AB Capital and Investment Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

The BOD reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

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

FRANK S. GAISANO
Chairman of the Board

LAMBERTO M. SANTOS, JR.
President

BRIAN M. DEVILA
Treasurer

Signed this 28 day of APR 2021

AB Capital and Investment Corporation
Units 1210-1212,1911-1912, 12th and 19th Floors, PSE Tower,
5th Ave., cor. 28th St., Bonifacio Global City, Taguig City 1634
Trunkline: (632) 898-7555 / Facsimile: (632) 898-7596 / 898-7597
Website : www.abcapitalonline.com

SUBSCRIBED AND SWORN TO BEFORE ME this 28 APR 2021 of April 2021 at Taguig City, affiants exhibited to me the following competent evidence of identity:

NAME	VALID GOVERNMENT ISSUED ID	PLACE OF ISSUE	DATE OF ISSUE/EXPIRY DATE
FRANK S. GAISANO	Passport No. P5597665A	Cebu City	January 11, 2028
LAMBERTO M. SANTOS, JR.	Passport No. 502374541	Virginia, USA	November 07, 2022
BRIAN M. DEVILA	PRC ID No. 0143411	PRC Manila	September 09, 2021

ATTY. EDILBERTO F. FACINABAO
NOTARY PUBLIC for in Taguig
Until June 30, 2021
IBP OR No. 127842 / Rizal 08-27-2020
PTR No. A-5064305 / 01-04-2021 Taguig City
IBP Roll No. 29548
FTI Old Admin. Bldg. FTI Complex, Taguig City

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Page No. 75
Book No. LXXXV
Series of 2021

Brian Mondarez Devila

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 9 1 8 3 1

COMPANY NAME

AB CAPITAL AND INVESTMENT CORPORATION AND SUBSIDIARY

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

UNITS 1210-1212 AND UNITS 1911-1912, PSE TOWER, 5TH AVENUE CORNER 28TH STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
hrad@abcapital.com.ph	8898-7555	-

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
13	06/20	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number

CONTACT PERSON's ADDRESS

Units 1210-1212 and Units 1911-1912, PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City

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

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

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
AB Capital and Investment Corporation
Units 1210-1212 and Units 1911-1912, PSE Tower
5th Avenue corner 28th Street,
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of AB Capital and Investment Corporation and its subsidiary (the Group) and the parent company financial statements of AB Capital and Investment Corporation (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2020 and 2019, and the consolidated and parent company statements of comprehensive income, the consolidated and parent company statements of changes in equity and the consolidated and parent company statements of cash flows for the years then ended, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended 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 and Parent Company 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 financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 and the Parent Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 and the Parent Company 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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of AB Capital and Investment Corporation in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Revised Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534218, January 4, 2021, Makati City

April 30, 2021

AB CAPITAL AND INVESTMENT CORPORATION AND SUBSIDIARY
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
ASSETS				
Cash and cash equivalents (Note 6)	**₱675,930,315**	₱396,073,899	**₱27,331,518**	₱7,338,404
Financial assets at fair value through profit or loss (Note 7)	**4,507,914**	30,514	**–**	–
Financial assets at fair value through other comprehensive income (Note 7)	**–**	9,939,280	**–**	–
Investment securities at amortized cost (Notes 7 and 23)	**228,122,917**	277,775,189	**228,122,917**	277,775,189
Receivables (Notes 8 and 24)	**200,635,580**	281,236,337	**101,788,661**	100,014,373
Investment in a subsidiary (Note 9)	**–**	–	**106,715,694**	106,715,694
Property and equipment (Note 10)	**7,726,128**	14,918,772	**2,986,367**	6,279,351
Investment property (Note 11)	**5,942,998**	6,314,435	**–**	–
Deferred tax asset (Note 21)	**1,789,272**	1,241,043	**1,236,086**	869,928
Goodwill (Note 12)	**8,877,294**	8,877,294	**–**	–
Right-of-use asset (Note 19 and 24)	**11,252,970**	25,275,947	**5,238,348**	11,765,770
Other assets (Note 13)	**38,160,965**	35,983,514	**11,453,164**	11,620,154
	₱1,182,946,353	₱1,057,666,224	**₱484,872,755**	₱522,378,863
LIABILITIES AND EQUITY				
Liabilities				
Accounts payable and accrued expenses (Notes 14)	**₱706,188,192**	₱522,356,946	**₱40,632,490**	₱31,346,676
Notes payable (Note 15)	**115,999,999**	165,926,645	**115,999,999**	165,926,645
Dividend payable (Notes 17)	**662,088**	662,088	**662,088**	662,088
Retirement liability (Note 22)	**5,900,290**	3,725,997	**2,799,544**	1,579,020
Lease liability (Note 19)	**12,406,895**	26,452,360	**5,774,422**	12,312,085
Other liabilities (Note 16)	**3,588,256**	3,038,946	**1,067,717**	1,048,632
	844,745,720	722,162,982	**166,936,260**	212,875,146
Equity				
Capital stock (Note 17)	**233,258,100**	203,258,100	**233,258,100**	203,258,100
Additional paid-in capital (Note 17)	**131,087,229**	131,387,229	**131,087,229**	131,387,229
Retained earnings (deficit) (Note 17)	**(23,715,397)**	2,416,403	**(44,731,061)**	(24,151,854)
Net unrealized loss on financial assets at fair value through other comprehensive income (Note 7)	**–**	(305,393)	**–**	–
Remeasurement loss on retirement liability (Note 22)	**(2,429,299)**	(1,253,097)	**(1,677,773)**	(989,758)
	338,200,633	335,503,242	**317,936,495**	309,503,717
	₱1,182,946,353	₱1,057,666,224	**₱484,872,755**	₱522,378,863

See accompanying Notes to Financial Statements.

AB CAPITAL AND INVESTMENT CORPORATION AND SUBSIDIARY
STATEMENTS OF COMPREHENSIVE LOSS

	Consolidated		Parent Company	
	Years Ended December 31			
	2020	2019	**2020**	2019
INCOME				
Commissions (Note 24)	**₱52,839,035**	₱53,710,310	**₱–**	₱–
Trust fees (Notes 23 and 24)	**40,025,327**	44,279,225	**41,036,025**	45,131,329
Interest and finance income (Note 18)	**19,474,118**	35,762,098	**10,536,966**	15,739,716
Trading and securities losses - net (Note 7)	**(1,246,622)**	(1,179,250)	**–**	–
Management and administration fees (Note 24)	**1,791,202**	1,686,813	**1,791,202**	1,686,813
Rental income (Note 11)	**4,519,852**	1,941,162	**–**	–
Dividend income (Note 7 and 17)	**847,962**	822,009	**–**	14,000,000
Miscellaneous	**5,889,295**	755,026	**1,801,348**	334,559
	124,140,169	137,777,393	**55,165,541**	76,892,417
EXPENSES				
Compensation and fringe benefits (Notes 22 and 24)	**59,463,202**	62,090,759	**37,470,658**	39,330,172
Commissions (Note 24)	**15,419,469**	16,531,910	**–**	–
Depreciation and amortization (Note 10, 11 and 19)	**12,189,122**	12,127,932	**5,334,051**	5,335,961
Management and other professional fees (Note 24)	**11,528,029**	10,204,195	**10,427,536**	8,572,508
Interest and finance charges (Note 19)	**9,046,181**	11,627,630	**8,098,116**	10,524,799
Stock exchange fees	**6,467,366**	5,697,277	**–**	–
Communication	**6,170,276**	6,740,446	**961,152**	1,013,484
Occupancy and equipment-related costs (Note 19)	**5,603,212**	6,649,480	**2,072,755**	2,360,039
Fuel and lubricants	**3,910,394**	4,381,442	**2,132,970**	2,507,033
Taxes and licenses	**3,574,805**	3,680,194	**2,814,336**	3,156,754
Entertainment, amusement and recreation	**28,026**	332,320	**10,262**	10,809
Miscellaneous (Note 20)	**13,831,079**	12,579,050	**5,925,864**	5,487,973
	147,231,161	152,642,635	**75,247,700**	78,299,532
LOSS BEFORE INCOME TAX	**(23,090,992)**	(14,865,242)	**(20,082,159)**	(1,407,115)
PROVISION FOR INCOME TAX (Note 21)	**2,495,852**	4,748,579	**497,045**	1,114,466
NET LOSS	**(25,586,844)**	(19,613,821)	**(20,579,204)**	(2,521,581)
OTHER COMPREHENSIVE LOSS				
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement loss on retirement liability, net of tax (Note 22)	**(1,176,202)**	(1,451,606)	**(688,016)**	(964,325)
Net changes in fair value of financial assets at fair value through other comprehensive income, net of tax (Note 7)	**(239,563)**	41,486	**–**	–
	(1,415,765)	(1,410,120)	**(688,016)**	(964,325)
TOTAL COMPREHENSIVE LOSS	**(₱27,002,609)**	(₱21,023,941)	**(₱21,267,220)**	(₱3,485,906)

See accompanying Notes to Financial Statements.

AB CAPITAL AND INVESTMENT CORPORATION AND SUBSIDIARY
STATEMENTS OF CHANGES IN EQUITY

	Consolidated						
	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Retained Earnings (Deficit) (Note 17) Appropriated	Retained Earnings (Deficit) (Note 17) Unappropriated	Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income (Note 17)	Remeasurement loss on Retirement Liability (Note 22)	Equity
Balances at January 1, 2020	**₱203,258,100**	**₱131,387,229**	**₱26,985,795**	**(₱24,569,392)**	**(₱305,393)**	**(₱1,253,097)**	**₱335,503,242**
Net loss	–	–	–	(25,586,844)	–	–	(25,586,844)
Other comprehensive loss	–	–	–	–	(239,563)	(1,176,202)	(1,415,765)
Realized loss on sale of equity securities at fair value through other comprehensive income (Note 7)	–	–	–	(544,956)	544,956	–	–
Total comprehensive income (loss)	–	–	–	(26,131,800)	305,393	(1,176,202)	(27,002,609)
Issuance of capital stocks	30,000,000	(300,000)	–	–	–	–	29,700,000
Balances at December 31, 2020	**₱233,258,100**	**₱131,087,229**	**₱26,985,795**	**(₱50,701,192)**	**₱–**	**(₱2,429,299)**	**₱338,200,633**
Balances at January 1, 2019	₱203,258,100	₱131,387,229	₱26,985,795	(₱4,955,571)	(₱346,879)	₱198,509	₱356,527,183
Net loss	–	–	–	(19,613,821)	–	–	(19,613,821)
Other comprehensive income (loss)	–	–	–	–	41,486	(1,451,606)	(1,410,120)
Total comprehensive income (loss)	–	–	–	(19,613,821)	41,486	(1,451,606)	(21,023,941)
Balances at December 31, 2019	₱203,258,100	₱131,387,229	₱26,985,795	(₱24,569,392)	(₱305,393)	(₱1,253,097)	₱335,503,242

See accompanying Notes to Financial Statements.

AB CAPITAL AND INVESTMENT CORPORATION AND SUBSIDIARY
STATEMENTS OF CHANGES IN EQUITY

	Parent Company					
	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Retained Earnings (Deficit) (Note 17)		Remeasurement Loss on Retirement Liability (Note 22)	Equity
			Appropriated	Unappropriated		
Balances at January 1, 2020	**₱203,258,100**	**₱131,387,229**	**₱7,634,845**	**(₱31,786,699)**	**(₱989,758)**	**₱309,503,717**
Net loss	–	–	–	**(20,579,207)**	–	**(20,579,207)**
Other comprehensive loss	–	–	–	–	**(688,015)**	**(688,015)**
Total comprehensive loss	–	–	–	**(20,579,207)**	**(688,015)**	**(21,267,222)**
Issuance of capital stocks	**30,000,000**	**(300,000)**	–	–	–	**29,700,000**
Balances at December 31, 2020	**₱233,258,100**	**₱131,087,229**	**₱7,634,845**	**(₱52,365,906)**	**(₱1,677,773)**	**₱317,936,495**
Balances at January 1, 2019	₱203,258,100	₱131,387,229	₱7,634,845	(₱29,265,118)	(₱25,433)	₱312,989,623
Net loss	–	–	–	(2,521,581)	–	(2,521,581)
Other comprehensive loss	–	–	–	–	(964,325)	(964,325)
Total comprehensive loss	–	–	–	(2,521,581)	(964,325)	(3,485,906)
Balances at December 31, 2019	₱203,258,100	₱131,387,229	₱7,634,845	(₱31,786,699)	(₱989,758)	₱309,503,717

See accompanying Notes to Financial Statements.

