)	(21,088,422,463)
Balance at end of year	9,566,537,042	34,651,992,151	141,559,147,857	14,395,796,182	103,594,306,722	87,232,626,516	4,915,650,424	395,916,056,894
Accumulated Depreciation and Amortization								
Balance at beginning of year	1,672,654,959	15,415,406,938	68,717,381,262	9,892,037,131	30,481,614,557	–	–	126,179,094,847
Depreciation and amortization	218,383,239	1,431,573,502	7,619,683,084	1,102,519,307	9,110,848,227	–	–	19,483,007,359
Disposals, transfers and other adjustments	(13,958,750)	(206,528,980)	(990,579,149)	848,849,244	(9,831,842,566)	–	–	(10,194,060,201)
Balance at end of year	1,877,079,448	16,640,451,460	75,346,485,197	11,843,405,682	29,760,620,218	–	–	135,468,042,005
Allowance for Impairment Losses								
Balance at beginning of year	11,385,054	1,194,537	19,416,265	279,328	–	–	–	32,275,184
Provision for (reversal of) impairment losses (Note 34)	–	–	–	–	–	–	–	–
Disposals, transfers and other adjustments	–	–	–	–	–	–	–	–
Balance at end of year	11,385,054	1,194,537	19,416,265	279,328	–	–	–	32,275,184
Net Book Value at End of Year	₱7,678,072,540	₱18,010,346,154	₱66,193,246,395	₱2,552,111,172	₱73,833,686,504	₱87,232,626,516	₱4,915,650,424	₱260,415,739,705

	December 31, 2019							
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost								
Balance at beginning of year	₱7,442,844,599	₱33,173,487,797	₱126,294,624,225	₱11,487,154,411	₱104,689,791,895	₱44,352,463,790	₱4,920,592,170	₱332,360,958,887
Additions	427,774,011	2,867,328,508	6,429,647,355	1,119,874,196	21,166,514,748	29,917,470,239	159,279,456	62,087,888,513
Additions from acquisition of subsidiaries	–	29,148,248	659,837,348	17,320,616	–	–	–	706,306,212
Transfers, disposals and other adjustments	10,318,920	91,146,132	(1,033,419,124)	(24,662,623)	(7,656,030,784)	(1,062,097,643)	(26,221,495)	(9,700,966,617)
Balance at end of year	7,880,937,530	36,161,110,685	132,350,689,804	12,599,686,600	118,200,275,859	73,207,836,386	5,053,650,131	385,454,186,995
Accumulated Depreciation and Amortization								
Balance at beginning of year	1,470,820,843	13,856,401,641	62,856,801,693	8,512,289,254	25,084,182,445	–	–	111,780,495,876
Depreciation and amortization	208,112,453	1,468,339,249	6,945,307,633	1,108,404,559	9,302,025,593	–	–	19,032,189,487
Additions from acquisition of subsidiaries	–	14,747,981	248,628,009	14,165,865	–	–	–	277,541,855
Disposals, transfers and other adjustments	(6,278,337)	75,918,067	(1,333,356,073)	257,177,453	(3,904,593,481)	–	–	(4,911,132,371)
Balance at end of year	1,672,654,959	15,415,406,938	68,717,381,262	9,892,037,131	30,481,614,557	–	–	126,179,094,847
Allowance for Impairment Losses								
Balance at beginning of year	7,742,527	551,043,201	1,747,742,728	279,328	–	–	–	2,306,807,784
Provision for (reversal of) impairment losses (Note 34)	–	(546,468,790)	(1,728,326,463)	–	–	–	–	(2,274,795,253)
Disposals, transfers and other adjustments	3,642,527	(3,379,874)	–	–	–	–	–	262,653
Balance at end of year	11,385,054	1,194,537	19,416,265	279,328	–	–	–	32,275,184
Net Book Value at End of Year	₱6,196,897,517	₱20,744,509,210	₱63,613,892,277	₱2,707,370,141	₱87,718,661,302	₱73,207,836,386	₱5,053,650,131	₱259,242,816,964

Acquisition of CACI Sugar Mill, Roxol Bioethanol Plant and NAVI Shares
URC entered into an agreement with Roxas Holdings Inc. (RHI), together with its wholly-owned subsidiaries, Central Azucarera de la Carlota, Inc. (CACI) and Roxol Bioenergy Corporation (Roxol) for the acquisition of sugar mill, bio-ethanol plant and shares held by RHI in NAVI.

On September 30, 2020, URC and RHI proceeded to close the sale transaction, with the signing and delivery of the definitive sales agreements as well as performance of all conditions necessary for the closing of the transaction. The Group recognized property, plant and equipment amounting to ₱4.4 billion from the purchase transaction.

Asset Purchase Agreement with Century Pacific Food, Inc (CNPF)
In May 2017, CNPF entered into an asset purchase agreement with URC to purchase the machineries and equipment used in manufacturing the Hunt's branded products for a total consideration of ₱145.1 million, net of tax. The Group recognized gain on disposal amounting to ₱117.0 million, under 'Other income (losses)' in the consolidated statements of comprehensive income. The sale was completed on August 31, 2017.

CNPF also entered into a Compensation Agreement with URC to acquire the exclusive right to manufacture and sell Hunt's branded products amounting to ₱214.2 million. The Group recognized gain of the same amount under 'Other income (losses)' in the consolidated statements of comprehensive income.

In January 2017, URC executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its three parcels of land costing ₱1.0 million for a total consideration of ₱111.3 million. Gain on disposal attributable to sale amounted to ₱110.3 million, which was recognized under 'Other income (loss) - net' in the consolidated statements of comprehensive income.

Reversal of impairment loss
In 2019, following the review of the Petrochemical business, the outlook for the industry and Petrochemical's operating plan, the Group recognized a reversal of impairment loss amounting to ₱2.3 billion in 2019. The Group is currently expanding its Naphtha Cracker Plant capacity, which is expected to be completed in 2021. This expansion will generate economies of scale that will decrease the Group's olefins costs and lead to significantly higher polymer margins.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management. The projected cash flows have been updated to reflect demand for JGSPC's products. The pre-tax discount rate applied to cash flow projections is 13.76% and cash flows beyond one-year period are extrapolated using a 3.77% growth rate, consistent with the long-term average growth rate for petrochemical industry.

Construction in-progress
CAI
Construction in-progress represents the cost of aircraft and engine modifications in progress and buildings and improvements and other ground property under construction. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2020 and 2019, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱16.3 billion and ₱17.7 billion, respectively.

URC
Construction-in-progress amounting to ₱10.7 billion and ₱9.1 billion as of December 31, 2020 and 2019, respectively, represents costs of ongoing expansion and constructions of plants.

JGSOC
Construction-in-progress amounting to ₱19.9 billion and ₱16.9 billion as of December 31, 2020 and 2019, respectively, represents the construction costs of the Naphtha Cracker Plant. The plant is intended for the production primarily of polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

JGSPC
Construction-in-progress amounting to ₱36.0 billion and ₱29.0 billion as of December 31, 2020 and 2019, respectively, represents the expansion and rehabilitation of polypropylene and polyethylene plant.

Depreciation and Amortization
The breakdown of consolidated depreciation and amortization on property, plant and equipment follows:

	2020	2019	2018
General and administrative expenses (Note 33)	**₱10,238,796,893**	₱10,288,831,103	₱8,491,559,939
Cost of sales (Note 33)	**8,415,168,078**	7,856,443,308	7,266,240,029
Cost of services (Note 33)	**829,042,388**	886,915,076	757,263,326
	₱19,483,007,359	₱19,032,189,487	₱16,515,063,294

Property, Plant and Equipment Pledged as Collateral
Passenger aircraft held as securing assets under various loans
CAI entered into various Export Credit Agency (ECA) loans and commercial loan facilities to finance the purchase of its aircraft and engines. As of December 31, 2020 and 2019, the Group's passenger aircraft and engines held as securing assets under various loans are as follows:

	2020	2019
	Commercial Loans	Commercial Loans
A320 CEO	**17**	17
ATR 72-500	**–**	–
ATR 72-600	**12**	12
A321 CEO	**7**	7
A321 NEO	**6**	5
A330 CEO	**2**	2
	44	43

Under the terms of the commercial loan facilities (Note 23), upon the event of default, the outstanding amount of loan (including accrued interest) will be payable by the SPEs. Under the terms of commercial loan facilities from local banks, upon event of default, the outstanding amount of loan will be payable, including interest accrued by CAI. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2020 and 2019, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱64.5 billion and ₱58.4 billion, respectively.

Forward Sale Agreement
On December 18, 2018, CAI signed a forward sale agreement with Sunrise Asset Management, a subsidiary of Allegiant Travel Company (collectively known as "Allegiant") covering three (3) A320 aircraft. The aircraft were delivered on various dates within 2019 and CAI recognized ₱352.1 million loss on sale in the consolidated statement of comprehensive income in 2019.

In 2019, CAI entered into an engine sale agreement with RRPF Engine Leasing Limited for two (2) Rolls–Royce Trent 772B engines, delivered in August and September, which resulted in a gain of ₱126.4 million.

In September and October 2020, the Group sold eight (8) CFM56 engines as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V. The lease portion is an arrangement of short- and long-term leases between 18 months to eight (8) years, respectively. The sale portion resulted in a gain of ₱152.9 million.

In November 2020, the Group sold five (5) A320 aircraft as part of a sale and leaseback transaction with EOS Aviation 6 (Ireland) Limited. The lease portion is an arrangement of leases ranging between three (3) to four (4) years. The sale portion resulted into a loss of ₱412.9 million.

Proceeds from sale of property and equipment for the year ended December 31, 2020 and 2019 amounted to ₱7,336.3 million and ₱4,406.6 million, respectively.

Sale and Operating Leaseback
In May and November 2017, the Group entered into a sale and operating leaseback transactions with Ibon Leasing Limited (ILL) and JPA No. 78/79/80/81 Co., Ltd. covering two and four Airbus A320, respectively. The sale of aircraft required the prepayment of outstanding balance of the loan facility attributed to the sold Airbus A320 aircraft. The total amount of loans and breakage costs paid amounted to ₱4,162.6 million and ₱12.32 million, respectively. The Group recognized gain on sale of aircraft amounting to ₱635.5 million from these transactions.

In July and August 2018, CAI entered into a sale and operating leaseback transaction with JPA No. 117/118/119 Co., Ltd. covering three (3) Airbus A320. CAI recognized gain on sale of aircraft amounting to ₱110.2 million from these transactions in 2018.

Operating Fleet
As of December 31, 2020 and 2019, the Group's operating fleet follow:

	2020	2019
Leased aircrafts: (Note 42)		
Airbus A320 CEO	**22**	26
Airbus A321 CEO	**7**	7
Airbus A330 CEO	**6**	6
Airbus A321 NEO	**7**	5
Airbus A320 NEO	**5**	4
ATR 72-600	**1**	1
Owned aircrafts: (Note 23)		
ATR 72-600	**12**	12
ATR 72-500	**8**	8
Airbus A320 CEO	**4**	4
Airbus A330 CEO	**2**	2
	74	75

In June 2020, the Group received one (1) A321 NEO aircraft.

Gain (loss) on sale or retirement of property, plant and equipment amounted to (₱370.2 million), (₱223.8 million) and ₱37.1 million in 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱6.5 billion and ₱8.4 billion, respectively.

17. Biological Assets

Total biological assets shown in the consolidated statements of financial position follow:

	2020	2019
Current portion	**₱99,919,468**	₱733,435,525
Noncurrent portion	**134,331,929**	224,128,072
	₱234,251,397	₱957,563,597

These biological assets consist of:

	2020	2019
Swine		
Commercial	**₱74,123,306**	₱711,301,722
Breeder	**42,920,185**	136,695,328
Poultry		
Commercial	**25,796,162**	22,133,803
Breeder	**91,411,744**	87,432,744
	₱234,251,397	₱957,563,597

The rollforward analysis of this account follows:

	2020	2019
Balance at beginning of year	**₱957,563,597**	₱1,107,904,051
Additions	**1,756,709,312**	3,641,918,030
Disposals	**(1,966,488,386)**	(3,483,083,335)
Write-down	**(550,573,074)**	(238,990,324)
Gains (loss) arising from changes in fair value less estimated costs to sell	**37,039,948**	(70,184,825)
	₱234,251,397	₱957,563,597

As of December 31, 2020 and 2019, the Group has about 21,142 and 209,640 heads of swine, respectively, and about 623,821 and 529,971 heads of poultry, respectively.

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18. Intangible Assets

The composition and movements in this account follow:

	2020						
	Technology Licenses	**Branch licenses and others**	**Software Costs**	**Trademarks and Brands**	**Product Formulation**	**Customer Relationship**	**Total**
Cost							
Balance at beginning of year	**₱552,331,752**	**₱1,765,822,935**	**₱1,151,330,104**	**₱9,564,461,252**	**₱425,000,000**	**₱2,201,281,165**	**₱15,660,227,208**
Additions	**–**	**809,575**	**519,107,339**	**–**	**–**	**–**	**519,916,914**
Disposals/reclassification/others	**–**	**–**	**6,124,065**	**–**	**–**	**–**	**6,124,065**
Balance at end of year	**552,331,752**	**1,766,632,510**	**1,676,561,508**	**9,564,461,252**	**425,000,000**	**2,201,281,165**	**16,186,268,187**
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	**552,331,752**	**–**	**671,865,818**	**201,524,581**	**–**	**336,114,658**	**1,761,836,809**
Amortization	**–**	**–**	**190,672,483**	**–**	**–**	**69,251,299**	**259,923,782**
Disposals/reclassifications	**–**	**–**	**19,182,004**	**–**	**–**	**(9,575,603)**	**9,606,401**
Balance at end of year	**552,331,752**	**–**	**881,720,305**	**201,524,581**	**–**	**395,790,354**	**2,031,366,992**
Net Book Value at End of Year	**₱–**	**₱1,766,632,510**	**₱794,841,203**	**₱9,362,936,671**	**₱425,000,000**	**₱1,805,490,811**	**₱14,154,901,195**

	2019						
	Technology Licenses	Branch licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	Total
Cost							
Balance at beginning of year	₱552,331,752	₱1,765,776,346	₱1,022,979,831	₱9,564,461,252	₱425,000,000	₱2,201,281,165	₱15,531,830,346
Additions	–	46,589	137,839,833	–	–	–	137,886,422
Disposals/reclassification/others	–	–	(9,489,560)	–	–	–	(9,489,560)
Balance at end of year	552,331,752	1,765,822,935	1,151,330,104	9,564,461,252	425,000,000	2,201,281,165	15,660,227,208
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	552,331,752	–	551,662,149	201,524,581	–	271,887,272	1,577,405,754
Amortization	–	–	149,310,482	–	–	73,357,370	222,667,852
Disposals/reclassifications	–	–	(29,106,813)	–	–	(9,129,984)	(38,236,797)
Balance at end of year	552,331,752	–	671,865,818	201,524,581	–	336,114,658	1,761,836,809
Net Book Value at End of Year	₱–	₱1,765,822,935	₱479,464,286	₱9,362,936,671	₱425,000,000	₱1,865,166,507	₱13,898,390,399

Technology Licenses
Technology licenses represent the cost of JGSPC's technology and licensing agreements which cover the construction, manufacture, use and sale of PE and PP lines. JGSPC's technology licenses were fully impaired in 2006.

Branch Licenses and Others
Branch licenses pertain to RBC which amounted to ₱0.9 billion in 2020 and 2019. Others include intangible assets which arose from the acquisition of Cebgo, Inc. These assets represent CAI's costs to establish brand and market opportunities under the strategic alliance with Cebgo, Inc. amounting to ₱852.2 million.

Branch licenses have been allocated to the branch banking group as the cash-generating units (CGU) for impairment testing.

The recoverable amount of the CGU has been determined based on value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Key assumptions used in the value in use calculation are pre-tax discount rate and growth rate, which are at 11.62% and 4.90%, respectively in 2020. Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the CGUs to exceed their recoverable amount.

Trademarks, Product Formulation, Brands and Customer Relationships
Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of CSPL and Griffin's in 2016 and 2014, respectively, were composed of brands of ₱9.3 billion, customer relationships of ₱2.2 billion and software costs of ₱56.3 million.

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The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2020 and 2019. In 2020, the recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations. In 2019, recoverable amounts were determined based on value in use calculations for goodwill and other intangible assets allocated to UABCL and the Balayan Sugar Mill, and fair value less costs to sell (FVLCTS) for those allocated to CSPL and URC NZ HoldCo.

Value-in-use calculations used cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 9.03% to 14.52% and from 8.30% to 10.50% for the years ended December 31, 2020 and 2019, respectively. The following assumptions were also used in computing value-in-use:

Growth rate estimates - growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rates used in computing the projected future cash flows ranged from 2.00% to 6.60% and 2.00% to 6.90% as of December 31, 2020 and 2019, respectively.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

FVLCTS of CSPL and URC NZ HoldCo were based on enterprise values that were derived from EBITDA multiples.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the Group's acquisitions to materially exceed their recoverable amounts.

19. Goodwill

Movements in the Group's goodwill account follow:

	2020	2019
Cost		
Balance at beginning	**₱32,276,536,238**	₱32,276,536,238
Additions due to business combination	**154,867,437**	**–**
Balance at end of year	**32,431,403,675**	32,276,536,238
Accumulated Impairment Losses		
Balance at beginning	**270,931,882**	270,931,882
Impairment loss (Note 34)	**–**	–
Balance at end of year	**270,931,882**	270,931,882
Net Book Value at End of Year	**₱32,160,471,793**	₱32,005,604,356

The Group's goodwill pertains to: (a) the acquisition of LSB in December 2012, (b) the acquisition of Advanson in December 2007, (c) the acquisition of Acesfood in May 2007, (d) the excess of the acquisition cost over the fair values of the net assets acquired by Hongkong China Foods Co., Ltd. (HCFCL) and URC Asean Brands Co., Ltd. (UABCL) in 2000, (e) the acquisition of Southern Negros Development Corporation (SONEDCO) in 1998, (f) the acquisition of Cebgo, Inc. (formerly Tiger Airways Philippines (TAP)) and Griffin's Good Limited (Griffin's) in 2014, (g) acquisition of Balayan Sugar Mill and Consolidated Snacks Pty Ltd. (CSPL) in 2016.

Goodwill is not amortized and is non-deductible for tax purposes.

Acquisition of CSPL/Griffin's/UABCL/Balayan
Goodwill arising from the acquisition of CSPL (amounting to ₱16.5 billion) and Griffin's (amounting ₱13.9 billion) is mainly attributable to synergies formed between URC and CSPL, and URC and Griffin's, respectively.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2020 and 2019.

The recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations for goodwill allocated to UABCL and the Balayan Sugar Mill, and fair value less costs to sell (FVLCTS) for goodwill allocated to CSPL and NZSFHL.

Value in use calculations used cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 9.03% to 14.52% and 8.30% to 10.50% for the years ended December 31, 2020 and 2019, respectively.

The following assumptions were also used in computing value-in-use:

Growth rate estimates - growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rates used in computing the projected future cash flows ranged from 2.00% to 6.60% and 2.00% to 6.90% as of December 31, 2020 and 2019, respectively.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

FVLCTS of CSPL and NZSFHL were based on enterprise values that were derived from EBITDA multiples. These enterprise values served as basis for the transaction price in the sale of 40% ownership interest in the Oceania business (Note 22).

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the Group's acquisitions to materially exceed their recoverable amounts.

Acquisition of Cebgo
Goodwill arising from the acquisition of Cebgo is attributable to the following:

Achievement of Economies of Scale
Using CAI's network of suppliers and other partners to improve cost and efficiency of Cebgo, thus, improving Cebgo's overall profit, given its existing market share.

