

# COVER SHEET

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**ATTY. BAYANI K. TAN**  
Contact Person

667-8900  
Company Telephone Number

|             |   |  |     |   |
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| Month       |   |  | Day |   |
| Fiscal Year |   |  |     |   |

**SEC FORM SEC 17-A**  
Form Type

**Dec. 31, 2017**  

|       |     |  |
|-------|-----|--|
| Month | Day |  |
|-------|-----|--|

**Annual Meeting**

Secondary License Type, if Applicable

Dept. Requiring this Doc.  
Total No. of Stockholders

| Amended Articles Number/Section | Foreign |
|---------------------------------|---------|
|                                 |         |

To be accomplished by SEC Personnel concerned

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# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A (Annual Report)

1. For the year : December 31, 2017

2. SEC Identification Number : ASO94-001420

3. BIR Tax Identification Number: 043-003-507-219

4. Exact name of the registrant as specified in its charter:

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION

5. Pasig City, Philippines

Province, Country or other jurisdiction of incorporation

6.  (SEC Use Only)  
Industry Classification Code

7. Unit -E2901 PSE Center, Exchange Road, Pasig City  
Address of the principal office

1605  
Postal Code

8. Registrant's telephone number, including area code  
(+632)-6678900

9. Former name, former address, and former fiscal year, if changed since last report  
Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code:

Title of Each Class

Number of Shares of Common Stock  
Outstanding and Amount of Debt  
Outstanding

Common Stock, P1.00 par value

1,193,200,000 shares

11. Are any or all these securities listed on the Philippine Stock Exchange?

Yes (x)

No ( )

12. Check whether the registrant

(a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code(SRC) and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months ( or for such shorter period that the registrant was required to file such reports);

Yes (x)

No ( )

(b) Has been subject to such filing requirements for the past 90 days.

Yes (x)

No ( )



13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of **March 31, 2018** : **₱593,039,152** :

- a) Total number of shares held by non-affiliates as of **March 31, 2018** : **872,116,400** shares
- b) Closing price of the Registrant's shares on the Exchange  
As of March 31, 2018 : P0.68
- c) Aggregate market price (a x b) as of  
As of March 31, 2018 : **₱593,039,152**

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENT PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

14. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the SRC subsequent to the distribution of securities under a plan confirmed by a court or the SEC.

Yes ( )                      No ( )                      (Not Applicable)

**DOCUMENTS INCORPORATED BY REFERENCE**

None

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## **PART I – BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

First Abacus Financial Holdings (FAFHC) traces its roots from the Seven Seas Oil Exploration and Resources, Inc. (SSOERI). Seven Seas was incorporated on February 15, 1994 and became a publicly listed company on November 21, 1994. It was primarily engaged in the business of oil exploration and development. Presently, FAFHC is engaged in, through its wholly subsidiaries, stockbroking activities, investment banking, real estate business and other financial services.

Realizing that the local capital and equities markets have a pivotal role in the long-term development of the national economy, the board of directors decided to change SSOERI's primary purpose from being an oil exploration company into a financial holding company. Thus, on October 26, 1996, the SSOERI's stockholders approved the recommendations of the board to transform the firm. Consequently, on January 25, 1996, the Securities and Exchange Commission (SEC) approved the Company's change of name from Seven Seas Oil Exploration and Resources, Inc. to First Abacus Financial Holdings Corporation. The SEC likewise approved on January 25, 1996 the change on par value of FAFHC's capital stock from Php0.01 to Php 1.00 a share to remove the issue's speculative characteristic and reflect the stock's shift into a full-fledged commercial/industrial issue.

The Company's first strategic corporate re-alignment move was to acquire the Abacus Capital & Investment Corporation (ACIC)- an operating investment house- via a cash and stock swap. ACIC effectively became a wholly owned subsidiary. ACIC, in turn, owned 100% of Abacus Securities Corporation (ASC), one of the leading members of the Philippine Stock Exchange, and Vista Holdings Corporation (VHC), a real estate holding company.

The Company, through ASC, also acquired 25% of Prosperity Properties and Management Corporation (PPMC), used to own a 16-storey building at the Ayala Business Park in Cebu City. In 1996, the Company acquired from its subsidiaries – ACIC and ASC- interests in VHC and PPMC. This resulted in a direct investment in these companies. In 1999, upon approval by the Securities and Exchange Commission of the increase in authorized capital stock of ASC from Php50 million divided into 500,000 shares with a par value of Php100 per share to Php400 million divided into 4 million shares with Php100 par value per share, the Company subscribed to 3.5 million shares representing 87.525% ownership interest. The remaining 12.475% remained with ACIC. Accordingly, the Company's ownership over ASC was changed from 100% indirect to 87.525% direct and 12.475% indirect.

On December 18, 2002, the Board of Directors approved the conversion of advances to Abacus Capital & Investment Corporation (ACIC) as deposit for future stock subscription amounting to Php100,000,000. In 2008, the Company applied P90,000,000 of its deposit for future stock subscription to paid in capital as payment for the remaining subscriptions for the same amount.

### **Subsidiaries**

Abacus Capital and Investment Corp(ACIC). ACIC was incorporated on January 6, 1995. ACIC is engaged in investment banking activities, management services, and treasury and other financial services.

Abacus Securities Corporation(ASC). ASC was incorporated on December 27, 1991. A member of the Philippine Stock Exchange, ASC is engaged in stock brokering services. It engages in buying and selling stocks in Philippine stock market for the accounts of the clients as a broker and for its own account as a dealer.

Vista Holdings Corporation(VHC). VHC was incorporated on January 21, 1993. Presently, Vista Holdings Corporation is engaged in buying and leasing out condo units primarily to its affiliated companies.

### **FAFHC's Vision**

FAFHC's vision is to provide best value integrated financial services to its clients. In the process, Filipinos from all walks of life are enabled to become a part of the capital and equities market. Toward this end, progress and prosperity have stronger prospects of being shared by all.

Abacus Capital and Investment Corporation ( ACIC)

ACIC is financially secure, with capital resources of over 400 million; complemented by a core of investment managers providing highly ethical, professional, and client-oriented investment management services.

ACIC provides the following financial services:

a) Corporate Finance

Equity Underwriting Transactions

- Initial Public Offerings
- Stock Rights Offerings
- New Tranche Offerings
- Private Placements of Listed Companies

Financial Advisory

- Share or corporate acquisitions, Buy-Ins/Mergers/Divestments
- Financial review and Restructuring
- Project Development

Debt Underwriting and Loan Arrangements

- Short, Medium, or Long Term Loan Arrangements
- Short and Long Term Commercial Papers Underwriting
- On-going oversight, issue management, agency functions

b) Treasury sales

- Government Securities
- Treasury Bills
- Long and Short Term Commercial Papers

- Preferred Notes
- Promissory Notes
- Money Market Placements`

c) Financing

- Share Margin
- Working Capital Credit Facilities

### **Abacus Securities Corporation (ASC)**

Due to its commitment for quality service, ASC was awarded the Best Local Brokerage House in the Philippines Award from 1990-2008 granted by the Asiamoney.

ASC was the recipient of the Best Securities House in the Philippines Award granted by the EuroMoney International Awards for Excellence for the past two consecutive years, 1998 and 1999. Likewise, the Fund Managers Association of the Philippines honored ASC with a number of citations including Best in Institutional Sales/ Execution and in Settlements in 1998. The awards put ASC in an enviable position as it proved that local stockbrokerages could prove equal to international stockbroker houses.

ASC started operations in March 1992. In five years, ASC established itself as a top Filipino brokerage firm in PSE. The key factors for ASC's successes are: professional management, sound investment advisory, strong research team, real-time market information, and commitment to technology and training.

All these resulted in a strong retail franchise, a top tier domestic institutional sales organization, and growing foreign institutional sales based. Thus, ASC is now positioned to best serve the expanding domestic equities market. Strategically located branches in Binondo, Cebu and Davao support ASC's Head Office operations.

Abacus Securities Corporation was the second ranking stock brokerage house among the top ten PSE brokers. In past years, the large foreign stockbrokerage houses dominated the top ten list of brokers. ASC believes that it can effectively compete with other brokers because of its strong sales groups, the Retail and Institutional Teams. At present, the firm has one of the most extensive based of retail clients driven by the number of branches established and envisioned to be established. Its Institutional Sales Team, on the other hand, has managed to obtain accreditation and establish active working relationships with a number of domestic institutional investors and foreign fund management companies. ASC also has a Research Group that comes out with action-driven reports and recommendations, a quality admired by most of its clients, and even the other stockbrokers. The registrant has an excellent customer service to service its clients. The company established a website to keep its clients abreast of the new developments in stock market.

For the year ended 2017, Abacus Securities Corporation ranked 16<sup>th</sup> in terms of total value traded.

### **Vista Holdings Corporation (VHC)**

The primary purpose of the Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell (without engaging in retail trade), assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description.

VHC continues with its investment program through the acquisition of condominium units. At present, VHC leases its condominium units its affiliated companies.

Vista is not involved in real estate development.

VHC continues to lease its condominium units to its affiliates. The acquisition of condominium units was put on hold, as property market has not significantly improved.

#### **The Contribution of each services or line of business**

|                 | <b>Amounts<br/>(In mio)</b> |
|-----------------|-----------------------------|
| Finance Income  | P 285                       |
| Commissions     | 156                         |
| Management fees | 30                          |
| Other revenues  | 3                           |
|                 | <b>P 474</b>                |

#### **Competition**

The direct competitors of the Company and its subsidiaries are companies engaged in stock brokering business and are members of the Philippine Stock Exchange; companies engaged in investment banking, financial and management services, and treasury operations; companies and individual owners of condominium units within the area of Ortigas Center, as properties are located in the Philippine Stock Exchange Center Condominium. The indirect competitors of the Company and its subsidiaries are Financing Institution, Growth Funds, Pension and Pre-need companies.

As to the stock brokerage business segment, the Company and its competitors cater the requirements of both institutional and retail clients of our local stock and financial market. In 2013, a total of Php926.4 trillion were traded or done through the local bourse which were divided among the foreign and local brokers. The total value turnover or total amount of value traded are considered the total size of the registrant and its competitors which broker commissions are generated.

The registrant and its competitors almost offering the same services and strengths. Most of the brokerage and financial houses are fully capitalized, offering services for the needs of the institutional and retail clients, they all have created and established a good backroom support, established a good internal and financial control systems. Just recently, numbers of stock brokerage houses have launched an online trading facility to attract more investors and to give investors the easy access of the trading facility, and to keep them abreast with the local and financial market. Long before competitors have applied, focused and established themselves to catch up with the requirements to be a full-fledged financial and brokerage company, the registrant has long pioneered and can rightfully say was the first to institute those strengths.

The consistent exemplary performance comes as a result of the company's steadfast commitment to deliver the best value to customers through professional management, sound investment advisory, strong research team, real-time market information, and commitment to technology and training.

The Company is now positioned to best serve the expanding domestic equities market. Its branches are now strategically located in Binondo, Cebu and Davao to support the Company's Head Office operations.

### **Customers**

The Company's market for its financial products and services include both retail and institutional customer base. No data is available for brokers commission contributed by foreign nationalities as to the regional market. It must be noted that brokers commissions derived from the marketable securities were all transacted through the Philippine Stock Exchange.

The market for the Company's property development and leasing is primarily the upper income level market.

The Company and its wholly owned subsidiaries are not dependent upon a single customer or few customers. The Company and its subsidiaries do not have a customer that has over 20% or more of the Company's turnover.

### **Distribution methods of the product services**

The Company and its subsidiaries distribute its services to its clientele by or through:

- Certified Sales Representatives (CSRs) are licensed by the Securities and Exchange Commission to transact for the accounts of the clients of our stock broking business.
- Corporate Finance Group is composed of our top caliber professionals in charge in our investment banking, management and financing activities.
- Our brokerage house has just opened its online trading facility for its existing and prospective clients. With the new online trading scheme, our clients can already view their portfolios online, trade their accounts, view their transactions online using their mobile phones, tablets and desktops.

### **Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts.**

- License granted by the Securities and Exchange Commission (SEC) to Abacus Capital & Investment Corp. as an Investment House.
- License granted to Abacus Securities as a broker and dealer of Securities which is renewable every year

Aside from the above licenses granted, the registrant and its subsidiaries have no pending applications that need for any government approval.

## **EMPLOYEES**

**As of December 31, 2017, the Company and its operating subsidiaries employ 68 permanent employees.**

| Type Employees       | # of Employees | No. of Additional Employees for Ensuing 12 Mos. * | Collective Bargaining Agreement(CBA) | Supplemental Benefits or other incentives |
|----------------------|----------------|---|--------------------------------------|---|
| Operations           | 28             | 1   | N/A                                  | None                                      |
| Corporate Finance    | 6              | 0   | N/A                                  | None                                      |
| Administrative       | 8              | None  | N/A                                  | None                                      |
| Sales                | 17             | 2   | N/A                                  | None                                      |
| Accounting & Finance | 9              | 1   | N/A                                  | None                                      |
| Total                | 68             | 3   |                                      |   |

For the past three years, the Company and its subsidiaries have not experienced any strike or threat of strike from its employees.

Government Approval of Principal products or Services

No existing application needs for government approval

Amount Spent for Research and Development Activities

None

Cost and effects of Compliance with Environmental Laws

Not Applicable

Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The risk management activities at the level of each Company in the Group is coordinated with the Parent Company, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short-to-medium cash flows by minimizing the exposure to financial markets. Long-term financial instruments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

## **Item 2. Properties**

The following properties are in prime condition directly owned by the Company and its subsidiaries:

Approximately 110 square meters of office space located at Federal Towers, Binondo (through Vista Holdings Corporation). The unit is being occupied by a subsidiary, Abacus Securities Corporation. The lease agreement was renewed for two (2) years and will expire December 31, 2019. The monthly rental is Seventy Eight Thousand Seven Hundred Ten and 02/100 (₱78,710.02).