AB CAPITAL AND INVESTMENT CORPORATION AND SUBSIDIARY
STATEMENTS OF CASH FLOWS

	Consolidated		Parent Company	
	Years Ended December 31			
	2020	2019	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	**(₱23,090,992)**	(₱14,865,242)	**(₱20,082,159)**	(₱1,407,115)
Adjustments for:				
Interest and finance income (Note 18)	**(19,474,118)**	(35,762,098)	**(10,536,966)**	(15,739,716)
Depreciation and amortization (Notes 10, 11 and 19)	**12,189,122**	12,127,932	**5,334,051**	5,335,961
Interest and finance charges	**9,046,181**	11,627,630	**8,098,116**	10,524,799
Net change in retirement liability (Note 22)	**3,257,462**	2,909,665	**1,944,861**	1,951,414
Unrealized foreign exchange gain	**(83,146)**	(3,932)	**(83,146)**	(3,932)
Gain on redemption of financial assets at FVTOCI	**(49,400)**	–	**–**	–
Miscellaneous expense (Note 27)	**2,541,320**	–	**1,143,180**	–
Miscellaneous income (Note 27)	**(3,482,848)**	–	**(1,620,264)**	–
Dividend income (Note 17)	**–**	–	**–**	(14,000,000)
Loss on disposal of PPE and provision for probable losses (Notes 7 and 10)	**–**	72,074	**–**	463
Operating loss before changes in working capital	**(19,146,419)**	(23,893,971)	**(15,802,327)**	(13,338,126)
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables	**80,158,391**	48,859,876	**(1,759,158)**	(3,243,050)
Financial assets at fair value through profit or loss	**(4,477,400)**	1,850	**–**	–
Other assets	**(2,631,242)**	(1,864,368)	**41,485**	97,746
Increase (decrease) in:				
Accounts payable and accrued expenses	**184,151,246**	(3,886,375)	**9,605,814**	1,431,248
Other liabilities	**549,306**	(483,115)	**19,080**	45,850
Net cash provided by (used in) operations	**238,603,882**	18,733,897	**(7,895,106)**	(15,006,332)
Interest received	**13,669,945**	24,753,221	**4,275,297**	4,658,639
Income taxes paid (Note 21)	**(2,670,876)**	(4,378,879)	**(568,339)**	(802,964)
Interest paid	**(7,592,776)**	(11,281,991)	**(7,592,776)**	(9,218,742)
Contributions to retirement fund (Note 22)	**(2,763,456)**	(4,189,357)	**(1,707,216)**	(3,133,117)
Net cash provided by (used in) operating activities	**239,246,719**	23,636,891	**(13,488,140)**	(23,502,516)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Investment securities at amortized cost (Note 7)	**(407,846,779)**	(267,342,997)	**(407,846,779)**	(267,342,997)
Property and equipment (Note 10)	**(394,076)**	(2,256,892)	**(117,300)**	(1,473,475)
Software asset	**–**	(355,715)	**–**	–
Proceeds from:				
Maturity of financial assets at amortized cost (Note 7)	**463,745,590**	179,600,000	**463,745,590**	179,600,000
Dividends (Note 17)	**–**	–	**–**	14,000,000
Disposal of property and equipment (Note 10)	**–**	8,308	**–**	–
Redemption of financial assets at fair value through other comprehensive income (Note 7)	**9,880,000**	180	**–**	–
Net cash provided by (used in) investing activities	**65,384,735**	(90,347,116)	**55,781,511**	(75,216,472)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of notes payable	**1,269,938,024**	1,618,481,964	**1,269,938,024**	1,618,481,964
Payments for:				
Notes payable (Note 15)	**(1,319,864,670)**	(1,522,555,319)	**(1,319,864,670)**	(1,522,555,319)
Lease liability (Note 19)	**(4,631,538)**	(7,203,355)	**(2,156,757)**	(3,355,546)
Issuance of capital stocks	**29,700,000**		**29,700,000**	
Net cash provided by (used in) financing activities	**(24,858,184)**	88,723,290	**(22,383,403)**	92,571,099
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**83,146**	3,932	**83,146**	3,932

(Forward)

	Consolidated		Parent Company	
	Years Ended December 31			
	2020	2019	**2020**	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**₱279,856,416**	₱22,016,997	**₱19,993,114**	(₱6,143,957)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**396,073,899**	374,056,902	**7,338,404**	13,482,361
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱675,930,315**	₱396,073,899	**₱27,331,518**	₱7,338,404

See accompanying Notes to Financial Statements.

AB CAPITAL AND INVESTMENT CORPORATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

AB Capital and Investment Corporation (ABCIC or the Parent Company) was incorporated in the Philippines on January 18, 1980. The Parent Company and its subsidiary (the Group) provides services such as investment banking, equity and debt underwriting, loan syndication and arrangements, financial advisory and securities dealership. The parent company of ABCIC and ultimate parent company of the Group is Vicsal Investment, Inc. (VII) and Vicsal Development Corporation (VDC), respectively.

The Company's registered address and principal place of business is at Units 1210-1212 & 1911-1912 PSE Tower, 5th Ave. corner 28th Street, Bonifacio Global City, Taguig City.

Coronavirus outbreak
In late 2019, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On December 31, 2019, China alerted the World Health Organization (WHO) of the coronavirus disease 2019 (COVID-19) or coronavirus outbreak. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On March 11, 2020, the WHO announced that the coronavirus outbreak can be characterized as a pandemic. The virus has greatly impacted the economic activities.

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 enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. As of April 30, 2021, different parts of the country remain to be under varying degree of community quarantine.

In order to comply with the government's measures to monitor and mitigate the effects of COVID-19, the Company provided for safety and health measures for their employees, such as social distancing and telecommuting work set-up.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVTOCI) which have been measured at fair value. The consolidated financial statements of the Group and the separate financial statements of the Parent Company are presented in Philippine Peso (₱), which is also the functional currency of the Group and of the Parent Company. All values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements of the Group and the separate financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Presentation of Financial Statements
The Group and the Parent Company present its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve (12) months after the reporting date (current) and more than twelve (12) months after the reporting date (non-current) is presented in Note 26.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously (see accounting policy on Offsetting of Financial Instruments). Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and is specifically disclosed in the accounting policies of the Group.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and AB Capital Securities, Inc. (ABCSI or the Subsidiary), a wholly-owned subsidiary engaged in the business of securities brokerage. ABCSI is incorporated in the Philippines, with presentation and functional currency of Philippine Peso.

The Subsidiary is fully consolidated from the date on which control is transferred to the Parent Company. Control is achieved when the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation of a subsidiary ceases when control is transferred out of the Parent Company. The consolidated financial statements are prepared for the same reporting year as the Parent Company's financial statements using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full upon consolidation.

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 cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

In the separate financial statements of the Parent Company, investment in a subsidiary is carried at cost less any accumulated impairment in value. Dividends earned on this investment are recognized in the Parent Company's profit or loss as declared by the respective Board of Directors (BOD) of the Subsidiary.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance, unless otherwise indicated.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Conceptual Framework for Financial Reporting issued on March 29, 2018

- 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.

  In 2020, the Group was granted rent concession on its rental payments from April to December 2020 and assessed that the criteria for the practical expedient to apply were met. In addition, the lease on the portion of the head office space was terminated effective December 31, 2020. Accordingly, the Group remeasured its lease liability to consider the impact of the rent concession and reduced the carrying amount of the ROU asset and lease liability as a result of the termination. Income recognized from the remeasurement of the lease liability and the termination amounted to ₱3.48 million included in 'Miscellaneous income' (see Note 19).

Significant Accounting Policies

Fair Value Measurement
The Group measures financial instruments at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regaradless of where the input is categorized within the fair value hierarchy.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks and due from BSP. Cash equivalents include short-term placements and 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 change in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

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

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial assets and financial liabilities includes transaction costs.

Classification and Subsequent Measurement of financial instruments

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The classification and measurement of financial assets are as follows: financial assets at amortized cost, financial assets at FVTPL and financial assets at FVTOCI.

The Group has equity financial assets classified as at FVTPL and as at FVTOCI and its cash and cash equivalents, receivables (accounts receivables, loans receivables and advances to employees), investments in government debt securities and other assets – security deposit are classified as Financial assets at amortized cost.

Financial assets at FVTPL

Debt instruments that do not meet the amortized cost or FVTOCI criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition. Derivative assets classified as at FVTPL are those that are not designated under hedge accounting treatment.

Financial assets at FVTPL are recorded in the statement of financial position at fair value, with changes in the fair value included under the 'Trading and securities gains (losses) - net' account in profit or loss. Interest earned is reported in profit or loss under 'Interest and finance income' while dividend income is reported in profit or loss under 'Dividend income' when the right to receive payment has been established.

Financial assets at FVTOCI

Equity securities designated as at FVTOCI are those that the Group made an irrevocable election to present in other comprehensive income the subsequent changes in fair value. The designation is made on instrument-by-instrument basis. Equity securities at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income. When the asset is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is not reclassified to profit or loss, but is reclassified directly within equity. Equity securities at FVTOCI are not subject to impairment assessment.

Dividends earned on holding these equity instruments are recognized in the statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income under 'Dividend income'.

Financial assets at amortized cost
A debt financial asset is measured at amortized cost if (i) the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest 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 allowance for credit losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest' in the profit or loss and is calculated by applying the EIR to the gross carrying amount of the financial asset. The losses arising from impairment are recognized in 'Provision for credit losses' under profit or loss in the statement of comprehensive income.

Other financial liabilities
This accounting policy relates to the statement of financial position caption 'Accounts payable and accrued expenses', Notes payable, 'Dividend payable' and 'Other liabilities' which are not designated as at FVTPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost. 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.

Impairment of Financial Assets
PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology
ECL 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 since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the twelve (12) months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

Staging assessment
For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 debt financial assets.

For credit-impaired financial instruments:
- Financial instruments are classified as Stage 3 when there is objective evidence of impairment. The Group recognizes lifetime ECL for Stage 3 debt financial assets.

Write-off Policy
A financial asset is written off when there is no reasonable expectation of recovering the contractual cashflows.

Definition of "default" and "restored"
The Group classifies receivables, or any financial asset 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. 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.

Significant increase in credit risk (SICR)
The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's aging information, the borrower becomes past due for over 30 days. Further, the Group assumes that the credit risk of a debt financial asset has not increased significantly since origination if the financial asset is determined to have "low credit risk" as of the reporting date. A financial asset is considered "low credit risk" when it has an external rating equivalent to "investment grade".

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Group shall revert to recognizing a 12-month ECL.

Simplified approach
For receivable from customers, the Group applies a simplified approach in calculating ECL which does not require tracking of changes in credit risk, but instead recognized a loss allowance based on lifetime ECL at each reporting date. The Group establishes an impairment analysis based on its historical credit loss experience, adjusted for forward-looking factors specific to the counterparties. and the economic environment.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial assets
A financial asset (or where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is 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, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Equity Investments
Investment in a subsidiary
A subsidiary is an entity in which the Parent Company has the power to govern the financial and operating policies and generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

In the parent company financial statements, the Parent Company's investment in a subsidiary is carried at cost less any impairment in value. Under the cost method, the Parent Company recognizes income from the investment only to the extent that the investor receives distributions from the accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a return of investment and are recognized as a reduction of cost of the investment.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization, and any accumulated impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance are normally charged to operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives (EUL) of the respective assets. Leasehold improvements are amortized over the shorter between the lease terms taking into consideration the expected renewal of leases and estimated useful lives of the improvements. The estimated useful lives of property and equipment follow:

Condominium units	40 years
Transportation equipment	5 years
Furniture and fixtures	3-5 years
Leasehold improvements	5 years or the terms of the related leases, whichever is shorter

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

Transfers are made from properties and equipment when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made to property and equipment 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. In 2019, the Group reclassified its condominium units from 'Property and equipment' to 'Investment property' due to the change in use of the asset. (See Note 11, *Investment Property*)

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of the asset given up.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and allowance for impairment losses, whereas, non-depreciable investment properties are carried at cost less allowance for impairment losses.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against current operations when the costs are incurred.

Depreciation of condominium unit is calculated on a straight-line basis using the useful life of 40 years from the time of acquisition and recorded under 'Depreciation'.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income as 'Miscellaneous' in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. In 2019, the Group transferred its condominium units previously used as office space from 'Property and equipment' to 'Investment property' due to change in use of the asset.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost is lower than the fair value of net assets acquired, the difference is recognized in profit or loss. Following initial recognition, goodwill is measured at cost less any allowance for impairment losses.

Other Intangible Assets

Exchange trading right

The exchange trading right, included in 'Other assets', was acquired, together with Philippine Stock Exchange (PSE or the Exchange) shares, in exchange for the exchange membership seat under the conversion program of the PSE. The exchange trading right is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation for the value of the PSE shares) less allowance for impairment loss, if any. The Group does not intend to sell the exchange trading right in the near future.

The exchange trading right is deemed to have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. It is tested annually for any impairment in its realizable value. Any impairment loss is charged directly in profit or loss (see accounting policy on Impairment of Nonfinancial Assets).

Software costs
Software costs are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over 3 years on a straight-line basis.

Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Impairment of Nonfinancial Assets
Property and equipment, investment in a subsidiary, exchange trading right, software costs and right-of-use asset
The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher between an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the financial statements.

Goodwill
The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Equity
The Group records capital stock at par value. The excess of the total contributions received over the aggregate par value of the equity shares are recorded as 'Additional paid-in capital.' The Group considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification.

Retained earnings represent accumulated earnings and losses of the Group less dividends declared.

Revenue Recognition
Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the Group to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

a. Identify the contract(s) with a customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligation in the contract
e. Recognize revenue when (or as) the entity satisfies a performance obligation

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria that must be met before revenue is recognized across the Group's revenue streams:

Commissions
The Subsidiary is in the business of rendering brokerage services, which include trade execution and clearing services, to various customers. Management assessed that these services are considered single performance obligation as they are both inputs to the combined output of security trading.

Revenue from commissions is recognized at a point in time at which the Subsidiary transfers control of the service to the customer. The Subsidiary performs the service of providing the customer with the ability to acquire or dispose of rights to obtain the economic benefits of a financial instrument (e.g., stocks). Therefore, management assessed that the transfer of control of the performance obligation generally occurs on the trade date because that is when the underlying financial instrument (for a purchase) or purchaser (for a sale) is identified and the pricing is agreed upon (i.e., the Subsidiary has identified the counterparty and enters into the contract on behalf of the customer). On the trade date, the customer has obtained control of the service because it can direct the use of, and obtain substantially all of the remaining benefits from, the asset that comes from the trade service.

Trust fees, management and administration fees
The Parent Company charges its customers and affiliates for the services rendered in connection with the management of investments and trust assets. The Parent Company also charges its customers administration fees as reimbursement of its expenses and disbursements in the management of the investments. The Parent Company assessed that it is acting as the principal with its arrangement to its affiliates. The service fees are recognized over time, as the related services are rendered.

The Parent Company has applied the "right to invoice" practical expedient in measuring the revenue recognized over time. These are presented under "Trust fees" and "Management and administration fees" in profit or loss.

Miscellaneous
Miscellaneous income consists of various income earned by the Group from several activities such as service income from initial public offering and tender offer.

Revenues scoped in under PFRS 9

Interest and finance income
Interest on loans and receivables and interest-bearing placements and securities is recognized as the interest accrues using the effective interest method.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established, which is generally when shareholders of the issuer approve the dividend.

Trading and securities gains (losses) - net
Trading and securities gain or loss represents results arising from trading activities including all gains and losses from changes in fair value of financial assets at FVTPL.

Revenues related to lease contracts within the scope of PFRS 16

Rental income
The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating lease is accounted for on a straight-line basis over the lease term and is included under 'Rental income' in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises.

Expenses
Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Retirement Cost
The Group has a defined benefit retirement plan which entitles a participant to receive a lump sum benefit at a percentage of his final average monthly salary for every year of credited service upon retirement and upon voluntary or involuntary separation from the service under conditions provided for in the Group's retirement plan.

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 retirement plan is determined using the projected unit credit method.
Retirement 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 the 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. 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. 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.

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.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories..

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset.

The right-of-use assets are also subject to impairment. Refer to accounting policies on impairment on non-financial assets in this note.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases is recognized as expense on a straight-line basis over the lease term.

Subsidiary as a lessor

The Subsidiary classifies a lease as finance lease if it transfers substantially all the risks and rewards incidental to ownership of asset arising from the lease. Leases where the Subsidiary does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

The Subsidiary also entered into arrangement to sublease a leased asset to its Parent Company while the original lease is in effect. In this arrangement, the Subsidiary acts as both the lessee and lessor of the same underlying asset. The original lease is often referred to as a head lease, the original lessee is often referred to as an intermediate lessor or sub-lessor and the ultimate lessee is often referred to as the sub-lessee.