Defensive Strategy
Acquiring a competitor enables CAI to manage overcapacity in certain geographical areas/markets.

CAI also identified intangible assets amounting to ₱852.7 million representing costs to establish brand and market opportunities under the strategic alliance with Tiger Airways Holding Limited.

Acquisition of A-Plus

On October 26, 2020, CEBGO signed an SPA with SIAEC for the acquisition of SIAEC's entire 51% shareholding in A-Plus. The consideration paid was US$5,607,378 and consists of a one-time payment in cash. The consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of A-Plus.

On November 3, 2020, CEBGO and SIAEC signed the Deed of Absolute Sale of Shares for this transaction making A-Plus a wholly owned subsidiary of CEBGO.

The fair value of CEBGO's 49% interest in A-Plus immediately prior to acquisition amounted to ₱269.5 million. The Group recognized ₱71.3 million gain from re-measurement of its investment in A-Plus at fair value immediately prior to acquisition. This is included under 'Other Income' in the consolidated statements of comprehensive income.

The fair value of A-Plus' identifiable assets and liabilities as at the date of acquisition were:

	Fair value recognized on acquisition
Cash	₱69,622,242
Trade receivables	321,488,712
Property and equipment	117,370,579
Right-of-use asset	2,778,033
Other assets	130,563,165
Total assets	641,822,731
Trade payables	113,381,635
Retirement liability	107,441,205
Lease liability	2,902,849
Other liabilities	32,993,547
Total liabilities	256,719,236
Total identifiable net assets at fair value	385,103,495
Less: Fair value of previously held interest	269,471,017
Acquisition cost	270,499,915
	539,970,932
Goodwill from acquisition	₱154,867,437

Net cash outflow on acquisition is as follows:

Cash consideration	₱270,499,915
Less - cash acquired with the subsidiary[(a)]	69,622,242
Net cash outflow	₱200,877,673

[(a)] *Cash acquired with the subsidiary is included in cash flows from investing activities.*

20. Other Noncurrent Assets

This account consists of:

	2020	2019
Advances to suppliers - net of current portion	**₱4,591,539,488**	₱5,493,255,632
Deferred tax assets (Note 38)	**3,788,710,580**	2,462,525,846
Advances to lot owners - net of current portion	**3,745,307,951**	1,886,052,753
Security and miscellaneous deposits	**1,620,941,533**	1,058,800,372
Utility deposits	**662,909,455**	746,384,122
Others	**2,245,361,109**	1,748,350,005
	₱16,654,770,116	₱13,395,368,730

Advances to Suppliers
Advances to suppliers pertain to RLC's advance payments to suppliers or contractors which will be applied against the final billing. As of December 31, 2020 and 2019, these advances amounted to ₱2.1 billion and ₱2.3 billion, respectively.

As of December 31, 2020 and 2019, advances made for the purchase of various aircraft parts, service maintenance and restoration costs of the aircraft which are expected to be consumed beyond one year from the reporting date amounted to ₱2.5 billion and ₱3.2 billion, respectively.

Advances to Lot Owners
Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired.

Security Deposits
Security deposits include deposits provided to lessors and maintenance providers for aircraft under operating lease.

Utility Deposits
Utility deposits consist primarily of bid bonds and meter deposits.

Others
As of December 31, 2020, others include deferred input VAT, prepaid rent, and repossessed chattels amounting to ₱768.6 million, ₱100.0 million and ₱233.0 million, respectively.

As of December 31, 2019, others include deposits to various joint ventures, deferred input VAT, prepaid rent, and repossessed chattels amounting to ₱514.9 million, ₱161.3 million, ₱100.0 million and ₱54.7 million, respectively. The deposits to various joint venture partners represent RLC's share in an ongoing real estate development which will be liquidated at the end of the joint venture agreement. This deposit will be realized through RLC Group's share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.

21. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Deposit liabilities	**₱111,455,936,892**	₱82,445,508,193
Trade payables	**31,184,638,473**	32,659,164,869
Accrued expenses	**19,892,157,852**	18,520,442,025
Airport and other related fees payable	**2,284,416,132**	4,366,214,762
Output VAT	**2,166,425,938**	1,627,770,511
Refunds payable	**1,430,451,596**	70,166,604
Withholding taxes payable	**436,729,895**	418,311,398
Due to related parties (Note 40)	**143,059,245**	114,835,410
Dividends payable	**45,060,888**	43,287,603
Bills payable	**–**	2,040,505,751
Other payables	**3,581,710,125**	4,021,164,731
	₱172,620,587,036	₱146,327,371,857

Deposit Liabilities
Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB. Of the total deposit liabilities of the RBC and LSB as of December 31, 2020 and 2019, 58.62% and 58.11%, respectively, are subject to periodic interest repricing. Remaining deposit liabilities of the RBC and LBC bear annual fixed interest rates ranging from nil to 5.75% in 2020 and from nil to 6.75% in 2019.

As of December 31, 2020 and 2019, the liquidity and statutory reserves of RBC and LSB amounted to ₱10.5 billion and ₱11.9 billion.

Details of interest expense on deposit liabilities, which are included in the 'Cost of services - Banking' in profit or loss in the consolidated statements of comprehensive income follow (see Note 30):

	2020	2019	2018
Savings	**₱632,859,634**	₱1,717,487,944	₱1,519,637,039
Time	**469,426,389**	492,682,489	327,159,604
LTNCD	**270,901,436**	267,893,614	221,343,421
Demand	**2,053,285**	4,334,999	3,062,044
	₱1,375,240,744	₱2,482,399,046	₱2,071,202,108

Long-Term Negotiable Certificates of Deposit (LTNCD)
On May 4, 2017, the BSP approved RBC's issuance of the ₱3.00 billion LTNCD, with a right to increase the aggregate issue up to ₱5.0 billion in the event of over subscription. On June 16, 2017, RBC listed its LTNCD issuance amounting to ₱4.18 billion through the Philippine Dealing and Exchange Corporation. The minimum investment was ₱50,000 with increments of ₱10,000 thereafter. The peso-denominated issue will mature on December 16, 2022 with nominal interest rate of 4.125% and EIR of 4.29%, payable every quarter. On July 6, 2018, the Parent Company issued additional LTNCD amounting to ₱1.78 billion with nominal interest rate of 4.875% and EIR of 5.15% payable every quarter which will mature on January 6, 2024. The proceeds were used to diversify the Parent Company's maturity profile and funding sources and general corporate purposes.

The BSP approved the decrease in reserve requirements on non-FCDU deposit liabilities through the following circulars:

- Circular 1041 dated May 23, 2019 to 17.00% effective May 31, 2019; 16.50% effective June 28, 2019; 16.00% effective July 26, 2019 for the Parent Company and from 7.00% to 6.50% and 6.00% respectively for LSB.
- Circular 1056 dated October 3, 2019 to 15.00% for the Parent Company and 5.00% for LSB effective November 1, 2019.
- Circular No. 1063 to 14.00% for the Parent Company and 4.00% for LSB effective December 06, 2019.

On May 27, 2020, the BSP through Circular 1087 approved the *Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs)* effective May 29, 2020, subject to certain requirements provided by the MORB, the following alternative compliance with the required reserves against deposit and deposit substitute liabilities shall be allowed:

- Peso-denominated loans that are granted to micro-, small-, and medium enterprises (“MSME”), banks and NBQBs that meet the definition of a small and medium enterprise;
- Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs that meet the definition of a large enterprise.

Trade Payables

Trade payables are noninterest-bearing and are normally settled on 30- to 60-day terms. Trade payables arise mostly from purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations. Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts. Obligations arising from purchase of inventories necessary for the daily operations and maintenance of aircraft which include aviation fuel, expendables and consumables, equipment and in-flight supplies, and unpaid billings from suppliers and contractors related to construction activities, are also charged to this account.

Accrued Expenses

This account consists of accruals for the following:

	2020	2019
Advertising and promotions	**₱4,836,157,772**	₱4,658,935,241
Accrued interest payable	**2,913,215,469**	2,099,295,845
Landing and take-off, navigational charges, and other aircraft-related expenses	**2,814,477,238**	2,751,297,389
Compensation and benefits	**2,478,225,412**	2,670,889,488
Contracted services	**1,615,783,498**	1,339,802,325
Rental expense	**1,300,544,602**	1,140,981,722
Utilities	**708,914,561**	442,654,022
Taxes and licenses	**666,260,868**	889,606,075
Freight and handling costs	**480,495,182**	331,755,430
Insurance	**110,537,452**	55,312,003
Royalties	**39,350,901**	24,542,020
Other accrued expenses	**1,928,194,897**	2,115,370,465
	₱19,892,157,852	₱18,520,442,025

Other accrued expenses include accruals for travel and transportation, commission, communication, repairs and maintenance, restructuring provision and other professional and legal fees.

In 2019, URC recorded a restructuring provision related to downsizing of farm operations and consolidation of plant operations. The key objectives of the restructuring are: (a) to focus on the profitable and growing animal nutrition and health business, (b) to maximize the value-added chain concentrating on the processed meat business and (c) to improve long-term cost efficiencies for both farm and plant operations. The restructuring provision consists of write-down of biological assets (Note 17), property, plant and equipment (Note 16) and accrual of employee redundancy costs amounting ₱239.0 million, ₱453.7 million and ₱137.1 million, respectively. The related expense is recognized under ‘Other income (loss)’ in the consolidated statement of income (see Note 29). As of December 31, 2020, ₱39.5 million remains of the accrual for employee redundancy costs.

Airport and Other Related Fees Payable

Airport and other related fees payable are amounts payable to the Philippine Tourism Authority and Air Transportation Office Mactan-Cebu International Airport and Manila International Airport Authority arising from aviation security, terminal fees and travel taxes.

Refunds payable

In light of the significant increase in flight cancellations due to the COVID-19 outbreak and consequent grounding of the Group’s commercial operations, customers were given options for their cancelled flights, which included free rebooking, full cash refund or conversion to a full travel fund. Refunds payable pertain to cash due to be returned to customers.

Other Payables

As of December 31, 2020 and 2019, other payables consist of management bonus and other non-trade payables.

22. Other Current Liabilities

This account consists of:

	2020	2019
Deposit from real estate buyers	**₱28,053,511,701**	₱14,184,663,585
Current portion of lease liabilities (Note 42)	**7,318,423,995**	5,784,084,993
Unearned transportation revenue	**3,671,467,766**	11,881,599,591
Deposit from lessees (Notes 24 and 42)	**2,984,978,548**	2,962,971,768
Advances from agents and others	**779,423,721**	567,139,322
Customer’s deposits	**540,371,531**	374,232,059
Derivative liabilities (Note 8)	**245,940,423**	419,103,569
	₱43,594,117,685	₱36,173,794,887

Unearned Transportation Revenue

Passenger ticket and cargo waybill sales are initially recorded under ‘Unearned transportation revenue’ in the consolidated statements of financial position, until these are recognized under ‘Air transportation revenue’ in profit or loss in the consolidated statements of comprehensive income, when the transportation service is rendered by the Group (or once tickets are flown).

In 2020, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱3.5 billion and ₱0.2 billion, respectively. In 2019, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱10.2 billion and ₱1.7 billion, respectively.

Advances from Agents and Others

Advances from agents and others represent cash bonds required from major sales and ticket offices or agents. This account also includes commitment fees received for the sale and purchase agreement of aircraft.

23. Short-term and Long-term Debts

Short-term Debts

Short-term debts consist of:

	2020	2019
Parent Company:		
Foreign currency - with interest rate of 2.4% in 2019	₱–	₱7,029,403,875
Philippine Peso - with interest rate of 4.7% in 2019	–	2,000,000,000
	–	9,029,403,875
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 0.78% to 3.2% in 2020 and 2.2% to 4.4% in 2019	**8,924,046,867**	9,822,359,631
Philippine Peso - with interest rates of 2.8% to 4% in 2020 and 4.7% to 4.9% in 2019	**35,494,045,318**	35,195,646,498
	44,418,092,185	45,018,006,129
	₱44,418,092,185	₱54,047,410,004

As of December 31, 2020 and 2019, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts payable amounting to ₱23.5 billion and ₱27.2 billion, respectively. The trust receipts payable are secured by the trusteed inventories for the same amount (see Note 12).

In 2020, 2019 and 2018, the Group incurred interest expense on short-term notes amounting to ₱0.9 billion, ₱1.4 billion and ₱1.1 billion, respectively (see Note 35).

Long-term Debts

Long-term debts (net of debt issuance costs) consist of:

	Maturities	Interest Rates	2020	2019	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
₱30.0 billion fixed rate retail bonds					
₱5.3 billion bonds	2021	5.24%	**₱5,311,740,108**	₱5,303,582,674	Unsecured
₱0.2 billion bonds	2024	5.30%	**175,723,971**	175,550,050	Unsecured
Term Loans					
₱5.0 billion term loan	2022	4.65%	**4,991,809,222**	4,986,692,756	Unsecured
₱5.0 billion term loan	2024	4.93%	**4,886,317,635**	4,932,841,317	Unsecured
₱10.0 billion term loan	2023	BDO's 30-day prime rate (3.4%)	**9,961,716,782**	9,946,897,483	Unsecured
₱5.0 billion term loan	2023	Floating (1.6188%)	**4,980,677,601**	4,973,325,079	Unsecured
₱5.0 billion term loan	2024	4.9010%	**4,971,766,633**	4,964,869,570	Unsecured

(Forward)

	Maturities	Interest Rates	2020	2019	Condition
₱7.0 billion term loan	2024	Floating (1.83%)	**₱6,960,676,503**	₱6,950,882,915	Unsecured
₱4.0 billion term loan	2025	4.75%	**3,972,701,331**	–	Unsecured
			46,213,129,786	42,234,641,844	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US$750.0 million guaranteed notes	2023	4.38%	**29,272,287,827**	32,455,021,803	Guaranteed
US$600.0 million guaranteed notes	2030	4.125%	**28,675,204,373**	–	Guaranteed
CAI					
USD commercial loan from foreign banks	2025	3-5%; (US$ Libor)	**25,333,277,532**	30,470,347,254	Secured
JPY commercial loan	2029	Less than 1% LIBOR	**7,727,531,810**	8,424,916,122	Secured
URC					
NZ$395.0 million term loan	2023	NZ 3.15% (BKBM+1.10%)	**13,498,653,900**	13,296,756,840	Guaranteed
AU$484.2 million term loan	2021	AU 3.04% (BBSY BID+1.25%)	**17,838,897,236**	17,089,320,768	Guaranteed
			122,345,852,678	101,736,362,787	
Philippine Peso:					
RLC					
₱12.7 billion loan facility	2023	3.683%	**12,627,273,856**	–	Unsecured
₱10.6 billion loan facility	2022	4.80%	**10,616,830,211**	10,601,369,418	Unsecured
₱7.0 billion loan facility	2024	4.75%	**6,702,513,502**	6,837,575,949	Unsecured
₱6.5 billion loan facility	2021	3.83%	**6,496,248,135**	6,489,197,118	Unsecured
₱6.0 billion loan facility	2025	4.75%	**5,959,274,275**	–	Unsecured
₱5.0 billion loan facility	2023	3.89%	**4,950,688,567**	4,957,108,758	Unsecured
₱4.5 billion loan facility	2027	4.95%	**4,469,924,269**	4,472,866,455	Unsecured
₱1.4 billion loan facility	2025	4.93%	**1,358,436,534**	1,357,154,478	Unsecured
₱0.4 billion loan facility	2025	3.8%	**422,589,434**	–	Unsecured
JGSPC					
₱14.5 billion term loan	2024	Floating (1.83% to 1.92%)	**14,508,000,000**	14,508,000,000	Unsecured
₱5.0 billion term loan	2024	5.00%	**5,000,000,000**	5,000,000,000	Unsecured
₱4.0 billion term loan	2024	4.72%	**4,000,000,000**	–	Unsecured
₱4.0 billion term loan	2024	Floating (2.90%)	**4,000,000,000**	–	Unsecured
JGSOC					
₱1.2 billion term loan	2024	6.64%	**1,210,000,000**	1,210,000,000	Unsecured
₱1.3 billion term loan	2024	6.62%	**1,282,000,000**	1,282,000,000	Unsecured
CAI					
Commercial loans	2026	5%-7% (PDST-R2 and BVAL)	**20,179,125,094**	18,249,257,900	Guaranteed
			103,782,903,877	74,964,530,076	
			272,341,886,341	218,935,534,707	
Less current portion			**34,413,387,739**	6,819,093,642	
			₱237,928,498,602	₱212,116,441,065	

The foreign exchange rate used to revalue the foreign currency borrowings was ₱48.023 to US$1 and ₱50.635 to US$1 as of December 31, 2020 and 2019, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱122.3 million and ₱101.7 million as of December 31, 2020 and 2019, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱393.4 million and ₱104.7 million as of December 31, 2020 and 2019, respectively.

Repayments of the long-term debt (gross of debt issuance costs) follow:

	2020	2019
Due in:		
2020	**₱34,413,387,739**	₱6,819,093,642
Thereafter	**237,928,498,602**	212,116,441,065
	₱272,341,886,341	₱218,935,534,707

The details of the Group's long-term debt follow:

Subsidiaries' Foreign Currency Loans

JGSPL 4.375% Senior Unsecured Notes Due 2023

On January 24, 2013, JGSHPL issued US$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company. On July 21, 2020, JGSPL redeemed notes with a face value of $32.0 million for a total consideration of $34.0 million. The redemption resulted in a loss on bond reacquisition amounting ₱66.2 million (Note 29).

JGSPL 4.125% Senior Unsecured Notes Due 2030
On July 2020, JGSHPL issued US$600.0 million, 4.125% senior unsecured notes due 2030. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

CAI USD Commercial Loans from Foreign Banks
From 2007 to 2019, CAI entered into commercial loan facilities to partially finance the purchase of 19 Airbus A320 aircraft, seven (7) Airbus A321 CEO aircraft, five (5) aircraft engines, and one (1) Airbus A321 NEO aircraft. The security trustees of these commercial loan facilities established SPEs – PTALL, PTHALL, SAALL, SBALL, SCALL, SDALL, TOADAC and RALL – which purchased the aircraft from the Parent Company pursuant to (a) five to ten-year finance lease arrangement for the Airbus A320, A321 CEO, and A321 NEO aircraft; and (b) six-year finance lease arrangement for the engines. CAI has the option to purchase the aircraft and the engines for a nominal amount at the end of such leases. The lease rentals made by CAI to these SPEs correspond to the loan payments made by the SPEs to the commercial facility lenders.

In 2018, CAI entered into four (4) Philippine peso commercial loan facilities and six (6) USD commercial loans. The proceeds of the loan were used to prepay the outstanding US dollar loan facilities for ten (10) Airbus A320 aircraft resulting to dissolution of PTHALL, SAALL and SBALL (Note 1). CAI also prepaid the loan facilities of the engines and entered into US dollar commercial loans to finance the acquisition of seven (7) Airbus A321 CEO aircraft.

In 2019, CAI entered into a US dollar commercial loan facility to finance the acquisition of one (1) Airbus A321NEO aircraft.

In 2020, CAI entered into a US dollar commercial loan facility to finance the acquisition of one (1) Airbus A321NEO aircraft.

As of December 31, 2020 and 2019, the terms of the remaining commercial loan facilities follow:

- Term of six to ten years starting from the delivery date of each aircraft.
- Combination of annuity style and equal principal repayments made on a semi-annual and quarterly basis.
- Mixed interest rates with fixed annual interest rates ranges from 3.00% to 5.00% and variable rates based on US dollar LIBOR plus margin.
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2020 and 2019, the total outstanding balance of the US dollar commercial loans amounted to ₱25.3 billion (US$527.5 million) and ₱30.5 billion (US$601.8 million), respectively. Interest expense amounted to ₱0.8 billion, ₱1.3 billion and ₱1.1 billion in 2020, 2019 and 2018, respectively.