Approximately 940 square meters of office space located at the 29<sup>th</sup> Floor of the East Tower of the Philippine Stock Exchange Center (through Vista Holdings Corporation). The unit is being leased by a subsidiary, Abacus Securities Corporation, for a period of two (2) years. The lease agreement will end December 31, 2019 with a monthly rental of Six Hundred Seventy Two Thousand Six Hundred Twelve and 86/100 (₱672,612.86).

Approximately 483 square meters of office space located at the 29<sup>th</sup> Floor of the East Tower of the Philippine Stock Exchange Center (Direct).

All properties, as stated above, are owned by First Abacus Financial and its wholly owned subsidiaries. The company has no intention of acquiring/leasing additional properties.

### **Item 3. Legal Proceedings**

The Company is not aware of any material proceeding involving the issuer and its directors, executive officers, underwriter or control person during the past five (5) years.

### **Item 4. Submission of Matters to Vote of Security Holders**

No matters were submitted to a vote of the security holders of the Company during the fourth quarter of 2017.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

### **Item 5. Market for Registrant’s common equity and related stockholder matters**

#### **1) Market Information**

The shares of the Company are listed in and traded on the Philippine Stock Exchange. The high and low closing prices for each quarter within the last two (2) fiscal years are as follows:

| <b>Applicable Quarter</b> | <b>2017</b> |            | <b>2016</b> |            | <b>2015</b> |            |
|---------------------------|-------------|------------|-------------|------------|-------------|------------|
|                           | <b>High</b> | <b>Low</b> | <b>High</b> | <b>Low</b> | <b>High</b> | <b>Low</b> |
| First Quarter             | 0.74        | 0.65       | 0.73        | 0.63       | 0.84        | 0.70       |
| Second Quarter            | 0.79        | 0.69       | 0.73        | 0.63       | 0.78        | 0.44       |
| Third Quarter             | 0.69        | 0.65       | 0.78        | 0.63       | 0.74        | 0.64       |
| Fourth Quarter            | 0.73        | 0.65       | 0.75        | 0.64       | 0.74        | 0.64       |

During the first quarter of 2018, the issue’s highest price per share was at ₱0.72 and its lowest was at ₱0.64. As of the close of trading hours of March 31, 2018, the price at which the Registrant’s shares were traded at ₱0.68 per share.

#### **2) Holders**

The number of common shares issued and outstanding as of March 31, 2018 was 1,193,200,000. As of March 31, 2018, Registrant had **107** shareholders, on the said date the following were the top 20 shareholders:

|    | Stockholder                           | Nationality | No. of Shares | %     |
|----|---------------------------------------|-------------|---------------|-------|
| 1  | PCD Nominee Corp. – Filipino          | Filipino    | 845,311,000   | 70.84 |
| 2  | Paulino S. Soo                        | Filipino    | 133,000,000   | 11.15 |
| 3  | Abacus Capital & Investment Corp.     | Filipino    | 59,644,000    | 4.99  |
| 4  | ACIC FAO 20001                        | Filipino    | 32,361,000    | 2.71  |
| 5  | Edgardo Limtong                       | Filipino    | 28,527,000    | 2.39  |
| 6  | Phee Bon Kang                         | Malaysian   | 20,000,000    | 1.68  |
| 7  | Vista Holdings Corp.                  | Filipino    | 14,095,000    | 1.18  |
| 8  | Cecilio Pedro                         | Filipino    | 12,260,000    | 1.03  |
| 9  | Quality Investments & Securities Corp | Filipino    | 10,850,000    | 0.91  |
| 10 | Jimmy S. Soo                          | Filipino    | 10,010,000    | 0.84  |
| 11 | Vicente Co Chien Jr.                  | Filipino    | 6,130,000     | 0.51  |
| 12 | Elizabeth K. Soo                      | Filipino    | 6,000,000     | 0.50  |
| 13 | Solar Securities, Inc.                | Filipino    | 4,000,000     | 0.34  |
| 14 | Abacus Capital & Investment Corp      | Filipino    | 2,547,000     | 0.21  |
| 15 | Uy Louis                              | Filipino    | 2,000,000     | 0.17  |
| 16 | George Q. Go & Shirley D. Go          | Filipino    | 1,443,000     | 0.12  |
| 17 | Jack T. Huang                         | Filipino    | 500,000       | 0.04  |
| 18 | Quality Investment Securities Corp    | Filipino    | 500,000       | 0.04  |
| 19 | Co Chien, Vicente T. Jr.              | Filipino    | 400,000       | 0.03  |
| 20 | Lim, Francisco & OR Dulce             | Filipino    | 304,000       | 0.03  |

### 3) Dividends

No dividends, neither in cash nor stock were declared on the shares for the last two (2) fiscal years, i.e. 2017 and 2016. There are no restrictions that limit the ability to pay dividends on common equity but the Company, as a general rule, shall only declare from surplus profit as determined by the Board of Directors as long as such declaration will not impair the capital of the Company.

### 4) Recent sales of Unregistered Securities

No unregistered securities or shares of the Company were sold during the last three (3) years (2017, 2016, and 2015).

## **Item 6. Management's Discussion and Analysis or Plan of Operation**

### **2017**

#### **General Business Environment**

The year 2017 ended with lower-than-expected economic growth figures. The country's gross domestic product grew 6.7% in 2017, slightly below the 6.9% growth recorded in 2016. The decline was attributed to a number of factors including a drop in private construction spending, post-election impact, and the plateauing of the business process outsourcing industry. Notwithstanding the decline, the country maintained its stature as among the fastest growing emerging economies in the Region, ranking third behind China and Vietnam. In addition, improvements in the agricultural sector as well as in exports and imports, and a reinvigorated and accelerated infrastructure spending in line with the government's Build, build, build program, and the continuing popularity of the President, were factors that sustained general optimism about the country and its economic prospects.

The Philippine stock market surfed through 14 record highs in 2017, buoyed by renewed and sustained interest among investors, eventually ending the year by surging to 8,558.42 levels. The PSE index gained 25.11% for the year 2017. The growth leaders were the financial, property and the service sectors which outperformed the broad market all-share index.

#### **Performance of the Company**

The Company's performance for the year mirrored conditions in the larger business environment. Improvements were noted in a number of areas although overall results were lower than expected mainly due to investments in the long-term sustainability of the Company. The Company's finance income for 2017 reached Php285million, representing an increase of Php55 million from the Php230 million it made in 2016. This was brought about by additional gain realized on the sale of group's investments in financial assets amounting to Php284 million. There was a decrease of Php10 million in management fees recorded year-on-year from Php40 million to Php30 million. In addition, the Company's brokerage business reported an increase in total commissions during the year from Php146 million to Php156 million. All considered, consolidated revenues for the year stood at Php474 million, an increase of Php58 million from last year's Php416 million.

However, total costs and expenses for the year was noted at Php453 million, representing an increase of Php48 million from last year's Php405 million. The increase in total costs and expenses was brought about by increased debt servicing during the year amounting to Php241 million, up by Php24 million from last year's Php217 million. Debt servicing continued to comprise a large chunk of the Company's operating expenses in keeping with our commitment to honor obligations. Since the Company is managing for the long term, additional costs and expenses were made towards strengthening the online stock trading system platform which was launched in 2017. The Company is very optimistic that the cost and effort it has put into expanding its online trading platform will yield rewards in a very near term, in addition to ensuring its long-term sustainability.

In summary, the company is reporting a consolidated net loss of Php19.4 million for the year, representing a decline from the Php3.5 million noted in the previous year.

There was a slight increase in total assets noted for the year amounting to Php28 million, from Php6,056 million in December 2016 to Php6,084 million in December 2017. The slight increase of Php28 million in total assets was brought about by the increase in the group's accounts receivable amounting to Php599 million from last year's Php2,277 million to this year's Php2,876 million, partially offset by the decrease in Financial Assets at Fair Value Through Profit and Loss and

Available For Sale Financial Assets amounting to Php582. The increase in accounts receivable was brought about by the uncollected trade of clients currently due at our cut-off date while the decrease in value of Financial Assets at Fair Value Through Profit and Loss and Available For Sale Financial Assets was brought about by the temporary decline in value due to the sluggish closing at year end.

A corresponding increase in total liabilities amounting to Php832 million was also noted during the period under review bringing total liabilities from Php3,808 million to Php4,640 million due to increases in short term borrowings and due to customers on trading transactions.

The decrease in our investment in Available For Sale Financial Assets amounting to Php568 had a direct effect on the group's stockholders equity at the end of the period, but we consider the decline as temporary in nature.

The possibilities of an upside for the local equities market remains very high on account of the solid economic fundamentals of the Philippines and the continuing positive sentiments about the country. Given the Company's strong potentials and the expanded market reach brought about by its reinforced online presence, better financial performance is anticipated moving forward. Operationally, the Company shall continue to be lean without sacrificing ability to provide the best value to customers. As it has continued to do so in the last four years, the Company will keep an eye on outstanding loans, and subsequently, interest cost and expenses. And as in the past, the Company shall draw strength and inspiration from the support and commitment of its various stakeholders.

Aside from the discussions above, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

**FINANCIAL RATIOS ( SRC Rule 68, as amended October 2011).** The following are the Company's financial soundness indicators in two comparative periods :

|   |   |   | <b>31-Dec<br/>2017</b> | <b>31-Dec<br/>2016</b> |
|---|---|---|------------------------|------------------------|
| CURRENT/LIQUITY RATIO   |   |   |                        |                        |
|   | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$                  | = | 1.31:1                 | 1.50:1                 |
|   | $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$                    | = | 1.24:1                 | 1.50:1                 |
| The ratio is used to give an idea of the company's ability to pay back its short term liabilities with its short term assets. |   |   |                        |                        |
| DEBT TO EQUITY RATIO  | $\frac{\text{Debt}}{\text{Equity}}$   | = | 3.21:1                 | 1.69:1                 |
| ASSETS TO EQUITY RATIO  | $\frac{\text{Assets}}{\text{Equity}}$                                       | = | 4.21:1                 | 2.69:1                 |
| INTEREST RATE COVERAGE RATIO  | $\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$ | = | 1.09:1                 | 1.05:1                 |
| Interest rate coverage ratio is a measure on how well a company can meet its interest payment obligations.                    |   |   |                        |                        |

## **2016**

### **General Business Environment**

Although the Philippines was rated the fastest growing economy in Southeast Asia for the year 2016 and ended the year with a 6.8% GDP growth, lingering political concerns continued to dampen the investing climate. As in the past, the drivers of growth were the steady inflow of remittances from overseas Filipino workers, a stable monetary policy, increased government spending on infrastructure and social protection, and rising employment rates courtesy of the construction and IT-BPO industries. The good news, however, was muted by a general slump in the agricultural sector due to natural causes such as a lingering El Nino and the visitation of a super typhoon, the generally lackluster performance of the export sector, and controversies brought about by the government's drug war and alleged extra judicial killings. These concerns spooked the Philippine capital market and the Philippine Stock Exchange rode the ups and downs of the political environment, experiencing extreme volatility throughout the year, but eventually closing the year at about the same level as it started.

### **Performance of the Company**

The Company's performance for the year was greatly affected by the volatilities in the capital market. The Company's finance income for 2016 reached Php230 million, representing an increase of Php55 million from the Php175 million it made in 2015. The increase in finance income was brought about by the additional gain realized on the sale of group's investments in financial assets amounting to Php150.2 million, further helped by the valuation gains recorded on the group's financial assets amounting to Php79 million at yearend. Management fees recorded during the year was comparable to last year, reaching Php40 million. Moreover, the Company's brokerage business reported a slight increase in total commissions during the year from Php141.3 million to Php145.1 million. On the other hand, the Company's investment house posted a drop in revenues for the year with Php4.6 million as compared to the Php9.6 million made on the previous year. All considered, consolidated revenues for the year stood at Php416 million, an increase of Php48 million from last year's Php368 million.

However, total costs and expenses for the year was noted at Php404.5million, representing an increase of Php35 million from last year's Php368.9 million. The increase in total costs and expenses was brought about by increased debt servicing during the year amounting to Php217 million, up from last year's Php184 million. Debt servicing continued to comprise a large chunk of the operating expenses in keeping with the Company's commitment to honor its obligations.

In summary, the company is reporting a consolidated net loss of Php3.5 million for the year as compared to the consolidated net income of Php3.1 million from the previous year.

There was an increase in total assets noted for the year amounting to Php745 million, from Php5,311 million in December 2015 to Php6,056 million in December 2016. The Php487 million increase in total assets was brought about by the increase in the group's accounts receivable from last year's Php1,789 million to this year's Php2,277 million, and net increase in financial assets at fair value through profit and loss amounting to Php255, partially offset by the net decrease in available for sale financial assets amounting to Php92.6 million.

A corresponding increase in total liabilities amounting to Php619 million was also noted during the period under review bringing total liabilities from Php3,189 million to Php3,808 million due to increases in short term borrowings, partially offset by decrease in due to customers and the payments made to non trade customers and short term payables.

The increase in total assets had a direct effect on the group's stockholders equity at the end of the period from last year's Php2,122 million to this year's Php2,248 million. The increase in valuation of available for sale financial assets increases the comprehensive income of the group and revaluation reserves in stockholders equity amounting to Php129.4 million.