In classifying a sublease, the intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (i) if the head lease is a short-term lease that the Subsidiary, as a lessee, has accounted for, the sublease shall be classified as an operating lease; (ii) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease and by reference to the underlying asset.

For the sublease classified as a finance lease, the Subsidiary, the original lessee, derecognizes the right-of-use asset on the head lease at the sublease commencement date and recognizes the net investment in the sublease. The Subsidiary recognizes any difference between the right-of-use asset and the net investment in sublease in the profit or loss. Refer to policy on *Lease liabilities* above. The Subsidiary, as the sublessor, evaluates the net investment in sublease for impairment. Refer to policy on *Impairment of financial assets* above.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at reporting date.

Deferred tax

Deferred tax is provided using the balance sheet 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits and unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable 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 profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate applicable 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 at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity are recognized in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

Foreign Currency Translation and Transactions

Transactions denominated in foreign currency are recorded using the exchange rate prevailing as of the date of the transactions. Outstanding foreign currency-denominated monetary assets and liabilities at year-end are restated based on the Philippine Dealing System (PDS) closing rate at the reporting date and for foreign currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction. Gains or losses arising from foreign currency transactions and translation adjustment of foreign currency-denominated assets and liabilities are charged against current operations.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

Fiduciary Activities
Assets and income arising from fiduciary activities, together with the related undertaking to return such assets to customers, are excluded from these financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Events after the Reporting Date
Any post year-end events up to the date of approval of the BOD of the financial statements that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to the financial statements when material.

New standards and interpretations that have been 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 financial statements. The Group intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these standards to have significant changes on the Group's financial statements.

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *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*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

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*

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent liabilities. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Determining the timing of satisfaction of performance obligations
Assessing when the Group satisfies a performance obligation, i.e. transfer control of a promised good or service to the customer, over time or point in time involves significant judgment. Accordingly, it affects the timing of revenue recognition for these performance obligations.

Based on the assessment of the Group's management's, the performance obligations related to the services rendered by the Group to its customers and affiliates are satisfied over time. As the Group renders the services, the customers simultaneously receive and consume the benefits provided by the Group's performance of these services.

In measuring the revenue to be recognized over time, management assessed that output method faithfully depicts the Group's performance in transferring control of the services to the customers.

Since the Parent Company accrues the trust fees, management and administration fees as incurred based on a percentage of investments and net asset value, management believes that this right to consideration from a customer corresponds directly with the value to the customer of the Parent Company's performance completed to date. Accordingly, the Parent Company has applied the "right to invoice" practical expedient in measuring the revenue recognized over time.

As ABCSI recognizes commission income based on a certain percentage of every trade transaction, management believes that the right to consideration from a customer corresponds directly with the value to the customer of ABCSI's performance completed to date. As such, ABCSI recognizes commission income at trade date basis as securities transaction occur.

Classification of financial assets
The Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. The Group performs the business model assessment based on observable factors such as:
- 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 the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

Determination of lease term of contracts with renewal option – Group as a lessee
The Group has several lease contracts that include renewal option. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. 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 (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Estimates

a. *Impairment of financial assets*
   The measurement of impairment losses under PFRS 9 across categories of debt financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

   The carrying values of the investment securities at amortized costs, and loans and receivables of the Group and Parent Company are disclosed in Notes 7 and 8.

b. *Impairment of nonfinancial assets*
   Goodwill and exchange trading right
   The Group assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

   Among others, the factors that the Group considers important which could trigger an impairment review on its nonfinancial assets include the following:

   - Permanent decline in fair value of the asset;
   - 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 recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The Group normally applies the fair value less cost to sell as basis for impairment.

Exchange trading right and goodwill are tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The carrying values of goodwill and exchange trading right are disclosed in Note 12 and Note 13, respectively.

c. *Present value of retirement obligation*
The cost of defined benefit pension plan as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of financial condition date. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The details of assumptions used in the calculation and present value of retirement obligation are disclosed in Note 22.

d. *Recognition of deferred tax assets*
Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profit will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group did not recognize deferred tax on the temporary difference arising from NOLCO and MCIT as it believes that it is not probable that it will be able to fully utilize the NOLCO and MCIT prior to expiration. Refer to Note 21 for the details of recognized and unrecognized deferred tax assets of the Group and the Parent Company.

4. Financial Risk Management Objectives and Policies

<u>Introduction</u>
The Group's risk management framework is managed through a systematic application of management policies, procedures and practices to identify, measure and control risks inherent in the Group's activities. The purpose of the risk management framework is to: (a) disseminate the risk philosophy and policies to employees of the Group; (b) assist risk-taking business unit(s) in understanding and measuring risk/reward profile; and (c) develop a risk control infrastructure.
The key outcome of a structural framework of managing risk is to provide a more effective strategic planning to ensure opportunities are maximized and losses are minimized (integral facet of effective business practice and provides management with a deeper insight and wider perspective for effective management of the Group with a dynamic changing environment).

The Group's financial instruments include cash and cash equivalents, financial assets at FVTPL, financial assets at FVTOCI, investment securities at amortized cost, receivables, accounts payable and accrued expenses, notes payable, dividends payable and other liabilities.

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

Risk Management Structure
The BOD of the Parent Company has overall responsibility for the oversight of the Group's risk management process. The board committees, which are responsible for developing, managing and monitoring risk management policies in their specified areas, include the following:
- Audit Committee
- Credit Committee

Audit Committee
The main responsibility of the Audit Committee is to perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational and other risks of the Group. The Audit Committee checks all financial reports against compliance with the internal financial management policies, regulatory requirements and pertinent accounting standards. The Audit Committee likewise oversees the internal audit to ensure compliance with internal controls.

Credit Committee
The main responsibility of the Credit Committee is to determine and set the parameters for credit risk and asset concentration, and review compliance with such limits. The Credit Committee also reviews and approves the credit policy of the Group and ratifies all credits over the established limits (analyzes transactions that open the Group to significant and regular credit risk and recommends to the BOD the relevant parameters under which to operate such transactions).

Risk Measurement and Reporting System
The volatility of the financial and stock markets is the central focus of risk measurement methodologies (tool) and limits. It also gauges the returns the Group requires from its activities. The risk measurement framework strives to quantify the potential change in the value of the portfolio as a result of a change in the market risk factors (correlation between changes in value with market forces). This includes marking to market all open positions which the Group is exposed to; analyzing the sensitivity of the position or portfolio in relation to movement in the market to which it is exposed; and performing technical and fundamental analysis of equity investments including movement of the stock index, average turnover, market capitalization, fundamentals, earning projections and trends of a particular equity. These methodologies would enable management to assess and evaluate its risk tolerance in relation to its exposure to market risk factors.

Monitoring and control of risks are performed based on limits established by the Group on each counterparty transaction. This limit reflects the counterparty's capacity to pay based on the counterparty's risk profile, financial trends/projections, assets, reputation/integrity and the adequacy and enforceability of collateral under various scenarios and others.

The Group has a reliable information system that provides adequate and comprehensive data which covers all material risk-related activities which includes: a) internal financial, operational and compliance data that will permit actual exposures to be measured regularly against the established position and credit limits; and b) external market information about rate/price movements, events and conditions that are relevant to timely and informed decision making. This information is communicated to the business unit heads, BOD and applicable committees for monitoring and review in order to develop an action plan, at least on a monthly basis or when deemed appropriate.

Risk Mitigation
As part of its overall risk management, the Group follows a structural framework (risk management structure/process) in identifying, analyzing, evaluating and treating risks at all levels of the Group's operations. Specifically, it utilizes risk measurement tools, as mentioned above, to ensure that they maximize all opportunities and minimize losses in a dynamic changing environment.

The Group establishes credit limits and uses collaterals to reduce its credit risk. Furthermore, it maintains its records in a manner such that they adequately disclose, in a prompt and appropriate manner, the financial and business information which will enable management to identify, quantify and manage the Group's risk exposure and make timely and informed decisions (effective channels of communication to ensure adherence to all procedures and policies affecting risk exposures).

Excessive Risk Concentration
Concentration arises 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 the 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 geographic location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include the objectives of achieving a well-diversified portfolio that limits the Group's risk to any particular group or industry.

The BOD reviews and sets policies for managing each of these risks and they 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 aims to develop long-term relationships with its clients. While it strives to fulfill its customers' credit/funding needs, it will not compromise the interests of its stakeholders. Its philosophy is centered on the belief that the best way to continuously serve all its stakeholders is through the development of a high quality asset portfolio through prudent and well prepared credit/investment facilities that will provide the Group with an adequate return for the stakeholders.

The Group maintains a credit/investment risk rating system for proper evaluation, management and tracking inherent risks within the portfolio. The rating system begins with the risk of the borrower itself, and then adds the risk of the particular transaction to yield a risk rating. The risk of the borrower is basically the risk of the borrower's industry and its position in that industry, combined with the characteristics of the borrower itself, earnings and operating cash flows, asset values, debt capacity, management, etc.

Beginning with the borrower risk, the ultimate risk rating is determined by considering transaction variables which would increase or decrease the risk such as collateral, guarantees, terms or tenor. The risk rating is the 'key' rating, as it is the risk of the facility or transaction.

The Group periodically monitors, reviews and evaluates its loan/investment portfolios and provides adequate reserves in accordance with regulatory guidelines and accounting standards.

Maximum exposure to credit risk after collateral held or other credit enhancements
The maximum exposure to credit risk is the carrying value at the reporting date of each class of financial assets of the Group except for receivables from customers for which the Group holds collateral as security.

An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements is shown below:

	Consolidated			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Receivables:				
Secured				
2020	**₱75,149,811**	**₱1,781,659,336**	**₱42,144**	**₱75,107,667**
2019	134,455,344	1,858,665,242	108,170	134,347,174

The Group's unutilized margin commitments is disclosed in Note 8. The Parent Company does not have financial guarantees and loan commitments and other credit related liabilities.

Collateral and other credit enhancement
The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

Eligible collaterals are shares listed and traded in the PSE and lodged with the Philippine Depository and Trust Corporation (PDTC) under the account of the Group.

Management regularly monitors the market value of collaterals and requests additional collateral in accordance with the underlying agreement. It is the Group's policy to dispose assets acquired in an orderly fashion. The proceeds of the sale of foreclosed assets (classified as 'Other assets') are used to reduce or repay the outstanding claim.

Risk concentration of the maximum exposure to credit risk
An industry sector analysis of the Group's and the Parent Company's maximum exposure to credit risk (net of allowance for credit losses) is as follows:

	Consolidated					
	Receivables*		Cash and Cash Equivalents**		Investments***	
	2020	2019	**2020**	2019	**2020**	2019
Personal activities	**₱64,347,615**	₱56,803,941	**₱–**	₱–	**₱–**	₱–
Hotel and restaurant	**1,756,707**	2,903,408	**–**	–	**–**	–
Financial intermediaries	**49,116,123**	130,532,908	**675,874,315**	396,017,899	**–**	–
Real estate, renting and business services	**1,851,068**	6,586,610	**–**	–	**–**	–
Government	**220,598**	–	**–**	–	**228,122,917**	277,775,189
Transportation, storage and communication	**1,792,274**	2,003,231	**–**	–	**–**	–
Others	**82,108,370**	83,011,105	**–**	–	**–**	–
Total	**₱201,192,755**	₱281,841,203	**₱675,874,315**	₱396,017,899	**₱228,122,917**	₱277,775,189

* *Consists of receivables and security deposit (lodged under 'Other assets') amounting to ₱557,175 and ₱604,866 in 2020 and 2019, respectively.*
** *Consists of cash and cash equivalents (excluding cash on hand of ₱56,000 in 2020 and 2019)*
*** *Consists of investment securities at amortized cost*

	Parent Company					
	Receivables*		Cash and Cash Equivalents**		Investments***	
	2020	2019	**2020**	2019	**2020**	2019
Financial intermediaries	**₱29,155,533**	₱27,398,583	**₱27,311,518**	₱7,318,404	**₱–**	₱–
Government	**–**	–	**–**	–	**228,122,917**	277,775,189
Personal activities	**144,312**	139,151	**–**	–	**–**	–
Others	**72,568,536**	72,604,359	**–**	–	**–**	–
Total	**₱101,868,381**	₱100,142,093	**₱27,311,518**	₱7,318,404	**₱228,122,917**	₱277,775,189

* *Consists of receivables and security deposit amounting to ₱79,720 and ₱127,720 in 2020 and 2019, respectively which are lodged under 'Other Assets'*
** *Consists of cash and cash equivalents (excluding cash on hand amounting to ₱20,000 in 2019 and 2018)*
*** *Consists of investment securities at amortized cost.*

Credit quality per class of financial assets
The Group's bases in grading its financial assets are as follows:

Short-term placements
Evidence of indebtedness issued by banks are classified as high grade. For corporate debts, classification is based on grading provided by foreign and local (reputable) rating agencies

Receivables
High grade - These are receivables which have a high probability of collection (i.e., the counterparty has the evident ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a long period of time.

Substandard - These are receivables from counterparties with history of default and partially or unsecured accounts and are not past due as of the reporting date.

As of December 31, 2020 and 2019, the Group's cash and cash equivalents (excluding cash on hand), receivables, security deposits and financial assets at amortized cost are all assessed to be High grade. These financial assets (except for receivables for which the simplified approach is applied) are classified as Stage 1 financial assets as of December 31, 2020 and 2019.

These financial assets were determined to have low credit risk and the resulting ECL is not significant due to the following:

Credit risk of cash and cash equivalents and financial assets at amortized cost is assessed to be minimal since these are placed and recoverable from banks with high external credit ratings.

Receivables from customers are assessed to have low credit risk due to underlying collateral securities, with very minimal net exposure (see disclosure on maximum exposure to credit risk).

Investments in government debt securities are classified as High grade. These securities are issued by the Philippine Government and are considered as risk-free debt securities.

Liquidity Risk and Fund Management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's bills purchase lines, strong liquidity management system characterized by such elements as a good management information system, effective analysis of net funding requirements under various scenarios and/or diversification of funding sources in order to make timely payments on any of its financial obligations to clients/creditors.