CAI JPY Commercial Loans
In 2019, CAI entered into a Japanese commercial loans covering four (4) Airbus A321NEO aircraft. The loan requires semi-annual installments with a maturity not longer than 14 years at a variable interest rate based on JPY LIBOR plus margin.

As of December 31, 2020 and 2019, the total outstanding balance of the Japanese yen commercial loans amounted to ₱7.7 billion (¥17.0 billion) and ₱8.4 billion (¥18.2 billion), respectively. Interest expense amounted to ₱22.1 million and ₱174.1 million in 2020 and 2019, respectively.

CAI's ECA Loans
From 2005 to 2012, CAI entered into ECA-backed loan facilities to partially finance the purchases of ten (10) Airbus A319 aircraft, seven (7) ATR 72-500 turboprop aircraft, and ten (10) Airbus A320 aircraft. The security trustee of these ECA loans established SPEs – CALL, BLL, SLL, SALL, VALL, and POALL - which purchased the aircraft from the supplier and leases such aircraft to the Parent Company pursuant to (a) ten-year finance lease arrangement for the ATR 72-500 turboprop aircraft and (b) twelve-year finance lease arrangement for the Airbus A319 and A320 aircraft, both with an option to purchase the aircraft for a nominal amount at the end of such leases. The lease rentals made by CAI to these SPEs correspond to the loan payments made by the SPEs to the ECA-backed lenders.

In 2015 to 2017, CAI exercised the purchase option on ten Airbus A319 aircraft, which were then sold to a third party as part of a forward sale arrangement. The purchase required the prepayment of the balance of the loan facility attributed to the sold Airbus A319 aircraft.

In 2017, CAI prepaid the ECA Loans covering four (4) Airbus A320. In 2018, CAI exercised the option to purchase five (5) ATR 72-500 aircraft upon maturity and full payment of their corresponding loan facilities and prepaid the ECA loans covering three (3) Airbus A320 CEO.

The terms of the remaining ECA-backed facilities follow:

- Term of twelve (12) years starting from the delivery date of each Airbus A320 aircraft and ten (10) years for each ATR 72-500 turboprop aircraft.
- Combination of annuity style and equal principal repayments made on a semi-annual basis and a quarterly basis.
- Mixed interest rates with fixed annual interest rates ranges from 3.00% to 5.00% and variable rates based on US dollar LIBOR plus margin.
- Other than what is permitted by the transaction documents or the ECA administrative parties, the SPEs cannot create or allow to exist any other security interest.
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the ECA lenders will foreclose on secured assets, namely the aircraft.

In 2019, CAI exercised the option to purchase the remaining two (2) ATR 72-500 upon maturity and full payment of their corresponding loan facilities and prepaid the ECA loans covering three (3) more Airbus A320 CEO. The loan was paid in 2019.

Interest expense amounted to nil, ₱39.7 million and ₱176.4 million in 2020, 2019 and 2018, respectively.

URC NZ Finance Company Limited NZD395 Million Term Loan due 2023
On October 22, 2018, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ$395.0 million (₱14.4 billion), with various banks for payment of the NZ$420 million term loan due in 2019. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing on October 22, 2023.

URC Australia Finance Company Limited Term Loan US$484.2 Million
On September 30, 2016, URC AU FinCo entered into a secured syndicated term loan facility agreement payable in five (5) years, amounting to AU$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on September 30, 2021. This long-term loan is guaranteed by URC Parent Company.

RLC Five-year loan from Agricultural Bank of China (ABC) maturing in August 2022
In 2017, Chengdu Xin Yao entered into a facility loan agreement with ABC amounting to RMB500.0 million. On August 22, 2017, RLC made a drawdown amount to ₱458.0 million or RMB60.0 million which is payable after a period of 5 years. Interest on the loan shall be based on the rates released by the People's Bank of China which is 4.75% per annum as of loan agreement date.

In 2018, Chengdu Xin Yao made an additional drawdown amounting to RMB156 million (₱1,193 million) which is payable on August 19, 2022.

In 2019, the Group pre-terminated and paid in full the total loan from this bank amounting to RMB216 million (₱1,651 million).

Parent Company's Philippine Peso Loans
Parent Company ₱30.0 Billion Fixed Rate Retail Bonds
On February 28, 2014, the Parent Company issued a ₱30.0 billion fixed rate retail bonds. The bond was issued in three series: (1) Five-year bond amounting to ₱24.5 billion fixed at 5.23% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.24% due 2021; and (3) Ten-year bond amounting to ₱176.3 million fixed at 5.30% due 2024. Interest is calculated on a 30/360-day count basis and is payable semi-annually starting August 27, 2014 and the 27th day of February and August of each year thereafter. Net proceeds from the bond issuance were used to partially finance its acquisition of Meralco shares and for general corporate purposes. In February 2019, the Parent Company fully settled its five-year bond amounting to ₱24.5 billion.

Parent Company ₱5.0 Billion Term Loan with BPI due in July 2022
On July 6, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with BPI with a fixed rate at 4.65% per annum and shall be payable quarterly in arrears.

Parent Company ₱5.0 Billion Term Loan with MBTC due in July 2024
On July 13, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC with a fixed rate at 4.93% per annum and shall be payable quarterly in arrears. In July 2020 and 2019, the Company partially prepaid the loan amounting to ₱50.0 million per annum.

Parent Company ₱10.0 Billion Term Loan with BDO due in June 2023
On June 8, 2018, the Company borrowed ₱10.0 billion under Term Loan Facility Agreement with BDO. Interest for 2020 and 2019 amounted to ₱435.1 million and ₱563.1 million, respectively. The loan bears an interest based on the bank's 30-day prime rate.

Parent Company ₱5.0 Billion Term Loan with MBTC due in June 2023
On June 14, 2018, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC. Interest for 2020 and 2019 amounted to ₱139.7 million and ₱261.9 million, respectively. The loan obtained bears a market interest rate plus a certain spread, payable quarterly.

Parent Company ₱7.0 Billion Term Loan with BPI due in August 2024
On August 23, 2019, the Parent Company borrowed ₱7.0 billion under Term Loan Facility Agreement with BPI. Interest for 2020 and 2019 amounted to ₱206.2 million and ₱100.6 million, respectively. The loan obtained bears a market interest rate plus a certain spread, payable quarterly.

Parent Company ₱5.0 Billion Term Loan with PNB due in August 2024
On August 23, 2019, the Parent Company borrowed ₱5.0 billion under Term Loan Facility Agreement with PNB with a fixed rate at 4.901% per annum and shall be payable quarterly in arrears. Interest for 2020 and 2019 amounted to ₱245.7 million and ₱87.3 million, respectively.

Parent Company ₱4.0 Billion Term Loan with BDO due in 2025
On June 26, 2020, the Parent Company borrowed ₱4.0 billion under Term Loan Facility Agreement with BDO with a fixed rate at 4.75% per annum and shall be payable quarterly in arrears. Interest for 2020 amounted to ₱95.8 million.

Subsidiaries' Philippine Peso Loans
RLC ₱10.6 Billion Term Loan due in February 2022
On February 23, 2015, RLC issued ₱10.6 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.80% per annum.

RLC ₱1.4 Billion Term Loan due in February 2025
On February 23, 2015, RLC issued ₱1.4 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.93% per annum.

RLC ₱6.5 Billion Term Loan due in July 2021
On July 8, 2016, RLC borrowed ₱6.5 billion under Term Loan Facility Agreements with BDO Unibank, Inc.

The loan was released on July 8, 2016 amounting to ₱3.0 billion and on September 27, 2016 amounting to ₱3.5 billion with interest rate at 3.83% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

RLC ₱5.0 Billion Term Loan due in August 2023
On August 10, 2016, RLC borrowed ₱5.0 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The ₱5.0 billion loan was released on August 10, 2016 with interest rate at 3.89% per annum and shall be payable quarterly, computed on the basis of a 360-day year and on the actual number of days elapsed.

RLC ₱7.0 Billion Term Loan due in March 2024
On March 15, 2017, RLC borrowed ₱7.0 billion million under Term Loan Facility Agreements with Metropolitan Bank & Trust Company. The loan was released on March 15, 2017 amounting to ₱7.0 billion with interest rate at 4.75% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed. Annual principal payment is two percent (2%) of the total loan amount or ₱140 million.

RLC ₱4.5 Billion Term Loan due February 2027
On February 10, 2017, RLC borrowed ₱4.5 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The loan was released on February 10, 2017 amounting to ₱4.5 billion with interest rate at 4.95% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

Partial payment for this loan amounting to ₱5 million was made on February 13, 2019 and 2018.

RLC ₱6.0 Billion Term Loan due June 2025
On June 30, 2020, RLC borrowed ₱6.0 billion under Term Loan Facility Agreements with BDO Unibank, Inc. The loan was released on June 30, 2020 which bears interest rate at 4.75% computed per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

RLC Three-year "Series C Bonds" maturing on July 17, 2023 and Five-Year "Series D Bonds" maturing on July 17, 2025.
On July 17, 2020, RLC issued its "Series C Bonds" amounting to ₱12,763.1 million and "Series D Bonds" amounting to ₱427.2 million constituting direct, unconditional, unsecured and unsubordinated peso-denominated obligations of RLC and shall at all times rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future unsubordinated and unsecured obligations of RLC, other than obligations preferred by law. The net proceeds of the issue shall be used by the RLC to: (i) partially fund the capital expenditure budget of RLC for calendar years 2020 and 2021; (ii) repay short-term loans maturing in the second half of calendar year; and (iii) fund general corporate purposes including, but not limited to, working capital. The bonds have been rated PRS Aaa by Philippine Rating Services Corporation (PhilRatings).

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on January 17 and July 17 of each year at which the bonds are outstanding.

CAI Philippine Peso Commercial Loans
From 2016 to 2017, CAI entered into Philippine peso commercial loan facilities to partially finance the acquisition of eight (8) ATR 72-600 and two (2) Airbus A330 aircraft.

In 2018, CAI entered into Philippine peso commercial loan facilities to partially finance the acquisition of four (4) ATR 72-600 aircraft and refinance four (4) Airbus A320 aircraft.

As of December 31, 2020 and 2019, the terms of the commercial loan facilities follow:

- Term of seven to ten years starting from the delivery dates of each aircraft.
- Twenty-eight to forty equal consecutive principal repayments made on a quarterly basis.
- Interests on loans are variable rates based on Philippines Bloomberg Valuation (PH BVAL).
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

In 2020, CAI entered into an unsecured, Philippine peso-denominated short-term loan amounting to ₱4.0 billion. The loan was obtained to support the working capital requirements of CAI.

As of December 31, 2020 and 2019, the total outstanding Philippine Peso commercial loans amounted to ₱20.2 billion and ₱18.2 billion, respectively. Interest expense incurred from these loans amounted to ₱807.4 million, ₱1,129.4 million and ₱826.4 million in 2020, 2019 and 2018, respectively.

In 2020, 2019 and 2018, total interest expense on long-term debt amounted to ₱7.5 billion, ₱8.5 billion and ₱8.0 billion, respectively (see Note 35).

In 2020, 2019 and 2018, the Group recognized amortization of bond issue costs amounting to ₱93.4 million, ₱80.7 million and ₱105.2 million, respectively (see Note 35).

<u>Debt Covenants</u>
Certain loan agreements contain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, prohibit a merger or consolidation with other entities, dissolution, liquidation or winding-up, except with any of its subsidiaries; and prohibit the purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

For the Parent Company's ₱9.0 Billion, ₱5.0 Billion, ₱10.0 Billion, ₱5.0 Billion, ₱5.0 Billion and ₱4.0 Billion Term Loan Facilities, the Group is required to maintain a financial ratio of Group's total borrowings to Group's shareholders' equity not exceeding 2.0:1.0.

For the Parent Company's ₱30.0 Billion Fixed Rate Retail Bonds, the Group is required to maintain the following financial ratios:
- the Group's current ratio of not less than 0.5:1.0;
- the Group's debt-to-equity ratio of not greater than 2.0:1.0

The commercial loans of CAI are secured by the related aircraft. The Group is required to comply with affirmative and negative covenants until termination of loans. As of December 31, 2020 and 2019, the Group is not in breach of any loan covenants.

For CAI's unsecured, Philippine peso-denominated short-term loan, CAI is required to maintain certain financial ratio until termination of loans. As of December 31, 2020, the Group is not in breach of any loan covenants.

For the RLC's ₱10.6 Billion bonds due in February 2022, ₱1.4 Billion bonds due in February 2025, ₱6.5 Billion Term Loan due in July 2021, ₱5.0 Billion Term Loan due in August 2023, ₱4.5 Billion Term Loan due in February 2027, ₱7.0 Billion Term Loan due in March 2024 and ₱6.0 Billion Term Loan due in June 2025. RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statement as of and for the year end December 31 and consolidated interim financial statements as of March 31. These loans were not guaranteed by the Parent Company. RLC has complied with the debt covenant as of December 31, 2020 and 2019.

For the RLC's RMB60 million loan from Agricultural Bank of China (ABC) maturing in August 2022, Chengdu Xin Yao is required to maintain the following financial indicators: (a) actual revenue in its operating period which should not be lower than 20%; (b) debt-asset ratio should not equal or exceed 70%; (c) the borrower should not have a bad credit; and (d) borrower contingent liability ratio should not exceed 4%. Chengdu Xin Yao has complied with the debt covenant as of December 31, 2020 and 2019.

For RLC's 3-year bonds, 5-year bonds and "Series C Bonds", RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statements as of its calendar year end December 31 and consolidated interim financial statements as at June 30. RLC has complied with the debt covenant as of December 31, 2020.

For JGSPL's US$750.0 million Senior Unsecured Notes due in 2023, the Parent Company as the guarantor shall procure:
- Consolidated Current Assets to Consolidated Current Liabilities is not at any time less than 0.5:1.0; and
- Consolidated Total Borrowings to Consolidated Stockholders' Equity does not at any time exceed 2:1.

For JGSPL's US$600.0 million loans due in 2030, the guarantor shall procure that the ratio of Consolidated Total Borrowings to Consolidated Shareholders' Equity does not at any time exceed 2:1.

For the NZ and AU Term loans, the Group is required to maintain consolidated debt-to-equity ratio of not greater than 2.5 to 1.0.

The Group has complied with all of its debt covenants as of December 31, 2020 and 2019.

24. Other Noncurrent Liabilities

This account consists of:

	2020	2019
Lease liabilities (Note 42)	**₱17,845,927,374**	₱15,320,069,643
Deposit liabilities - net of current portion	**10,868,476,313**	21,550,057,957
ARO	**6,763,391,698**	6,233,060,774
Travel fund payable	**3,535,932,241**	–
Deposit from lessees - net of current portion (Note 42)	**3,295,388,823**	3,171,544,926
Pension liabilities (Note 37)	**2,848,108,836**	2,693,910,604
Deferred revenue on rewards program	**1,384,913,161**	1,234,903,085
Deposits from real estate buyers	**905,153,868**	2,958,482,166
Derivative liabilities (Note 8)	**–**	13,507,241
Others	**1,882,237,445**	913,374,820
	₱49,329,529,759	₱54,088,911,216

Deposit Liabilities
Deposit liabilities represent time deposit liabilities of RBC and LSB with maturities of beyond 12 months from reporting date.

ARO
CAI is contractually required under various lease contracts to restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. These costs are accrued based on estimates made by CAI's engineers, which include estimates of future aircraft utilization and certain redelivery costs at the end of the lease period. (see Note 3).

URC also has obligations to restore the leased manufacturing sites, warehouses and offices at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

The rollforward analysis of the Group's ARO follows:

	2020	2019
Balance at beginning of year	**₱6,233,060,774**	₱5,982,197,580
Provision for ARO	**3,066,020,475**	2,029,932,336
Applications	**(2,535,689,551)**	(1,779,069,142)
Balance at end of year	**₱6,763,391,698**	₱6,233,060,774

In 2020, 2019 and 2018, ARO expenses included as part of repairs and maintenance under 'Cost of sales' amounted to ₱3.1 billion, ₱2.0 billion and ₱2.2 billion, respectively (Note 30).

Travel Fund Payable
In light of the significant increase in flight cancellations due to the COVID-19 outbreak and consequent to the grounding of the Group's commercial operations, customers were given options for their cancelled flights which included, among others, conversion to a full travel fund which is a virtual wallet equivalent to the amount paid for an existing booking. A travel fund is valid for two years and can be used as payment for future bookings. In 2020, travel fund payable is presented under 'Other noncurrent liabilities' account in the consolidated statements of financial position based on management estimates, derived from the Group's experience and passengers' expected usage in light of the current travel restrictions. In 2019, travel fund payable is presented under "Accounts payable and other accrued liabilities" account in the consolidated statements of financial position as the validity of said fund was only for six (6) months.

Travel fund payable amounted to ₱3.5 billion and ₱24.7 million as of December 31, 2020 and 2019, respectively.

Deposits from Lessees
Deposits from lessees (including the current portion shown in Note 22) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of the lease term. These are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates of similar types of instruments. The accretion expense on these deposits recorded as part of cost of rental services on the discount amounted to ₱82.0 million, ₱76.0 million and ₱73.0 million in 2020, 2019 and 2018, respectively (Note 30).

The unearned rental income (included under 'Deposit from lessees') amounted to ₱579.0 million and ₱756.0 million as of December 31, 2020 and 2019, respectively. The rental income on amortization of unearned rental income amounted to ₱80.0 million, ₱83.0 million and ₱97.0 million in 2020, 2019 and 2018, respectively.

Deferred Revenue on Rewards Program
This account pertains to estimated liability under the Getgo lifestyle rewards program.

The rollforward analyses of deferred revenue follow:

	2020	2019
Balance at beginning of year	**₱1,234,903,085**	₱954,057,251
Add: Estimated liability on issued points	**322,860,171**	924,714,078
Subtotal	**1,557,763,256**	1,878,771,329
Less: Estimated liability on redeemed points	**15,490,919**	246,829,251
Estimated liability on expired points	**157,359,176**	397,038,993
Balance at end of year	**₱1,384,913,161**	₱1,234,903,085

Accrued Rent
Accrued rent expense represents the portion of the lease as a consequence of recognizing expense on a straight-line basis. These pertain to various lease of land entered by the Group where the malls are located.

Others
Others include retention payable and heavy maintenance visits.

Retention payable
The retention payable which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

Heavy maintenance visits
CAI is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and manufacturer's advice. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

25. Equity

Details of the Parent Company's authorized capital stock as of December 31, 2020 and 2019 follow:

	Par Value	Shares	Amount
Common shares	₱1.00	12,850,800,000	₱12,850,800,000
Preferred voting shares	0.01	4,000,000,000	40,000,000
Preferred non-voting shares	1.00	2,000,000,000	2,000,000,000
		18,850,800,000	₱14,890,800,000

The paid-up capital of the Group consists of the following:

	2020	2019
Capital stock:		
Common shares - ₱1 par value	**₱7,520,983,658**	₱7,162,841,657
Preferred voting shares - ₱0.01 par value	**40,000,000**	40,000,000
	7,560,983,658	7,202,841,657
Additional paid-in capital	**45,148,987,817**	23,553,025,157
Stock dividend distributable on preferred shares	**122,600,000**	–
Total paid-up capital	**₱52,832,571,475**	₱30,755,866,814

Preferred Voting Shares
The preferred voting shares have, among others, the following rights, privileges and preferences:

a. Entitled to vote on all matters involving the affairs of the Parent Company requiring the approval of the stockholders. Each share shall have the same voting rights as a common share.
b. The shares shall be non-redeemable.
c. Entitled to dividends at the rate of 1/100 of common shares, such dividends shall be payable out of the surplus profits of the Parent Company so long as such shares are outstanding.
d. In the event of liquidation, dissolution, receivership or winding up of affairs of the Parent Company, holders shall be entitled to be paid in full at par, or ratably, in so far as the assets of the Parent Company will permit, for each share held before any distribution is made to holders of the common shares.