The Company marked its 25<sup>th</sup> year anniversary in 2016. The milestone validated the Company's stature as an enduring company fully committed to fulfilling its vision and mission as a vehicle for prosperity for its various stakeholders. Despite uncertainties in the global and local political environment, the Company remains optimistic about the prospects of the Philippine economy and the local equities market. Consequently, the Company expects better financial performance moving forward on account of continuing efforts to strengthen its core businesses while expanding its service delivery platform. Operationally, the Company shall continue to be lean without sacrificing ability to provide the best value to customers. As it has continued to do so in the last four years, the Company will keep an eye on outstanding loans, and subsequently, interest cost and expenses. And as in the past, the Company shall draw strength and inspiration from the support and commitment of its various stakeholders.

Aside from the discussions above, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

**FINANCIAL RATIOS ( SRC Rule 68, as amended October 2011).** The following are the Company's financial soundness indicators in two comparative periods :

|   |   |   | <b>31-Dec<br/>2016</b> | <b>31-Dec<br/>2015</b> |
|---|---|---|------------------------|------------------------|
| <b>CURRENT/LIQUITY RATIO</b>  |   |   |                        |                        |
|   | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$                  | = | 1.50:1                 | 1.56:1                 |
|   | $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$                    | = | 1.50:1                 | 1.56:1                 |
| The ratio is used to give an idea of the company's ability to pay back its short term liabilities with its short term assets. |   |   |                        |                        |
| <b>DEBT TO EQUITY RATIO</b>   | $\frac{\text{Debt}}{\text{Equity}}$   | = | 1.69:1                 | 1.50:1                 |
| <b>ASSETS TO EQUITY RATIO</b>   | $\frac{\text{Assets}}{\text{Equity}}$                                       | = | 2.69:1                 | 2.50:1                 |
| <b>INTEREST RATE COVERAGE RATIO</b>   | $\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$ | = | 1.05:1                 | 0.99:1                 |
| <b>Interest rate coverage ratio is a measure on how well a company can meet its interest payment obligations.</b>             |   |   |                        |                        |

## **2015**

### **General Business Environment**

It was a very challenging year for the Philippine economy, the local equities market, and consequently, that of the Company, on account of strong external headwinds that once again tested the overall strength and resilience of the foundations painstakingly built in the last decade.

Amidst a global slowdown, the Philippine economy managed to sustain its growth, posting 5.8% GDP for the full year, slightly down from the 6.1% achieved in 2014. The economy was propped up by strong domestic demand, extraordinary government spending with construction alone leaping to 51% during the last quarter of the year, and one of the lowest inflation rates at 1.1%. Although a drag in net exports were partly offset by better performances from the BPO and Tourism sectors, a confluence of factors such as a global selloff amidst lingering concerns about China's economy, a worsening traffic situation in the Metro, the specter of a prolonged El Nino phenomenon, and apprehensions about the 2016 elections pushed the local equities market closer into bear territory towards the end of the 2015.

The Philippine peso fell in the second half of 2015, and so did the stock market, as global funds fled on account of fears about China and a stronger dollar caused by the tightening of US monetary policy. Towards the end of the year the peso had slumped 5 percent to close at 47.06 a dollar on Dec. 29, 2015. Despite hitting its highest ever at slightly over 8,000 points in April 2015, the Philippine Stock Exchange index shed 3.9% in 2015 ending six years of gains. Foreign investors sold \$1.2 billion more shares than they bought in 2015, dragging the PSEi to its first loss since 2008.

### **Performance of the Company**

Conditions in the environment were therefore not favorable for the local equities market, and consequently, for the Company which posted a decline in terms of its overall performance and in its total core revenues for the year under review. Finance income for 2015 stood at Php175.2 million, representing a decline of Php221 million from the Php396.2 million it made in 2014. The decline was exacerbated by the non-recurring gain reported in the previous year. Management fees recorded during the year amounted to Php40 million, which was comparable to the previous year. Expectedly, the brokerage business reported a decline in total commission during the year from Php158.7 to Php150.9 million. All considered, consolidated revenues for the year stood at Php367.7 million, a decrease of Php228.7 million from last year's Php596.4 million. The decrease in total revenues was largely attributed to the lower gain on sale of available for sale financial assets, from Php396.1 million to this year's Php144.4 million, which were included in the finance income during the year.

Total costs and expenses for the year was lower at Php368.9 million, representing a decrease of Php112 million from last year's Php480.9 million. The decrease in total costs and expenses was brought about by the absence of impairment losses recognized this year due to the firm collection efforts made by management. Debt servicing continued to comprise a large chunk of operating expenses in keeping with the company's commitment to honor its obligations.

Notwithstanding the decline across the core revenues, the Company is still proud to report a consolidated net income of Php3.1 million for the year. This represents a significant reduction from the net income of Php110.9 million posted in the previous year, but is also a strong testament to the inherent resilience of the Company.

There was a decrease in total assets noted for the year amounting to Php138.4 million, from Php5,449.4 million in December 2014 to Php5,311 million in December 2015. The decrease in total assets was brought about by the disposal through sale of our available for sale financial assets from last year's Php2,664.8 million to this year Php2,361.5 million, additional collections of our receivables amounting to Php71 million, partially offset by the additional purchases of our financial assets at fair value through profit and loss amounting to Php221 million.

A corresponding increase in total liabilities amounting to Php31 million was also noted during the period under review bringing total liabilities from Php3,158 million to Php3,189 million due to increases in short term borrowings, partially offset by decrease in due to customers and the payments made to non trade customers and short term payables.

There was a decrease also noted in our stockholders equity at the end of the period from last year's Php2,291.2 million to this year's Php2,121.7 million. The decrease in the revaluation reserves of our available for sale financial assets was due to some disposals through sale and the periodic marked to market valuation of the available for sale shares. Aside from the discussions above, there are no material off-balance sheet transactions, arrangements, obligations ( including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company remains cautiously optimistic about the prospects of the Philippine economy and the local equities market, which will rebound to better financial performance of the Company moving forward. The Company will continue to intensify efforts to build a financially sustainable business that will be able to successfully ride the cycles of the market. The Company will continue to maintain an effective balance between managing risks and opportunities, solidifying its niches while continuing to expand market reach through new platforms. Operationally, the Company shall continue to be lean without sacrificing ability to provide the best value to customers. As it has continued to do so in the last four years, the Company will keep an eye on outstanding loans, and subsequently, interest cost and expenses. And as in the past, the Company shall draw strength and inspiration from the support and commitment of its various stakeholders.

#### **Item 7. Financial Statements**

**Please see consolidated financial statements and schedules.**

#### **Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

For the years 2017, 2016, and 2015, the auditing firm of Punongbayan and Araullo was nominated and appointed by the Board of Directors to conduct the examination of the financial statements of the Company and its Subsidiaries. In compliance with the SEC Memorandum Circular No. 8 Series of 2003, the assignment of Mr. Romualdo P. Murcia, the engagement's partner, shall not exceed five (5) consecutive years.

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

The audit and audit-related fees paid by the Company in the last two (2) years are as follows:

|   | 2017       | 2016       |
|---|------------|------------|
| <b>A. Audit and Audit-related Fees</b>  |            |            |
| 1. Audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with the statutory and regulatory filings or engagements. | ₱2,200,000 | ₱2,150,000 |
| 2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements                  | -0-        | -0-        |
| <b>B. Tax fees</b>  | 0          | 0          |
| <b>C. All other fees</b>  | -0-        | -0-        |

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, who are appointed upon the recommendation of the Audit Committee. Engagement Agreements are executed for every type of engagement, which provides for the scope of the work, timetable, fees, engagement team, etc. for each project.

### **PART III – CONTROL AND COMPENSATION INFORMATION**

#### **Item 9. Directors and Principal Officers of the Registrant**

The following are the incumbent directors and principal officers of the Company:

| <b>Position</b>               | <b>Name</b>                | <b>Citizenship</b> | <b>Age</b> | <b>Year of Assumption of Office</b> |
|-------------------------------|----------------------------|--------------------|------------|-------------------------------------|
| Chairman                      | Paulino S. Soo             | Filipino           | 66         | 1994 to present                     |
| President                     | Jack T. Huang              | Filipino           | 64         | 1995 to present                     |
| Director/<br>Treasurer        | Vicente Co Chien, Jr.      | Filipino           | 65         | 1995 to present                     |
| Director                      | Jimmy S. Soo               | Filipino           | 60         | 1995 to present                     |
| Director                      | Ma. Cristina Encarnacion   | Filipino           | 60         | 2017 to present                     |
| Independent Director          | Ma. Therese G. Santos      | Filipino           | 59         | 2006 to present                     |
| Independent Director          | Jimmy Chua Alabanza        | Filipino           | 73         | 2008-present                        |
| Corporate Secretary           | Anna Francesca C. Respicio | Filipino           | 32         | 2017-present                        |
| Assistant Corporate Secretary | Isaiah G. San Miguel       | Filipino           | 27         | 2017-present                        |

#### **Board of Directors**

The present members of the Board of Directors ("BOD") were elected during the annual stockholders' meeting held on 21 September 2017. Their respective backgrounds indicating their business experiences over the past five years are likewise provided below:

**Mr. Paulino. Soo**  
**Chairman and Chief Executive Officer**

Mr. Soo holds a Master in Business Administration degree from the University of Pittsburgh Graduate School of Business and Bachelor of Science degree in Industrial Management Engineering from the De La Salle College. He is the President of Philippine Gaming Management Corporation, Berjaya Pizza Phils. Inc., Perdana Land Philippines Inc., Perdana Hotel Philippines Inc., Cosway Philippines Inc., and Bagan Resources PTE Inc.

Mr. Soo is a Director of Berjaya Auto Philippines Inc, Friendster Philippines Inc., Uniwiz Trade Sales Inc., and MOL Accessportal Inc. He is the Treasurer of Kailash PMN Management Corporation.

He is Chairman of Abacus Securities Corporation and Abacus Capital & Investment Corporation (1994-present), Vista Holdings Corporation (1994 - present)

**Mr. Jack T. Huang**  
**President**

Mr. Huang is the incumbent President of the Company. He holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University. He is concurrently a director of Abacus Capital & Investment Corporation (1995-present) and Abacus Securities Corporation (1995-present). He is the President of Cebu Business Continuos Forms.(1994-present).

**Mr. Vicente Co Chien, Jr.**  
**Treasurer**

Mr. Co Chien is the Treasurer of the Corporation. He holds a Bachelor's degree in Business Economics from Hongkong Shue Yan University. He is the President of South Sea Realty and Development Corporation and Providence HealthCare Consultants (1999-present). He is concurrently director of Abacus Capital and Investment Corporation (1995-present), Abacus Securities Corporation (1995-present), Vista Holdings Corporation (1995-present). He is director of JWC Manpower Resources, Inc., Globalbridge Resources Corporation and Oro Peak Inc.

**Mr. Jimmy S. Soo**  
**Director**

Mr. Soo is a Director of the Company. He obtained his Bachelor of Laws degree from the University of the Philippines and was admitted to the Philippine Bar in 1985. He is the Managing Partner of Soo Gutierrez Leogardo and Lee Law Offices (1992-present). He is currently the Corporate Secretary and a Director of Abacus Capital & Investment Corporation (1995-present) and Vista Holdings Corporation. He is also a Director of Berjaya Pizza Philippines, Inc. He is also an Executive Officer, and/or Director and/or Corporate Secretary of various companies.

**Ms. Maria Cristina B. Encarnacion**  
**Director**

Ms. Maria Cristina B. Encarnacion is a Director of the Company. She has been Chairman and President of Where At Freezines, Inc. since 2010. She is an Editor and/or Writer, and Contributor of several lifestyle books. She is Editor of WhereAt Cebu, and Contributor to Metro Society and lifestyle publications. She has been a Director of Asiaphil Manufacturing Industries, Inc. since 1980, and was Chairman from 1993 to 2008. She was Governor of the Society of Philippines Electrical Contractors

and Suppliers, Inc. (SPECS) from 1990-2002, and was Executive Vice President of SPECS in 2002. She was Secretary General of the ASEAN Federation of Electrical Engineering Contractors from 2004 to 2007. Ms. Encarnacion received her Bachelor of Science (Statistics) degree from the University of the Philippines, Diliman (1978).

**Mr. Jimmy Chua Alabanza**  
**Independent Director**

Mr. Jimmy Chua Alabanza is a Director of the Company. He is currently the Chairman of Insular Construction and Supply Co (1967 - present) and a Consultant of Seaboard Insurance Company (1990 – present). He received a Bachelor of Science Degree in Management from Ateneo de Manila University in 1967.

**Ms. Ma Therese G. Santos**  
**Independent Director**

Ms. Ma. Therese G. Santos is a Director of the Company. She is Associate Director/Administrator of Gravitas Prime, Inc. (2007-present). She is an Independent Director, and the Chairman of the Audit and Compliance Committee and Compensation and Remuneration Committee of Music Semiconductors Corporation (2003-present). Ms. Santos has been an independent Management Consultant by profession since 1997. She was the former Vice President for Treasury and Administration of Music Corporation. Ms. Santos was the Director of Finance for United Development Corporation (1991-1993). Ms. Santos received a Bachelor of Science Degree in Chemical Engineering and a Master's in Business Administration degree from the University of the Philippines.