The tables below summarize the maturity profile of the financial assets and liabilities of the Group and Parent Company based on contractual undiscounted cash flows as of December 31, 2020 and 2019:

	Consolidated						
	2020						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Assets							
Cash and cash equivalents*	₱77,274,911	₱598,777,543	₱–	₱–	₱–	₱–	₱676,052,454
Receivables – gross							
Accounts receivable	41,673,649	92,401,030	68,799	5,427,094	949,997	–	140,520,569
Loans receivable*	60,000,000	207,370	–	–	–	–	60,207,370
Accrued interest receivable	–	92,297	–	–	–	–	92,297
Receivable from employees	–	–	5,833	18,333	–	–	24,166
Other assets - security deposit	–	–	–	176,687	380,488	–	557,175
Financial assets at FVTPL**	–	4,477,400	–	–	–	30,514	4,507,914
Investment securities at amortized cost*	–	–	–	151,545,000	78,550,000	–	230,095,000
Total undiscounted financial assets	₱178,948,560	₱695,955,640	₱74,632	₱157,167,114	₱79,880,485	₱30,514	₱1,112,056,945
Financial Liabilities							
Accounts payable and accrued expenses***	₱551,051,120	₱150,284,248	₱100,000	₱180,000	₱2,351,410	₱1,640,233	₱705,607,011
Notes payable*	–	–	116,150,221	–	–	–	116,150,221
Lease liability*	–	377,089	754,179	1,131,268	2,262,536	9,445,103	13,970,175
Total undiscounted financial liabilities	₱551,051,120	₱150,661,337	₱117,004,400	₱1,311,268	₱4,613,946	₱11,085,336	₱835,727,407

**Includes future interest*
***Consists of delisted and suspended equity securities*
****Excluding statutory liabilities amounting to ₱581,181*

	Consolidated 2019						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Assets							
Cash and cash equivalents*	₱35,827,354	₱360,418,857	₱–	₱–	₱–	₱–	₱396,246,211
Loans and receivables - gross							
Accounts receivable	39,655,875	173,832,744	140,896	6,898,201	163,330	–	220,691,046
Loans receivable*	60,000,000	263,410	–	–	–	–	60,263,410
Accrued interest receivable	–	77,167	–	–	–	–	77,167
Receivable from employees	–	833	10,000	37,500	–	–	48,333
Other assets - security deposit	–	–	178,378	–	297,800	128,688	604,866
Financial assets at FVTPL**	–	–	–	–	–	30,514	30,514
Financial assets at FVTOCI	–	–	–	–	–	9,939,280	9,939,280
Investment securities at amortized cost*	–	96,200,000	85,000,000	98,500,000	–	–	279,700,000
Total undiscounted financial assets	₱135,483,229	₱630,793,011	₱85,329,274	₱105,435,701	₱461,130	₱ 10,098,482	₱967,600,827
Financial Liabilities							
Accounts payable and accrued expenses***	₱436,961,629	₱72,390,993	₱5,533	₱74,047	₱10,089,845	₱2,359,676	₱521,881,724
Notes payable*	–	–	166,000,000	–	–	–	166,000,000
Lease liability*	–	617,538	1,235,077	1,852,615	3,705,230	23,537,055	30,947,515
Total undiscounted financial liabilities	₱436,961,629	₱73,008,531	₱167,240,610	₱1,926,662	₱13,795,075	₱25,896,731	₱718,829,239

**Includes future interest*
***Consists of delisted and suspended equity securities*
****Excluding statutory liabilities amounting to ₱475,222*

	Parent Company 2020						
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Financial Assets							
Cash and cash equivalents	**₱27,331,518**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱27,331,518**
Receivables – gross							
Accounts receivable	**41,673,649**	–	–	–	–	–	**41,673,649**
Loans receivable*	**60,000,000**	**207,370**	–	–	–	–	**60,207,370**
Accrued interest receivable	–	**92,297**	–	–	–	–	**92,297**
Receivable from employees	–	–	**5,833**	**18,333**	–	–	**24,166**
Receivable from subsidiary	**430,959**	–	–	–	–	–	**430,959**
Other assets - security deposit	–	–	–	–	**79,720**	–	**79,720**
Investment securities at amortized cost*	–	–	–	**151,545,000**	**78,550,000**	–	**230,095,000**
Total undiscounted financial assets	**₱129,436,126**	**₱299,667**	**₱5,833**	**₱151,563,333**	**₱78,629,720**	**₱–**	**₱359,934,679**
Financial Liabilities							
Accounts payable and accrued expenses	**₱37,555,841**	**₱16,600**	**₱–**	**₱–**	**₱–**	**₱–**	**₱37,572,441**
Notes payable*	–	–	**116,150,221**	–	–	–	**116,150,221**
Due to subsidiary	–	–	**2,909,837**	–	–	–	**2,909,927**
Lease liability*	–	**175,561**	**351,122**	**526,683**	**1,053,367**	**4,395,152**	**6,501,886**
Total undiscounted financial liabilities	**₱37,555,841**	**₱192,161**	**₱119,411,170**	**₱526,683**	**₱1,053,367**	**₱4,395,152**	**₱163,134,374**

includes future interest

	Parent Company 2019						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Assets							
Cash and cash equivalents	₱7,338,404	₱–	₱–	₱–	₱–	₱–	₱7,338,404
Receivables – gross							
Accounts receivable	39,890,325	–	–	–	–	–	39,890,325
Loans receivable*	60,000,000	263,410	–	–	–	–	60,263,410
Accrued interest receivable	–	77,167	–	–	–	–	77,167
Receivable from employees	–	833	10,000	37,500	–	–	48,333
Receivable from subsidiary	234,460	–	–	–	–	–	234,460
Other assets - security deposit	–	–	–	–	127,720	–	127,720
Investment securities at amortized cost*	–	96,200,000	85,000,000	98,500,000	–	–	279,700,000
Total undiscounted financial assets	₱107,463,189	₱96,541,410	₱85,010,000	₱98,537,500	₱127,720	₱–	₱387,679,819

(Forward)

	Parent Company 2019						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities							
Accounts payable and accrued expenses	₱18,125,479	₱8,533	₱5,533	₱ 74,047	₱10,089,845	₱–	₱28,303,438
Notes payable*	–	–	166,000,000	–	–	–	166,000,000
Due to subsidiary	–	–	2,568,016	–	–	–	2,568,016
Lease liability*	–	287,568	575,135	862,703	1,725,406	10,953,052	14,403,864
Total undiscounted financial liabilities	₱18,125,479	₱296,101	₱169,148,684	₱936,750	₱11,815,251	₱10,953,052	₱211,275,318

**includes future interest*

Refer to Note 26 for the maturity profile of financial assets and liabilities.

Market Risk

Market risk is the risk that the value of an investment will increase or decrease due to movement in market factors such as, but not limited to, stock prices, interest rates and foreign exchange rates. The central focus of risk measurement for this type of risk is the Group's financial assets at FVTPL and financial assets at FVTOCI. The Group has in place a risk measurement/management system that would mitigate the adverse effects in fluctuations of the price or market value of the said financial assets. The Group's current policy on trading in equity securities is generally anchored on the selective purchase of stocks and the establishment of trading and 'stop loss' limits in order to control losses that may be incurred from the Group's stock trading portfolio. Equity securities are regularly marked to market based on the market quotation derived from the PSE and realized or unrealized earnings are included in the Group's earnings report.

On the fixed-income portfolios representing government debt securities, the Group has set exposure and loss limits.

Interest rate risk

The Group follows a prudent policy on managing its assets and liabilities so as to ensure that exposures to fluctuations in interest rates are kept within acceptable limits. The Group aims to achieve stability and lengthen the term structure of its portfolio while providing adequate liquidity to cover transactional requirements of customers.

Sourcing rates are set by reference to prevailing market rates of Philippine government securities and other money market instruments.

As of December 31, 2020 and 2019, the Group has no significant interest rate risk on its interest-bearing financial assets and liabilities because the Group does not have debt instruments that are carried at fair value or bearing floating interest rate.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Information on the Parent Company's foreign currency-denominated monetary assets as of December 31, 2020 and 2019 and their Philippine Peso equivalents are as follows:

	2020			2019		
	US Dollar	**Euro**	**Total**	US Dollar	Euro	Total
Cash and cash equivalents	**₱1,670,903**	**₱34,214**	**₱1,705,117**	₱1,659,035	₱32,691	₱1,691,726

The exchange rates used to convert the Parent Company's foreign currency-denominated monetary assets and liabilities into Philippine peso as of December 31, 2019 and 2018 follow:

	2020	2019
US Dollar to Philippine Peso	**₱48.02**	₱50.64
Euro to US Dollar	**$1.22**	$1.11

As of December 31, 2020 and 2019, the Group's and the Parent Company's sensitivity to foreign currency risk is not significant.

Price risk

The Group's equity price risk emanates primarily from its equity securities in proprietary accounts classified as financial assets at FVTOCI. The Group measures the sensitivity of its investment securities based on the PSE index (PSEi) fluctuations.

The following tables set forth the impact of changes in the PSEi on the Group's 'Net trading gains (losses)' in OCI related to its quoted equity securities as of December 31, 2020 and 2019.

	2020		2019	
Change in PSEi	**(33.21%)**	**33.21%**	(14.50%)	14.50%
Change in profit or loss	**(₱1,203,059)**	**₱1,203,059**	₱–	₱–
Change in other comprehensive income	–	–	(603,671)	603,671
As a percentage of the Group's Net trading losses	**96.51%**	**(96.51%)**	51.19%	(51.19%)

The sensitivity is the effect of the assumed changes in PSEi on 'Net trading losses' for one year, based on the beta of equity securities at the reporting date. The sensitivity of 'Net trading gains (losses)' are calculated by revaluing the securities using the betas at the reporting date and the effects of the assumed changes in PSEi.

The sensitivity of the unrealized gain or loss from the Company's financial assets at FVTPL due to changes in price quotations is not significant.

Offsetting Financial Assets and Financial Liabilities

PFRS 7 requires the Group to disclose information about rights to offset related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting agreements or similar agreements.

The effects of these arrangements at the Group level are disclosed in the succeeding tables:

Financial Assets

Financial assets recognized at end of reporting period by type	**Gross carrying amount (before offsetting)**	**Amounts offset in accordance with offsetting criteria**	**Net amount presented in statement of financial condition**	**Effects of remaining rights of set-off that do not meet PAS 32 offsetting criteria: Financial collateral**	**Net Exposure**
December 31, 2020					
Receivable from:					
Customers	**₱147,381,849**	**₱72,232,038**	**₱75,149,811**	**₱75,107,667**	**₱42,144**
December 31, 2019					
Receivable from:					
Customers	₱87,945,899	₱13,490,555	₱74,455,344	₱74,347,147	₱108,170

Financial Liabilities

Financial liabilities recognized at end of reporting period by type	Gross carrying amount (before offsetting)	Amounts offset in accordance with offsetting criteria	Net amount presented in statement of financial condition	Effects of remaining rights of set-off that do not meet PAS 32 offsetting criteria Financial collateral	Net Exposure
December 31, 2020					
Payable to:					
Customers	**₱729,914,586**	**₱72,295,313**	**₱657,619,273**	**₱–**	**₱657,619,273**
December 31, 2019					
Payable to:					
Customers	₱489,318,958	₱13,490,555	₱475,828,403	₱–	₱475,828,403

The Parent Company has no financial instruments with offsetting or similar arrangement.

5. Fair Value of Financial Instruments

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

Financial assets and liabilities at amortized cost (except Investment securities at amortized cost) - Carrying values approximate fair values since these instruments have short-term maturities. These financial instruments are comprised of cash and cash equivalents, receivables, accounts payable and accrued expenses and other liabilities.

Investment securities at amortized cost - Fair values are generally based on quoted market prices.

Financial assets at FVTOCI and FVTPL - Fair values are generally based on closing prices published in markets for quoted equity securities.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of the investment in FVTOCI as of December 31, 2020 and 2019 amounting to nil and ₱9.94 million, respectively, are based on published closing price per share and are classified under Level 1 in the fair value hierarchy.

The carrying value of the investment in financial assets at amortized cost as of December 31, 2020 and 2019 amounting to ₱228.12 million and ₱277.78 million, respectively, have fair values amounting to ₱228.60 million and ₱278.62 million, respectively. The fair value of the investment in financial assets at amortized cost are classified under Level 1 in the fair value hierarchy.

In 2020 and 2019, there were no transfers were made among the fair value hierarchy levels.

6. Cash and Cash Equivalents

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Cash on hand	**₱56,000**	₱56,000	**₱20,000**	₱20,000
Deposits in banks	**77,218,911**	35,771,354	**27,311,518**	7,318,404
Short-term placements	**598,655,404**	360,246,545	**–**	–
	₱675,930,315	₱396,073,899	**₱27,331,518**	₱7,338,404

In 2020 and 2019, deposits in banks bear annual interest of 0.125% to 0.25% for the Parent Company. On the other hand, short-term placements bear annual interest rates ranging from 0.125% to 3.75% and from 0.50% to 3.75% in 2020 and 2019, respectively.

Interest income from deposits in banks in 2020 and 2019 amounted to ₱0.23 million and ₱0.19 million, respectively, for the Group, and ₱0.07 million and ₱0.02 million, respectively, for the Parent Company (Note 18).

In 2020 and 2019, interest income related to short-term placements amounted to ₱7.28 million and ₱15.38 million, respectively, for the Group, and nil and ₱0.10 million, respectively, for the Parent Company (Note 18).

The Subsidiary maintains a special reserve account under the trust management of the Parent Company with the following conditions:

(a) the funds are kept separate from other accounts;
(b) the funds shall not be used as security for a loan to the Subsidiary by the Parent Company and shall be subject to no right, charge, security interest, lien or claim of any kind in favor of the Parent Company or any person claiming through the Parent Company; and
(c) the Subsidiary waives the confidentiality of, or any other right in relation to the special reserve account in favor of the SEC and/or the PSE for the purpose of allowing the latter to determine from time to time the Subsidiary's compliance with SRC Rule 49.2(4).

The Subsidiary's reserve requirement is determined monthly based on the SEC's prescribed computation. As of December 31, 2020 and 2019, the Subsidiary's reserve accounts are adequate to cover its reserve requirements.

As of December 31, 2020, and 2019, included in cash on hand and in banks are cash collateral and settlement accounts amounting to ₱3.19 million and ₱1.54 million, respectively. Cash collateral account is for the limited use of addressing any market or price risk that the Securities Clearing Corporation of the Philippines (SCCP) may suffer whenever SCCP settles the failed trades of the Company. The cash settlement account is for the limited use of settling the Company's securities trade transactions coursed through the facilities of the SCCP. The balance in the cash collateral and settlement account shall at all times be free of any liens or encumbrances, other than as may be imposed under court orders or legal processes as may be issued by a court of competent jurisdiction or lawful authority.