Preferred Non-voting Shares
The preferences, privileges and voting powers of the preferred non-voting shares shall be as follows:

a. May be issued by the BOD of the Parent Company for such amount (not less than par), in such series, and purpose or purposes as shall be determined by the BOD of the Parent Company.
b. The shares shall be non-convertible, non-voting, cumulative and non-participating.
c. May be redeemable at the option of the Parent Company at any time, upon payment of their aggregate par or issue value, plus all accrued and unpaid dividends, on such terms as the BOD of the Parent Company may determine at the time of issuance. Shares so redeemed may be reissued by the Parent Company upon such terms and conditions as the BOD of the Parent Company may determine.
d. The holders of shares will have preference over holders of common stock in the payment of dividends and in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the Parent Company, whether voluntary or involuntary. In such an event, the holders of the shares shall be paid in full or ratably, insofar as the assets of the Parent Company will permit, the par or issue value of each share held by them, as the BOD of the Parent Company may determine upon their issuance, plus unpaid cumulated dividends up to the current period, before any assets of the Parent Company shall be paid or distributed to the holders of the common shares.
e. The holders of shares shall be entitled to the payment of current as well as any accrued or unpaid dividends on the shares before any dividends can be paid to the holders of common shares.
f. The holders of shares shall not be entitled to any other or further dividends beyond that specifically payable on the preferred non-voting shares.
g. The holders of shares shall not be entitled to vote (except in those cases specifically provided by law) or be voted for.
h. The holders of shares shall have no pre-emptive rights, options or any other similar rights to subscribe or receive or purchase any or all issues or other disposition of common or other preferred shares of the Parent Company.
i. The shares shall be entitled to receive dividends at a rate or rates to be determined by the Parent Company's BOD upon their issuance.

On December 3, 2020, the Parent Company applied with the SEC for the reclassification of preferred non-voting shares to preferred voting shares.

Record of Registration of Securities with the SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Regulation Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
June 30, 1993	Registration of authorized capital stock	−	₱1.00	₱−	12,850,800,000 common shares and 2,000,000,000 preferred non-voting shares	−
June 30, 1993	Initial public offering (IPO)	1,428,175,000 common shares	1.00	4.40	−	1,428,175,000 common shares
June 30, 1994	Conversion of convertible bonds into common shares	428,175,000 common shares	1.00	13.75	−	3,725,457 common shares
July 3, 1998	Stock rights offering (1:2)	2,060,921,728 common shares	1.00	2.00	−	2,060,921,728 common shares

The table below provides information regarding the number of stockholders of the Parent Company as of December 31, 2020, 2019 and 2018:

	2020	2019	2018
Common shares	**1,003**	1,002	1,017
Preferred voting shares	**1**	1	1

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in 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 have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings and derivative liabilities, while capital represents total equity.

The Group's computation of debt-to-capital ratio follows:

	2020	2019
(a) Gross debt		
Short-term debt (Note 23)	**₱44,418,092,185**	₱54,047,410,004
Current portion of long-term debt (Note 23)	**34,413,387,739**	6,819,093,642
Long-term debt, net of current portion (Note 23)	**237,928,498,602**	212,116,441,065
Derivative liabilities (Note 8)	**245,940,423**	432,610,810
	₱317,005,918,949	₱273,415,555,521
(b) Capital	**₱408,110,356,358**	₱408,647,142,867
(c) Debt-to-capital ratio (a/b)	**0.78:1**	0.67:1

The Group's policy is to ensure that the debt-to-capital ratio would not exceed the 2.0:1.0 level.

Regulatory Qualifying Capital

RBC

In 2013, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated note, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary non-financial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to statement of financial position exposures and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Following is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0%	Cash on hand; claims collateralized by securities issued by the non-government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75%	Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage
100%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred tax)
150%	All NPLs (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities

** Not all inclusive*

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

On January 15, 2013, the 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 is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. 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), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2016. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Circular sets out a minimum REST limit of 6.00% CET1 capital ratio and 10.00% risk-based capital adequacy ratio, on a solo and consolidated basis, under a prescribed write-off rate of 25.00% on the Group's real estate exposure. These limits shall be complied with at all times.

On June 9, 2016, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides implementing guidelines for universal, commercial, and their subsidiary banks/quasi banks. The circular sets out a minimum leverage ratio of 5.00% on a solo and consolidated basis and shall be complied with at all times.

The CAR of RBC as reported to the BSP as of December 31, 2020 and 2019 follows:

	2020	2019
CET 1 Capital	**₱15,470**	₱14,500
Additional Tier 1 Capital	**–**	–
Tier 1 capital	**15,470**	14,500
Tier 2 capital	**862**	803
Total qualifying capital	**₱16,332**	₱15,303

	2020	2019
Credit risk-weighted assets (RWA)	**₱86,169**	₱80,264
Market RWA	**416**	887
Operational RWA	**7,897**	6,477
Total RWA	**₱94,482**	₱87,628
Common Equity Tier 1 Ratio 1	**16.37%**	16.55%
Additional Tier 1 Ratio	**0.00%**	0.00%
Tier 1 capital ratio	**16.37%**	16.55%
Tier 2 capital ratio	**0.91%**	0.91%
Risk-based CAR	**17.28%**	17.46%

As of December 31, 2020 and 2019, RBC was in compliance with the required CAR.

Retained Earnings

As of December 31, 2020 and 2019, the Group has a total retained earnings of ₱242.7 billion and ₱268.0 billion, respectively. Out of this, ₱118.3 billion were restricted as of December 31, 2020 and 2019.

The details of the Group's restricted retained earnings follow:

Parent Company

As of December 31, 2020, the ₱101.2 billion restricted retained earnings of the Parent Company are earmarked for the following: (a) settlement of a certain subsidiary's loan obligations guaranteed by the Parent Company (Note 23); (b) settlement of Parent Company loan obligations and retail bonds; (c) capital investment related to digital venture businesses; (d) capital investments related to the Clark International Airport expansion project; and (e) general corporate purposes.

The details of the loan obligations follow:

	Subsidiary	**Amount**	**Settlement**
Loan obligations:			
4.375% senior unsecured notes	JGSH Philippines, Limited	US$750.0 million	10 years maturing in 2023
4.125% senior unsecured notes	JGSH Philippines, Limited	US$600.0 million	10 years maturing in 2030
Term Loans	Parent Company	₱40.9 billion	Maturing in 2022 to 2024
Retail Bonds	Parent Company	₱5.5 billion	Maturing in 2021 and 2024

As part of its debt covenant, the Parent Company has to maintain certain financial ratios such as: (a) the Group's current ratio of not less than 1.0:1.0; and (b) the Group's debt-to-equity ratio of not greater than 2.0:1.0. A portion of the Parent Company's retained earnings is restricted to maintain these financial ratios.

A corresponding amount of appropriated retained earnings will be reversed to unappropriated retained earnings once the foregoing loan obligations are settled.

On December 18, 2019, the BOD approved the appropriation of retained earnings amounting to ₱25.0 billion and the reversal of the appropriation made in prior years amounting to ₱24.5 billion.

URC

On December 18, 2018, URC's BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.5 billion, which was approved by the BOD in its resolutions adopted on September 27, 2016 and December 15, 2017.

RLC

On December 9, 2019, RLC's BOD approved the reversal of the retained earnings it appropriated in 2018 amounting to ₱27.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC's BOD also approved the appropriation of ₱27.0 million, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates in 2020 up to 2024.

CAI
On September 7, 2020, December 4, 2019 and December 12, 2018, CAI's BOD appropriated ₱12.0 billion, ₱26.0 billion and ₱22.0 billion, respectively, from its unrestricted retained earnings for purposes of the Group's re-fleeting program. Appropriations as of December 31, 2019 and 2018 were reversed in the following year. The appropriated amount as of December 31, 2020 will be used for the settlement of aircraft and engine lease commitments in 2021.

As of December 31, 2020 and 2019, CAI has appropriated retained earnings totaling ₱12.0 billion and ₱26.0 billion, respectively.

RBC
In compliance with existing BSP regulations, 10.00% of the net profits realized by RBC from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.00% of RBC's regulatory capital.

In 2020 and 2019, RBC's BOD approved to appropriate reserves for trust reserves amounting to ₱0.08 million and nil, respectively.

In 2020 and 2019, RBC's BOD approved to appropriate reserves for expected credit losses amounting to nil and ₱444.5 million, respectively, in compliance with the requirements of the BSP Circular No. 1011. Under this BSP Circular, the Bank shall treat Stage 1 provisions for loan accounts as General Provisions (GP) while Stage 2 and 3 provisions shall be treated as Specific Provisions (SP). The Bank shall set up GLLP equivalent to 1% of all outstanding Stage 1 on-balance sheet loan accounts, except for accounts considered as credit risk-free under existing regulations. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1% required GP, the deficiency shall be recognized by appropriating the 'Surplus' account. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in surplus shall be considered as Tier 2 capital subject to the limit provided under the CAR framework.

Accumulated equity in net earnings of the subsidiaries and associates
A portion of the Group's retained earnings corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates and joint ventures amounting to ₱102.56 billion, ₱113.8 billion and ₱95.9 billion as of December 31, 2020, 2019 and 2018, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

<u>Cash Dividends</u>
Parent Company
Details of the Parent Company's dividend declarations on its common stock follow:

	2020	2019	2018
Date of declaration	**May 30, 2020**	May 30, 2019	May 28, 2018
Dividend per share	**₱0.38**	₱0.37	₱0.30
Total dividends	**₱2.7 billion**	₱2.7 billion	₱2.2 billion
Date of record	**June 11, 2020**	June 20, 2019	June 18, 2018
Date of payment	**July 8, 2020**	July 16, 2019	July 12, 2018

Details of the Parent Company's dividend declarations on its preferred stock follow:

	2020	2019	2018
Date of declaration	**May 30, 2020**	May 30, 2019	May 28, 2018
Dividend per share	**₱0.0038**	₱0.0037	₱0.0030
Total dividends	**₱15.2 million**	₱14.8 million	₱12.0 million
Date of record	**June 11, 2020**	June 20, 2019	June 18, 2018
Date of payment	**July 8, 2020**	July 16, 2019	July 12, 2018

The following tables summarize the dividends declared by significant subsidiaries of the Parent Company:

URC
Details of URC's dividend declarations follow:

	2020	2019	2018
Date of declaration	**March 10, 2020**	February 28, 2019	February 5, 2018
Dividend per share - regular	**₱1.50**	₱1.50	₱3.15
Total dividends - regular	**₱3.3 billion**	₱3.3 billion	₱6.9 billion
Date of record	**March 24, 2020**	March 14, 2019	February 26, 2018
Date of payment	**April 21, 2020**	March 28, 2019	March 22, 2018
Dividend per share - special	**₱1.65**	₱1.65	–
Total dividends - special	**₱3.6 billion**	₱3.6 billion	–
Date of record	**June 1, 2020**	July 1, 2019	–
Date of payment	**June 26, 2020**	July 26, 2019	–

RLC
Details of RLC's dividend declarations follow:

	2020	2019	2018
Date of declaration	**May 13, 2020**	May 29, 2019	April 6, 2018
Dividend per share	**₱0.25**	₱0.50	₱0.36
Total dividends	**₱1.3 billion**	₱2.6 billion	₱1.5 billion
Date of record	**June 10, 2020**	June 18, 2019	April 26, 2018
Date of payment	**July 7, 2020**	July 12, 2019	May 23, 2018
Dividend per share	**₱0.25**	–	–
Total dividends	**₱1.3 billion**	–	–
Date of record	**October 1, 2020**	–	–
Date of payment	**October 27, 2020**	–	–

CAI
Details of CAI's dividend declarations follow:

	2020	2019	2018
Date of declaration	–	May 20, 2019	May 19, 2018
Dividend per share - regular	–	₱2.00	₱2.88
Total dividends - regular	–	₱1,201.8 million	₱1,745.1 million
Dividend per share - special	–	₱5.00	₱1.62
Total dividends - special	–	₱3,004.6 million	₱981.6 million
Date of record	–	June 14, 2019	June 14, 2018
Date of payment	–	July 10, 2019	July 10, 2018

Stock Dividends
On August 14, 2020, the BOD approved the declaration of stock dividend as follows:

- A stock dividend equivalent to five percent (5%) of the total issued and outstanding shares of the Company or 358,142,083 common shares, to be issued and paid out of the unrestricted retained earnings of the Company as of December 31, 2019, to all stockholders holding common shares as of record date of October 30, 2020 and distributed on November 25, 2020.
- Any fractional shares resulting from the stock dividend declaration will be paid in cash.

On October 20, 2020, the stockholders representing 87.11% of the total outstanding capital stock of the Parent Company approved the declaration of the stock dividend.

Equity Reserve
In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, agreed to buy 40% of the Group's Oceania business (SBA and Griffin's) to leverage on the Group's and Intersnack's know-how from their respective markets (see Note 44). This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the groundwork for an even larger and more efficient Oceania operations. Consideration for the transaction consisted of cash and Yarra Valley Group Holding Pty Ltd. (Yarra Valley) net assets amounting to US$142.0 million (₱7.2 billion) and US$10.1 (₱0.5 billion), respectively.

On December 23, 2019, the Australian Foreign Investment Review Board (FIRB) approved the transaction. Following the approval, the transaction was completed on December 23, 2019.

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱1.3 billion is presented under 'Equity reserve' in the consolidated statements of financial position. See Note 8 for disclosure on the call option.

On September 27, 2016, URC reissued 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total selling price amounting to ₱4.4 billion, net of transaction costs amounting to ₱27.2 million. As a result of the sale, the equity interest of the Parent Company over URC changed from 55.83% to 55.25%. The excess of the total consideration received over the carrying value of the interest transferred to the non-controlling interest is included under 'Equity reserve' in the consolidated statements of financial position.

In December 2014, URC entered into a share purchase agreement with Nissin to sell 14.0% of its equity interest in NURC. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The gain from the sale amounting to ₱239.8 million is included under 'Equity reserve' in the consolidated statements of financial position.

Non-controlling Interests
Below is the rollforward of non-controlling interests:

	2020	2019	2018
Beginning balance	**₱103,835,500,348**	₱90,891,989,709	₱77,927,468,808
Effect of adoption of new standard	**–**	163,040,229	–
Beginning balance after adoption of new standard	**103,835,500,348**	91,055,029,938	77,927,468,808
Total comprehensive income:			
Net income attributable to non-controlling interests	**865,365,887**	11,380,265,517	8,711,457,170
Other comprehensive income attributable to non-controlling interests:			
Net unrealized gains (losses) on financial assets at FVOCI (Note 10)	**74,830,797**	454,489,410	(386,621,935)
Cumulative translation adjustments	**(850,896,728)**	526,535,963	722,343,620
Remeasurements due to defined benefit liability (Note 37)	**(30,669,098)**	(208,766,439)	112,144,431
Gain (loss) on cashflow hedge	**(85,310,250)**	55,830,925	(1,493,044)
	(26,679,392)	12,208,355,376	9,157,830,242
Sale of equity interest in a subsidiary		6,066,755,734	–
Cash dividends paid to non-controlling interests	**(4,494,502,566)**	(5,768,961,389)	(5,068,481,993)
Acquisition of non-controlling interest by a subsidiary	**327,772,240**	–	120,000,000
Deposit for future subscription of shares by non-controlling interest in a subsidiary / Issuance of shares by subsidiaries	**192,000,000**	240,000,000	8,987,219,560
Decrease in subsidiaries' treasury shares	**(45,040,628)**	(104,451,717)	(231,921,908)
Incorporation of a subsidiary	**–**	159,250,000	–
Property dividends to non-controlling interest	**–**	(20,477,594)	–
Sale of investment in a subsidiary	**–**	–	(125,000)
	₱99,789,050,002	₱103,835,500,348	₱90,891,989,709

In 2018, deposit for future subscription of shares by non-controlling interest in a subsidiary amounting to ₱3.2 billion pertain to the additional investment by RRHI in RBC.

26. Revenue

Disaggregated revenue information
Set out below is the disaggregation of the Group's revenues from contracts with customers and revenues not covered under PFRS 15 for the year ended December 31, 2020 and 2019:

	December 31, 2020			
	Goods and services transferred at a point in time	**Services transferred over time**	**Revenues outside the scope of PFRS 15**	**Total**
Sale of goods and services:				
Foods	**₱133,140,081,384**	**₱–**	**₱–**	**₱133,140,081,384**
Real estate and hotels	**1,434,834,422**	**11,717,577,404**	**11,744,603,805**	**24,897,015,631**
Air transportation	**22,617,967,165**	**–**	**–**	**22,617,967,165**
Petrochemicals	**21,275,283,602**	**–**	**–**	**21,275,283,602**
Banking	**398,347,991**	**–**	**8,776,235,635**	**9,174,583,626**
Equity in net earnings of associates and joint ventures	**–**	**–**	**7,616,221,319**	**7,616,221,319**
Dividend income	**–**	**–**	**2,011,120,839**	**2,011,120,839**
Supplementary businesses	**807,717,391**	**–**	**100,050,694**	**907,768,085**
	₱179,674,231,955	**₱11,717,577,404**	**₱30,248,232,292**	**₱221,640,041,651**

	December 31, 2019			
	Goods and services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of goods and services:				
Foods	₱134,174,527,579	₱–	₱–	₱134,174,527,579
Air transportation	84,806,810,363	–	–	84,806,810,363
Petrochemicals	29,053,982,086	–	–	29,053,982,086
Real estate and hotels	4,905,365,876	8,708,003,578	16,596,817,756	30,210,187,210
Banking	462,302,868	–	7,659,360,087	8,121,662,955
Equity in net earnings of associates and joint ventures	–	–	13,357,511,170	13,357,511,170
Dividend income	–	–	1,348,711,916	1,348,711,916
Supplementary businesses	674,872,506	–	74,303,386	749,175,892
	₱254,077,861,278	₱8,708,003,578	₱39,036,704,315	₱301,822,569,171

	December 31, 2018			
	Goods and services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of goods and services:				
Foods	₱127,769,949,329	₱–	₱–	₱127,769,949,329
Air transportation	74,113,776,885	–	–	74,113,776,885
Petrochemicals	42,351,966,134	–	–	42,351,966,134
Real estate and hotels	6,501,433,136	8,345,617,524	14,620,513,436	29,467,564,096
Banking	352,463,888	–	5,779,918,679	6,132,382,567
Equity in net earnings of associates and joint ventures	–	–	10,181,841,883	10,181,841,883
Dividend income	–	–	1,227,572,942	1,227,572,942
Supplementary businesses	596,660,442	–	74,303,386	670,963,828
	₱251,686,249,814	₱8,345,617,524	₱31,884,150,326	₱291,916,017,664

Banking revenue consists of:

	2020	2019	2018
Interest income (Note 27)	**₱7,837,009,759**	₱7,198,761,011	₱5,761,620,534
Trading and securities gains (Notes 8 and 10)	**939,225,876**	460,599,076	18,298,145
Service fees and commission income	**398,347,991**	462,302,868	352,463,888
	₱9,174,583,626	₱8,121,662,955	₱6,132,382,567

27. Interest Income

This account consists of:

	2020	2019	2018
Interest income from:			
Finance receivables and sales contract receivable (Note 11)	**₱6,610,648,733**	₱6,062,440,608	₱4,570,300,338
Financial assets at FVOCI (Note 10)	**1,100,406,085**	1,027,397,426	823,177,155
Cash and cash equivalents (Note 7)	**994,925,784**	1,626,473,064	1,145,187,459
Financial assets at FVPL (Note 9)	**7,424,489**	100,871,958	604,185,880
Investment securities at amortized cost (Note 10)	**356,597,283**	477,790,098	364,317,419
	₱9,070,002,374	₱9,294,973,154	₱7,507,168,251

Interest income are included in the following accounts in the consolidated statements of comprehensive income as follows:

	2020	2019	2018
Banking revenue (Note 26)	**₱7,837,009,759**	₱7,198,761,011	₱5,761,620,534
Finance income	**1,232,992,615**	2,096,212,143	1,745,547,717
	₱9,070,002,374	₱9,294,973,154	₱7,507,168,251

28. Dividend Income

As a holding company, the Parent Company receives dividends from its strategic investments in companies that are neither consolidated nor equity-accounted in the group accounts.