**Principal Officers**

***Atty. Anna Francesca C. Respicio***

Atty. Respicio is the incumbent Corporate Secretary of First Abacus Financial Holdings Corporation. She is concurrently the Corporate Secretary of I-Remit, Inc., Discovery World Corporation, Sterling Bank of Asia, Luckyfortune Business Ventures, Inc., and Raemulan Lands, Inc. She is also the Assistant Corporate Secretary of the following listed and registered companies: A Brown Company, Tagaytay Highlands International Golf Club, Inc., and The Spa and Lodge at Tagaytay Highlands, Inc.,

Atty. Respicio is a Senior Associate at Tan Venturanza Valdez. She finished her Bachelor of Arts-Major in Philosophy in 2007 and earned her Juris Doctor degree in 2011 at Ateneo de Manila University.

***Atty. Isaiah G. San Miguel***

Atty. San Miguel is the Assistant Corporate Secretary of the Company. He is likewise the Assistant Corporate Secretary of Tagatay Midlands Gold Club, Inc., The Country Club at Tagaytay Highlands, Inc. and Meridian Securities, Inc.

Atty. San Miguel is an Associate at Tan Venturanza Valdez. He finished his Bachelor of Science-Major in Economics in 2010 and earned his Juris Doctor degree in 2014 at the University of the Philippines.

## **FAMILY RELATIONSHIP**

**Paulino S. Soo, Chairman of the Board, is the brother of Jimmy S. Soo, Director**

There are no other significant employees.

## **Involvement in Certain Legal Proceedings**

The Corporation is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

- (a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,
- (c) any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

The Company and its major subsidiaries and associates are not involved in, nor are any of their properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.

## **Item 10. Executive Compensation**

### **(1) General**

#### **All Compensation Covered**

Except for executive officers included under the compensation table below, all other executive officers and directors do not receive salaries.

### **(2) Summary of Compensation Table**

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. 2017 and 2016, and to be paid in the ensuing fiscal year 2018 to the Company's Chief Executive Officer and four (4) other mostly highly compensated executive

officers who are individually named, and to all other officers and director of the Company as a group:

| Name and Principal Function                     | Fiscal Year          | Salary                              | Bonus                               | Other Annual Compensation |
|---|----------------------|-------------------------------------|-------------------------------------|---------------------------|
| Paulino S. Soo<br>Chairman and CEO              | 2016<br>2017<br>2018 |                                     |                                     |                           |
| Jack T. Huang<br>President                      | 2016<br>2017<br>2018 |                                     |                                     |                           |
| Schubert Caesar C. Austero<br>VicePresident/HRM | 2016<br>2017<br>2018 |                                     |                                     |                           |
| Sheila Marie Aguilar<br>Vice President          | 2016<br>2017<br>2018 |                                     |                                     |                           |
| Melanio C. Dela Cruz<br>Vice President          | 2016<br>2017<br>2018 |                                     |                                     |                           |
| Total for the Group                             | 2016<br>2017<br>2018 | 7,589,913<br>7,746,074<br>7,851,789 | 1,921,785<br>2,630,560<br>2,259,634 | -0-<br>-0-<br>-0-         |
| All Officers As A Group<br>Unnamed              | 2016<br>2017<br>2018 | 8,690,709<br>8,995,678<br>9,233,390 | 2,330,199<br>3,125,268<br>2,665,690 | -0-<br>-0-<br>-0-         |

**(3) Compensation of Directors**

(A) Standard Arrangement

The Member of the Board of Directors are not entitled to receive salaries and bonuses

(B) Other Arrangements.

None

**(4) Employment Contracts and Termination of Employment and Change-in Control Arrangements.**

None

**(5) Warrants and Options Outstanding :**

None

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### 1. Security Ownership (more than 5%) of Certain Beneficial Owners and Management as of March 31, 2018.

| Class        | Name and Address record owner and relationship with Issuer   | Name of Beneficial Owner and Relationship with Owner | Citizenship | No. of Shares Held   | Percentage Of Class |
|--------------|--|--|-------------|----------------------|---------------------|
| Common       | PCD Nominee Corp.<br>2 <sup>nd</sup> Floor Makati Stock Exchange Bldg. Ayala Avenue Makati City  |  | Filipino    | 845,311,000          | 70.84               |
| Common       | Paulino S. Soo (record and beneficial)<br>Chairman and President<br>29 <sup>th</sup> Floor Abacus Securities Corp.<br>East Tower PSE Center, Exchange Road, Pasig City | (Same as owner)                                      | Filipino    | 133,000,000          | 11.15               |
| Common       | **Abacus Capital and Invst. Corp.(record and beneficial);<br>subsidiary and stockholder<br>29 <sup>th</sup> Floor East Tower PSE Center, Exchange Road, Pasig City     | (Same as owner)                                      | Filipino    | 59,644,000           | 4.99                |
| <b>Total</b> |  |  |             | <b>1,037,955,000</b> | <b>86.99</b>        |

There is no arrangement that may result in a change in control of the registrant and any voting trust holders

\*PCD Nominee corporation (“PCDNC”) is a wholly-owned subsidiary of the Philippine Central Depository, Inc. (“PCD”). The beneficial owners of such shares registered under the name of PCDNC are PCD’s participants, who hold the shares in their own behalf or in behalf of their clients. Individual or Group owners reported under PCD Nominee Corporation have less than 10% ownership of the outstanding capital stock of the Corporation.

There are no Individuals or Corporate stockholders who own more than 5% of the Company’s voting securities under PCD Nominee Corporation.

\*\* Mr. Paulino S. Soo, Chairman and President of Abacus Capital and Investment Corporation, directs the voting/disposition of shares held by both Companies.

## 1. Security Ownership of Management

The following is a summary of the beneficial holdings of the Company's Directors and Executive Officers as of March 31, 2018:

| Class  | Beneficial Owner                                      | Citizenship | Amount and Nature of Beneficial Ownership[record (r) or beneficial (b)] |       | Percent of Class |
|--------|---|-------------|---|-------|------------------|
| Common | Paulino S. Soo  | Filipino    | 133,000,000   | r / b | 11.15            |
| -do-   | Jack T. Huang   | Filipino    | 500,000   | r / b | 0.04             |
| -do-   | Jimmy S. Soo  | Filipino    | 10,010,000  | r / b | 0.84             |
| -do-   | Vicente Co Chien                                      | Filipino    | 6,130,000   | r / b | 0.51             |
| -do-   | Ma.Cristina Encarnacion                               | Filipino    | 10,000  | r / b | .000             |
| -do-   | Ma. Therese G. Santos                                 | Filipino    | 10,000  | r / b | .000             |
| -do-   | Jimmy Chua Alabanza                                   | Filipino    | 10,000  | r / b | .000             |
| -do-   | All directors and Executive Officers as group unnamed |             | 149,760,000   | r / b | 12.55            |

## 2. Voting Trust Holders of 5% or More

There is no voting trust or similar arrangement

## 3. Changes in Control

There are no arrangements that may result in a change of control of the registrant and no change of control occurred during the year.

## Item 12. Certain Relationship and Related Transactions

Except as provided below, during the last two years, there are no related transactions either direct or indirect with the Company's Board of Directors.

In the normal course of business, the Company grants to and obtains advances from its affiliates. These advances earn interest at rates to the weighted average of the interest rates of the outstanding loans payable to the banks.

There are no transactions with any promoter nor are there any assets to be acquired from a promoter. Registrant has no parent.

#### **PART IV – CORPORATE GOVERNANCE**

The Company has been monitoring compliance with SEC Memorandum Circular No.2, Series of 2002, as well as other relevant SEC Circulars and rules on good corporate governance. All directors, officers, and employees complied with all the leading practices and principles on good corporate governance as embodied in the Corporation's Manual. The Company complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

The Company is not aware of any non-compliance with or deviation from its Manual of Corporate Governance. The Company will continue to monitor compliance with the SEC Rules on Corporate Governance, and shall remain committed in insuring the adoption of other systems and practices of good corporate governance to enhance its value for its shareholders. Please refer to the attached 2016 ACGR.

#### **PART V- EXHIBITS AND SCHEDULES**

a) Exhibits

(Please see supplemental financial statements schedules).

**SIGNATURE PAGE**

Pursuant to the requirements of the Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of PASIG CITY on 26 APR 2018, 2018.

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION**


**Issuer**

By:


  
PAULINO S. SOO

Chairman and Chief Executive Officer

  
JACK T. HUANG  
President

  
VICENTE CO CHIEN, JR.  
Treasurer

  
JIMMY S. SOO  
Director

  
ANNA FRANCESCA A. RESPICIO  
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)  
PASIG CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN TO before me this 26 APR 2018 2018 affiants exhibiting to me their passport number, as follows:

| NAMES                      | CTC/PASSPORT#    | DATE OF ISSUE         | PLACE OF ISSUE |
|----------------------------|------------------|-----------------------|----------------|
| PAULINO S. SOO             | EC2212823        | Sept. 26, 2014        | Manila         |
| VICENTE CO CHIEN           | EC0980214        | Apr. 30, 2014         | Manila         |
| JACK T. HUANG              | EC0314207        | Feb. 15, 2014         | Cebu City      |
| JIMMY S. SOO               | EB8667237        | July 15, 2013         | Manila         |
| ANNA FRANCESCA<br>RESPICIO | <i>P0286448A</i> | <i>Sept. 16, 2016</i> | <i>Manila</i>  |

Doc. No. *372*  
Page No. *76*  
Book No. *14*  
Series of 2018.

  
**PAULA CARISSA V. KINTANAR**  
Notary Public for Cities of Pasig and San Juan  
and in the Municipality of Pateros  
Appointment No. 184 (2017-2018)  
Commission Expires on December 31, 2018  
2704 East Tower, PSE Centre, Exchange Road,  
Ortigas Center, 1605 Pasig City  
PTR No. 2705649 / 01.09.2018 / Mandaluyong  
IBP No. 020585 / 01.03.2018 / RSM  
Roll of Attorneys No 66236  
Admitted to the Bar on 22 June 2016



## First Abacus Financial Holdings Corp.

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of **FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES** is responsible for ~~the~~ preparation and fair presentation of the financial statements for the year(s) ended **December 31, 2017** in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation ~~and~~ fair presentation of financial statements that are free from material misstatement, whether ~~due~~ to fraud or error, selecting and applying appropriate accounting policies, and making **accounting** estimates that are reasonable in the circumstances.

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

Punongbayan & Araullo, the independent **auditors** and appointed by the stockholders, has examined the financial statements of the **Company** in accordance with Philippine Standards on Auditing and in its report to the Board of **Directors** and stockholders has expressed its opinion on the fairness of presentation upon **completion** of such examination.

Signed under oath by the following:

  
**MR. PAULINO S. SOO**  
Chairman and Chief Executive Officer

  
**MR. VICENTE CO CHIEN JR.**  
Treasurer

Signed this APR 17 day of 2018

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

SUBSCRIBED AND SWORN to before me this APR 17 2018 at Makati City, affiants  
exhibiting to me the following:


Name

Gov't ID's

Paulino S. Soo  
Vicente Co Chien, Jr.

DL N01-69-012303  
TIN: 111-853-589

Doc. No. 291 :  
Page No. 059 :  
Book No. III :  
Series of 2018.

  
**JOSE MARI GERARDO R. BANICO**  
Notary Public  
Appointment No. M-503  
Until 31 December 2018  
Roll No. 68414  
PTR No. 6623971 / 10 Jan 2018 / Makati City  
Life IBP No. 026572 / 12 Jan 2018 / Makati City  
Unit D2 Garden Level, Corinthian Plaza  
Paseo de Roxas, Makati City  
TIN 231-291-579

## **Report of Independent Auditors**

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**Punongbayan & Araullo**

20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288

**The Board of Directors and the Stockholders**  
**First Abacus Financial Holdings Corporation and Subsidiaries**  
Unit 2904-A East Tower, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center  
Pasig City

### **Opinion**

We have audited the consolidated financial statements of First Abacus Financial Holdings Corporation and subsidiaries (together hereinafter referred to as the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

### **Basis for Opinion**

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

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group has accumulated deficit of P554,344,138 and P534,972,178 as of December 31, 2017 and 2016, respectively. The accumulation of significant deficit indicates the existence of a material uncertainty, which may cast significant doubt on the Group's ability to continue as a going concern. Management is fully confident, however, that the inherent strengths and potentials of the Group and, consequently, its ability to recover from the deficit incurred will be fully realized as the country's general business environment further improves. A number of recent key initiatives to aggressively grow and expand the business and a continuing focus on operational efficiency have resulted in sustained improvements in the financial results of two subsidiaries, namely, Abacus Securities Corporation (ASC) and Vista Holdings Corporation. Moreover, the launch of ASC's online trading facility in 2017 further boost these efforts. Accordingly, the accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business. In connection with our audit, we have performed sufficient audit procedures to evaluate the reasonableness of management's representations with regard to the continuance of the Group's operations. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below and in the succeeding pages to be the key audit matters to be communicated in our report.

#### **(a) Impairment of Receivables**

##### *Description of the Matter*

As of December 31, 2017, the Group's receivables amounted to P2,875,963,423, net of allowance for impairment of P296,557,113 while the details and related credit risk are disclosed in Notes 10 and 4, respectively, to the consolidated financial statements. Receivables consist of 47% of the Group's total assets as of December 31, 2017. Certain receivables amounting to P1,339,731,803 are secured by collateral valuation of traded equity securities, while the remaining balance is unsecured.

Under Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*, an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. The Group's management exercises significant judgment and uses subjective estimates in determining when and how much to recognize impairment loss on receivables. These judgment and estimates are set out in the Group's accounting policies in Notes 2 and 3 to the consolidated financial statements, wherein receivables are assessed for impairment if there is objective evidence of impairment that exists as of the end of the reporting period (i.e., an actual loss experience).

Because of the significance of the amounts involved and subjectivity of management's judgment and estimates used, we identified the determination of the allowance for impairment on receivables as an audit area of focus.