In compliance with SRC Rule 49.2, covering customer protection and custody of securities, the Company maintains a special reserve account, included in the short-term placements, for the exclusive benefit of its customers amounting to ₱550.23 million and ₱312.13 million as of December 31, 2020 and 2019, respectively. Short-term placements also include proceeds from sale of investments of its customers (corresponding liability is presented under 'Payable to customers' in the statements of financial condition). Instead of being settled on their due dates, the customers opted to retain such amounts in the Company's possession to fund their subsequent trading transactions.

7. Trading and Investment Securities

Financial Assets at FVTPL
Financial assets at FVTPL consist of investments in quoted equity securities amounting to P4.51 million and P0.03 million as of December 31, 2020 and 2019, respectively.

In 2020 and 2019, changes in fair value of financial assets at FVTPL recorded as 'Trading and securities gains (losses) - net' in the statement of comprehensive income amounted to (₱1.25 million) and (₱1.18 million), respectively.

Financial Assets at FVTOCI
As of December 31, 2020 and 2019, equity instruments designated as at FVTOCI include investment in equity shares of listed companies. The Group holds non-controlling interests in these companies. These investments were irrevocably designated as such as the Group considers these investments to be strategic in nature.

In 2020, the Company redeemed its equity securities.

As of December 31, 2020 and 2019, the fair value of financial assets at FVTOCI amounted to nil and ₱9.94 million, respectively

The movement in net unrealized gains (losses) on FVOCI follows:

	2020	2019
Balance at beginning of year	**(₱305,393)**	(₱346,879)
Movements in fair value during the year	**(239,563)**	59,266
Realized loss on redemption	**544,956**	(17,780)
	305,393	41,486
Balance at end of year	**₱–**	(₱305,393)

In 2020 and 2019, the Group recognized dividend income in the amount of ₱0.85 million and ₱0.82 million, respectively.

Investment securities at amortized cost
This account consists of investments in government securities with aggregate carrying amount of ₱228.12 million and ₱277.78 million as of December 31, 2020 and 2019, respectively. Investment securities at amortized cost bears effective interest rates ranging from 1.33% to 2.35% and 3.56% to 4.82% in 2020 and 2019, respectively.

The Group and Parent Company's net unamortized discount related to investment securities at amortized cost as of December 31, 2020 and 2019 amounted to ₱1.97 million and ₱1.92 million, respectively. The EIR on investment securities at amortized cost of the Group and the Parent Company ranges from 1.33% to 2.35% in 2020 and from 3.56% to 4.82% in 2019. In 2020 and 2019, interest income on investment securities at amortized cost amounted to ₱6.25 million and ₱11.36 million for the Group and the Parent Company (Note 18).

8. Receivables

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Accounts receivable (Note 25)	**₱140,372,064**	₱221,112,289	**₱41,673,649**	₱39,890,325
Loan receivable	**60,000,000**	60,000,000	**60,000,000**	60,000,000
Accrued interest receivable	**240,801**	77,167	**92,297**	77,167
Receivable from employees	**24,167**	48,333	**24,167**	48,333
Allowance for credit losses (Note 14)	**(1,452)**	(1,452)	**(1,452)**	(1,452)
	₱200,635,580	₱281,236,337	**₱101,788,661**	₱100,014,373

Accounts receivable includes receivables from customers and receivables from clearing house which are settled on T+3. It also includes margin accounts that are charged with 15.00% interest per annum when settled beyond the T+3 period. Interest earned on these margin accounts amounted to ₱1.51 million and ₱4.58 million in 2020 and 2019, respectively (Note 18). Unutilized margin lines amounted to ₱21.28 million and ₱17.86 million, as of December 31, 2020 and 2019, respectively.

Loans receivable is subject to a interest rate of 6.00% per annum and is secured by a real estate mortgage. Interest earned on loans receivable amounted to ₱4.22 million and ₱4.36 million in 2020 and 2019, respectively (Note 18).

There were no movements in allowance for impairment and credit losses in 2020 and 2019.

With the level of allowance for impairment and credit losses, management believes that the Group and the Parent Company have sufficient allowance to absorb any losses that may be incurred from the default of its receivables and other risk assets.

9. Investment in a Subsidiary

This account represents the Parent Company's investment in shares of stocks of ABCSI, its wholly owned subsidiary, amounting to ₱106.72 million as of December 31, 2020 and 2019. ABCSI, which is registered as a stockbroker and dealer in securities, deals and trades in equity and debt securities and other financial instruments traded in the PSE.

The following table presents the financial information of the Subsidiary with classified statements of financial position as of and for the years ended December 31, 2020 and 2019:

	Statements of Financial Position		Statements of Income
Year	**Total Assets**	**Total Liabilities**	**Net Loss**
2020	**₱804,596,241**	**₱686,493,704**	**(₱5,007,640)**
2019	₱648,240,317	₱524,402,392	(₱3,092,240)

10. **Property and Equipment**

The composition of and movements in property and equipment are as follows:

	Consolidated 2020			
	Transportation Equipment	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Cost				
Balances at beginning of year	**₱1,586,159**	**₱20,439,981**	**₱14,660,240**	**₱36,686,380**
Additions (Note 28)	**–**	**394,077**	**–**	**394,077**
Write-off	**–**	**–**	**(4,352,457)**	**(4,352,457)**
Balances at end of year	**1,586,159**	**20,834,058**	**10,307,783**	**32,728,000**
Accumulated Depreciation and Amortization				
Balances at beginning of year	**1,586,156**	**13,946,591**	**6,234,862**	**21,767,609**
Depreciation and amortization	**–**	**2,868,513**	**2,176,887**	**5,045,400**
Write-off	**–**	**–**	**(1,811,137)**	**(1,811,137)**
Balances at end of year	**1,586,156**	**16,815,104**	**365,750**	**25,001,872**
Net book values at end of year	**₱3**	**₱4,018,954**	**₱3,707,173**	**₱7,726,128**

	Consolidated 2019				
	Transportation Equipment	Furniture and Fixtures	Building	Leasehold Improvements	Total
Cost					
Balances at beginning of year	₱1,586,159	₱38,243,253	₱14,857,491	₱13,772,045	₱68,458,948
Additions	–	1,368,697	–	888,195	2,256,892
Reclassification	–	(19,171,968)	–	–	(19,171,968)
Disposals	–	–	(14,857,491)	–	(14,857,491)
Balances at end of year	1,586,159	20,439,982	–	14,660,240	36,686,381
Accumulated Depreciation and Amortization					
Balances at beginning of year	₱1,586,156	₱30,288,065	₱8,171,618	₱3,875,354	₱43,921,193
Depreciation and amortization	–	2,830,024	185,719	2,359,508	5,375,251
Reclassification	–	(19,171,498)	–	–	(19,171,498)
Disposals	–	–	(8,357,337)	–	(8,357,337)
Balances at end of year	1,586,156	13,946,591	–	6,234,862	21,767,609
Net book values at end of year	₱3	₱6,493,391	₱–	₱8,425,378	₱14,918,772

	Parent Company 2020			
	Transportation Equipment	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Cost				
Balances at beginning of year	**₱596,159**	**₱5,023,619**	**₱5,897,308**	**₱11,517,086**
Additions (Note 28)	**–**	**117,300**	**–**	**117,300**
Write-off	**–**	**–**	**(1,960,977)**	**(1,960,977)**
Balances at end of year	**596,159**	**5,140,919**	**3,936,331**	**9,673,409**
Accumulated Depreciation and Amortization				
Balances at beginning of year	**596,158**	**2,518,152**	**2,123,425**	**5,237,735**
Depreciation and amortization	**–**	**1,304,090**	**963,018**	**2,267,108**
Write-off	**–**	**–**	**(817,801)**	**(817,801)**
Balances at end of year	**596,158**	**3,822,242**	**2,268,642**	**6,687,042**
Net book values at end of year	**₱1**	**₱1,318,677**	**₱1,667,689**	**₱2,986,367**

	Parent Company 2019			
	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱596,159	₱23,295,852	₱5,261,519	₱29,153,530
Additions	–	837,686	635,789	1,473,475
Disposals	–	(19,109,919)	–	(19,109,919)
Balances at end of year	596,159	5,023,619	5,897,308	11,517,086
Accumulated Depreciation and Amortization				
Balances at beginning of year	596,158	20,352,136	1,145,385	22,093,679
Depreciation and amortization	–	1,275,472	978,040	2,253,512
Disposals	–	(19,109,456)	–	(19,109,456)
Balances at end of year	596,158	2,518,152	2,123,425	5,237,735
Net book values at end of year	₱1	₱2,505,467	₱3,773,883	₱6,279,351

As of December 31, 2020 and 2019, the respective original cost of fully depreciated property and equipment still in use is amounted to ₱18.62 million and ₱17.70 million for the Group and ₱2.52 million and ₱2.10 million for the Parent Company.

Breakdown of the depreciation and amortization expense pertaining to the Group and Parent Company's property and equipment, investment property, software costs and right-of-use assets is shown below:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Right-of-use asset (Note 19)	**₱6,318,494**	₱6,316,524	**₱2,941,440**	₱2,941,443
Property and equipment	**2,868,513**	3,015,473	**1,304,090**	1,275,472
Leasehold improvement	**2,176,887**	2,359,508	**963,018**	978,040
Software costs (Note 13)	**453,791**	250,435	**125,505**	141,006
Investment property (Note 11)	**371,437**	185,992	**–**	–
	₱12,189,122	₱12,127,932	**₱5,334,051**	₱5,335,961

11. **Investment Property**

In July 2019, the Group started leasing out its condominium units previously used as its office units and its related parking space. Accordingly, the Group reclassified these condominium units with cost and accumulated depreciation of ₱14.85 million and ₱8.54 million, respectively, as of reclassification date from 'Property and Equipment' to 'Investment Property'. As of December 31, 2020 and 2019, the carrying amount of the investment property is ₱5.94 million and ₱6.31 million, respectively.

In 2020 and 2019, depreciation expense recognized amounted to ₱0.37 million and ₱0.19 million, respectively. Rental income earned from investment properties amounted to ₱4.52 million and ₱1.94 million in 2020 and 2019, respectively and is presented as 'Rent Income' in the statement of comprehensive income.

12. Goodwill

The Group's goodwill in the consolidated financial statements amounting to ₱8.88 million as of December 31, 2020 and 2019, is related to the acquisition by the Parent Company of 100.00% of shares of stock of the Subsidiary, which is considered as the cash generating unit (CGU). There were no impairment losses recognized for the goodwill in 2020 and 2019.

The Group performed impairment assessment for its goodwill by computing for the recoverable amount of the CGU and comparing it to the carrying value of the CGU. The recoverable amount was based on value-in-use calculations using cash flow projections from financial budgets covering five years. Future cash flows and growth rates were determined based on past experience and strategies developed.

The discount rates used for the computation of the net present value is the weighted average cost of capital for the Subsidiary. In 2020 and 2019, the discount rates applied to the cash flow projections are 5.03% and 8.59%, respectively.

In 2020 and 2019, long-term growth rates are 3.2% and 3.06%, respectively, which have been determined based on average growth rates and market outlook for the services, industry and country in which the CGU is operating.

13. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Creditable withholding taxes	**₱24,315,096**	₱23,492,437	**₱11,578,760**	₱11,627,846
CTGF refundable deposit	**6,304,327**	4,439,654	**–**	–
Exchange trading right	**4,000,000**	4,000,000	**–**	–
Prepaid expenses	**1,907,161**	1,868,049	**733,650**	630,534
Software costs	**1,231,329**	1,685,120	**27,603**	153,108
Others	**1,726,266**	1,821,468	**436,365**	531,880
	39,484,179	37,306,728	**12,776,378**	12,943,368
Less allowance for impairment losses (Note 14)	**(1,323,214)**	(1,323,214)	**(1,323,214)**	(1,323,214)
	₱38,160,965	₱35,983,514	**₱11,453,164**	₱11,620,154

Movements in software costs are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Cost				
Balance at beginning of year	**₱10,162,546**	₱8,414,617	**₱2,490,092**	₱2,383,592
Additions	**–**	1,747,929	**–**	106,500
Balance at end of year	**10,162,546**	10,162,546	**2,490,092**	2,490,092
Accumulated amortization				
Balance at beginning of year	**8,477,426**	8,226,992	**2,336,984**	2,195,978
Amortization	**453,791**	250,434	**125,505**	141,006
Balance at end of year	**8,931,217**	8,477,426	**2,462,489**	2,336,984
Net book value at end of year	**₱1,231,329**	₱1,685,120	**₱27,603**	₱153,108

Others primarily consist of stationery and supplies, and security deposit for Parent Company and security deposit for the Subsidiary.

14. Accounts Payable and Accrued Expenses

The composition of this account follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Accounts payable	**₱674,715,023**	₱501,097,304	**₱13,250,835**	₱12,975,526
Accrued other expenses payable:				
Accrued professional fee	**1,880,279**	1,904,919	**1,161,477**	1,186,117
Others	**29,592,890**	19,354,723	**26,220,178**	17,185,033
	₱706,188,192	₱522,356,946	**₱40,632,490**	₱31,346,676

Accounts payable consists of amounts due to customers related to proceeds from the maturity or sale of and return on their investments. Instead of being settled on their due dates, the customers opted to retain such amounts in the Group and the Parent Company's possession. This account also includes ABCSI's payable to clearing house which are settled at T+3 and payable to customers.

Others consist mainly of BSP supervision fee for the Parent Company, while that of the Subsidiary is composed of payable to PDTC fees, PSE fees, SCCP fees and, commission rebates to agents.

15. Notes Payable

As of December 31, 2020, the Group and Parent Company's notes payable amounting to ₱116.00 million represent unsecured loans with maturities ranging from 7 to 60 days and interest rate from 3.25% to 5.75%.

As of December 31, 2019, the Group and Parent Company's notes payable amounting to ₱165.93 million represent unsecured loans with maturities ranging from 21 to 60 days and interest rate from 5.75% to 6.00%.

16. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Withholding tax payable	**₱1,679,483**	₱1,185,920	**₱869,404**	₱692,125
Output VAT payable	**701,140**	511,080	**–**	–
SSS, Pag-ibig and Philhealth payables	**258,686**	275,567	**140,973**	155,047
Miscellaneous and other deferred liabilities	**948,947**	1,066,379	**57,340**	201,460
	₱3,588,256	₱3,038,946	**₱1,067,717**	₱1,048,632

17. Equity

As of December 31, 2020 and 2019, capital stock consists of:

	2020	2019
Common shares – ₱100 par value		
Authorized shares	**4,000,000**	4,000,000
Beginning issued and outstanding shares	**2,032,581**	2,032,581
Issuance of additional common shares	**300,000**	–
Ending issued and outstanding shares	**2,332,581**	2,032,581
Beginning issued and outstanding	**₱203,258,100**	₱203,258,100
Issuance of additional capital stock	**30,000,000**	–
Ending issued and outstanding	**₱233,258,100**	₱203,258,100

As of December 31, 2020 and 2019, capital paid in excess of par value of common shares amounted to ₱131.09 million and ₱131.39 million, respectively.