This account includes dividends received from PLDT amounting to ₱1.9 billion, ₱1.2 billion and ₱1.1 billion in 2020, 2019 and 2018, respectively. Investment in PLDT is presented under financial assets at FVOCI.

29. Other Operating Income (Expenses)

This account consists of:

	2020	2019	2018
Loss on sale of aircraft (Note 16)	**(₱259,994,278)**	(₱225,675,379)	(₱46,466,570)
Gain on sale of investments (Notes 14 and 19)	**105,789,465**	–	198,141,335
Gain on insurance claims	**807,409,620**	–	22,985,311
Loss on loan modification (Note 11)	**(273,536,633)**	–	–
Loss on bond reacquisition	**(66,203,187)**	–	–
Realized gain on sale of financial assets at FVOCI (Note 10)	**23,850,313**	277,810,114	34,208,528
Others (Note 21)	**(969,352,918)**	(816,800,275)	(668,337,030)
	(₱632,037,618)	(₱764,665,540)	(₱459,468,426)

Gain on insurance claims
In September 2020, CAI received ₱807.4 million pertaining to insurance proceeds claimed for damages sustained by an A320 aircraft during a runway excursion incident at Iloilo International Airport last October 2017.

Others also include restructuring provisions and gain (loss) on sale of PPE and investment properties.

30. Cost of Sales and Services

This account consists of:

	2020	2019	2018
Raw materials used	**₱75,270,401,712**	₱82,191,336,067	₱91,888,688,733
Direct labor	**6,477,928,649**	6,420,796,194	6,306,013,840
Overhead cost	**31,370,904,468**	35,145,343,624	32,911,274,997
Total manufacturing cost	**113,119,234,829**	123,757,475,885	131,105,977,570
Work-in-process	**66,840,569**	(500,168,194)	(228,534,317)
Cost of goods manufactured	**113,186,075,398**	123,257,307,691	130,877,443,253
Finished goods	**754,581,094**	(280,014,204)	(1,143,328,254)
Cost of sales	**113,940,656,492**	122,977,293,487	129,734,114,999
Cost of services	**36,911,036,629**	66,804,207,760	63,858,758,345
Cost of sales and services	**₱150,851,693,121**	₱189,781,501,247	₱193,592,873,344

Overhead cost consists of:

	2020	2019	2018
Utilities and fuel	**₱10,888,557,913**	₱14,339,747,118	₱13,733,217,586
Depreciation and amortization (Note 33)	**8,933,008,716**	8,123,002,887	7,369,712,417
Personnel (Note 32)	**4,000,386,171**	3,956,487,889	3,664,721,272
Repairs and maintenance	**3,728,808,399**	3,901,050,472	3,562,033,341
Taxes, licenses and fees	**1,333,183,923**	1,686,350,926	2,329,379,936
Security and other contracted services	**802,483,539**	824,215,485	765,581,653
Insurance	**386,839,912**	370,434,877	324,898,144
Rental (Note 42)	**312,153,103**	239,047,138	462,677,724
Handling and delivery charges	**209,775,448**	245,906,851	183,736,214
Research and development	**44,386,508**	87,191,359	87,264,821
Others	**731,320,836**	1,371,908,622	428,051,889
	₱31,370,904,468	₱35,145,343,624	₱32,911,274,997

Cost of services is composed of:

	2020	2019	2018
Air transportation	**₱21,277,642,920**	₱49,518,018,515	₱48,039,492,056
Real estate	**11,882,054,989**	12,023,363,232	11,987,104,415
Banking	**2,236,992,833**	3,173,237,752	2,275,281,099
Hotel operations	**1,347,774,077**	2,089,588,261	1,556,880,775
Information technology and services	**166,571,810**	–	–
	₱36,911,036,629	₱66,804,207,760	₱63,858,758,345

Further breakdown of the 'Cost of services' account showing the nature of expenses follow:

	2020	2019	2018
Maintenance costs	**₱7,862,894,868**	₱7,144,174,829	₱7,341,707,601
Fuel and oil	**6,203,299,066**	24,591,651,508	25,431,126,363
Cost of real estate sales (Note 12)	**6,161,235,541**	4,235,325,163	4,931,427,825
Depreciation and amortization (Note 33)	**5,095,940,795**	4,966,545,415	4,456,732,645
Personnel (Note 32)	**3,249,670,176**	6,882,489,474	5,543,013,641
Interest expense (Note 21)	**2,025,436,255**	2,939,576,169	2,187,499,371
Ground handling charges	**1,697,496,416**	4,154,701,288	3,421,655,961
Landing and take-off	**1,208,004,911**	3,818,785,918	3,478,873,175
Property operations and maintenance costs	**774,190,573**	1,134,695,919	1,216,896,943
Contracted services	**594,014,144**	710,939,896	538,355,927
Reservation costs	**565,824,225**	2,034,317,306	2,038,933,190
Passenger liability insurance	**280,305,266**	258,740,461	222,425,888
Service charges and commission expense	**166,465,129**	233,661,583	87,781,728
Cost of food and beverage - hotel operations	**116,701,743**	380,535,302	320,069,980
Travel and transportation	**105,804,270**	274,231,103	190,332,038
Film rentals expense - amusement services	**92,678,800**	956,468,868	906,006,116
Interrupted/delayed trips expense	**69,683,311**	268,974,040	163,373,839
Passenger food and supplies	**52,677,817**	259,298,060	237,379,634
Pilot and crew meals	**26,036,915**	87,997,971	75,225,150
Cost of information technology and services	**22,618,207**	–	–
Customs, immigration and duties	**5,320,113**	3,086,774	18,629,660
Others	**534,738,088**	1,468,010,713	1,051,311,670
	₱36,911,036,629	₱66,804,207,760	₱63,858,758,345

31. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Depreciation and amortization (Note 33)	**₱17,578,075,640**	₱16,923,447,804	₱8,740,834,952
Outside services	**10,989,524,250**	11,304,043,462	10,272,230,613
Personnel (Note 32)	**9,658,365,989**	9,575,892,135	8,763,739,655
Advertising and promotions	**8,865,127,097**	9,909,554,301	8,799,778,939
Taxes, licenses and fees	**1,710,766,576**	1,877,642,128	1,804,907,486
Repairs and maintenance	**1,437,274,834**	921,210,132	944,420,851
Rental (Note 42)	**1,097,326,348**	1,185,941,162	1,899,162,610
Sales commission	**980,840,207**	1,030,540,317	996,168,674
Insurance	**836,034,078**	683,959,468	576,395,623
Utilities and supplies	**530,423,936**	696,008,051	711,316,430
Travel and transportation	**481,428,611**	1,034,390,522	1,166,014,683
Communication	**422,878,471**	408,001,326	383,953,070
Aircraft and engine lease	**284,665,157**	313,939,968	5,650,909,510
Entertainment, amusement and recreation (Note 38)	**171,877,896**	206,723,604	195,801,882
Others	**2,222,516,254**	1,911,806,481	2,006,895,801
	₱57,267,125,344	₱57,983,100,861	₱52,912,530,779

Others
Other expenses include royalties, donation and contribution, and membership and subscription dues.

32. Personnel Expenses

This account consists of:

	2020	2019	2018
Salaries and wages	**₱12,316,232,641**	₱16,342,665,279	₱14,457,015,945
Other employee benefits	**4,003,638,374**	3,069,665,955	2,992,238,378
Pension expense	**588,551,321**	1,002,538,264	500,927,319
	₱16,908,422,336	₱20,414,869,498	₱17,950,181,642

The breakdown of personnel expenses follows:

	2020	2019	2018
General and administrative expenses (Note 31)	**₱9,658,365,989**	₱9,575,892,135	₱8,763,739,655
Cost of sales and services (Note 30)	**7,250,056,347**	10,838,977,363	9,207,734,913
	₱16,908,422,336	₱20,414,869,498	₱17,971,474,568

33. Depreciation and Amortization

The breakdown of depreciation and amortization on property, plant and equipment, investment properties, biological assets, intangible assets and ROU assets follows:

	2020	2019	2018
General and administrative expenses (Notes 15, 16, 18, and 31)	**₱17,578,075,640**	₱16,923,447,804	₱8,740,834,952
Cost of sales and services (Notes 15, 16 and 30)	**14,028,949,511**	13,089,548,302	11,826,445,062
	₱31,607,025,151	₱30,012,996,106	₱20,567,280,014

34. Provision for (Reversal of) Impairment Losses and Others

This account consists of:

	2020	2019	2018
Provision for (reversal of) impairment losses on:			
Receivables (Note 11)	**₱1,412,698,754**	₱133,647,748	₱117,349,689
Investment in associates and joint venture	**3,776,046**	–	–
Property, plant and equipment (Note 16)	**–**	(2,274,795,253)	1,699,792
Investment properties (Note 15)	**153,127**	(3,823,625)	–
Inventory obsolescence and market decline (Note 12)	**–**	2,678	7,948,049
Goodwill	**–**	–	17,579,587
Other noncurrent assets	**3,852,071**	–	1,224,464
	₱1,420,479,998	(2,144,968,452)	₱145,801,581

35. Financing Costs and Other Charges

This account consists of:

	2020	2019	2018
Interest expense	**₱9,498,175,745**	₱10,735,461,364	₱9,377,151,320
Bank charges and others	**193,966,799**	230,385,537	258,223,453
	₱9,692,142,544	₱10,965,846,901	₱9,635,374,773

Sources of financing costs and other charges follow:

	2020	2019	2018
Long-term debt (Note 23)	**₱7,484,803,025**	₱8,459,424,425	₱8,027,885,938
Short-term debt (Note 23)	**929,212,603**	1,371,340,594	1,053,574,999
Others	**354,062,462**	339,266,940	448,717,516
	8,768,078,090	10,170,031,959	9,530,178,453
Accretion of lease liabilities (Note 42)	**830,648,278**	715,156,294	–
Amortization of debt issuance costs (Note 23)	**93,416,176**	80,658,648	105,196,320
	₱9,692,142,544	₱10,965,846,901	₱9,635,374,773

36. Components of Other Comprehensive Income

Below is the composition of the Group's 'Other comprehensive income':

	2020		
	Parent Company	**Non-controlling Interests**	**Total**
Net gain (loss) on FVOCI investments:			
Net changes in fair value of FVOCI of Parent and its subsidiaries			
Net changes in fair value during the period (Note 10)	**₱9,007,575,421**	**₱74,830,797**	**₱9,082,406,218**
Provision for impairment loss	**(1,364,730)**	**–**	**(1,364,730)**

(Forward)

	2020		
	Parent Company	**Non-controlling Interests**	**Total**
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	**(₱23,850,313)**	**₱–**	**(₱23,850,313)**
	8,982,360,378	**74,830,797**	**9,057,191,175**
Net changes in fair value of FVOCI of an associate (Note 14)	**55,663,285**	**–**	**55,663,285**
	9,038,023,663	**74,830,797**	**9,112,854,460**
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	**(145,612,532)**	**(85,310,250)**	**(230,922,782)**
	8,892,411,131	**(10,479,453)**	**8,881,931,678**
Cumulative translation adjustments	**(1,059,967,321)**	**(850,896,728)**	**(1,910,864,049)**
Remeasurements due to defined benefit liability (DBL), net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	**(34,411,579)**	**(30,669,098)**	**(65,080,677)**
Share in remeasurements of net DBL of associates	**(1,083,403,985)**	**–**	**(1,083,403,985)**
	₱6,714,628,246	**(₱892,045,279)**	**₱5,822,582,967**

	2019		
	Parent Company	Non-controlling Interests	Total
Net gain (loss) on FVOCI investments:			
Net changes in fair value of FVOCI of Parent and its subsidiaries			
Net changes in fair value during the period (Note 10)	(₱1,081,326,798)	₱454,489,410	(₱626,837,388)
Provision for impairment loss	(2,070,586)	–	(2,070,586)
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	(277,810,114)	–	(277,810,114)
	(1,361,207,498)	454,489,410	(906,718,088)
Net changes in fair value of FVOCI of an associate (Note 14)	176,256,150	–	176,256,150
	(1,184,951,348)	454,489,410	(730,461,938)
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	119,340,853	55,830,925	175,171,778
	(1,065,610,495)	510,320,335	(555,290,160)
Cumulative translation adjustments	673,475,522	526,535,963	1,200,011,485
Remeasurements due to defined benefit liability (DBL), net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	(379,798,762)	(208,766,439)	(588,565,201)
Share in remeasurements of net DBL of associates	(1,170,380,505)	–	(1,170,380,505)
	(₱1,942,314,240)	₱828,089,859	(₱1,114,224,381)

	2018		
	Parent Company	Non-controlling Interests	Total
Net gain (loss) on FVOCI investments:			
Net changes in fair value of FVOCI of Parent and its subsidiaries			
Net changes in fair value during the period (Note 10)	(₱7,517,643,934)	(₱386,621,935)	(₱7,904,265,869)
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	(34,208,528)	–	(34,208,528)
	(7,551,852,462)	(386,621,935)	(7,938,474,397)
Net changes in fair value of FVOCI of an associate (Note 14)	(141,404,566)	–	(141,404,566)
	(7,693,257,028)	(386,621,935)	(8,079,878,963)
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	(1,843,509)	(1,493,044)	(3,336,553)
	(7,695,100,537)	(388,114,979)	(8,083,215,516)
Cumulative translation adjustments	764,122,128	722,343,620	1,486,465,748
Remeasurements due to defined benefit liability, net of tax (Note 37)			
Remeasurements of net DBL of Parent and Subsidiaries	200,833,281	112,144,431	312,977,712
Share in remeasurements of net DBL of associates	387,758,074	–	387,758,074
	(₱6,342,387,054)	₱446,373,072	(₱5,896,013,982)

The income tax effects relating to other comprehensive income are as follows:

	2020		
	Before tax	**Tax benefit**	**Net of tax**
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	**₱9,057,191,175**	**₱–**	**₱9,057,191,175**
Cumulative translation adjustments	**(1,910,864,049)**	**–**	**(1,910,864,049)**
Net movement in cash flow hedge	**(316,279,481)**	**85,356,699**	**(230,922,782)**
Remeasurements due to defined benefit liability	**(92,972,396)**	**27,891,719**	**(65,080,677)**
Remeasurements due to defined benefit liability of associates	**(1,083,403,985)**	**–**	**(1,083,403,985)**
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	**55,663,285**	**–**	**55,663,285**
	₱5,709,334,549	**₱113,248,418**	**₱5,822,582,967**

	2019		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	(₱906,718,088)	₱–	(₱906,718,088)
Cumulative translation adjustments	1,200,011,485	–	1,200,011,485
Net movement in cash flow hedge	252,216,877	(77,045,099)	175,171,778
Remeasurements due to defined benefit liability	(840,807,430)	252,242,229	(588,565,201)
Remeasurements due to defined benefit liability of associates	(1,170,380,505)	–	(1,170,380,505)
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	176,256,150	–	176,256,150
	(₱1,289,421,511)	₱175,197,130	(₱1,114,224,381)

	2018		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	(₱7,938,474,397)	₱–	(₱7,938,474,397)
Cumulative translation adjustments	1,486,465,748	–	1,486,465,748
Net movement in cash flow hedge	(3,336,553)	–	(3,336,553)
Remeasurements due to defined benefit liability	447,111,017	(134,133,305)	312,977,712
Remeasurements due to defined benefit liability of associates	387,758,074	–	387,758,074
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	(141,404,566)	–	(141,404,566)
	(₱5,761,880,677)	(₱134,133,305)	(₱5,896,013,982)

37. Employee Benefits

Pension Plans

The Group has funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees, except for JGSPC that has an unfunded, noncontributory defined benefit pension plan.

The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan (the "Plan"), with RBC as Trustee. The plans provide for retirement, separation, disability and death benefits to their members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of their contributions at any time on account of business necessity or adverse economic conditions. The retirement plan has an Executive Retirement Committee, that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

The amounts recognized as pension liabilities included under 'Other noncurrent liabilities' in the consolidated statements of financial position follow:

	2020	2019
Present value of defined benefit obligation	**₱6,030,510,593**	₱5,764,503,153
Fair value of plan assets	**3,182,401,757**	3,070,592,549
Pension liabilities (Note 24)	**₱2,848,108,836**	₱2,693,910,604

Changes in net defined benefit liability of funded funds in 2020 and 2019 follows:

	2020		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability/(asset)**
Balance at beginning of year	**₱5,764,503,153**	**₱3,070,592,549**	**₱2,693,910,604**
Net benefit cost in consolidated statement of comprehensive income:			
Current service cost	**531,972,178**	**–**	**531,972,178**
Net interest cost	**282,767,941**	**147,653,628**	**135,114,313**
Subtotal	**814,740,119**	**147,653,628**	**667,086,491**

(Forward)

	2020		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability/(asset)**
Benefits paid	**(₱731,039,335)**	**(₱649,641,560)**	**(₱81,397,775)**
Asset transfer	**(3,921,483)**	**(49,808,587)**	**45,887,104**
Settlement	**(160,414,276)**	**–**	**(160,414,276)**
Effect of asset ceiling	**–**	**(673,669)**	**673,669**
Assets and liabilities acquired	**107,441,205**	**–**	**107,441,205**
Remeasurements in other comprehensive income:			
Return on plan assets	**–**	**110,751,278**	**(110,751,278)**
Actuarial changes arising from experience adjustments	**107,825,347**	**–**	**107,825,347**
Actuarial changes arising from changes in financial assumptions	**134,299,231**	**–**	**134,299,231**
Actuarial changes arising from changes in financial/demographic assumptions	**(38,731,553)**	**(330,649)**	**(38,400,904)**
Subtotal	**203,393,025**	**110,420,629**	**92,972,396**
Contributions paid	**35,808,185**	**553,858,767**	**(518,050,582)**
Balance at end of year	**₱6,030,510,593**	**₱3,182,401,757**	**₱2,848,108,836**

	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱4,078,579,993	₱2,862,760,085	₱1,215,819,908
Net benefit cost in consolidated statement of comprehensive income:			
Current service cost	467,118,530	–	467,118,530
Past service cost	442,007,229	–	442,007,229
Net interest cost	263,017,283	227,919,026	35,098,257
Subtotal	1,172,143,042	227,919,026	944,224,016
Benefits paid	(416,640,546)	(201,554,994)	(215,085,552)
Effect of curtailment	(79,901,033)	–	(79,901,033)
Settlement	171,303,188	–	171,303,188
Net liabilities acquired	834,866	–	834,866
Remeasurements in other comprehensive income:			
Return on plan assets	₱–	(₱2,293,138)	₱2,293,138
Actuarial changes arising from experience adjustments	(190,860,255)	–	(190,860,255)
Actuarial changes arising from changes in financial assumptions	953,122,070	–	953,122,070
Actuarial changes arising from changes in financial/demographic assumptions	75,921,828	(330,649)	76,252,477
Subtotal	838,183,643	(2,623,787)	840,807,430
Contributions paid	–	184,092,219	(184,092,219)
Balance at end of year	₱5,764,503,153	₱3,070,592,549	₱2,693,910,604

The fair value of plan assets by each class as at the end of the reporting period are as follow:

	2020	2019
ASSETS		
Cash and cash equivalents	**₱463,349,062**	₱500,081,016
UITF investments	**1,718,598,834**	1,440,269,798
Debt instruments	**487,765,111**	620,671,960
Financial assets at FVOCI	**62,134,847**	91,272,424
Equity investments	**5,358,224**	4,123,496
Receivable	**298,678,395**	308,086,366
Accrued interest receivable	**5,360,744**	5,264,063
Prepayments	–	840
Land	**143,201,000**	143,201,000
	3,184,446,217	3,112,970,963
LIABILITIES		
Current liabilities	**1,370,791**	93,174
	3,183,075,426	3,112,877,789
Expected withdrawals	–	(42,285,240)
	₱3,183,075,426	₱3,070,592,549

The overall expected rates of return on assets are based on the market expectations prevailing as at the reporting date, applicable to the period over which the obligation is settled.