*How the Matter was Addressed in the Audit*

We performed substantive audit procedures, which included, among others, assessing the counterparties' repayment abilities by examining payment history, reviewing the counterparties' latest available financial information, and determining the appropriateness of the valuation of the collaterals attached as security to the receivables and comparing such valuation against the Group's outstanding receivable balance to ascertain sufficiency of allowance for impairment.

**(b) Recoverability of Deferred Tax Assets**

*Description of the Matter*

The Group's net deferred tax assets amounted to P95,389,290 as of December 31, 2017. The recognition of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent of the changes in probability that sufficient taxable profits will be available to allow all or part of such deferred tax assets to be utilized. Determining probabilities of sufficiency of future taxable profits is highly judgmental, requiring preparation of profitability projections. Accordingly, we have also identified the recoverability of deferred tax assets as an audit area of focus.

The relevant information relating to deferred tax assets are disclosed in Notes 2, 3 and 21 to the consolidated financial statements.

*How the Matter was Addressed in the Audit*

Our work included, among others, obtaining management's income projections for the next three years. Relative to this, we checked appropriateness of management's assumptions used in coming up with the income projections underlying the recoverability of deferred tax assets by comparing the forecasts to our expectations based on historical performance. These significant assumptions include income growth rate, and volume of trading transactions, which are expected to grow based on available historical information. We also considered the fact that the Group has planned to obtain lower costs of external funding and had utilized deferred tax assets in prior periods.

**(c) Assessment of Goodwill Impairment**

*Description of the Matter*

As of December 31, 2017, the carrying amount of goodwill, net of allowance for impairment, amounted to P35,324,355, which is included as part of the Other Assets account in the Group's consolidated statement of financial position. Under PFRS, goodwill, having indefinite useful life, is not subject to amortization but is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. This annual impairment test was significant to our audit because management's assessment process is complex and highly judgmental and is based on significant assumptions, specifically on the cash generating units (CGUs) where the goodwill is allocated and the future cash flows of that particular CGUs, which are affected by expected future market or economic conditions.

Management's significant assumptions include:

- ASC, the identified CGU on which the goodwill is allocated, will continue as a going concern;
- ASC will have sufficient financial assets to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,

- ASC's performance forecasts for the next three years, which include the effects of online trading facility that was launched in 2017.

The Group's accounting policy on impairment of and disclosures about goodwill are included in Notes 2 and 13, respectively, to the consolidated financial statements.

*How the Matter was Addressed in the Audit*

Our audit procedures included, among others, evaluating the assumptions and methodologies used by management, particularly those relating to the forecasted revenue growth and profit margins of ASC by considering historical trends and past profit performance, and the future operational plans of the ASC's management. We also reviewed the underlying data used in computing for the expected revenue growth brought by ASC's launch of its online trading facility. In addition, our audit on the financial statements of ASC as of and for the year ended December 31, 2017 did not identify event or conditions that may cast significant doubt on the subsidiary's ability to continue as a going concern.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

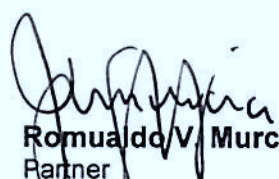
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audits resulting in this independent auditors' report is Romualdo V. Murcia III.

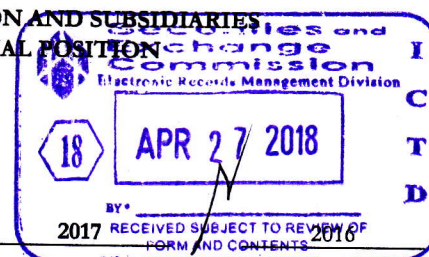
**PUNONGBAYAN & ARAULLO**

  
By: **Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 6616014, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-3 (until Nov. 29, 2019)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 6, 2018

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*



Notes

**ASSETS**

|  |    |          |                             |          |                             |
|--|----|----------|-----------------------------|----------|-----------------------------|
| CASH   | 7  | P        | 105,019,902                 | P        | 77,919,874                  |
| RECEIVABLES - Net  | 10 |          | 2,875,963,423               |          | 2,276,624,252               |
| FINANCIAL ASSETS AT FAIR VALUE<br>THROUGH PROFIT OR LOSS | 8  |          | 956,395,411                 |          | 970,057,383                 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS - Net                | 9  |          | 1,829,878,313               |          | 2,397,978,166               |
| PROPERTY AND EQUIPMENT - Net                             | 12 |          | 55,136,380                  |          | 44,493,495                  |
| DEFERRED TAX ASSETS - Net                                | 21 |          | 95,389,290                  |          | 127,025,393                 |
| OTHER ASSETS - Net                                       | 13 |          | <u>166,448,978</u>          |          | <u>161,708,240</u>          |
| <b>TOTAL ASSETS</b>                                      |    | <b>P</b> | <b><u>6,084,231,697</u></b> | <b>P</b> | <b><u>6,055,806,803</u></b> |

**LIABILITIES AND EQUITY**

|  |    |          |                             |          |                             |
|--|----|----------|-----------------------------|----------|-----------------------------|
| INTEREST-BEARING LOANS AND BORROWINGS  | 14 | P        | 4,086,835,020               | P        | 3,451,593,736               |
| DUE TO CUSTOMERS                       | 15 |          | 371,563,965                 |          | 185,916,065                 |
| ACCOUNTS PAYABLE AND OTHER LIABILITIES | 16 |          | <u>181,530,233</u>          |          | <u>170,738,887</u>          |
| Total Liabilities                      |    |          | <u>4,639,929,218</u>        |          | <u>3,808,248,688</u>        |
| <b>CAPITAL STOCK</b>                   | 17 |          | 1,193,200,000               |          | 1,193,200,000               |
| <b>ADDITIONAL PAID-IN CAPITAL</b>      |    |          | 3,104,800                   |          | 3,104,800                   |
| <b>TREASURY SHARES - At Cost</b>       | 17 | (        | 385,670,581)                | (        | 385,670,581)                |
| <b>REVALUATION RESERVES</b>            | 17 |          | 1,188,012,398               |          | 1,971,896,074               |
| <b>DEFICIT</b>                         | 1  | (        | <u>554,344,138</u> )        | (        | <u>534,972,178</u> )        |
| Total Equity                           |    |          | <u>1,444,302,479</u>        |          | <u>2,247,558,115</u>        |
| <b>TOTAL LIABILITIES AND EQUITY</b>    |    | <b>P</b> | <b><u>6,084,231,697</u></b> | <b>P</b> | <b><u>6,055,806,803</u></b> |

*See Notes to Consolidated Financial Statements.*

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

|  | Notes  | 2017                    | 2016                   | 2015                 |
|--|--------|-------------------------|------------------------|----------------------|
| <b>INCOME</b>                                      |        |                         |                        |                      |
| Finance income                                     | 20     | P 284,711,915           | P 230,004,578          | P 175,174,412        |
| Commissions  | 2      | 156,441,852             | 145,846,017            | 150,911,555          |
| Management fees                                    | 11     | 30,000,000              | 40,000,000             | 40,000,000           |
| Others   | 11     | 3,139,992               | 200,549                | 1,597,804            |
|  |        | <u>474,293,759</u>      | <u>416,051,144</u>     | <u>367,683,771</u>   |
| <b>EXPENSES</b>                                    |        |                         |                        |                      |
| Finance costs                                      | 20     | 253,291,265             | 223,889,909            | 185,841,994          |
| Salaries and employee benefits                     | 18     | 55,268,653              | 53,710,311             | 49,687,157           |
| Commissions  |        | 41,351,276              | 36,604,033             | 37,020,360           |
| Taxes and licenses                                 |        | 18,957,601              | 17,569,517             | 17,149,583           |
| Depreciation and amortization                      | 12, 13 | 13,773,696              | 11,498,505             | 12,758,250           |
| Exchange fees                                      |        | 11,796,075              | 9,900,121              | 9,490,996            |
| Communication                                      |        | 9,973,733               | 9,013,811              | 8,877,318            |
| Representation and entertainment                   |        | 7,698,241               | 9,980,477              | 12,392,091           |
| Membership fees and dues                           |        | 7,401,539               | 5,256,077              | 5,702,471            |
| Outside services                                   |        | 5,779,262               | 5,531,852              | 5,528,794            |
| Professional fees                                  |        | 5,348,082               | 5,118,715              | 6,021,719            |
| Transportation and travel                          |        | 2,148,679               | 2,380,988              | 4,339,220            |
| Others   | 19     | 19,528,640              | 14,057,266             | 14,063,467           |
|  |        | <u>452,316,742</u>      | <u>404,511,582</u>     | <u>368,873,420</u>   |
| <b>PROFIT (LOSS) BEFORE TAX</b>                    |        | <b>21,977,017</b>       | <b>11,539,562</b>      | <b>( 1,189,649 )</b> |
| <b>TAX INCOME (EXPENSE)</b>                        | 21     | <b>( 41,348,977 )</b>   | <b>( 15,062,850 )</b>  | <b>4,282,274</b>     |
| <b>NET PROFIT (LOSS)</b>                           |        | <b>( P 19,371,960 )</b> | <b>( P 3,523,288 )</b> | <b>P 3,092,625</b>   |
| <b>Basic and Diluted Earnings (Loss) Per Share</b> | 22     | <b>( P 0.0190 )</b>     | <b>( P 0.0034 )</b>    | <b>P 0.0030</b>      |

*See Notes to Consolidated Financial Statements.*

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

|  | <u>Notes</u> | <u>2017</u>       | <u>2016</u>     | <u>2015</u>       |
|--|--------------|-------------------|-----------------|-------------------|
| <b>NET PROFIT (LOSS)</b>   |              | ( P 19,371,960 )  | ( P 3,523,288 ) | P 3,092,625       |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>   |              |                   |                 |                   |
| Item that will not be reclassified subsequently to profit or loss –              |              |                   |                 |                   |
| Gain on remeasurements of post-employment defined benefit plan, net of tax       | 18           | 2,655,210         | 362,878         | 2,048,631         |
| Items that will be reclassified subsequently to profit or loss:                  |              |                   |                 |                   |
| Unrealized fair value gains (losses) on available-for-sale financial assets      | 9            | ( 561,803,050 )   | 221,477,502     | ( 75,705,489 )    |
| Realized fair value gains on the disposal of available-for-sale financial assets | 9            | ( 224,735,836 )   | ( 92,425,144 )  | ( 98,921,767 )    |
| <b>Total Other Comprehensive Income (Loss)</b>                                   |              | ( 783,883,676 )   | 129,415,236     | ( 172,578,625 )   |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>   |              | ( P 803,255,636 ) | P 125,891,948   | ( P 169,486,000 ) |

*See Notes to Consolidated Financial Statements.*

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

|   | <u>Capital<br/>Stock<br/>(see Note 17)</u> | <u>Additional<br/>Paid-in Capital</u> | <u>Treasury<br/>Shares<br/>(see Note 17)</u> | <u>Revaluation<br/>Reserves<br/>(see Note 17)</u> | <u>Deficit<br/>(see Note 1)</u> | <u>Total Equity</u>           |
|---|--|---------------------------------------|--|---|---------------------------------|-------------------------------|
| Balance at January 1, 2017              | P 1,193,200,000                            | P 3,104,800                           | ( P 385,670,581 )                            | P 1,971,896,074                                   | ( P 534,972,178 )               | P 2,247,558,115               |
| Total comprehensive loss for the year   | <u>-</u>                                   | <u>-</u>                              | <u>-</u>                                     | ( <u>783,883,676</u> )                            | ( <u>19,371,960</u> )           | ( <u>803,255,636</u> )        |
| Balance at December 31, 2017            | <b><u>P 1,193,200,000</u></b>              | <b><u>P 3,104,800</u></b>             | <b><u>( P 385,670,581 )</u></b>              | <b><u>P 1,188,012,398</u></b>                     | <b><u>( P 554,344,138 )</u></b> | <b><u>P 1,444,302,479</u></b> |
| Balance at January 1, 2016              | P 1,193,200,000                            | P 3,104,800                           | ( P 385,670,581 )                            | P 1,842,480,838                                   | ( P 531,448,890 )               | P 2,121,666,167               |
| Total comprehensive income for the year | <u>-</u>                                   | <u>-</u>                              | <u>-</u>                                     | <u>129,415,236</u>                                | ( <u>3,523,288</u> )            | <u>125,891,948</u>            |
| Balance at December 31, 2016            | <u>P 1,193,200,000</u>                     | <u>P 3,104,800</u>                    | <u>( P 385,670,581 )</u>                     | <u>P 1,971,896,074</u>                            | <u>( P 534,972,178 )</u>        | <u>P 2,247,558,115</u>        |
| Balance at January 1, 2015              | P 1,193,200,000                            | P 3,104,800                           | ( P 385,670,581 )                            | P 2,015,059,463                                   | ( P 534,541,515 )               | P 2,291,152,167               |
| Total comprehensive loss for the year   | <u>-</u>                                   | <u>-</u>                              | <u>-</u>                                     | ( <u>172,578,625</u> )                            | <u>3,092,625</u>                | ( <u>169,486,000</u> )        |
| Balance at December 31, 2015            | <u>P 1,193,200,000</u>                     | <u>P 3,104,800</u>                    | <u>( P 385,670,581 )</u>                     | <u>P 1,842,480,838</u>                            | <u>( P 531,448,890 )</u>        | <u>P 2,121,666,167</u>        |