Capital Management
The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and to maintain strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. The Group considers its equity as its capital.

The Group manages its capital structure and makes adjustments to it 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 to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Dividends
In 2020 and 2019, the Parent Company did not declare dividends. Dividends payable as of December 31, 2020 and 2019 amounted to ₱0.66 million.

On March 14, 2019, the Subsidiary's BOD declared cash dividends in the aggregate amount of ₱14,000,000 (₱29.17 per share) out of its unrestricted retained earnings, payable to stockholders of record as of the same date.

Retained Earnings
The Parent Company's BOD and stockholders have the discretion in the declaration of dividends. Under existing BSP regulations, the Parent Company should set up a reserve for trust business equivalent to 10.0% of the net profit from its trust business. This annual appropriation is required until the appropriated retained earnings for trust operations amounted to 20.0% of the Parent Company's regulatory capital and no part of such retained earnings shall anytime be paid out of dividends but losses accruing in the course of its business may be charged against the surplus reserve.

The appropriated retained earnings of the Parent Company as of December 31, 2020 and 2019 amounted to ₱7.63 million. The Parent Company incurred net loss in 2020 and 2019. Thus, no appropriation of retained earnings was made in 2020 and 2019.

In addition, SRC Rule 49.1 (B), *Reserve Fund*, which requires that every broker dealer shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to Appropriated Retained Earnings. In 2020 and 2019, the Subsidiary reported net loss of ₱5.01 million and ₱3.09 million, respectively, resulting in nil appropriation. In addition, a portion of the Group's retained earnings corresponding to the accumulated net earnings of the Subsidiary is not available for dividend declaration amounting to ₱19.35 million as of December 31, 2020 and 2019. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investee.

18. **Interest and Finance Income**

This account consists of interest and finance income on:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Investment securities at amortized cost (Note 7)	**₱6,246,538**	₱11,357,679	**₱6,246,538**	₱11,357,679
Short-term placements (Note 6)	**7,275,243**	15,375,425	**–**	100,713
Receivables (Note 8)	**5,724,447**	8,839,519	**4,215,287**	4,258,333
Deposits in banks (Note 6)	**227,890**	189,475	**75,141**	22,991
	₱19,474,118	₱35,762,098	**₱10,536,966**	₱15,739,716

19. **Leases**

Group and Parent Company as a lessee
ABCSI has entered into a lease agreement with Vicsal Development Corporation (VDC) for the lease of its head office space for a period of five years with escalation subject to renewal at the option of the Company. Subsequently, the Parent Company sublease a portion of the head office space from ABCSI. The non-cancellable sublease agreement is for a period of five years with an annual escalation.

In 2020, the Group was granted rent concession on its rental payments from April to December 2020. In addition, the lease on the portion of the head office space was terminated effective December 31, 2020.

The rollforward analysis of right-of-use asset on the abovementioned lease contracts are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Cost				
Beginning balance	**₱25,275,947**	₱31,592,471	**₱11,765,770**	₱14,707,213
Amortization	**(6,318,494)**	(6,316,524)	**(2,941,440)**	(2,941,443)
Termination	**(7,704,483)**	–	**(3,585,982)**	–
Net Book Value	**₱11,252,970**	₱25,275,947	**₱5,238,348**	₱11,765,770

In 2020 and 2019, the following are the amounts recognized by the Group in the statement of income related to the lease:

	Consolidated	
	2020	2019
Depreciation expense of right-of-use assets	**₱6,318,494**	₱6,316,524
Interest expense on lease liability	**1,773,405**	2,063,249
Rent expenses relating to short-term leases (included under Occupancy and equipment-related costs)	**1,272,305**	1,684,697
Total amount recognized in statement of income	**₱9,364,204**	₱10,064,470

	Parent Company	
	2020	2019
Depreciation expense of right-of-use assets	**₱2,941,440**	₱2,941,443
Interest expense on lease liability	**825,340**	960,418
Rent expenses relating to short-term leases (included under Occupancy and equipment-related costs)	**295,920**	274,618
Total amount recognized in statement of income	**₱4,062,700**	₱4,176,479

The rollforward analysis of the lease liability follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of the year	**₱26,452,360**	₱31,592,471	**₱12,312,085**	₱14,707,213
Interest expense	**1,773,405**	2,063,249	**825,340**	960,418
Lease payments	**(4,631,538)**	(7,203,350)	**(2,156,757)**	(3,355,546)
Remeasurement due to rent concession	**(1,437,903)**	–	**(1,253,117)**	–
Termination	**(9,749,429)**	–	**(3,953,129)**	–
Balance at end of the year	**₱12,406,895**	₱26,452,370	**₱5,774,422**	₱12,312,085

Shown below is the maturity analysis of the undiscounted lease payments related to the lease as of December 31, 2020 and 2019:

	Consolidated	
	2020	2019
Within one year	**₱4,525,073**	₱7,410,461
More than one year but less than two years	**4,655,425**	7,623,775
More than two year but less than three years	**4,789,683**	7,843,488
More than three year but less than four years	–	8,069,792
	₱13,970,181	₱30,947,516

	Parent Company	
	2020	2019
Within one year	**₱2,106,734**	₱3,450,812
More than one year but less than two years	**2,166,696**	3,548,940
More than two year but less than three years	**2,228,456**	3,650,008
More than three year but less than four years	–	3,754,104
	₱6,501,886	₱14,403,864

Operating Lease – Group as Lessee

The Group is a lessee under a non-cancellable lease agreement covering the office space of its branches classified as short-term leases with lease term less than one year from commencement date.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2020 and 2019:

	Consolidated	
	2020	2019
Within one year	**₱664,381**	₱890,561
More than one year but less than two years	–	165,149
	₱664,381	₱1,055,710

	Parent Company	
	2020	2019
Within one year	**₱155,410**	₱170,556
More than one year but less than two years	–	–
	₱155,410	₱170,556

Operating Lease – Group as Lessor

The Group entered into a non-cancellable lease for its condominium units previously used as its office units and parking space with a lease term of three years renewable at the lessee's sole option for an additional period of one year. The Group assessed and accounted the lease as an operating lease.

As of December 31, 2020 and 2019, the total future minimum lease payments based on the lease agreement follow:

	2020	2019
Within one year	**₱4,506,549**	₱4,658,788
After one year but less than two years	**2,628,820**	7,376,414
	₱7,135,369	₱12,035,202

20. Miscellaneous Expense

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Other personnel related costs	**₱2,611,242**	₱2,374,199	**850,736**	₱851,762
Stationery and supplies	**1,063,224**	2,210,606	**461,991**	1,024,513
Building expenses	**1,006,906**	1,857,852		35,960
Membership fees and dues	**929,650**	1,203,618	**889,650**	1,163,618
Travelling expenses	**803,589**	1,607,193	**725,138**	799,182
Advertising and publicity	**313,683**	165,766	**266,664**	112,068
Insurance expense	**249,675**	236,140	**74,785**	103,982
Sponsorships and company events	**70,950**	431,618	**70,950**	347,577
Meetings and conferences	**24,825**	153,148	**24,825**	106,460
Others	**6,757,335**	2,338,910	**2,561,125**	942,851
	₱13,831,079	₱12,579,050	**₱5,925,864**	₱5,487,973

Others include parking fees and dues, penalties paid, petty cash reimbursements, write-off of property and equipment and other administrative expenses.

21. Income and Other Taxes

Under Philippine tax laws, the Group is subject to percentage and other taxes (presented as Taxes and Licenses in the statements of comprehensive income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax.

Income taxes include corporate income tax, as discussed below, as well as final withholding taxes paid at the rates of 20.00% of gross interest income from peso-denominated debt instruments and other deposit substitutes, and 15.00% of gross interest income from foreign currency deposits in a depository bank under the expanded foreign currency deposit system.

Current tax regulations provide that starting January 1, 2009, the RCIT rate shall be 30.00%. In addition, the allowable interest expense shall be reduced by an amount equivalent to 33.00% of interest income subject to final tax starting January 1, 2009.

The provision for income tax consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Current:				
MCIT	**₱1,049,136**	₱1,246,680	**₱553,372**	₱773,302
Final	**1,621,740**	3,127,199	**14,967**	24,662
	2,670,876	4,373,879	**568,339**	797,964
Deferred	**(175,024)**	374,700	**(71,294)**	316,502
	₱2,495,852	₱4,748,579	**₱497,045**	₱1,114,466

Provision (benefit) for deferred income tax charged directly to OCI during the year for the year follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Remeasurements on retirement plan	**(₱504,088)**	(₱622,118)	**(₱294,864)**	(₱413,282)
Net unrealized gain (loss)	**130,883**	17,780	**–**	–
	(₱373,205)	(₱604,338)	**(₱294,864)**	(₱413,282)

The components of the net deferred tax asset follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Deferred tax assets on:				
Unrealized loss on financial assets at FVTOCI	**₱–**	₱130,883	**₱–**	₱–
Allowance for impairment and credit losses	**547,190**	547,190	**397,400**	397,400
Unamortized past service cost	**–**	724	**–**	–
Unrealized loss on financial assets at FVTPL	**40,660**	13,932	**–**	–
Retirement liability	**1,209,282**	556,993	**839,866**	473,708
	1,797,132	1,249,722	**1,237,266**	871,108
Deferred tax liabilities on:				
Unrealized foreign exchange gain	**₱7,860**	₱8,673	**₱1,180**	₱1,180
Unrealized gain on financial assets at FVTOCI	**–**	6	**–**	–
	7,860	8,679	**1,180**	1,180
Net deferred tax asset	**₱1,789,272**	₱1,241,043	**₱1,236,086**	₱869,928

The Group did not set up deferred tax assets on the following:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Temporary differences on:				
NOLCO	**₱62,489,957**	₱43,988,572	**₱35,432,708**	₱25,477,184
Carryforward benefits of MCIT	**3,297,588**	3,232,625	**1,644,902**	1,549,364
PFRS 16	**2,675,678**	1,590,521	**–**	–
Unamortized past service cost	**1,202,582**	1,435,727	**1,033,668**	1,162,876
	₱69,665,805	₱50,247,445	**₱38,111,278**	₱28,189,424

The Group believes that it is not probable that these temporary differences will be realized.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Consolidated						
Year incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2017	2018-2020	₱9,929,677	₱–	₱9,929,677	₱–	₱–
2018	2019-2021	17,823,497	–	–	–	17,823,497
2019	2020-2022	16,768,946	–	–	–	16,768,946
		₱44,522,120	₱–	₱9,929,677	₱–	₱34,592,443

Parent Company						
Year incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2017	2018-2020	₱6,476,221	₱–	₱6,476,221	₱–	₱–
2018	2019-2021	17,823,497	–	–	–	17,823,497
2019	2020-2022	1,177,464	–	–	–	1,177,464
		₱25,477,182	₱–	₱6,476,221	₱–	₱19,000,961

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Consolidated						
Year incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱27,897,514	₱–	₱–	₱–	₱27,897,514

Parent Company						
Year incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱16,431,747	₱–	₱–	₱–	₱16,431,747

Details of MCIT benefit for the Group follows:

Consolidated				
Inception Year	Amount	Expired	Balance	Expiry Year
2020	₱1,049,136	₱–	₱1,049,136	2023
2019	1,246,680	–	1,246,680	2022
2018	1,001,772	–	1,001,772	2021
2017	984,173	984,173	–	2020
	₱4,281,761	₱984,173	₱3,297,588	

Parent Company				
Inception Year	Amount	Expired	Balance	Expiry Year
2020	₱553,372	₱–	₱553,372	2023
2019	773,302	–	773,302	2022
2018	318,228	–	318,228	2021
2017	457,834	457,834	–	2020
	₱2,102,736	₱457,834	₱1,644,902	

A reconciliation of the statutory income tax rate to the effective income tax rate follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Statutory income tax rate	**30.00%**	30.00%	**30.00%**	30.00%
Tax effect of:				
Non-deductible expenses	**(18.65%)**	(51.63%)	**(17.44%)**	(545.46%)
Tax-paid and tax-exempt income	**18.62%**	39.37%	**12.27%**	516.32%
Change in unrecognized deferred tax assets	**(40.79%)**	(49.68%)	**(27.30%)**	(80.06%)
Effective income tax rate	**(10.81%)**	(31.94%)	**(2.48%)**	(79.20%)

22. Retirement Plan

The Group has a noncontributory and funded retirement plan covering all its officers and regular employees. Under the retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement fund is administered by the Parent Company's Trust and Investment Division (TID) which acts as a trustee under the plan.