The average duration of the defined benefit obligation of the Group as of December 31, 2020 is 11.9 years.

The Group expects to contribute ₱561.0 million into the pension fund in 2021.

The assumptions used to determine the pension benefits of the Group follow:

	2020			
	Retirement Age	**Average Remaining Working Life (in years)**	**Salary Rate Increase**	**Discount Rate**
Parent Company	**60**	**18.0**	**5.7%**	**3.71%**
URC	**60**	**11 to 12**	**5.7%**	**3.95% to 3.97**
RLC	**60**	**13**	**5.7%**	**3.17% to 4.13%**
CAI	**60**	**26.0-29.0**	**5.7%**	**3.67% - 3.82%**
RBC	**60**	**26.9**	**5.7%**	**3.64%**
JGSPC	**60**	**28.5**	**5.7%**	**4.00%**
JGSOC	**60**	**30.1**	**5.7%**	**4.05%**
Unicon	**60**	**28.8**	**5.7%**	**4.11%**
LSB	**60**	**28.6**	**5.7%**	**3.94%**
APVI	**60**	**25.5**	**5.7%**	**3.94%**

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	2019			
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	15.25	5.7%	7.28%
URC	60	18.00	5.7%	4.88 to 4.90%
RLC	60	17.00	5.7%	4.52% to 5.16%
CAI	60	19.92	5.7%	4.98% to 5.02%
RBC	60	19.49	5.7%	4.95%
JGSPC	60	20.95	5.7%	4.98%
JGSOC	60	20.83	5.7%	5.00%
Unicon	60	18.10	5.7%	4.93%
LSB	60	21.31	5.7%	4.99%
APVI	60	20.29	5.7%	4.97%

	2018			
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	16.9	5.7%	7.28%
URC	60	19.0	5.7%	7.31 to 7.40%
RLC	60	17.0	5.7%	7.22 to 7.47%
CAI	60	19.0	5.7%	7.35 to 7.36%
RBC	60	16.8	5.7%	7.30%
JGSPC	60	20.2	5.7%	7.36%
JGSOC	60	21.6	5.7%	7.39%
Unicon	60	18.9	5.7%	7.34%
Aspen	60	17.7	5.7%	7.31%
LSB	60	21.1	5.7%	7.36%

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, 2020 and 2019, assuming if all other assumptions were held constant:

	2020									
	Parent Company	**URC**	**RLC**	**CAI**	**RBC**	**LSB**	**JGSPC**	**JGSOC**	**APVI**	**Unicon**
Discount rates										
+1.00%	**(₱5,524,152)**	**(₱321,131,539)**	**(₱64,775,773)**	**(₱100,268,628)**	**(₱24,002,387)**	**(₱2,751,976)**	**(₱36,006,377)**	**(₱3,868,874)**	**(₱165,932)**	**(₱736,452)**
(-1.00%)	**6,369,343**	**383,084,157**	**74,940,988**	**116,427,021**	**27,442,319**	**3,301,599**	**43,499,140**	**4,729,276**	**197,242**	**921,713**
Future salary increases										
+1.00%	**6,177,923**	**372,564,920**	**72,748,884**	**113,066,137**	**26,601,516**	**3,208,176**	**42,291,045**	**4,599,647**	**191,685**	**908,134**
(-1.00%)	**(5,475,430)**	**(319,214,903)**	**(64,255,469)**	**(99,484,873)**	**(23,774,691)**	**(2,733,704)**	**(35,786,963)**	**(3,847,112)**	**(164,825)**	**(740,337)**

	2019									
	Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	JGSOC	APVI	Unicon
Discount rates										
+1.00%	(₱5,744,414)	(₱239,979,798)	(₱35,560,743)	(₱159,377,261)	(₱25,106,994)	(₱1,981,501)	(₱24,131,097)	(₱2,165,036)	(₱44,445)	(₱540,534)
(-1.00%)	6,531,129	279,172,182	52,024,195	188,968,289	29,477,205	2,360,825	28,620,751	2,585,024	57,880	634,529
Future salary increases										
+1.00%	6,786,732	287,812,657	53,425,615	193,517,727	30,264,990	2,408,998	29,336,462	2,637,104	58,288	642,529
(-1.00%)	(6,070,382)	(251,957,048)	(37,518,849)	(166,195,906)	(26,240,307)	(2,057,784)	(25,172,552)	(2,247,431)	(45,431)	(557,351)

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

	2020	2019
Less than 1 year	**₱361,936,916**	₱405,181,601
More than 1 years to 5 years	**1,833,401,659**	1,945,532,928
More than 5 years to 10 years	**3,297,814,449**	3,422,549,970
More than 10 years to 15 years	**3,508,858,238**	4,699,771,058
More than 15 years to 20 years	**3,732,002,614**	4,892,836,370
More than 20 years	**11,669,789,463**	14,677,465,121

38. **Income Taxes**

Provision for income tax consists of:

	2020	2019	2018
Corporate	**₱3,130,790,385**	₱5,091,687,014	₱5,042,144,252
Final	**230,915,233**	249,294,831	207,933,998
Deferred	**(497,654,783)**	31,332,665	(106,284,544)
	₱2,864,050,835	₱5,372,314,510	₱5,143,793,706

The Group recognized benefit (provision) for income tax in 'Other comprehensive income' for other comprehensive income items amounting to ₱113.2 million, ₱175.2 million and (₱134.1 million) in 2020, 2019 and 2018, respectively (see Note 36).

Republic Act (RA) No. 9337
Current tax regulations provide that the RCIT rate shall be 30.0% and interest expense allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax.

The NIRC of 1997 also provides for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT.

Entertainment, Amusement and Recreation (EAR) Expenses
Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounting to ₱171.9 million, ₱206.7 million and ₱195.8 million in 2020, 2019 and 2018 , respectively (see Note 31).

Compositions of the Group's net deferred tax assets (included in the 'Other noncurrent assets' in the consolidated statements of financial position) follow (see Note 20):

	2020	2019
Deferred tax assets on:		
Net operating loss carry-over	**₱2,809,480,863**	₱647,926,081
Asset retirement obligation	**1,961,685,495**	1,782,720,435
Allowance for impairment losses on receivables and property and equipment	**843,141,095**	648,645,951
Unfunded pension liabilities	**445,105,618**	568,880,691
Lease liabilities	**313,460,073**	65,033,872
MCIT carryforward	**110,453,027**	30,936,462
Foreign subsidiaries	**39,938,807**	95,810,488
Unrealized forex loss	**7,315,268**	393,282,170
Unrealized loss on net derivative liability	**1,352,880**	37,893,750
Loss arising from changes in fair value less estimated point-of-sale costs of swine stocks	**–**	10,081,568
Others	**693,100,590**	491,187,356
Total	**7,225,033,716**	4,772,398,824
Deferred tax liabilities on:		
Double depreciation	**(2,792,405,012)**	(1,789,818,540)
Excess of fair value of assets acquired over cost	**(185,645,561)**	(185,645,561)
Unrealized foreign exchange gain-net	**(178,810,779)**	–
Branch licenses	**–**	(186,000,000)
Others	**(279,461,784)**	(148,408,877)
	(3,436,323,136)	(2,309,872,978)
Net deferred tax asset	**₱3,788,710,580**	₱2,462,525,846

As of December 31, 2020, deferred tax asset under 'others' include deferred revenue and allowance for inventory write-downs amounting to ₱318.6 million and ₱62.2 million, respectively. As of December 31, 2019, deferred tax asset under 'others' include deferred revenue and allowance for inventory write-downs amounting to ₱370.5 million and ₱33.5 million, respectively.

Compositions of the Group's net deferred tax liabilities reported in the consolidated statements of financial position follow:

	2020	2019
Deferred tax assets on:		
Lease liabilities	**₱751,679,456**	₱633,871,992
Unfunded pension benefits	**379,498,681**	357,667,273
Accrued interest expense	**151,140,202**	126,766,378
Allowance for impairment losses on receivables and property, plant and equipment	**68,309,782**	14,302,980
MCIT carryforward	**10,993,747**	10,782,821
Others	**270,929,467**	360,494,894
Total	**1,632,551,335**	1,503,886,338

(Forward)

	2020	2019
Deferred tax liabilities on:		
Intangibles	**(₱2,923,321,148)**	(₱2,945,109,949)
Excess of real estate revenue based on percentage-of-completion over real estate revenue based on tax rules	**(2,830,010,603)**	(2,324,264,799)
Unamortized capitalized interest	**(1,965,381,801)**	(1,915,811,772)
Undistributed income of foreign subsidiaries	**(816,683,569)**	(759,708,553)
Accrued rent income	**(691,079,887)**	(580,166,328)
Accelerated depreciation	**(366,814,562)**	(483,787,981)
Right-of-use asset	**(333,690,830)**	(351,520,199)
Foreign subsidiaries	**(198,507,581)**	(322,597,396)
Others	**(168,205,306)**	(139,001,515)
	(10,293,695,287)	(9,821,968,492)
Net deferred tax liability	**(₱8,661,143,952)**	(₱8,318,082,154)

The following are the temporary differences on which the Group did not recognize deferred tax assets:

	2020	2019
NOLCO*	**₱25,231,898,403**	₱5,792,411,145
Allowance for credit and impairment losses	**310,427,433**	512,184,249
Net pension liability	**331,542,806**	205,673,061
Allowance for inventory write-down	**14,083,253**	170,883,405
Excess MCIT over RCIT	**16,865,592**	58,297,770
Unamortized contribution of past service costs	**9,298,200**	14,611,456
	₱25,914,115,687	₱6,754,061,086

**Attributable to the Parent Company, CAI, CEBGO, JGSPC, JGSCSC, JGSCMC and JGDEV.*

Under Section 11 of R. A. No. 7151 (CAI's Congressional Franchise) and under Section 15 of R. A. No. 9517 (Cebgo, Inc.'s Congressional Franchise), known as the "ipso facto clause" and the "equality clause", respectively, the CAI and Cebgo, Inc. are allowed to benefit from the tax privileges being enjoyed by competing airlines. CAI's and Cebgo, Inc.'s major competitor, by virtue of PD No. 1590, is enjoying tax exemptions which are likewise being claimed by the CAI and Cebgo, Inc., if applicable, including but not limited to the following:

a) To depreciate its assets to the extent of not more than twice as fast the normal rate of depreciation; and
b) To carry over as a deduction from taxable income any net loss (NOLCO) incurred in any year up to five years following the year of such loss.

Included in the Group's NOLCO and MCIT are CAI's and Cebgo, Inc.'s NOLCO and MCIT as follows:

CAI NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2020	₱21,026,735,635	₱–	₱–	₱21,026,735,635	2025

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CEBGO NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2020	₱1,111,045,562	₱–	₱–	₱1,111,045,562	2025

Furthermore, details of CEBGO's remaining excess MCIT are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2017	₱9,021,420	₱–	(₱9,021,420)	₱–	2020
2018	3,184,853	–	–	3,184,853	2021
	₱12,206,273	₱–	(₱9,021,420)	₱3,184,853	

CAI has outstanding registrations with the BOI as a new operator of air transport on a pioneer and non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226). On all existing registrations, the Parent Company can avail of bonus years in certain specified cases but the aggregate ITH availments (basic and bonus years) shall not exceed eight years.

As of December 31, 2020 and 2019, CAI has complied with externally imposed capital requirements set by the BOI in order to avail of the ITH incentives for aircraft of registered activity.

In addition, pursuant to Section 4 (bbbb) of R.A. No. 11494 (Bayanihan to Recover as One Act) and as implemented under Revenue Regulations (RR) No. 25-2020, the NOLCO of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

Details of the Parent Company's NOLCO follow:

Inception Year	Amount	Expired (Utilized)	Balance	Expiry Year
2020	₱2,140,379,290	₱–	₱2,140,379,290	2025
2019	2,653,733,115	–	₱2,653,733,115	2022
2018	3,072,614,668	–	3,072,614,668	2021
	₱7,866,727,073	₱–	₱7,866,727,073	

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	2020	2019	2018
Statutory income tax rate	**27.50%**	30.00%	30.00%
Tax effects of:			
Change in tax rate	**2.50**	–	–
Income exempt from tax	**(29.22)**	(1.19)	(2.08)
Equity in net earnings of affiliates	**(70.06)**	(8.34)	(9.24)
Net income of subsidiaries with different tax rates	**(50.27)**	(4.47)	(0.41)
Income subjected to BOI, PEZA and ITH	**(14.49)**	(5.57)	(7.93)
Changes in unrecognized deferred tax assets	**211.94**	0.10	2.43
Interest income subject to final tax	**(14.06)**	(1.08)	(0.65)
Non-deductible items	**14.89**	0.78	0.73
Taxable gain on sale to a subsidiary	**0.00**	0.00	0.96
Others	**9.10**	0.95	1.76
Effective income tax rate	**87.82%**	11.18%	15.57%

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39. **Earnings Per Share**

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

Earnings per share attributable to equity holders of the Parent Company

	2020	2019	2018
Income (loss) attributable to equity holders of the Parent Company	**(₱468,159,528)**	₱31,285,246,332	₱19,186,040,273
Less: Dividends on preferred shares (Note 25)	**15,200,000**	14,800,000	12,000,000
Income attributable to holders of common shares of the Parent Company	**(₱483,359,528)**	₱31,270,446,332	₱19,174,040,273
Weighted average number of common shares	**7,520,983,658**	7,520,983,658*	7,520,983,658*
Basic/diluted earnings (loss) per share	**(₱0.06)**	₱4.16*	₱2.55*

**Restated to show the effect of stock dividends distributed in 2020.*

There were no potential dilutive common shares in 2020, 2019 and 2018.

40. 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. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties and are generally settled in cash. Due from and due to related parties are collectible/payable on demand.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the year-end balances in respect of related parties follow:

2020						
			Outstanding Balance			
Related Party	**Category/Transaction**	**Amount/Volume**	**Consolidated Statement of Financial Position**	**Consolidated Statement of Comprehensive Income**	**Terms**	**Conditions**
Subsidiaries:						
Due from related parties	Availment of advances	**(₱274,680,197)**	**₱422,601,347**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivables	**794,669,335**	**1,163,092,322**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivable from customers – commercial loans	**1,227,689,374**	**4,248,372,313**	–	Interest ranging from 2.50% to 4.00%	Secured
	Receivable from customers - bills purchased	**(24,728,364)**	**470,464,461**	–	Non-interest bearing domestic bills purchased	Unsecured; Not impaired
	Other income: allocation of IT charges and CCU expenses	**528,950,831**	–	**528,950,831**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	**140,331,700**	–	**140,331,700**	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	**54,600,000**	–	**54,600,000**		
Due to related parties	Availment of advances	**175,761,872**	**3,434,747,201**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Deposit liabilities	**2,938,618,133**	**39,387,824,093**	–	Various terms and with annual interest rates ranging from nil to 2.55%	
	Short-term debt	**4,802,300,000**	**4,802,300,000**	–	Interest rate of 5.00% per annum	Unsecured; Not impaired
Cash in bank	Deposits	**54,453,170**	**54,484,271**	–	On demand	Unsecured
Cash equivalents	Money market placements	**401,006,797**	**411,006,797**	–	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured; Not impaired
Dividends	Dividend receivable	**70,000,000**	**1,663,529,595**	–	On demand	Unsecured; Not impaired
	Dividend income	**5,541,564,987**	–	**5,541,564,987**		

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			2020			
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
Associate:						
Due from related parties	Availment of advances	**₱60,284,985**	**₱60,927,771**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	**6,457,898,481**	**–**	**6,457,898,481**		
	Rent income	**569,463**	**–**	**569,463**		
	Other income: allocation of CCU expenses	**5,953,449**	**–**	**5,953,449**		
	Receivables	**857,802**	**861,698**	**–**		
	Utilities expense	**4,828,388**	**–**	**4,828,388**		
Other Related Parties:						
Due from related parties	Settlement of advances	**(78,074,147)**	**371,944,857**	**–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	**56,385,688**	**233,840,809**	**–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	**1,822,826**		**1,822,826**		
	Other income: allocation of IT charges and CCU expenses	**162,660,861**	**–**	**162,660,861**	On demand; Non-interest bearing	Unsecured; Not impaired
		823,213	**1,874,427**	**–**	On demand; Non-interest bearing	Unsecured;
Due to related parties	Settlement of advances					Not impaired
Director's fees (included under 'Management and other professional fees' account)	Expenses	**7,275,000**	**–**	**7,275,000**		

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2019						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Subsidiaries:						
Due from related parties	Availment of advances	₱299,788,042	₱697,281,544	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	(53,719,421)	15,717,251	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivable from customers – commercial loans	(848,280,812)	3,020,682,938	–	Interest ranging from 4.71% to 7.59%	Secured
	Receivable from customers - bills purchased	(308,995,424)	495,192,826	–	Non-interest bearing domestic bills purchased	Unsecured; Not impaired
	Other receivables / other income: allocation of IT charges and CCU expenses	475,379,501	352,705,736	475,379,501	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	131,196,484	–	131,196,484	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	54,600,000	–	54,600,000		
Due to related parties	Availment of advances	430,833,644	3,258,985,329	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Deposit liabilities	14,014,806,786	36,449,205,960	–	Various terms and with annual interest rates ranging from nil to 2.55%	
Cash in bank	Deposits	(4,847,776)	31,101	–	On demand	Unsecured
Cash equivalents	Money market placements	(1,435,086,098)	10,000,000	–	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured; Not impaired
Dividends	Dividend receivable	(6,273,626)	1,593,529,595	–	On demand	Unsecured; Not impaired
	Dividend income	8,768,329,504	–	8,768,329,504		
Associate:						
Due from related parties	Availment of advances	392,868	642,786	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	6,119,759,438	–	6,119,759,438		
	Rent income	649,211	–	649,211		
	Other receivables / other income: allocation of CCU expenses	200,672	3,896	200,672		
	Utilities expense	7,077,657	–	7,077,657		

2019						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	**Terms**	**Conditions**
Other Related Parties:						
Due from related parties	Settlement of advances	(₱30,931,424)	₱452,019,131	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	(32,195,309)	302,878	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	1,629,159	–	1,629,159		
	Other receivables / other income: allocation of IT charges and CCU expenses	118,661,846	177,152,243	118,661,846	On demand; Non-interest bearing	Unsecured; Not impaired
Due to related parties	Settlement of advances	(174,443,960)	1,051,214	–	On demand; Non-interest bearing	Unsecured; Not impaired
Director's fees (included under 'Management and other professional fees' account)	Expenses	8,750,000	–	8,750,000		

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2018						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Subsidiaries:						
Due from related parties	Settlement of advances	(₱847,983,679)	₱397,493,502	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	(8,048,397)	69,436,672	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivable from customers – commercial loans	(874,585,000)	3,868,963,750	–	Interest rate of 2.50%	Secured
	Receivable from customers - bills purchased	302,813,353	804,188,250	–	Non-interest bearing domestic bills purchased	Unsecured; Not impaired
	Rent income	127,110,159	–	127,110,159		
	Other income	439,642,623	–	439,642,623		
	Rent expense	46,165,790	–	46,165,790		
	Management fees	64,200,000	–	64,200,000		
Due to related parties	Settlement of advances	–	2,828,151,685	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Deposit liabilities	1,357,093,379	22,434,399,17	–	Various terms and with annual interest rates ranging from nil to 2.55%	
Cash in bank	Deposits	607,508	4,878,877	–	On demand	Unsecured
Cash equivalents	Money market placements	1,282,658,628	1,445,086,098	–	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured
	Interest income	3,273,543	–	3,273,543	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	
Dividends	Dividend receivable	1,023,646,756	1,599,803,221	–	On demand	Unsecured
	Dividend income	6,869,729,393	–	6,869,729,393		
Associate:						
Due from related parties	Settlement of advances	(110,518)	249,918	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	5,206,741,374	–	5,206,741,374		
	Rent income	618,297	–	618,297		
	Utilities expense	9,512,374	–	9,512,374		

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2018						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Other Related Parties:						
Due from related parties	Settlement of advances	(₱7,430,489)	₱412,886,471	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	32,498,188	32,498,188	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Other income	148,322,654	–	148,322,654		
	Rent income	128,661,739	–	128,661,739		
Due to related parties	Settlement of advances	–	1,217,665	–	On demand; Non-interest bearing	Unsecured; Not impaired
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	8,500,000	–	8,500,000		

The Parent Company signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries as discussed in Note 23 to the consolidated financial statements. No fees are charged for these guarantee agreements. Being the centralized treasury department within the Group, the Parent Company usually receives advances from subsidiaries and in turn, makes advances to other subsidiaries.