*See Notes to Consolidated Financial Statements.*

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

|   | Notes  | 2017                        | 2016                       | 2015                        |
|---|--------|-----------------------------|----------------------------|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |        |                             |                            |                             |
| Profit (loss) before tax  |        | <b>P 21,977,017</b>         | P 11,539,562               | ( P 1,189,649 )             |
| Adjustments for:  |        |                             |                            |                             |
| Interest expense  | 20     | <b>241,150,922</b>          | 217,402,584                | 184,080,391                 |
| Depreciation and amortization   | 12, 13 | <b>13,773,696</b>           | 11,498,505                 | 12,758,250                  |
| Interest income   | 20     | <b>( 487,994 )</b>          | ( 356,375 )                | ( 245,427 )                 |
| Operating profit before working capital changes                                 |        | <b>276,413,641</b>          | 240,084,276                | 195,403,565                 |
| Decrease (increase) in receivables  |        | <b>( 599,339,171 )</b>      | ( 487,914,640 )            | 71,031,638                  |
| Decrease (increase) in financial assets<br>at fair value through profit or loss |        | <b>13,661,972</b>           | ( 254,890,870 )            | ( 220,938,333 )             |
| Decrease (increase) in available-for-sale financial assets                      |        | <b>( 218,439,033 )</b>      | 92,604,010                 | 128,613,615                 |
| Increase in other assets  |        | <b>( 14,136,413 )</b>       | ( 29,735,645 )             | ( 16,309,331 )              |
| Increase (decrease) in due to customers   |        | <b>185,647,900</b>          | ( 15,401,721 )             | ( 98,925,371 )              |
| Increase (decrease) in accounts payable and other liabilities                   |        | <b>13,393,527</b>           | ( 7,826,871 )              | ( 3,912,206 )               |
| Cash generated from (used in) operations  |        | <b>( 342,797,577 )</b>      | ( 463,081,461 )            | 54,963,577                  |
| Interest received   | 20     | <b>487,994</b>              | 356,375                    | 245,427                     |
| Cash paid for taxes   |        | <b>( 1,343,297 )</b>        | ( 46,891 )                 | ( 32,590 )                  |
| Net Cash From (Used in) Operating Activities                                    |        | <b>( 343,652,880 )</b>      | ( 462,771,977 )            | 55,176,414                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                     |        |                             |                            |                             |
| Acquisitions of property and equipment  | 12     | <b>( 2,692,067 )</b>        | ( 4,253,618 )              | ( 1,850,772 )               |
| Proceeds from disposal of property and equipment                                | 12     | <b>1,236,667</b>            | -                          | -                           |
| Acquisition of computer software  | 13     | <b>( 766,377 )</b>          | -                          | -                           |
| Net Cash Used in Investing Activities   |        | <b>( 2,221,777 )</b>        | ( 4,253,618 )              | ( 1,850,772 )               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                     |        |                             |                            |                             |
| Proceeds from additional loans and borrowings                                   | 14     | <b>1,443,185,880</b>        | 1,461,706,306              | 868,561,669                 |
| Repayments of loans and borrowings  | 14     | <b>( 983,405,160 )</b>      | ( 851,277,394 )            | ( 731,691,219 )             |
| Interest paid   | 14     | <b>( 86,806,035 )</b>       | ( 185,040,084 )            | ( 185,040,084 )             |
| Net Cash From (Used in) Financing Activities                                    |        | <b>372,974,685</b>          | 425,388,828                | ( 48,169,634 )              |
| <b>NET INCREASE (DECREASE) IN CASH</b>  |        | <b>27,100,028</b>           | ( 41,636,767 )             | 5,156,008                   |
| <b>CASH AT BEGINNING OF YEAR</b>  |        | <b>77,919,874</b>           | 119,556,641                | 114,400,633                 |
| <b>CASH AT END OF YEAR</b>  |        | <b><u>P 105,019,902</u></b> | <b><u>P 77,919,874</u></b> | <b><u>P 119,556,641</u></b> |

**Supplemental Information on Non-cash Investing and Financing Activities:**

1. In 2017, certain transportation equipment with total cost of P21.2 million were acquired through finance lease arrangements. Relative to this, the Group has outstanding loan balance of P19.5 million as of December 31, 2017 (see Notes 12 and 14).
2. In 2017, advances to a supplier amounting to P6.5 million was reclassified to computer software due to the completion and full installation thereof (see Note 13.7).

*See Notes to Consolidated Financial Statements.*

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017, 2016 AND 2015  
(Amounts in Philippine Pesos)**

**1. CORPORATE MATTERS**

***1.1 Corporate Information***

First Abacus Financial Holdings Corporation (the Parent Company) was incorporated and registered with the Philippines Securities Exchange Commission (SEC) on February 15, 1994. The Parent Company wholly owns the following subsidiaries (together herein referred to as the Group), all of which are incorporated in the Philippines:

| <u>Subsidiaries</u>                            | <u>Nature of Business</u> |
|--|---------------------------|
| Abacus Capital & Investment Corporation (ACIC) | Investment banking        |
| Abacus Securities Corporation (ASC)            | Securities brokerage      |
| Vista Holdings Corporation (VHC)               | Leasing                   |

The Parent Company was established primarily to invest in, acquire by purchase, exchange or assignment and hold for investment, shares of capital stock or other securities issued by any corporation, association or other entities. The Parent Company is also involved in providing management advisory services as well as purchasing, selling and assigning accounts receivable, negotiable instruments and other evidences of indebtedness for the payment of money owed by any entity. The Parent Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

The Group's registered office, which is also the principal place of business, is located at Unit 2904-A East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

***1.2 Status of Operations***

The Group has an accumulated deficit of P554,344,138 and P534,972,178 as of December 31, 2017 and 2016, respectively. The accumulation of significant deficit indicates the existence of a material uncertainty, which may cast significant doubt on the Group's ability to continue as a going concern. Management is fully confident, however, that the inherent strengths and potentials of the Group and, consequently, its ability to recover from the deficit incurred will be fully realized as the country's general business environment further improves. A number of recent key initiatives to aggressively grow and expand the business and a continuing focus on operational efficiency have resulted in sustained improvements in the financial results of ASC and VHC. Moreover, the launch of ASC's online trading facility in 2017 further boost these efforts. The Group is very optimistic that in addition to ensuring its long-term sustainability, the continuous effort it has put into expanding its online trading platform will yield rewards in a very near term. Accordingly, the accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business.

### ***1.3 Approval of Consolidated Financial Statements***

The consolidated financial statements of the Group as of and for the year ended December 31, 2017 (including the comparative consolidated financial statements as of December 31, 2016 and for the years ended December 31, 2016 and 2015) were authorized for issue by the Parent Company's Chairman of the Board of Directors (BOD) and Chief Executive Officer on April 6, 2018.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented, unless otherwise stated.

### ***2.1 Basis of Preparation of Consolidated Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### ***(b) Presentation of Consolidated Financial Statements***

The consolidated financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statements of comprehensive income separate from the consolidated statements of profit or loss.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

The Group made a reclassification from Condominium units under Property and Equipment to Advances to a supplier account under Other Assets in the 2016 consolidated statement of financial position to conform with the presentation and account classification in the 2017 consolidated statement of financial position. This reclassification has no significant impact on the Group's previously reported total assets, total comprehensive income or total equity; hence, did not warrant presentation of a third statement of financial position.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

**2.2 Adoption of New and Amended PFRS**

(a) *Effective in 2017 that are Relevant to the Group*

The Group adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

|                     |   |  |
|---------------------|---|--|
| PAS 7 (Amendments)  | : | Statement of Cash Flows –<br>Disclosure Initiative                         |
| PAS 12 (Amendments) | : | Income Taxes – Recognition of Deferred<br>Tax Assets for Unrealized Losses |

Discussed below and in the succeeding pages are the relevant information about these amendments.

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*.  
The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities, which includes both cash and non-cash changes are presented in Note 14.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of this amendment had no impact on the Group's consolidated financial statements since the Group has no debt instruments measured at fair value.

(b) *Effective in 2017 that is not Relevant to the Group*

The only improvement to existing standards effective for annual periods beginning on or after January 1, 2017 is the annual improvement to PFRS (2014-2016 Cycle) – PFRS 12 (Amendment), *Disclosure of Interest in Other Entities*, in relation to scope clarification on disclosure of summarized financial information for interests classified as held for sale, which is not relevant to the Group.

(c) *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS, interpretations, amendments and improvements to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 40 (Amendment), *Investment Property – Reclassification to and from Investment Property* (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment has no significant impact on the Group's consolidated financial statements.
- (ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income (FVTOCI) if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Group's financial assets and financial liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- The Group's financial assets at FVTPL are composed of listed equity securities that will not qualify under the SPPI test (see Note 8). These financial assets will continue to be measured at fair value, with mark-to-market fluctuations directly recognized in profit or loss, upon application of PFRS 9 (2014).
- Trade and other receivables are composed of due from customers or brokers and other receivables which are held to collect contractual cash flows representing SPPI (see Note 10). These financial assets will continue to be measured at amortized cost upon application of PFRS 9 (2014). In applying the expected credit loss methodology of PFRS 9 (2014), the Group initially assessed to use the simplified approach for trade and other receivables as allowed by the standard.

- Equity securities classified as available-for-sale (AFS) financial assets include equity securities and club shares (see Note 9). In applying PFRS 9 (2014), the Group shall make an irrevocable designation whether these equity securities shall be classified as financial assets at FVTPL or at FVTOCI. The Group initially assessed that these equity securities shall be designated, on the date of initial application, as financial assets at FVTOCI. Thus, these instruments will continue to be measured at fair value, with mark-to-market fluctuations and realized gain (loss) on sale directly recognized in other comprehensive income (OCI) without recycling to profit or loss.
- Most of the financial liabilities of the Group are measured at amortized cost. Upon application of PFRS 9 (2014), management has assessed that the amortized cost classification for most of the financial liabilities will be retained.

- (iii) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on an assessment and comprehensive study of the Group's revenue streams as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that its significant sources of revenue pertain to commission income and management fees, which are within the scope of PFRS 15. Management is currently in the process of determining the impact of the new standard on the Group's consolidated financial statements.

- (v) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this interpretation has no material impact on the Group's consolidated financial statements.
- (vi) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of these amendments on the Group's consolidated financial statements.
- (vii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

- (viii) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this interpretation in the Group's consolidated financial statements.
- (ix) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
  - PAS 23 (Amendments), *Borrowing costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

### **2.3 Basis of Consolidation**

The Group's consolidated financial statements comprise the accounts of the Parent Company and its wholly owned subsidiaries (ACIC, ASC and VHC) after elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

Subsidiaries are entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

#### **2.4 Business Combinations**

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

## **2.5 Business Segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management committee; its chief operating decision-maker. The management committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 6, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately, as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment's profit or loss.

## **2.6 Financial Assets**

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

### *(a) Classification and Measurement of Financial Assets*

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets relevant to the Group is as follows:

#### *(i) Financial Assets at FVTPL*

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

The Group's financial assets categorized as loans and receivables are presented as Cash and Receivables in the consolidated statement of financial position. Cash includes cash on hand and bank deposits which are unrestricted as to withdrawal.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed equity securities and club shares.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are carried at cost, less impairment loss, if any. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) *Impairment of Financial Assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) *Carried at Amortized Cost – Loans and Receivables*

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) *Carried at Cost – AFS Financial Assets*

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) *Carried at Fair Value – AFS Financial Assets*

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities, which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) *Items of Income and Expense Related to Financial Assets*

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the consolidated statement of profit or loss.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## **2.7 Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

## **2.8 Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation, amortization and impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

|                                   |             |
|-----------------------------------|-------------|
| Condominium units                 | 15-25 years |
| Building improvements             | 5 years     |
| Transportation equipment          | 5 years     |
| Computer equipment                | 3-5 years   |
| Furniture, fixtures and equipment | 3-5 years   |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year the item is derecognized.

## ***2.9 Investment Properties***

Investment properties (recognized under Other Assets), accounted for under the cost model, are properties held either to earn rental or for capital appreciation or both, but not for sale in the ordinary course of business, use for rendering of services or for administrative purposes.

Investment properties are initially recognized, subsequently measured, and derecognized in the same manner as property and equipment (see Note 2.8).

Depreciation is computed on a straight-line basis over the estimated useful life of the assets of 25 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

## ***2.10 Other Assets***

Other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

### **2.11 Intangible Assets**

Intangible assets include goodwill, trading right and acquired computer software licenses (presented as part of Other Assets account in the consolidated statement of financial position). The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition or production.

(a) *Goodwill*

Goodwill represents the excess of the acquisition cost of the investment over the fair value of identifiable net assets of a subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.13).

(b) *Trading Right*

Trading right represents the value of the exchange seat, which allows the Group to trade in the PSE. Trading right is assessed as having an indefinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses (see Note 2.13).

(c) *Computer Software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful life of three years, as these intangible assets are considered finite (see Note 2.13).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

### **2.12 Deferred Oil Exploration Costs**

The Group made certain investments in oil exploration projects. The cost of exploration relating to service contract or block area which is still in the exploratory stage are capitalized as Deferred oil exploration costs (shown under the Other Assets account in the consolidated statement of financial position). When a service contract or block area is permanently abandoned, the related deferred oil exploration cost is written off. Service contracts or block areas are considered not permanently abandoned if the service contracts have not yet expired and/or there are ongoing negotiations for further exploration. The carrying amount of the capitalized deferred oil exploration costs is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount (see Note 2.13).

### ***2.13 Impairment of Non-financial Assets***

The Group's property and equipment, investment properties, deferred oil exploration costs, goodwill, computer software, trading right and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with an indefinite useful life such as goodwill and trading right are tested for impairment at least annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets, except goodwill and trading right, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss. Impairment losses recognized on goodwill and trading right are not reversed.