Under the existing regulatory framework, Republic Act 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables show the amounts recognized based on the actuarial valuation as of December 31, 2020 and 2019:

Changes in net retirement liability in 2020 are as follows:

Consolidated

		Net benefit cost in profit or loss				Remeasurements in other comprehensive income							
	January 1, 2020	Current service cost	Interest on the effect of the asset ceiling	Net interest	Subtotal	Return on plan assets (excluding amount included in net interest)	Changes in effect of asset ceiling	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Benefits paid/ withdrawal from plan assets	Contribution by employer	December 31, 2020
Present value of defined benefit obligation	₱10,445,407	₱3,068,737	₱–	₱578,676	₱3,647,413	(₱63,063)	₱–	₱1,973,750	(₱550,065)	₱1,360,622	(₱2,061,548)	₱–	₱13,391,894
Fair value of plan assets	(6,719,410)	–	–	(389,951)	(389,951)	319,665	–	–	–	319,665	2,061,548	(2,763,456)	(7,491,604)
Net retirement liability (asset)	₱3,725,997	₱3,068,737	₱–	₱118,725	₱3,257,462	₱256,602	₱–	₱1,973,750	(₱550,065)	₱1,680,287	₱–	(₱2,763,456)	₱5,900,290

**The Subsidiary is in a net pension liability position amounting to ₱2.15 million. The Parent Company is in a net liability position amounting to ₱1.58 million.*

Parent Company

		Net benefit cost in profit or loss			Remeasurements in other comprehensive income							
	January 1, 2020	Current service cost	Net interest	Subtotal	Return on plan assets (excluding amount included in net interest)	Changes in effect of asset ceiling	Actuarial changes arising from changes in financial assumptions	Experience Adjustments	Subtotal	Benefits paid/ withdrawal from plan assets	Contribution by employer	December 31, 2020
Present value of defined benefit obligation	₱5,019,020	₱1,847,568	₱278,054	₱2,125,622	₱–	₱–	₱913,372	(₱42,986)	₱870,386	(₱2,061,548)	₱–	₱5,953,480
Fair value of plan assets	(3,440,000)	–	(180,761)	(180,761)	112,493	–	–	–	112,493	2,061,548	(1,707,216)	(3,153,936)
Net retirement liability (asset)	₱1,579,020	₱1,847,568	₱97,293	₱1,944,861	₱112,493	₱–	₱913,372	(₱42,986)	₱982,879	₱–	(₱1,707,216)	₱2,799,544

Changes in net retirement liability in 2019 are as follows:

	Consolidated												
		Net benefit cost in profit or loss				Remeasurements in other comprehensive income							
	January 1, 2019	Current service cost	Interest on the effect of the asset ceiling	Net interest	Subtotal	Return on plan assets (excluding amount included in net interest)	Changes in effect of asset ceiling	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Benefits paid/ withdrawal from plan assets	Contribution by employer	December 31, 2019
Present value of defined benefit obligation	₱8,267,680	₱2,791,702	₱–	₱636,611	₱3,428,313	₱–	₱–	₱1,887,441	₱120,764	₱2,008,205	(₱3,258,791)	₱–	₱10,445,407
Fair value of plan assets	(7,205,092)	–	1,900	(520,548)	(518,648)	92,099	(26,581)	–	–	65,518	5,128,169	(4,189,357)	(6,719,410)
Net retirement liability (asset)	₱1,062,588	₱2,791,702	₱1,900	₱116,063	₱2,909,665	₱92,099	(₱26,581)	₱1,887,441	₱120,764	₱2,073,723	₱1,869,378	(₱4,189,357)	₱3,725,997

The Subsidiary is in a net asset position amounting to ₱0.32 million. The Parent Company is in a net liability position amounting to ₱1.38 million.

	Parent Company											
		Net benefit cost in profit or loss			Remeasurements in other comprehensive income							
	January 1, 2019	Current service cost	Net interest	Subtotal	Return on plan assets (excluding amount included in net interest)	Changes in effect of asset ceiling	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Benefits paid/ withdrawal from plan assets	Contribution by employer	December 31, 2019
Present value of defined benefit obligation	₱4,722,805	₱1,841,033	₱363,656	₱2,204,689	₱–	₱–	₱944,112	₱381,328	₱1,325,440	(₱3,233,914)	₱–	₱5,019,020
Fair value of plan assets	(3,339,689)	–	(253,275)	(253,275)	52,167	–	–	–	52,167	3,233,914	(3,133,117)	(3,440,000)
Net retirement liability (asset)	₱1,383,116	₱1,841,033	₱110,381	₱1,951,414	₱52,167	₱–	₱944,114	₱381,328	₱1,377,607	₱–	(₱3,133,117)	₱1,579,020

The principal actuarial assumptions used in determining the retirement benefit cost are shown below:

	Parent Company		ABCSI	
	2020	2019	**2020**	2019
Discount rate	**4.00%**	5.54%	**4.01%**	5.54%
Future salary increases	**4.00%**	4.00%	**4.00%**	4.00%
Mortality rate	**2001 CSO**	2001 CSO	**2001 CSO**	2001 CSO

The movements in 'Remeasurement loss on retirement liability' in OCI follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**(₱1,253,097)**	₱198,509	**(₱989,758)**	(₱25,433)
Remeasurement gain (loss) during the year:				
Present value of defined benefit obligation	**(1,423,685)**	(2,008,205)	**(870,387)**	(1,325,440)
Fair value of plan assets	**(256,602)**	(92,099)	**(112,493)**	(52,167)
Effect of asset ceiling	**–**	26,581	**–**	–
	(1,680,287)	(2,073,723)	**(982,880)**	(1,377,607)
Income tax effect	**504,087**	622,118	**294,864**	413,282
Balance at end of year	**(₱2,429,297)**	(₱1,253,096)	**(₱1,677,773)**	(₱989,758)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2020 and 2019, assuming if all other assumptions were held constant:

	Increase/ (Decrease)	Consolidated 2020 Amount	%	2019 e	%
Discount rate	+1.00%	**(₱1,352,633)**	**(20.3)**	(₱961,889)	(18.4)
	-1.00%	**1,661,035**	**24.9**	1,155,936	22.1
Salary increase rate	+1.00%	**1,643,595**	**24.6**	1,162,467	22.3
	-1.00%	**(1,364,555)**	**(20.5)**	(983,533)	(18.9)

	Increase/ (Decrease)	Parent Company 2020 Amount	%	2019 Amount	%
Discount rate	+1.00%	**(₱623,194)**	**(10.5)**	(₱478,782)	(9.5)
	-1.00%	**760,524**	**12.8**	569,427	11.3
Salary increase rate	+1.00%	**752,520**	**12.6**	572,628	11.4
	-1.00%	**(628,677)**	**(10.6)**	(489,609)	(9.8)

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

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Less than one year	**₱1,301,485**	₱989,646	**₱1,301,485**	₱989,646
More than 1 year to 4 years	**5,008,373**	4,015,297	**875,723**	735,009
More than 4 years to 10 years	**9,743,579**	11,389,130	**5,892,124**	7,547,395

The weighted average duration of the defined benefit obligation at the end of the reporting period ranges from 9.9 years to 10.4 years for the Group and 10.4 years for the Parent Company.

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

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

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Fund Assets:				
Cash and cash equivalents	**₱215,225**	₱11,854	**₱90,609**	₱6,069
Debt instruments				
Time deposits	**4,856,284**	3,364,948	**2,044,476**	1,722,685
Government securities	**2,869,169**	3,325,972	**1,207,909**	1,702,730
	7,725,453	6,690,920	**3,252,385**	3,431,484
Loans and receivables				
Interest receivable	**6,116**	23,657	**2,575**	12,111
	7,964,794	6,726,431	**3,345,569**	3,443,595
Fund Liabilities:				
Accounts payable	**4,111**	3,243	**1,731**	1,660
Portfolio fees	**1,680**	3,779	**707**	1935
Withholding taxes payable	**449,400**	–	**189,196**	–
	455,191	7,022	**191,634**	3,595
Net Fund Assets	**₱7,491,603**	₱6,719,409	**₱3,153,935**	₱3,440,000

Government securities held have quoted prices in active markets. The carrying amount of the remaining fund assets approximate fair values since these have short-term maturities.

23. Trust Operations

Properties held by the Parent Company in fiduciary or agency capacities for its customers are not included in the accompanying financial statements since these are not assets of the Parent Company. Total assets held by the Parent Company's TID amounted to ₱23.73 billion and ₱24.51 billion as of December 31, 2020 and 2019, respectively.

In compliance with banking regulations, relative to the Parent Company's trust functions, government securities (included under 'Investment securities at amortized cost' as of December 31, 2020 and December 31, 2019, respectively) owned by the Parent Company with face value amounting to ₱228.12 million and ₱279.70 million as of December 31, 2020 and 2019, respectively, are deposited with the BSP.

Trust fees are accrued as incurred and are generally charged at a flat rate or a percentage of investments ranging from 0.10% to 1.50% on trust assets managed. Trust fee income amounted to ₱40.03 million and ₱44.28 million in 2020 and 2019, respectively for the Group, and ₱41.04 million and ₱45.13 million in 2020 and 2019, respectively, for the Parent Company.

24. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Related party transactions are settled in cash. Details on related party transactions follow:

	Consolidated				
	2020		2019		
Category	**Amounts/ Volume**	**Outstanding Balances**	Amounts/ Volume	Outstanding Balances	**Nature/Terms and Condition**
VDC (Ultimate Parent Company)					
Lease arrangement					Lease agreement for the lease of its head office space for a period of five years subject to annual escalation.
Right of use asset	**₱–**	**₱11,252,970**	₱–	₱25,275,947	
Lease liability	**–**	**12,406,895**	–	26,452,360	
Non-trade payable	–	**17,388**	–	–	Non-interest bearing, share in various
Trust and Investments Division:					
Receivables	–	**13,272,953**	–	11,904,984	Non-interest bearing, receivable arising from trust fee income recognized
Trust fee income	**41,036,025**	–	45,131,329	–	Fees on trust management
Special deposit accounts		**490,531034**		360,246,545	30 days, unsecured 0.50% to 6.90%, per annum, unimpaired, placed with the TID of the Parent Company
Placements	**503,893,180**	–	1,087,936,836	–	
Withdrawals	**373,608,691**	–	1,064,427,664	–	
Placement fees	**1,010,698**	**84,501**	852,104	62,147	Payable in cash, due within 1 month
Entities under common control:					
Loans and receivables	–	**27,343,667**	–	27,327,330	Non-interest bearing, unsecured loans, due and demandable
Commission income	**400,169**	–	433,270	–	Commission income on purchase and sale of equity securities
Trade transactions	**160,563,243**	–	174,848,535	–	Paid in cash on settlement date (Trade date + 3)
Non-trade payable	–	**68,247**	–	68,247	Non-interest bearing, share in various expenses

Category	Parent Company 2020 Amounts/ Volume	Outstanding Balances	2019 Amounts/ Volume	Outstanding Balances	Nature/Terms and Condition
VDC (Ultimate Parent Company)					
Non-trade payable	**₱–**	**₱17,388**	₱–	₱–	Non-interest bearing,
Trust and Investments Division:					
Receivables	–	**13,272,953**	–	11,904,984	Non-interest bearing, receivable arising from trust fee income recognized
Trust fee income	**41,036,025**	–	45,131,329	–	Fees on trust management
Subsidiary:					
Loans and receivables	–	–	–	234,460	Non-interest bearing; reimbursement on share in various expenses
Non-trade payable	**2,909,827**	**2,909,827**	2,568,016	2,568,016	Memorandum of agreement on IT services and related activities and reimbursement of share of various expenses; due yearly
Sub-lease arrangement					Sublease agreement to lease out a portion of leased building space for a period of five years.
Right-of-use asset	–	**5,238,348**	–	11,765,770	
Lease liability	–	**5,774,422**	–	12,312,085	
Entities under common control:					
Loans and receivables	–	**27,343,667**	–	27,327,330	Non-interest bearing, unsecured loans and due and demandable
Management and administration fees	**1,791,202**	**768,489**	1,686,814	228,334	Management fees received from Filipino Fund, Inc. (the Fund) computed based on 0.5% of its net asset value (NAV) for 2019 and 2018. ₱50,000 admin fee per month from the Fund
Non-trade payable	–	**68,247**	–	68,247	Non-interest bearing, share in various expenses

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Parent Company, directly or indirectly.

The compensation of key management personnel by benefit type of the Parent Company are as follows:

	2020	2019
Salaries and other short-term benefits	**₱17,269,634**	₱15,711,243
Post-employment benefits	**831,234**	1,088,963
	₱18,100,868	₱16,800,206

Transactions with Retirement Plan

The retirement fund of the Group's and the Parent Company's employees are being managed by the Parent Company's TID.

Relevant information on carrying values of the Group's and the Parent Company's retirement funds in the statements of financial position as of December 31, 2020 and 2019 follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Fund Assets:				
Deposits in banks	**₱5,071,509**	₱3,376,802	**₱2,135,085**	₱1,728,754
Government securities	**2,869,169**	3,325,972	**1,207,909**	1,702,730
	7,940,678	6,702,774	**3,342,994**	3,431,484
Loans and receivables				
Interest receivable	**6,116**	23,657	**2,575**	12,111
	7,946,794	6,726,431	**3,345,569**	3,443,595
Fund Liabilities:				
Accounts payable	**4,111**	3,243	**1,731**	1,660
Portfolio fees	**1,680**	3,779	**707**	1,935
Withholding taxes payable	**449,400**		**189,196**	
	455,191	7,022	**191,634**	3,595
Net Fund Assets	**₱7,491,603**	₱6,719,409	**₱3,153,935**	₱3,440,000

25. Financial Performance

The following basic ratios measure the financial performance of the Group and Parent Company:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Return on average equity	**(7.60%)**	(5.67%)	**(6.56%)**	(0.81%)
Return on average assets	**(2.28%)**	(1.94%)	**(4.09%)**	(0.54%)
Net interest margin on average earning assets	**1.21%**	3.12%	**0.74%**	5.27%

26. Maturity Profile of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	December 31, 2020			December 31, 2019		
	Less than One Year	**Over One Year**	**Total**	Less than One Year	Over One Year	Total
Financial Assets						
Cash and cash equivalents	**₱675,930,315**	**₱–**	**₱675,930,315**	₱396,073,899	₱–	₱396,073,899
Financial assets at FVTPL	**4,477,400**	**30,514**	**4,507,914**	–	30,514	30,514
Financial assets at FVTOCI	–	–	–	–	9,939,280	9,939,280
Investment securities at amortized cost	**228,122,917**	–	**228,122,917**	277,775,189	–	277,775,189
Loans and receivables - gross	**200,637,032**	–	**200,637,032**	281,237,789	–	281,237,789
Other assets - gross	**557,175**	–	**557,175**	604,866	–	604,866
	1,109,724,839	**30,514**	**1,109,755,353**	955,691,743	9,969,794	965,661,537
Nonfinancial Assets						
Property and equipment - net	–	**7,726,131**	**7,726,131**	–	14,918,772	14,918,772
Investment property	–	**5,942,998**	**5,942,998**	–	6,314,435	6,314,435
Deferred tax asset	–	**1,789,272**	**1,789,272**	–	1,241,043	1,241,043
Goodwill	–	**8,877,294**	**8,877,294**	–	8,877,294	8,877,294
Right-of-use asset	–	**11,252,970**	**11,252,970**	–	25,275,947	25,275,947
Other assets - gross	**14,940,682**	**23,986,319**	**38,927,001**	14,077,340	22,624,522	36,701,862
	14,940,682	**59,574,984**	**74,515,666**	14,077,340	79,252,013	93,329,353
Allowance for impairment and credit losses	–	–	**(1,324,666)**	–	–	(1,324,666)
	₱1,124,665,521	**₱59,605,498**	**₱1,182,946,353**	₱969,769,083	₱89,221,807	₱1,057,666,224

(Forward)