Interest earned by the Parent Company on transactions with related parties amounted to nil in 2020 and 2019. Interest expense incurred amounted to nil in 2020 and 2019.

Most of the aforementioned intercompany transactions between the Parent Company and its subsidiaries are eliminated in the accompanying consolidated financial statements.

Transactions with the retirement plan
The retirement fund of the Parent Company's employees amounted to ₱2.1 million and ₱10.7 million as of December 31, 2020 and 2019, respectively. The fund is being managed by JG Summit Multi-Employer Retirement Plan (MERP), a corporation created for the purpose of managing the funds of the Group, with RBC as the trustee.

The retirement plan under the MERP has an Executive Retirement Committee, that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

Compensation of key management personnel
There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

The compensation of the Group's key management personnel by benefit type follows:

	2020	2019	2018
Short-term employee benefits	**₱2,300,060,387**	₱2,430,499,658	₱1,727,072,228
Post-employment benefits	**390,399,715**	256,845,114	222,481,457
	₱2,690,460,102	₱2,687,344,772	₱1,949,553,685

<u>Approval requirements and limits on the amount and extent of related party transactions</u>
Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (1)-month with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual MRPTs shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

41. Registration with Government Authorities/Franchise

Certain operations of consolidated subsidiaries are registered with the BOI as preferred pioneer and non-pioneer activities, and are granted various authorizations from certain government authorities. As registered enterprises, these consolidated subsidiaries are subject to certain requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

42. Leases

The Group's leases mostly pertain to land, office spaces, commercial and residential properties, passenger aircraft and flight equipment, transportation and equipment. Leases of land, office spaces, commercial and residential properties, and transportation and equipment generally have terms ranging from 2 to 50 years, while passenger aircraft and other equipment generally have terms between 1.25 and 18 years.

The Group also has certain leases of other flight equipment, furniture and fixtures and machineries with lease terms of 12 months or less, and leases of office spaces considered low-value. The Group applies the recognition exemptions for these type of leases.

<u>Right-of-use Assets</u>
Set out below are the carrying amounts of ROU assets recognized and the movements during the year ended December 31, 2020 and 2019:

	2020				
	Land and Land Improvements	**Buildings and Improvements**	**Passenger Aircraft and Other Flight Equipment**	**Transportation And Other Equipment**	**Total**
Cost					
Balance at beginning of year	**₱1,589,099,285**	**₱1,865,781,584**	**₱23,729,035,071**	**₱83,170,473**	**₱27,267,086,413**
Additions	**370,698**	**3,584,987,861**	**6,782,269,811**	**10,824,841**	**10,378,453,211**
Other adjustments	**1,119,983,238**	**(953,200,463)**	**(1,081,992,151)**	**(10,273,125)**	**(925,482,501)**
Balance at end of year	**2,709,453,221**	**4,497,568,982**	**29,429,312,731**	**83,722,189**	**36,720,057,123**
Accumulated Depreciation					
Balance at beginning of year	**226,049,122**	**552,237,299**	**5,917,994,261**	**39,384,433**	**6,735,665,115**
Depreciation	**165,755,683**	**471,948,572**	**6,748,780,244**	**33,443,004**	**7,419,927,503**
Other adjustments	**357,449,531**	**74,690,331**	**(907,230,394)**	**(9,180,008)**	**(484,270,540)**
Balance at end of year	**749,254,336**	**1,098,876,202**	**11,759,544,111**	**63,647,429**	**13,671,322,078**
Net Book Value at End of Year	**₱1,960,198,885**	**₱3,398,692,780**	**₱17,669,768,620**	**₱20,074,760**	**₱23,048,735,045**

	2019				
	Land and Land Improvements	Buildings and Improvements	Passenger Aircraft and Other Flight Equipment	Transportation And Other Equipment	Total
Cost					
Balance at beginning of year, as previously reported	₱–	₱–	₱–	₱–	₱–
Effect of adoption of PFRS 16	1,587,751,749	676,983,333	16,426,809,577	60,347,705	18,751,892,364
Balance at beginning of year, as restated	1,587,751,749	676,983,333	16,426,809,577	60,347,705	18,751,892,364
Additions	–	1,296,873,096	7,302,225,494	30,581,128	8,629,679,718
Other adjustments	1,347,536	(108,074,845)	–	(7,758,361)	(114,485,670)
Balance at end of year	1,589,099,285	1,865,781,584	23,729,035,071	83,170,472	27,267,086,412

(Forward)

	2019				
	Land and Land Improvements	Buildings and Improvements	Passenger Aircraft and Other Flight Equipment	Transportation And Other Equipment	Total
Accumulated Depreciation					
Balance at beginning of year, as previously reported	₱–	₱–	₱–	₱–	₱–
Effect of adoption of PFRS 16	152,552,800	–	–	–	152,552,800
Balance at beginning of year, as restated	152,552,800	–	–	–	152,552,800
Depreciation	73,455,818	556,228,966	5,917,994,261	45,472,937	6,593,151,982
Other adjustments	40,504	(3,991,667)	–	(6,088,504)	(10,039,667)
Balance at end of year	226,049,122	552,237,299	5,917,994,261	39,384,433	6,735,665,115
Net Book Value at End of Year	₱1,363,050,163	₱1,313,544,285	₱17,811,040,810	₱43,786,039	₱20,531,421,297

Lease Liabilities

The rollforward analysis of the Group's lease liabilities follows:

	2020	2019
As at January 1, as previously reported	**₱21,104,154,649**	₱–
Effect of adoption of PFRS 16	**–**	19,279,144,855
As at January 1, as restated	**21,104,154,649**	19,279,144,855
Additions	**10,370,358,389**	8,607,042,558
Accretion (Note 35)	**830,648,278**	715,156,294
Payments	**(7,560,312,120)**	(7,453,216,220)
Other adjustments	**419,502,173**	(43,972,838)
As at December 31	**₱25,164,351,369**	₱21,104,154,649

Total lease liabilities shown in the 2020 and 2019 consolidated statements of financial position included under 'Other current liabilities' and 'Other noncurrent liabilities' follow:

	2020	2019
Current portion (Note 22)	**₱7,318,423,995**	₱5,784,084,993
Noncurrent portion (Note 24)	**17,845,927,374**	15,320,069,656
	₱25,164,351,369	₱21,104,154,649

The maturity analysis of lease liabilities are disclosed in Note 4, *Financial Risk Management Objectives and Policies.*

Summarized below are the amounts recognized in the 2020 and 2019 consolidated statements of comprehensive income in relation to the Group's leases:

Revenue	**2020**	2019
Sale of goods and services - rental income and sublease income		
Foods	**₱79,745,676**	₱117,385,869
Real estate and hotels	**10,617,088,269**	15,420,499,255
Banking	**17,912,729**	17,279,825
	10,714,746,674	15,555,164,949
Cost of Sales and Services		
Cost of services - depreciation of ROU assets	**380,840,008**	215,105,516
Rent expense - short term leases (Note 30)	**312,153,103**	239,047,138
	692,993,111	454,152,654

(Forward)

Revenue	**2020**	2019
General and Administrative Expenses		
Depreciation of ROU assets	**₱7,039,087,495**	₱6,378,046,466
Rent expense - short term leases (Note 31)	**1,094,163,871**	1,177,429,793
Rent expense - leases of low-valued assets (Note 31)	**3,162,477**	8,511,369
	8,136,413,843	7,563,987,628
Other Income (Losses)		
Foreign exchange gain	**11,679,790**	74,683,864
Finance cost and other charges – accretion of lease liabilities	**(830,648,278)**	(715,156,294)
	₱1,066,371,232	₱6,896,552,237

URC

Operating Lease Commitments - Group as a Lessee

The URC Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. URC's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱652.0 million, ₱682.2 million and ₱937.6 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Future minimum lease payments under noncancellable operating leases of the URC Group follow:

	2020	2019	2018
Within one year	**₱737,486,628**	₱764,674,589	₱752,048,217
After one year but not more than five years	**2,768,630,664**	2,280,129,598	1,362,757,872
Five years or more	**5,112,302,132**	5,857,143,316	464,770,770
	₱8,618,419,424	₱8,901,947,503	₱2,579,576,859

Operating Lease Commitments - Group as a Lessor

The URC Group has entered into one-year renewable, noncancellable leases with various related parties covering certain land and buildings where office spaces are located.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱72.1 million, ₱72.5 million and ₱73.3 million in 2020, 2019 and 2018, respectively.

Finance Lease Commitments - Group as a Lessee

Some of the URC Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the URC Group on a straight-line basis over the term of the right ranging from 30 to 50 years. The amortization on these leases (included under 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱4.9 million, ₱5.2 million and ₱2.5 million in 2020, 2019 and 2018, respectively.

RLC

Group as a Lessee

The RLC Group has lease contracts for various parcels of land used in its operations. Leases of land generally have lease terms between 25 and 50 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments.

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The RLC Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Future minimum lease payments under noncancellable operating leases of RLC's certain lessee subsidiaries follow:

	2020	2019
Within one year	**₱138,995,906**	₱138,995,906
After one year but not more than five years	**630,780,039**	630,780,039
Over five years	**5,736,218,935**	5,767,109,430
	₱6,505,994,880	₱6,536,885,375

Operating Lease Commitments - Group as a Lessor

The RLC Group has entered into commercial property leases on its investment property portfolio. These noncancellable leases have remaining lease terms of between one and ten years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The lease contracts also provide for the percentage rent, which is a certain percentage of actual monthly sales or minimum monthly gross sales, whichever is higher. Total rent income (included under 'Real estate and hotels revenue' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱10.6 billion, ₱15.4 billion and ₱13.5 billion in 2020, 2019 and 2018, respectively. Total percentage rent recognized as income amounted to ₱2.3 billion, ₱3.9 billion and ₱3.5 billion in 2020, 2019 and 2018, respectively.

Future minimum lease receivables under noncancellable operating leases of the RLC Group follow:

	2020	2019	2018
Within one year	**₱14,080,096,258**	₱14,346,692,713	₱11,590,512,976
After one year but not more than five years	**15,320,496,749**	17,739,106,757	17,971,125,898
Over five years	**1,443,106,385**	5,146,915,176	2,377,232,451
	₱30,843,699,392	₱37,232,714,646	₱31,938,871,325

Finance Lease Commitments - Group as a Lessor

RLC has significantly entered into residential property leases on its residential condominium unit's portfolio. These leases have lease period of five (5) to ten (10) years and the lessee is given the right to purchase the property anytime within the lease period that the lessee any arrears in rental payment, condominium dues and other charges.

Future minimum lease payments under finance lease with the present value of future minimum lease payment as of December 31, 2020 and 2019 follow:

	2020	
	Minimum Lease Payments	**Present Value of Minimum Lease Payments**
Within one year	**₱656,523,582**	**₱644,097,650**
After one year but not more than five years	**275,049,758**	**256,955,688**
Total minimum lease payments	**₱931,573,340**	**₱901,053,338**

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	2019	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Within one year	₱527,064,357	₱508,606,027
After one year but not more than five years	288,662,164	256,322,263
Over five years	78,023,547	63,354,682
Total minimum lease payments	₱893,750,068	₱828,282,972

JGSPC

Operating Lease Commitments - Company as a Lessee

In February 2013 and August 2015, JGSPC has entered into contracts of lease for its two (2) Cybergate office with a lease term of five (5) years. The former contract was extended December 31, 2019, while the latter was pre-terminated in January 2020 upon dismantling of leasehold improvements.

In April 2013, JGSPC entered into a lease agreement for shuttle buses that transports its employees from Balagtas to Batangas plant and vice versa which was renewed annually.

Rental expense charged to operations (included under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱57.5 million, ₱61.7 million and ₱45.8 million in 2020, 2019 and 2018, respectively.

Future minimum lease payments under the noncancellable lease of JGSPC's office space follow:

	2020	2019
Within one year	**₱29,616,557**	₱28,206,238
After one year but not more than five years	**52,508,717**	82,125,274
	₱82,125,274	₱110,331,512

Operating Lease Commitments - Group as a Lessor

In August 2009, JGSPC entered into contracts of lease for a parcel of land in Batangas with lease term of 10 years. JGSPC has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases. The lease agreement was no longer renewed starting February 1, 2019.

Rental income amounted to nil, ₱0.1 million and ₱0.2 million for the years ended December 31, 2020, 2019 and 2018.

CAI

Operating Aircraft Lease Commitments - Group as a Lessee

CAI entered into operating lease agreements with certain leasing companies which cover the following aircraft:

A320 CEO aircraft
The following table summarizes the specific lease agreements on CAI's Airbus A320 CEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
March 2008	Lunar Aircraft Trading Company Limited	1	January 2021
March 2008	Aircraft MSN 3762 LLC	1	January 2022
March 2008	APTREE Aviation Trading 2 Co. Ltd.	1	October 2021
	Wells Fargo Trust Company, N.A.	1	October 2023
November 2017	JPA No. 80 Co., Ltd	1	January 2021
November 2017	JPA No. 81 Co., Ltd	1	February 2021
July 2018	JPA No. 117 Co. Ltd	1	September 2021
July 2018	JPA No. 118 Co. Ltd	1	December 2021
August 2018	JPA No. 119 Co. Ltd	1	June 2022
November 2020	EOS Aviation 6 (Ireland) Limited	5	April 2023 – March 2024

From 2007 to 2008, CAI entered into operating lease agreements with Celestial Aviation Trading 17/19/23 Limited for five (5) Airbus A320 which were delivered on various dates from 2007 to 2011. The lease agreements were later on amended to effect the novation of lease rights from the original lessors to current lessors: Inishcrean Leasing Limited for (1) Airbus A320, GY Aviation Lease 0905 Co. Limited for two (2) Airbus A320, APTREE Aviation Trading 2 Co. Limited for one (1) Airbus A320, and Wells Fargo Trust Company, N.A. for one (1) Airbus A320.

In July 2011, CAI entered into an operating lease agreement with RBS Aerospace Ltd. (RBS) for the lease of two (2) Airbus A320, which were delivered in March 2012. The lease agreement was amended to effect the novation of lease rights by the original lessor to current lessor, SMBC Aviation Capital Limited, as allowed under the existing lease agreements.

In 2015 to 2016, CAI extended the lease agreement with Inishcrean for three years and with GY Aviation Lease 0905 Co. Limited for two years.

In 2017, CAI entered into lease agreements with ILL for two (2) Airbus A320 and with JPA No. 78/79/80/81 Co., Ltd for four (4) Airbus A320.

In 2018, CAI separately extended the lease agreements with APTREE Aviation Trading 2 Co. Ltd for two years, with Wells Fargo Trust Company, N.A for four years, and with GY Aviation Lease 0905 Co. Limited for another two years on one aircraft and three years on the other.

In July and August 2018, CAI entered into lease agreements with JPA No. 117/118/119 Co., Ltd for three (3) Airbus A320.

In May and August 2019, the lease agreements of the two aircraft under GY Aviation Lease 0905 Co. Limited were amended to effect the novation of lease rights to their current lessors, Aircraft MSN 3762 LLC and Lunar Aircraft Trading Company Limited.

In November 2020, the Group entered into a sale and leaseback agreement with EOS Aviation 6 (Ireland) Limited for five (5) Airbus A320. The lease portion consists of leases for three (3) to four (4) years.

A320NEO aircraft
On July 26, 2018, CAI entered into 8-year lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO for delivery on various dates within 2019.

The first four (4) Airbus A320NEO aircraft were delivered in June, July, September and October 2019 under Avolon Leasing Ireland 1 Limited as lessor. In November 2019, two (2) out of the four A320NEO aircraft were amended to effect the novation of lease rights to their current lessor, Orix Aviation Systems Limited.

In January 2020, the fifth Airbus A320NEO aircraft was delivered with Avolon Leasing Ireland 1 Limited as lessor. In August 2020, the fifth A320NEO aircraft was amended to effect the novation of lease rights to its current lessor, Avolon Aerospace AOE 184 Limited.

ATR 72-600 aircraft
On May 10, 2019, CAI entered into a 10-year lease agreement with an early termination option on the 8th year with AVAP AIRCRAFT TRADING III PTE. LTD. for one (1) ATR 72-600. The aircraft was delivered in May 2019.

A330CEO aircraft
The following table summarizes the specific lease agreements on CAI's Airbus A330CEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
February 2012	Wells Fargo Bank Northwest, N.A. (not in its individual capacity but solely as Owner Trustee)	2	8 years
	CIT Aerospace International	1	
	Avolon Aerospace AOE 165 Limited	1	
July 2013	A330 MSN 1552 Limited and A330 MSN 1602 Limited*	2	12 years with pre-termination option

**New lessors per Deed of Novation and Amendment signed on August 2014 and March 2015*

In February 2012, CAI entered into operating lease agreements with Wells Fargo Bank Northwest, N.A. for the lease of four (4) Airbus A330-300 aircraft. The lease agreements were later on amended to effect the novation of lease rights from the original lessor to their current lessors: Wells Fargo Trust Company, N.A. (not in its individual capacity but solely as Owner Trustee), CIT Aerospace International, and Avolon Aerospace AOE 165 Limited.

In July 2013, CAI entered into aircraft operating lease agreements with Intrepid Aviation Management Ireland Limited for the lease of two (2) Airbus A330. The lease agreements have been amended to effect the novation of lease rights by the original lessor to current lessors, A330 MSN 1552 Limited and A330 MSN 1602 Limited.

The first two (2) Airbus A330 aircraft were delivered in June 2013 and September 2013. Three (3) Airbus A330 aircraft were delivered in February 2014, May 2014, and September 2014 and one (1) Airbus A330 aircraft was delivered in March 2015. As of December 31, 2020, the Group has six (6) Airbus A330 aircraft under operating lease.