### ***2.14 Financial Liabilities***

Financial liabilities include interest-bearing loans and borrowings, due to customers, and accounts payable and other liabilities (excluding post-employment defined benefit obligation, and tax-related payable).

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as expense under the caption of Finance Costs in the consolidated statement of profit or loss.

Interest-bearing loans and borrowings are obtained to support the short-term to long-term funding needs of the Group. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Due to customers, and accounts payable and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities of more than one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in the consolidated statement of profit or loss.

### ***2.15 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### ***2.16 Related Party Transactions and Relationships***

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

### ***2.17 Equity***

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise accumulated gains and losses due to the revaluation of AFS financial assets and remeasurements of post-employment defined benefit obligation.

Deficit represents all current and prior period results of operations as reported in the consolidated statement of profit or loss.

### ***2.18 Revenue and Expense Recognition***

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by the Group for services rendered, excluding value-added tax (VAT).

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Rendering of services (commissions, underwriting fees, financial and management advisory fees)* – Revenue is recognized when contractually agreed tasks have been substantially rendered.
- (b) *Gain on sale of investments* – Revenue is recognized when the ownership of the securities is transferred to the buyer (at an amount equal to the excess of the selling price over the carrying amount of securities).
- (c) *Rental* – Revenue is recognized on a straight line basis over the lease term.
- (d) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the assets.

Costs and expenses are recognized in the consolidated statement of profit or loss upon utilization of services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for borrowing costs capitalized as part of the cost of any qualifying asset (see Note 2.23).

### ***2.19 Securities Transactions***

Securities transactions (and related commission income and expense, if applicable) are recorded on a transaction date basis.

### ***2.20 Leases***

The Group accounts for its leases as follows:

#### ***(a) Group as lessee***

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are included in Interest-bearing Loans and Borrowings account in the consolidated statement of financial position.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group.

Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

#### ***(b) Group as lessor***

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as income in the consolidated statement of profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### ***2.21 Foreign Currency Transactions and Translation***

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates, which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

## ***2.22 Employee Benefits***

The Group provides benefits to employees through a defined benefit plan, defined contribution plan, and other employee benefits which are recognized as follows:

### *(a) Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified and non-contributory.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero-coupon government bonds as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity such as social security system. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included as part of Others under the Accounts Payable and Other Liabilities account (see Note 16) in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

### **2.23 Borrowing Costs**

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

### **2.24 Income Taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

### ***2.25 Earnings (Loss) Per Share***

Basic earnings (loss) per share is determined by dividing consolidated net profit (loss) by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustment for stock dividend declared, if any, for the current period.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of outstanding common shares to assume conversion of potentially dilutive shares outstanding. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

### ***2.26 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

#### *3.1 Critical Management Judgments in Applying Accounting Policies*

In the process of applying the Group's accounting policies, management has made the judgments discussed below and in the succeeding page, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

##### *(a) Impairment of AFS Financial Assets*

The determination when an investment is other than temporarily-impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Company's AFS financial assets, management concluded that certain AFS financial assets are not impaired since the related fair value is higher than the cost of investment for a long period of time; hence, no additional impairment loss was recognized in 2017. The carrying values of AFS financial assets are shown in Note 9.

##### *(b) Distinction Between Operating and Finance Leases*

The Group has entered into various lease agreements either as a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has determined that its current lease agreements are operating leases, except for certain finance lease arrangements entered in 2017 covering the Group's transportation equipment (see Note 12).

##### *(c) Distinction Between Investment Properties and Owner-occupied Properties*

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

(d) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 2.15 and relevant disclosures are presented in Note 23.

**3.2 Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Estimation of Useful Lives of Property and Equipment, Investment Properties and Computer Software*

The Group estimates the useful lives of property and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, investment properties and computer software are analyzed in Notes 12, 13.4 and 13.7, respectively. Based on management's assessment as at December 31, 2017 and 2016, there is no change in the estimated useful lives of property and equipment, investment properties and computer software during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(b) *Impairment of Receivables*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of receivables and the analysis of allowance for impairment on such financial assets are shown in Note 10.

(c) *Valuation of Financial Assets other than Receivables*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect the consolidated profit and loss and other comprehensive income. In 2017 and 2016, most of the Group's financial assets measured at fair value are valued using price quoted in an active market.

The carrying values of the Group's financial assets at FVTPL and AFS financial assets and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 8 and 9, respectively.

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2017 and 2016 are disclosed in Note 21.

(e) *Impairment of Non-Financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment loss on non-financial assets was recognized in 2017, 2016 and 2015.

(f) *Valuation of Post-Employment Defined Benefit Obligation*

The determination of the Group's post-employment defined benefit obligation is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 18.2.

(g) *Fair Value Measurement for Investment Properties*

The Group's investment properties are composed of condominium units carried at cost at the end of the reporting period. The fair value of investment properties, as disclosed in Notes 5.6 and 13.4, is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behaviour of the buying parties. A significant change in these elements may affect prices and the value of the assets.

#### 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The risk management activities at the level of each company in the Group is coordinated with the Parent Company, in close cooperation with its BOD, and focuses on actively securing the Group's short-to-medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

##### 4.1 *Interest Rate Risk*

The table in the succeeding page illustrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in the Group's interest-bearing loans and borrowings' interest rates of +/- 1.84% in 2017 and +/- 1.11% in 2016. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

|                    |   | <u>Effect on Profit before Tax</u> |                        |
|--------------------|---|------------------------------------|------------------------|
|                    |   | <u>Positive Change</u>             | <u>Negative Change</u> |
| 2017 ( +/- 1.84% ) | P | 75,197,764                         | (P 75,197,764)         |
| 2016 ( +/- 1.11% ) |   | 38,312,690                         | ( 38,312,690)          |

##### 4.2 *Foreign Currency Risk*

Foreign currency risk arises mainly from potential losses from the changes in the exchange rates of the Group's foreign currency-denominated assets.

The Group seeks to mitigate the effect of its foreign currency exposure by limiting its foreign currency transactions to the extent possible. The Group does not enter into forward contracts or hedging transactions.

The Group's United States (US) dollar-denominated financial instruments pertain only to cash in banks, translated into Philippine pesos at the closing rates, amounting to P347,913 and P186,451 in 2017 and 2016, respectively.

The exchange rates used was P49.923:US\$1 and P49.813:US\$1 as of December 31, 2017 and 2016, respectively.

The Group's exposures to changes in foreign exchange rates differ at various periods each year, depending on foreign exchange transaction volumes. Nonetheless, the management believes that the Group's exposure to foreign exchange risk is not material.

#### **4.3 Credit Risk**

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers and placing deposits.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position (or in the detailed analysis provided in the notes to consolidated financial statements) as summarized below.

|                   | <u>Notes</u> | <u>2017</u>                   | <u>2016</u>            |
|-------------------|--------------|-------------------------------|------------------------|
| Cash              | 7            | <b>P 105,019,902</b>          | P 77,919,874           |
| Receivables – net | 10           | <b><u>2,875,963,423</u></b>   | <u>2,276,624,252</u>   |
|                   |              | <b><u>P 2,980,983,325</u></b> | <u>P 2,354,544,126</u> |

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

The tables below show the credit quality by class of financial assets as of December 31.

|                                 | <u>Neither Past Due Nor Impaired<br/>High<br/>Grade</u> | <u>Standard<br/>Grade</u>     | <u>Past Due but<br/>not Individually<br/>Impaired</u> | <u>Total</u>                 |
|---------------------------------|---|-------------------------------|---|------------------------------|
| <b><u>December 31, 2017</u></b> |   |                               |   |                              |
| Cash                            | P 105,019,902   | P -                           | P -   | P 105,019,902                |
| Receivables:                    |   |                               |   |                              |
| Customers/brokers               | -   | 1,998,102,645                 | 15,503,548  | 2,013,606,193                |
| Equity margin loans             | -   | 631,010,178                   | -   | 631,010,178                  |
| Accounts receivable             | 12,905,347  | -                             | 173,910,002   | 186,815,349                  |
| Due from clearing house         | -   | 137,832,415                   | -   | 137,832,415                  |
| Notes receivables               | -   | 4,514,553                     | 68,449,190  | 72,963,743                   |
| Interest receivables            | -   | 7,287,476                     | 57,854,154  | 65,141,630                   |
| Management fees                 | -   | 51,000,000                    | -   | 51,000,000                   |
| Others                          | -   | 14,151,028                    | -   | 14,151,028                   |
| Receivables – gross             | 12,905,347  | 2,843,898,295                 | 315,716,894   | 3,172,520,536                |
| Allowance for impairment        | -   | -                             | ( 296,557,113)  | ( 296,557,113)               |
| Receivables – net               | 12,905,347  | 2,843,898,295                 | 19,159,781  | 2,875,963,423                |
|                                 | <b><u>P 117,925,249</u></b>                             | <b><u>P 2,843,898,295</u></b> | <b><u>P 19,159,781</u></b>                            | <b><u>P2,980,983,325</u></b> |
| <b><u>December 31, 2016</u></b> |   |                               |   |                              |
| Cash                            | P 77,919,874  | P -                           | P -   | P 77,919,874                 |
| Receivables:                    |   |                               |   |                              |
| Customers/brokers               | -   | 1,509,579,044                 | 8,809,707   | 1,518,388,751                |
| Equity margin loans             | -   | 631,010,178                   | -   | 631,010,178                  |
| Accounts receivable             | 8,568,806   | -                             | 175,902,118   | 184,470,924                  |
| Notes receivable                | -   | 5,972,902                     | 71,612,364  | 77,585,266                   |
| Interest receivable             | -   | 7,287,476                     | 57,854,154  | 65,141,630                   |
| Management fees                 | -   | 42,500,000                    | -   | 42,500,000                   |
| Due from clearing house         | -   | 37,830,941                    | -   | 37,830,941                   |
| Others                          | -   | 9,022,665                     | -   | 9,022,665                    |
| Receivables – gross             | 8,568,806   | 2,243,203,206                 | 314,178,343   | 2,565,950,355                |
| Allowance for impairment        | -   | -                             | ( 289,326,103)  | ( 289,326,103)               |
| Receivables – net               | 8,568,806   | 2,243,203,206                 | 24,852,240  | 2,276,624,252                |
|                                 | <b><u>P 86,488,680</u></b>                              | <b><u>P 2,243,203,206</u></b> | <b><u>P 24,852,240</u></b>                            | <b><u>P2,354,544,126</u></b> |

High Grade credit quality pertains to financial assets with insignificant risk of default based on historical experience. On the other hand, Standard Grade credit quality pertains to financial assets not belonging to High Grade credit quality financial assets but does not exhibit any default or possible impairment.

Certain receivables of the Group are partially secured by borrowers' collaterals and customers' shares of stock traded in the PSE that are held by the Group. Other financial assets are not secured by collateral or other credit enhancements.

Management believes that the amount of past due but not individually impaired receivables are still recoverable as the Group's management has regular communication with the debtors for the settlement of the receivables. In respect of receivables, the Group is not exposed to any significant credit risk exposure to any group of counterparties having similar characteristics; however, the Group is exposed to significant credit risk exposure to a number of counterparties due to significance of outstanding receivables from these counterparties. Nevertheless, the Group's management does not consider the risks to be probable since, based on historical information about counterparties' default rates and payment history, management considers the credit quality of receivables that are not past due or impaired to be good.

#### 4.4 *Liquidity Risk*

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by the Group's ability to sell long-term financial assets.

As at December 31, 2017 and 2016, the Group's financial liabilities have contractual maturities which are presented below.

|   | <u>Within<br/>Six Months</u>  | <u>Between Six<br/>to 12 Months</u> | <u>Total</u>                  |
|---|-------------------------------|-------------------------------------|-------------------------------|
| <b><u>December 31, 2017</u></b>   |                               |                                     |                               |
| Interest-bearing loans and borrowings   | P 3,848,876,693               | P 261,821,774                       | P 4,110,698,467               |
| Due to customers  | 371,563,965                   | -                                   | 371,563,965                   |
| Accounts payable and other liabilities (excluding post-employment defined benefit obligation and taxes payable) | <u>22,549,763</u>             | <u>112,893,911</u>                  | <u>135,443,674</u>            |
|   | <b><u>P 4,242,990,421</u></b> | <b><u>P 374,715,685</u></b>         | <b><u>P 4,617,706,106</u></b> |
| <b><u>December 31, 2016</u></b>   |                               |                                     |                               |
| Interest-bearing loans and borrowings   | P 3,230,814,505               | P 239,317,983                       | P 3,470,132,488               |
| Due to customers  | 185,916,065                   | -                                   | 185,916,065                   |
| Accounts payable and other liabilities (excluding post-employment defined benefit obligation and taxes payable) | <u>19,831,549</u>             | <u>105,311,558</u>                  | <u>125,143,107</u>            |
|   | <b><u>P 3,436,562,119</u></b> | <b><u>P 344,629,541</u></b>         | <b><u>P 3,781,191,660</u></b> |

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting period.