	Consolidated					
	December 31, 2020			December 31, 2019		
	Less than One Year	Over One Year	Total	Less than One Year	Over One Year	Total
Financial Liabilities						
Accounts payable and accrued expenses	₱704,547,959	₱1,640,233	₱706,188,192	₱519,997,270	₱2,359,676	₱522,356,946
Notes payable	115,999,999	–	115,999,999	165,926,645	–	165,926,645
Lease liability	3,690,270	8,716,625	12,406,895	5,549,145	20,903,215	26,452,360
Dividends payable	662,088	–	662,088	662,088	–	662,088
	824,900,316	10,356,858	835,257,174	691,473,060	23,262,891	715,398,039
Nonfinancial Liabilities						
Retirement liability	–	5,900,290	5,900,290	–	3,725,997	3,725,997
Other liabilities	3,588,256	–	3,588,256	3,038,946	–	3,038,946
	3,588,256	5,900,290	9,488,546	3,038,946	3,725,997	6,764,943
	₱828,488,572	₱16,257,148	₱844,745,720	₱694,512,006	₱26,988,888	₱722,162,982

	Parent Company					
	December 31, 2020			December 31, 2019		
	Less than One Year	Over One Year	Total	Less than One Year	Over One Year	Total
Financial Assets						
Cash and cash equivalents	₱27,331,518	₱–	₱27,331,518	₱7,338,404	₱–	₱7,338,404
Financial assets at amortized cost	228,122,917	–	228,122,917	277,775,189	–	277,775,189
Loans and receivables - gross	101,790,113	–	101,790,113	100,015,825	–	100,015,825
Other assets - gross	79,720	–	79,720	127,720	–	127,720
	357,324,268	–	357,324,268	385,257,138	–	385,257,138
Nonfinancial Assets						
Investment in a subsidiary	–	106,715,694	106,715,694	–	106,715,694	106,715,694
Property and equipment - net	–	2,986,367	2,986,367	–	6,279,351	6,279,351
Deferred tax assets	–	1,236,086	1,236,086	–	869,928	869,928
Right-of-use asset	–	5,238,348	5,238,348	–	11,765,770	11,765,770
Other assets - gross	1,027,835	11,668,823	12,696,658	972,234	11,843,414	12,815,648
	1,027,835	127,845,318	128,873,153	972,234	137,474,157	138,446,391
Allowance for impairment and credit losses	–	–	(1,324,666)	–	–	(1,324,666)
	₱358,352,103	₱127,845,318	₱484,872,755	₱386,229,372	₱137,474,157	₱522,378,863
Financial Liabilities						
Accounts payable and accrued expenses	₱40,632,490	₱–	₱40,632,490	₱31,346,676	₱–	₱31,346,676
Notes payable	115,999,999	–	115,999,999	165,926,645	–	165,926,645
Lease liability	1,718,224	4,056,201	5,774,425	2,584,538	9,727,547	12,312,085
Dividend payable	662,088	–	662,088	662,088	–	662,088
	159,012,801	4,056,201	163,069,002	200,519,947	9,727,547	210,247,494
Nonfinancial Liabilities						
Retirement liability	–	2,799,545	2,799,545	–	1,579,020	1,579,020
Other liabilities	1,067,713	–	1,067,713	1,048,632	–	1,048,632
	1,067,713	2,799,545	3,867,258	1,048,632	1,579,020	2,627,652
	₱160,080,514	₱6,855,746	₱166,936,260	₱201,568,579	₱11,306,567	₱212,875,146

27. Notes to Statement of Cash Flows

In 2020, the Group was granted rent concession on its rental payments from April to December 2020. In addition, the lease on the portion of the head office space was terminated effective December 31, 2020. Accordingly, the Group remeasured its lease liability to consider the impact of the rent concession and reduced the carrying amount of the ROU asset and lease liability as a result of the termination. The Group and Parent Company recognized income from the remeasurement of the lease liability and the termination amounting to ₱3.48 million and ₱1.62 million, respectively, included in 'Miscellaneous income'. The leasehold improvement related to the terminated office space with carrying amount of ₱2.54 million and ₱1.14 million for the Group and Parent Company, respectively, was also written off.

As at December 31, 2019, the Group reclassified advances to software developer included under 'Other assets' to software asset amounting to ₱1.29 million upon putting the new system into use (see Note 13).

As at December 31, 2019, the Group's and the Parent Company's outstanding balances of non-cash additions to property and equipment amounted to ₱2.96 million and ₱1.56 million, respectively.

Liabilities arising from financing activities
The Group's financing liabilities consist of notes payable and lease liability. Changes in these financing liabilities in 2020 and 2019 represent cash flows from availments and settlements of notes payable and payment of lease liability, as reflected in the statement of cash flows.

28. Event after the reporting period

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 Company.

- 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 Php5 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.

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 Company would have been subjected to lower minimum corporate income tax rate of 1% effective July 1, 2020. Based on the provisions of Revenue Regulations (RR) No. 3-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 1.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱0.79 million and ₱0.42 million, or a reduction of ₱0.26 million and ₱0.14 million for the Group and the Parent Company, respectively. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.
This will result in lower net deferred tax assets as of December 31, 2020 by ₱0.30 million and ₱0.21 million for the Group and the Parent Company, respectively. These reductions will be recognized in the 2021 financial statements.

29. **Approval for the Release of Financial Statements**

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on April 30, 2021.

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
AB Capital and Investment Corporation
Units 1210-1212 and Units 1911-1912, PSE Tower
5th Avenue corner 28th Street,
Bonifacio Global City, Taguig City

We have audited the accompanying financial statements of AB Capital and Investment Corporation (the Company) as at and for the year then ended December 31, 2020, on which we have rendered the attached report dated April 30, 2021.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the Company has six (6) stockholders owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas
Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534218, January 4, 2021, Makati City

April 30, 2021

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
AB Capital and Investment Corporation
Units 1210-1212 and Units 1911-1912, PSE Tower
5th Avenue corner 28th Street,
Bonifacio Global City, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of AB Capital and Investment Corporation and Subsidiary (the Group) and the parent company financial statements of AB Capital and Investment Corporation (the Parent Company), and have issued our report thereon dated April 30, 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 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 information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas
Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534218, January 4, 2021, Makati City

April 30, 2021

AB CAPITAL AND INVESTMENT CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020

AB CAPITAL AND INVESTMENT CORPORATION
SCHEDULE SHOWING TRANSACTIONS WITH DOSRI
UNDER REVISED SRC RULE 68
DECEMBER 31, 2020

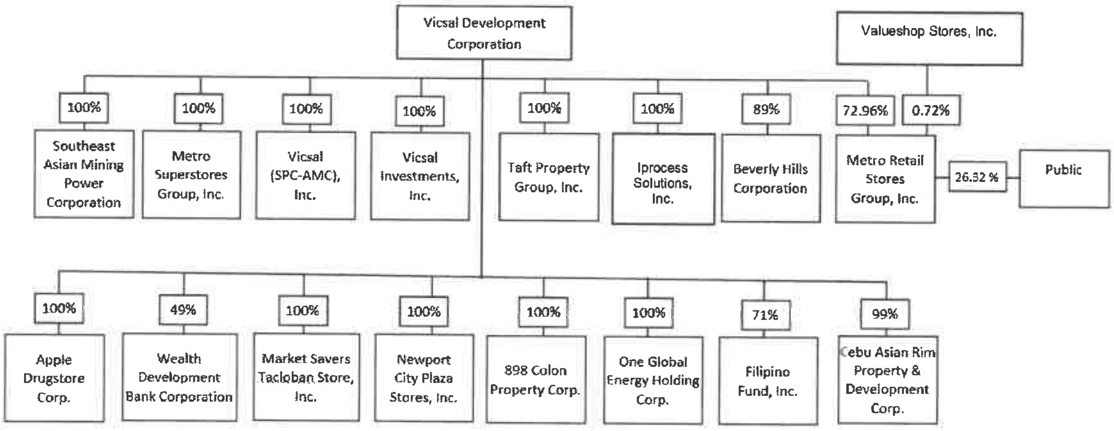
Consolidated

Name of related party	Description of transaction	Total volume/ Amount of transaction	Terms and Condition				Carrying amount of asset used as collateral
			Rate	Maturity Date	Security	Mode of Payment	
Apalla, Ella	Salary loans	₱20,000	0.00%	11/30/2020	Unsecured	Payable in 6 months, every 15th & 30th of the month	–
Asturias, Leoda	Salary loans	20,000	0.00%	1/25/2021	Unsecured	Payable in 6 months, every 10th & 25th of the month	–
Calleja, Alvin Emmanuel	Salary loans	20,000	0.00%	1/31/2021	Unsecured	Payable in 6 months, every 15th & 30th of the month	–
Daguro, Premilyn	Salary loans	20,000	0.00%	1/25/2021	Unsecured	Payable in 6 months, every 10th & 25th of the month	–
Devila, Brian	Salary loans	20,000	0.00%	2/15/2021	Unsecured	Payable in 6 months, every 15th & 30th of the month	–
Fateg, Jocelyn	Salary loans	10,000	0.00%	12/10/2020	Unsecured	Payable in 6 months, every 15th & 30th of the month	–
Guillena, Michelle	Salary loans	20,000	0.00%	1/31/2021	Unsecured	Payable in 6 months, every 15th & 30th of the month	–
Junio, Gretchen	Salary loans	20,000	0.00%	2/16/2021	Unsecured	Payable in 6 months, every 10th & 25th of the month	–
Lim, Tammy	Salary loans	20,000	0.00%	12/25/2020	Unsecured	Payable in 6 months, every 10th & 25th of the month	–
Sacueza, Rebecca	Salary loans	20,000	0.00%	11/25/2019	Unsecured	Payable in 6 months, every 10th & 25th of the month	–

Parent Company

Name of related party	Description of transaction	Total volume/ Amount of transaction	Terms and Condition				Carrying amount of asset used as collateral
			Rate	Maturity Date	Security	Mode of Payment	
Apalla, Ella	Salary loans	₱20,000	0.00%	11/30/2020	Unsecured	Payable in 6 months, every 15th & 30th of the month	–
Calleja, Alvin Emmanuel	Salary loans	20,000	0.00%	1/31/2021	Unsecured	Payable in 6 months, every 15th & 30th of the month	–
Devila, Brian	Salary loans	20,000	0.00%	2/15/2021	Unsecured	Payable in 6 months, every 15th & 30th of the month	–
Guillena, Michelle	Salary loans	20,000	0.00%	1/31/2021	Unsecured	Payable in 6 months, every 15th & 30th of the month	–

AB CAPITAL AND INVESTMENT CORPORATION
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE GROUP AND ITS ULTIMATE PARENT COMPANY
UNDER REVISED SRC RULE 68
DECEMBER 31, 2020



AB CAPITAL AND INVESTMENT CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDESS INDICATORS IN TWO COMPARATIVE PERIODS UNDER REVISED SRC RULE 68
DECEMBER 31, 2020

	Consolidated			
Ratio	**Formula**		**Current year**	**Prior year**
Current ratio	Total current assets divided by Total current liabilities			
	Current assets	1,124,665,521		
	Current liabilities	828,488,572		
		135.75%	**135.75%**	139.03%
Solvency ratio	Net income plus Depreciation divided by Total liabilities			
	Net loss less Depreciation	(13,397,722)		
	Total liabilities	844,745,720		
		(1.59%)	**(1.59%)**	(1.04%)
Debt-to-equity ratio	Total liabilities divided by Total equity			
	Total liabilities	844,745,720		
	Total equity	338,200,633		
		249.78%	**249.78%**	215.25%
Asset-to-equity ratio	Total assets divided by Total equity			
	Total assets	1,182,946,353		
	Total equity	338,200,633		
		349.78%	**349.78%**	315.25%
Interest rate coverage ratio	Income before interest and tax divided by Interest expense			
	Loss before interest and tax	(14,044,811)		
	Interest expense	9,046,181		
		(155.26%)	**(155.26%)**	(27.84%)
Profitability ratios:				
Return on average equity	Net income divided by Average total equity			
	Net loss	(25,586,844)		
	Average total equity	336,851,938		
		(7.60%)	**(7.60%)**	(5.67%)
Return on average assets	Net income divided by Average total assets			
	Net loss	(25,586,844)		
	Average total assets	1,104,511,098		
		(2.32%)	**(2.32%)**	(1.94%)

Consolidated			
Ratio	**Formula**	**Current year**	**Prior year**
Profitability ratios:			
Net interest margin on average earning assets	Net interest income divided by Average total earning assets Net interest income 10,427,937 Average earning assets* 864,052,746 1.21%	**1.21%**	3.52%

Parent Company			
Ratio	**Formula**	**Current year**	**Prior year**
Current ratio	Total current assets divided by Total current liabilities Current assets 358,352,103 Current liabilities 160,080,514 223.86%	**223.86%**	191.61%
Solvency ratio	Net income plus Depreciation divided by Total liabilities Net loss less Depreciation (15,245,153) Total liabilities 166,936,260 (9.13%)	**(9.13%)**	1.32%
Debt-to-equity ratio	Total liabilities divided by Total equity Total liabilities 166,936,260 Total equity 317,936,495 52.51%	**52.51%**	68.78%
Asset-to-equity ratio	Total assets divided by Total equity Total assets 484,872,755 Total equity 317,936,495 152.51%	**152.51%**	168.78%
Interest rate coverage ratio	Income before interest and tax divided by Interest expense Loss before interest and tax (11,984,043) Interest expense 8,098,116 (147.99%)	**(147.99%)**	86.63%
Profitability ratios:			
Return on average equity	Net income divided by Average total equity Net loss (20,579,204) Average total equity 313,720,106 (6.56%)	**(6.56%)**	(0.81%)

Ratio	Parent Company Formula		Current year	Prior year
Profitability ratios:				
Return on average assets	Net income divided by Average total assets			
	Net loss	(20,579,204)		
	Average total assets	503,625,809		
		(4.09%)	**(4.09%)**	(0.54%)
Net interest margin on average earning assets	Net income divided by Average total earning assets			
	Net interest income	2,438,850		
	Average earning assets*	330,368,746		
		0.74%	**0.74%**	5.27%

*Average earning assets

Consolidated

Description	2020	2019
Cash and cash equivalents	**675,930,315**	396,073,899
Financial assets at fair value through profit or loss	**4,507,914**	30,514
Financial assets at fair value through other comprehensive income	–	9,939,280
Investment securities at amortized cost	**228,122,917**	277,775,189
Receivables	**69,333,862**	60,077,167
Total	**977,895,008**	743,896,049
Average earning assets	**864,052,746**	

Parent Company

Description	2020	2019
Cash and cash equivalents	**27,331,518**	7,338,404
Investment securities at amortized cost	**228,122,917**	277,775,189
Receivables	**60,092,297**	60,077,167
Total	**315,546,732**	345,190,760
Average earning assets	**330,368,746**	