Engine Lease Commitments

The following table summarizes the specific lease agreements on CAI's engines:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
May 2019	RRPF Engine Leasing Limited	3	6 years with pre-termination option
August 2019	RR Leasing Limited	1	6 months
September 2020	SMBC Aero Engine Lease B.V.	7	18 months – 8 years

In May 2019, CAI entered into operating lease agreements with RRPF Engine Leasing Limited for the lease of three (3) Trent 700 engines.

In August 2019, CAI entered into a lease arrangement for one (1) Trent 700 engine with RR Leasing Limited for a lease term of six (6) months. The lease agreement has been extended until November 2020.

In September and October 2020, CAI entered into operating lease agreements as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V for eight (8) CFM56 engines. The leases have short- and long-term lease arrangements between 18 months to eight (8) years, respectively.

Future minimum lease payments under the above-indicated operating aircraft leases follow:

	2020		2019	
	Philippine peso equivalent	**US dollar**	Philippine peso equivalent	US dollar
Within one year	**₱6,420,659,489**	**US$133,699,675**	₱5,886,821,930	US$116,225,507
After one year but not more than five years	**8,865,244,056**	**184,604,128**	9,082,979,509	179,328,322
Over five years	**2,594,548,640**	**54,027,209**	2,222,083,371	43,871,340
	₱17,880,452,185	**US$372,331,012**	₱17,191,884,810	US$339,425,169

Lease expenses relating to aircraft leases (included in ‘General and administrative expenses’ in profit or loss in the consolidated statements of comprehensive income) amounted to ₱0.3 billion, ₱0.3 billion and ₱5.7 billion in 2020, 2019 and 2018 respectively (see Note 31).

Operating Non-Aircraft Lease Commitments - Group as a Lessee
CAI has entered into various lease agreements for its hangar, office spaces, ticketing stations and certain equipment. These leases have remaining lease terms ranging from one to ten years. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 5.0% to 10.0%.

Future minimum lease payments under these noncancellable operating leases of CAI follow:

	2020	2019
Within one year	**₱224,965,425**	₱211,101,521
After one year but not more than five years	**948,093,648**	928,126,925
Over five years	**4,644,065,119**	4,514,028,565
	₱5,817,124,192	₱5,653,257,011

Lease expenses relating to both cancellable and non-cancellable non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱412.2 million, ₱702.1 million and ₱760.0 million in 2020, 2019 and 2018, respectively.

RBC and LSB
Operating Lease Commitments - Group as a Lessee
RBC leases its head office and branch premises for periods ranging from one (1) to ten (10) years, renewable upon mutual agreement of both parties. LSB also leases the premises occupied by its head offices and most of its branches for periods ranging from five (5) to fifteen (15) years, renewable upon mutual agreement of both parties. Various lease contracts of the Group include escalation clauses, most of which bear annual rent increase ranging from 5.00% to 10.00%.

Rent expense recognized by RBC and LSB (included under ‘General and administrative expenses’ in profit or loss in the consolidated statements of comprehensive income) amounted to ₱124.0 million, ₱110.0 million and ₱340.1 in 2020, 2019 and 2018, respectively.

Future minimum lease payments under these noncancellable operating leases of RBC and LSB follow:

	2020	2019
Within one year	**₱336,702,857**	₱258,948,338
After one year but not more than five years	**644,448,747**	525,022,763
Over five years	**12,699,566**	29,891,105
	₱993,851,170	₱813,862,206

43. Other Commitments and Contingent Liabilities

Parent Company

- *JGSOC Loan Accommodation from Private Bank*
  On February 8, 2018, the BOD authorizes the Parent Company to guarantee the loan/credit accommodation of JG Summit Olefins Corporation from BDO Unibank in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

  On June 9, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSOC from MBTC in the amount of ₱9.2 billion

- *JGSPC Loan Accommodation from Private Bank*
  On February 8, 2018, the BOD authorizes the Parent Company to guarantee the loan/credit accommodation of JG Summit Petrochemical Corporation from BDO Unibank in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

  On January 20, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from BPI in the amount of ₱4.0 billion.

  On March 2, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from BDO in the amount of ₱4.0 billion.

  On June 9, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from MBTC in the amount of ₱3.75 billion

- *JGSPC/JGSOC Loan Accommodation from Private Bank*
  On April 8, 2019, the BOD authorizes the Parent Company to guarantee the loan/credit accommodation of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation from the Bank of the Philippine Islands in the aggregate principal amount of ₱17.0 billion including any extension, renewal or modification of such loan or credit accommodation.

- *JGSPL 4.375% Unsecured Notes Due 2023*
  On January 24, 2013, JGSH Philippines, Limited issued US$750.0 million, 4.4% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

On June 26, 2020, the BOD of the Parent Company approved to guarantee the obligations of JGSH Philippines, Limited for the issuance of US$ fixed rate notes amounting to US$600.0 million.

These notes require the Group not to exceed the 2.0:1.0 financial ratio requirement on its consolidated total borrowing to consolidated total equity ratio and not to fall below 0.5:1.0 financial ratio requirement on its consolidated current assets to consolidated current liabilities ratio.

CAI

Capital Expenditure Commitments
CAI's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱154.1 billion and ₱133.1 billion as of December 31, 2020 and 2019, respectively, which are payable over the following periods:

	December 31, 2020			December 31, 2019		
	US Dollar	**Japanese Yen**	**Philippine Peso Equivalent**	US Dollar	Japanese Yen	Philippine Peso Equivalent
Within one year	**US$659,224,287**	**¥–**	**₱31,657,927,948**	US$386,807,413	¥1,506,555,004	₱20,294,256,870
After one year but not more than five years	**2,550,481,846**	**–**	**122,481,789,707**	2,168,887,176	6,259,259,135	112,772,640,221
	US$3,209,706,133	**¥–**	**₱154,139,717,655**	US$2,555,694,589	¥7,765,814,139	₱133,066,897,091

CAI is actively engaged in planning and executing various measures to mitigate the impact of COVID-19 pandemic on its business operations, including negotiations with key suppliers on its capital expenditure commitments.

Aircraft and Spare Engine Purchase Commitments
On October 20, 2015, CAI entered into a Sale and Purchase Contract with Avions Transport Regional G.I.E. to purchase 16 firm ATR 72-600 aircraft and up to ten additional option orders. These aircraft are scheduled for delivery from 2016 to 2022. Two (2) ATR 72-600 were delivered in 2016, six (6) in 2017, four (4) in 2018, and one (1) in 2019 totaling to 13 ATR 72-600 aircraft delivered as of December 31, 2019.

On June 6, 2017, CAI placed an order with Airbus S.A.S to purchase seven (7) new Airbus A321 CEO aircraft, all of which were delivered in 2018.

On June 14, 2018, CAI has entered into an Aircraft Conversion Services Agreement with IPR Conversions (Switzerland) Limited to convert two (2) ATR 72-500 aircraft from passenger to freighter. The first converted ATR 72-500 freighter aircraft was delivered in August 2019 while the second will be delivered within 2020.

On July 26, 2018, CAI entered into operating lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO aircraft, four of which were delivered on various dates within 2019.

On October 31, 2019, CAI placed an order with Airbus S.A.S to purchase sixteen (16) Airbus A330 NEO aircraft. Consequently, on November 29, 2019, the Parent Company entered into agreements with Rolls-Royce PLC for the purchase of spare Trent 7000 engines and for the provision of TotalCare life services and other services required in connection with the sixteen (16) A330NEO aircraft.

On December 19, 2019, CAI placed an additional order with Airbus S.A.S for fifteen (15) A320NEO family aircraft which includes up to ten (10) A321XLR.

As of December 31, 2020, CAI is set to take delivery of twenty-four (24) Airbus A321 NEO, three (3) ATR 72-600, one (1) ATR 72-500 freighter, sixteen (16) A330 NEOs and sixteen (16) A320NEO family aircraft from 2020 until 2027.

The above-indicated commitments relate to CAI’s re-fleeting and expansion programs. These agreements remained in effect as of December 31, 2020.

Service Maintenance Commitments
On June 21, 2012, CAI has entered into a 10-year charge per aircraft landing (CPAL) agreement with Messier-Bulgatti-Dowty (Safran Group) to purchase wheels and brakes for its fleet of Airbus A319 and A320 aircraft. The contract covers the current fleet, as well as future aircraft to be acquired.

On June 22, 2012, CAI has entered into service contract with Rolls-Royce Total Care Services Limited (Rolls-Royce) for service support for the engines of the A330 aircraft. Rolls-Royce will provide long-term Total Care service support for the Trent 700 engines on up to eight A330 aircraft. Contract term shall be from delivery of the first A330 until the redelivery of the last A330.

On March 28, 2017, the CAI entered into a maintenance service contract with Societe Air France for the lease, repair and overhaul services of parts and components of its A319, A320 and A321 aircraft. These services include provision of access to inventories under lease basis, access to pooled components on a flat rate basis and repairs of aircraft parts and components.

URC

Milling Contracts
Milling contracts with various planters provide for a 60%-70% share to the planters (including related parties) and 30%-40% share to the Group of sugar and molasses produced from sugar canes milled. The Sugar Industry Development Act of 2015 provides that, to ensure the immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mill.

Sugar under Custody but Not Owned
As of December 31, 2020 and 2019, the Group has in its custody sugar owned by several quedan holders with volume of 962,224 Lkg and 502,903 Lkg, respectively. The said volume of sugar is not reflected in the statement of financial position since this is not owned by the Group. The Group is accountable to both quedan holders and sugar traders for the value of these trusteed sugar or their sales proceeds.

Off-Balance Sheet Items
In the normal course of RBC and LSB’s operations, there are various outstanding contingent liabilities and bank guarantees which are not reflected in the accompanying consolidated financial statements. The subsidiary bank does not anticipate material unreserved losses as a result of these transactions.

Following is a summary of RBC and LSB’s commitments and contingent liabilities at their equivalent peso contractual amounts:

	2020	2019
Trust and investment group accounts	**₱26,192,113,492**	₱17,739,157,589
Spot exchange - foreign currency	**2,083,121,571**	2,654,047,816
Committed credit lines	**6,945,067,250**	7,258,540,906
Guarantees issued	**1,839,592,801**	3,207,412,389
Inward bills for collection	**1,450,730,126**	984,396,933
Outward bills for collection	**161,088,252**	–
Letters of credit	**343,954,891**	328,561,049
Contingent - foreign currency swap	**1,092,920,578**	1,284,358,910
Late deposit/payment received	**61,959,354**	93,764,025
Items held for safekeeping	**77,158**	79,472
Other contingent account	**184,784**	183,907

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business from legal proceedings which are either pending decision by the courts, under arbitration or being contested, the outcomes of which are not presently determinable. In the opinion of management and its legal counsels, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

44. Business Combination

Acquisition of Yarra Valley
In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, agreed to buy 40% of Oceania business (SBA and Griffin's) to leverage on the Group's and Intersnack's know-how from their respective markets. This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the groundwork for an even larger and more efficient Oceania operations. Considerations received for the transaction consisted of cash and Yarra Valley net assets amounting to US$142.0 million (₱7.2 billion) and US$10.1 (₱0.5 billion), respectively.

On December 23, 2019, the Australian FIRB approved the transaction.

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱1.3 billion is presented under 'Equity reserve' in the consolidated statements of financial position.

45. Subsequent Events

On January 18, 2021, the BOD of the Parent Company approved the exercise of the option for early redemption of the Parent Company's ₱176.3 million fixed rate 5.3% bonds due on 2024 at the early redemption price of ₱101.50. On March 2, 2021, the Parent Company exercised its option for early redemption.

On February 16, 2021, CAI announced that it has fixed the final terms of its stock rights offer (SRO) to raise ₱12.5 billion from the issuance of PHP-denominated convertible preferred shares.

Number of Entitlement Rights to be Offered	328,947,368 of cumulative, non-voting, nonparticipating Convertible Preferred Shares with a par value of ₱1.00 per share
Offer Price	₱38.00 per Entitlement Right
Entitlement Ratio	One Entitlement Right for every 1.8250 CEB Common Shares held as of Record Date
Dividend Yield (per annum)	6.00%
Conversion Price	₱38.00 per share
Conversion Ratio	One CAI Common Share for every one Convertible Preferred Share
Pricing Date	February 15, 2021
Ex-Date	February 22, 2021

Record Date	February 26, 2021
Start of Offer Period	March 3, 2021, 9:00 a.m., Manila time
End of Offer Period	March 9, 2021, 12:00 noon, Manila time
Listing Date	March 29, 2021

On March 5, 2021, CAI's BOD approved a ₱16.0 billion Ten-Year Term Loan with the following domestic banks: Development Bank of the Philippines ("DBP") and Land Bank of the Philippines("LBP") joined hands with Asia United Bank Corporation ("AUB"), Bank of the Philippine Islands ("BPI"), Metropolitan Bank & Trust Company ("MBTC") and Union Bank of the Philippines ("UBP"). The proceeds of the loan will be used by CAI to fund its capital expenditures and other general corporate purposes.

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
  - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
  - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
  - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.
- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.

- For investments prior to effectivity of CREATE:
  - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
  - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 27.5% effective July 1, 2020.

- This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Company's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements. Pending clarification from the tax authorities on how the taxable income for the period beginning July 1, 2020 will be computed, the Company has not quantified the impact of the lower corporate income tax rate on the 2020 current income tax.
- This will result in lower deferred tax assets/liabilities recognized as of 2020 year-end by ₱211.2 million (loss/income) comprised of ₱292.6 million in profit or loss and 81.4 million reduction in other comprehensive income. respectively. These reductions will be recognized in the 2021 financial statements.

<u>Continuing COVID-19 pandemic</u>

The outbreak of COVID-19 in 2020 disrupted the business of the Group in 2020, resulting in significant deterioration of earnings and cashflows, and may continue to significantly disrupt the business activities of the Group.

On March 11, 2020, the World Health Organization has declared COVID-19 outbreak a global pandemic. In the Philippines, in a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020. Effective May 16, 2020, some provinces in Luzon was placed under general community quarantine while National Capital Region (NCR) was placed under modified enhanced community quarantine. Effective June 1, 2020, NCR was placed under general community quarantine (GCQ). On August 4, 2020, the Philippine Government has placed NCR back to modified enhanced community quarantine until it was placed to general community quarantine starting August 19, 2020 until August 31, 2020. On September 1, 2020, the Office of the President of the Philippines declared GCQ until September 30, 2020. The GCQ over NCR and other risk areas was further extended until January March 29, 2021 while the rest of the country was put under MGCQ. From March 29, 2021 to April 4, 2021, following spike in the number of new COVID-19 cases, the Philippine Government has placed NCR back to ECQ and was later extended to April 11, 2021.

Likewise, government authorities in other countries where the Group operates, adopted measures, including lockdowns, to control the spread of the virus and mitigate the impact of the outbreak.

The scale and duration of these developments remain uncertain as at the report date. The COVID-19 pandemic could have a material impact on the Group's financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Group will continue to monitor the situation.

46. Supplemental Disclosures to Cash Flow Statements

Changes in liabilities arising from financing activities in 2020 and 2019 follow:

	January 1, 2020	Cash Flows	Foreign Exchange Movement	Currency Translation Adjustment	Others*	December 31, 2020
Short-term debts	₱ 54,047,410,004	(₱4,446,839,106)	(₱277,486,729)	(₱4,904,991,984)	₱–	₱44,418,092,185
Long-term debts	218,935,534,707	55,695,893,718	(3,205,183,463)	853,097,627	62,543,752	272,341,886,341
	₱272,982,944,711	₱51,249,054,612	(₱3,482,670,192)	(₱4,051,894,357)	₱62,543,752	₱316,759,978,526

**Others consist of amortization of bond issue cost.*

	January 1, 2019	Cash Flows	Foreign Exchange Movement	Currency Translation Adjustment	Others*	December 31, 2019
Short-term debts	₱35,453,723,993	₱18,822,267,467	(₱286,995,206)	₱58,413,750	₱–	₱54,047,410,004
Long-term debts	210,248,967,348	11,920,449,077	(2,276,354,595)	(1,171,744,302)	214,217,179	218,935,534,707
	₱245,702,691,341	₱30,742,716,544	(₱2,563,349,801)	(₱1,113,330,552)	₱214,217,179	₱272,982,944,711

**Others consist of amortization of bond issue cost.*

The principal noncash activities of the Group include movements in the cumulative translation adjustment amounted to ₱833.6 million, ₱1.2 billion and ₱1.5 billion in 2020, 2019 and 2018, respectively.

47. Approval for the Release of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group were approved and authorized for issue by the BOD on April 5, 2021.

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

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of JG Summit Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 5, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-5 (Group A),
April 16, 2019, valid until April 15, 2022
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-053-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534310, January 4, 2021, Makati City

April 5, 2021

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

**INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of JG Summit Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 5, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

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PTR No. 8534310, January 4, 2021, Makati City

April 5, 2021

Contact Information

Corporate Directory

Common Stock	Listed on the Philippine Stock Exchange, Inc. 6/F PSE Tower, 5th Avenue corner 28th Street Bonifacio Global City, Taguig City		
Stock Transfer and Dividend Paying Agent	BDO Unibank, Inc. Trust and Investment Group 15/F South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City		
Corporate Head Office	JG Summit Holdings, Inc. 43/F Robinsons Equitable Tower ADB Avenue corner Poveda Street, Ortigas Center, Pasig City Metro Manila, Philippines	Tel No. Fax No.	(632) 8633-7631 to 40 (632) 8240-8801 (632) 8633-9207 (632) 8240-9106
Independent Public Accountants	SyCip Gorres Velayo & Co. Certified Public Accountants SGV Building, 6760 Ayala Avenue Makati City, Philippines		
Legal Counssel	Romulo, Mabanta, Buenaventura, Sayoc & delos Angeles Law Office 21/F Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines		
Comapny Website	**www.jgsummit.com.ph**		

Directory per Business Unit

Universal Robina Corporation	8th Floor Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila, Philippines	Tel No. (632) 8633-7631 to 40 **http://www2.urc.com.ph**
Cebu Air, Inc.	Cebu Pacific Building, Domestic Road, Barangay 191, Zone 20, Pasay City, Philippines	Tel No. (632) 8802 7000 **http://cebupacificair.com**
Robinsons Land Corporation	Level 2, Galleria Corporate Center, Edsa corner Ortigas Avenue Quezon City, Metro Manila, Philippines	Tel No. (632) 8397 1888 **www.robinsonsland.com**
JG Summit Petrochemicals Group	10F -11F Robinsons Cyberscape Gamma Bldg., Topaz and Ruby Roads, Ortigas Center, Brgy. San Antonio, Pasig City, Philippines	Tel No. (632) 8230 5000 (632) 8397 3200 **www.jgspetrochem.com**
Robinsons Bank Corporation	17th Floor, Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City	Tel No. (632) 8637-CARE (2273) **www.robinsonsbank.com.ph**
Luzon International Airport Development Corp.	Civil Aviation Complex, LIPAD Corp. Office, VIP Lounge Bldg, Andres Bonifacio Avenue, Clark Freeport, Zone, Pampanga	Tel No. +63 45 499 8504 Email crk@lipadcorp.com **https://clarkinternationalairport.com**
Data Analytics Ventures, Inc.	30/F Cyberscape Gamma Topaz and Ruby Roads Pasig City, Philippines 1605	Tel No. (632) 8991 4720 Email contactus@davi.com.ph **https://www.davi.com.ph**
JG Digital Equity Ventures	30/F Cyberscape Gamma, Ruby and Topaz Streets, Ortigas Center, Pasig City, Metro Manila	Tel No. (632) 8991 4720 Email contact@jgdev.ph **www.jgdev.ph**
DHL Summit Solutions, Inc.	2F Exxa Tower, Office 12 & 20 Work.able, Bridgetowne Eulogio Rodriguez Jr. Ave., Ugong Norte, Quezon City	Tel No. (632) 8-246 7162 loc 0212 / 2122 / 2123