#### 4.5 Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVTPL and AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

The observed volatility rates using standard deviation of the fair values of the Group's investments held at fair value and their impact on the Group's consolidated net profit and consolidated other comprehensive income as of December 31, 2017 and 2016 are summarized as follows:

|   | Increase | Decrease | Impact of Increase   |                            | Impact of Decrease     |                            |
|---|----------|----------|----------------------|----------------------------|------------------------|----------------------------|
|   |          |          | Net Profit           | Other Comprehensive Income | Net Profit             | Other Comprehensive Income |
| <b>2017</b>   |          |          |                      |                            |                        |                            |
| Financial assets at FVTPL                                   | +10.04%  | -10.04%  | P 96,022,100         | P -                        | (P 96,022,100)         | P -                        |
| AFS financial assets<br>Berjaya Philippines,<br>Inc. (BCOR) | +30.84%  | -30.84%  | -                    | 559,826,023                | -                      | ( 559,826,023)             |
|   |          |          | <b>P 96,022,100</b>  | <b>P 559,826,023</b>       | <b>(P 96,022,100)</b>  | <b>(P 559,826,023)</b>     |
| <b>2016</b>   |          |          |                      |                            |                        |                            |
| Financial assets at FVTPL                                   | +12.97%  | -12.97%  | P 125,816,443        | P -                        | (P 125,816,443)        | P -                        |
| AFS financial assets<br>Berjaya Philippines,<br>Inc. (BCOR) | +66.52%  | -66.52%  | -                    | 1,585,470,495              | -                      | ( 1,585,470,495)           |
|   |          |          | <b>P 125,816,443</b> | <b>P 1,585,470,495</b>     | <b>(P 125,816,443)</b> | <b>(P 1,585,470,495)</b>   |

The investments in listed equity securities (classified as AFS financial assets) are considered long-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments.

The volatility rates of investment in golf club shares were not presented as of December 31, 2017 and 2016 since the impact of these volatility rates using standard deviation of the golf club shares on the consolidated other comprehensive income would not be significant.

## 5. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below and in the succeeding page.

|                         | Notes | 2017                  |                       | 2016                   |                        |
|-------------------------|-------|-----------------------|-----------------------|------------------------|------------------------|
|                         |       | Carrying Amounts      | Fair Values           | Carrying Amounts       | Fair Values            |
| <b>Financial assets</b> |       |                       |                       |                        |                        |
| Loans and receivables:  |       |                       |                       |                        |                        |
| Cash                    | 7     | P 105,019,902         | P 105,019,902         | P 77,919,874           | P 77,919,874           |
| Receivables – net       | 10    | <u>2,875,963,423</u>  | <u>2,875,963,423</u>  | <u>2,276,624,252</u>   | <u>2,276,624,252</u>   |
| Balance carried forward |       | <b>P2,980,983,325</b> | <b>P2,980,983,325</b> | <b>P 2,354,544,126</b> | <b>P 2,354,544,126</b> |

|  | Notes | 2017                         |                              | 2016                   |                        |
|--|-------|------------------------------|------------------------------|------------------------|------------------------|
|  |       | Carrying Amounts             | Fair Values                  | Carrying Amounts       | Fair Values            |
| <i>Balance brought forward</i>         |       | <b>P2,980,983,325</b>        | <b>P2,980,983,325</b>        | P 2,354,544,126        | P 2,354,544,126        |
| Financial assets at FVTPL              | 8     | <b>956,395,411</b>           | <b>956,395,411</b>           | 970,057,383            | 970,057,383            |
| AFS financial assets                   | 9     | <b><u>1,829,878,313</u></b>  | <b><u>1,829,878,313</u></b>  | <u>2,397,978,166</u>   | <u>2,397,978,166</u>   |
|  |       | <b><u>2,786,273,724</u></b>  | <b><u>2,786,273,724</u></b>  | <u>3,368,035,549</u>   | <u>3,368,035,549</u>   |
|  |       | <b><u>P5,767,257,049</u></b> | <b><u>P5,767,257,049</u></b> | <u>P 5,722,579,675</u> | <u>P 5,722,579,675</u> |
| <b><i>Financial liabilities</i></b>    |       |                              |                              |                        |                        |
| At amortized cost:                     |       |                              |                              |                        |                        |
| Interest-bearing loans and borrowings  | 14    | <b>P4,086,835,020</b>        | <b>P4,086,835,020</b>        | P 3,451,593,736        | P 3,451,593,736        |
| Due to customers                       | 15    | <b>371,563,965</b>           | <b>371,563,965</b>           | 185,916,065            | 185,916,065            |
| Accounts payable and other liabilities | 16    | <b><u>135,443,674</u></b>    | <b><u>135,443,674</u></b>    | <u>125,143,107</u>     | <u>125,143,107</u>     |
|  |       | <b><u>P4,593,842,659</u></b> | <b><u>P4,593,842,659</u></b> | <u>P 3,762,652,908</u> | <u>P 3,762,652,908</u> |

## 5.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting agreement:

|                                 |      | Gross amounts recognized in the consolidated statements of financial position |                               | Net amount presented in the consolidated statements of financial position |
|---------------------------------|------|---|-------------------------------|---|
|                                 | Note | Financial assets  | Financial liabilities set-off |   |
| <b><u>December 31, 2017</u></b> |      |   |                               |   |
| Due from (to) clearing house    | 10   | <b><u>P 508,319,475</u></b>   | <b><u>(P 370,487,060)</u></b> | <b><u>P 137,832,415</u></b>   |
| <b><u>December 31, 2016</u></b> |      |   |                               |   |
| Due from (to) clearing house    | 10   | <b><u>P 337,737,605</u></b>   | <b><u>(P 299,906,664)</u></b> | <b><u>P 37,830,941</u></b>  |

Certain amounts of ASC's due from customers are set-off with certain amounts of its due to customers. The Parent Company and ACIC agreed with the ASC's directors and key officers in an offsetting arrangement wherein any amounts due from the directors and key officers (which are included as part of Due from Customers in the consolidated statements of financial position) arising from trading transactions will be offset against the related amount of due to customers that is payable to the Parent Company and ACIC.

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between ASC and its customers allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis.

There were no other financial assets and financial liabilities set-off in 2017 and 2016 other than the receivables from clearing house and amounts due to customers.

Currently, other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument, particularly related parties, will have the option to settle all such amounts on a net basis in the event of default of the other party through approval of both parties.

### 5.3 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets, which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### 5.4 Financial Instrument Measured at Fair Value

The tables below show the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of December 31, 2017 and 2016.

|                           | <u>Level 1</u>                | <u>Level 2</u>            | <u>Level 3</u>    | <u>Total</u>                  |
|---------------------------|-------------------------------|---------------------------|-------------------|-------------------------------|
| <b>December 31, 2017</b>  |                               |                           |                   |                               |
| Financial assets at FVTPL | P 956,395,411                 | P -                       | P -               | P 956,395,411                 |
| AFS financial assets      | <u>1,815,259,478</u>          | <u>6,270,000</u>          | <u>-</u>          | <u>1,821,529,478</u>          |
|                           | <b><u>P 2,771,654,889</u></b> | <b><u>P 6,270,000</u></b> | <b><u>P -</u></b> | <b><u>P 2,777,924,889</u></b> |
| <b>December 31, 2016</b>  |                               |                           |                   |                               |
| Financial assets at FVTPL | P 970,057,383                 | P -                       | P -               | P 970,057,383                 |
| AFS financial assets      | <u>2,383,449,331</u>          | <u>6,180,000</u>          | <u>-</u>          | <u>2,389,629,331</u>          |
|                           | <b><u>P 3,353,506,714</u></b> | <b><u>P 6,180,000</u></b> | <b><u>P -</u></b> | <b><u>P 3,359,686,714</u></b> |

All financial instruments classified as AFS financial assets amounting to P1,815,259,478 and P2,383,449,331 as of December 31, 2017 and 2016, respectively, are classified as Level 1, while golf club shares amounting to P6,270,000 and P6,180,000 as of December 31, 2017 and 2016, respectively, are classified as Level 2 in fair value hierarchy. Investments in unquoted equity securities amounting to P8,348,835 both in 2017 and 2016, which are measured at cost because the fair value cannot be reliably measured, are not included in the fair value hierarchy (see Note 9).

There were no financial liabilities measured at fair value as of December 31, 2017 and 2016.

### 5.5 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

|  | <u>Level 1</u>              | <u>Level 2</u>    | <u>Level 3</u>                | <u>Total</u>                  |
|--|-----------------------------|-------------------|-------------------------------|-------------------------------|
| <b><u>December 31, 2017</u></b>        |                             |                   |                               |                               |
| <i>Financial assets:</i>               |                             |                   |                               |                               |
| Cash                                   | P 105,019,902               | P -               | P -                           | P 105,019,902                 |
| Receivables - net                      | -                           | -                 | 2,875,963,423                 | 2,875,963,423                 |
|  | <b><u>P 105,019,902</u></b> | <b><u>P -</u></b> | <b><u>P 2,875,963,423</u></b> | <b><u>P 2,980,983,325</u></b> |
| <i>Financial liabilities:</i>          |                             |                   |                               |                               |
| Interest-bearing loans and borrowings  | P -                         | P -               | P 4,086,835,020               | P 4,086,835,020               |
| Due to customers                       | -                           | -                 | 371,563,965                   | 371,563,965                   |
| Accounts payable and other liabilities | -                           | -                 | 135,443,674                   | 135,443,674                   |
|  | <b><u>P -</u></b>           | <b><u>P -</u></b> | <b><u>P 4,593,842,659</u></b> | <b><u>P 4,593,842,659</u></b> |
| <b><u>December 31, 2016</u></b>        |                             |                   |                               |                               |
| <i>Financial assets:</i>               |                             |                   |                               |                               |
| Cash                                   | P 77,919,874                | P -               | P -                           | P 77,919,874                  |
| Receivables - net                      | -                           | -                 | 2,276,624,252                 | 2,276,624,252                 |
|  | <b><u>P 77,919,874</u></b>  | <b><u>P -</u></b> | <b><u>P 2,276,624,252</u></b> | <b><u>P 2,354,544,126</u></b> |
| <i>Financial liabilities:</i>          |                             |                   |                               |                               |
| Interest-bearing loans and borrowings  | P -                         | P -               | P 3,451,593,736               | P 3,451,593,736               |
| Due to customers                       | -                           | -                 | 185,916,065                   | 185,916,065                   |
| Accounts payable and other liabilities | -                           | -                 | 125,143,107                   | 125,143,107                   |
|  | <b><u>P -</u></b>           | <b><u>P -</u></b> | <b><u>P 3,762,652,908</u></b> | <b><u>P 3,762,652,908</u></b> |

For cash, with fair value included in Level 1, fair value is based on unadjusted quoted amount from the counterparty banks.

The fair values of the financial assets and financial liabilities included in Level 3 in the preceding page, which are not traded in an active market is determined by reference to the current market value of another instrument, which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

### **5.6 Fair Value Measurement of Non-financial Assets**

The market value of the Group's investment properties, which consist of condominium units, amounted to P58,827,000 both in December 31, 2017 and 2016, and is based on the market comparable approach that reflects recent transaction prices for similar properties and adjacent properties.

The Level 3 fair value of the condominium units was derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties (see Note 13.4).

## **6. SEGMENT REPORTING**

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized into the following business segments:

- (a) *Securities brokerage* – handles buying and selling of shares of stock, bonds and other securities.
- (b) *Investment banking* – provides services which include underwriting of financial instruments and management fees from financial and management advisory services.
- (c) *Leasing and others* – includes leasing of condominium units and other segment activities, none of which constitute a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds ranges from 4.00% to 6.75% in 2017 and from 5.00% to 7.00% in 2016 (see Note 14).

Inter-segment revenues and expenses also include rentals from the operating leases on condominium units managed by certain segments. There are no other material items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

The tables below present revenue and profit information regarding industry segments for the years ended December 31, 2017, 2016 and 2015 and certain assets and liabilities information regarding industry segments as at December 31, 2017, 2016 and 2015.

| December 31, 2017             |                         |                         |                         |                             |                          |                         |
|-------------------------------|-------------------------|-------------------------|-------------------------|-----------------------------|--------------------------|-------------------------|
|                               | Securities<br>Brokerage | Investment<br>Banking   | Leasing<br>and Others   | Total before<br>Elimination | Elimination              | Group                   |
| Revenues :                    |                         |                         |                         |                             |                          |                         |
| External                      | P 207,604,884           | P 259,341,484           | P 13,030,346            | P 474,293,759               | P -                      | P 474,293,759           |
| Inter-segment                 | <u>146,424</u>          | <u>36,200,223</u>       | <u>8,282,016</u>        | <u>44,628,663</u>           | <u>( 44,628,663 )</u>    | <u>-</u>                |
|                               | <u>207,751,308</u>      | <u>295,541,707</u>      | <u>21,312,362</u>       | <u>518,922,422</u>          | <u>( 44,628,663 )</u>    | <u>474,293,759</u>      |
| Expenses:                     |                         |                         |                         |                             |                          |                         |
| External                      | 147,289,696             | 261,072,140             | 43,954,906              | 452,316,742                 | -                        | 452,316,742             |
| Inter-segment                 | <u>43,833,108</u>       | <u>379,358</u>          | <u>136,197</u>          | <u>44,348,663</u>           | <u>( 44,348,663 )</u>    | <u>-</u>                |
|                               | <u>197,122,804</u>      | <u>261,451,498</u>      | <u>44,091,103</u>       | <u>496,665,405</u>          | <u>( 44,348,663 )</u>    | <u>452,316,742</u>      |
| Profit (loss) before tax      | <u>P 16,628,504</u>     | <u>P 34,090,209</u>     | <u>( P 28,641,696 )</u> | <u>P 22,257,017</u>         | <u>( P 280,000 )</u>     | <u>P 21,977,017</u>     |
| Net profit (loss)             | <u>P 12,613,571</u>     | <u>( P 2,962,854 )</u>  | <u>( P 28,742,677 )</u> | <u>( P 19,091,960 )</u>     | <u>( P 280,000 )</u>     | <u>( P 19,371,960 )</u> |
| Segment assets                | <u>P 933,449,625</u>    | <u>P 5,268,555,048</u>  | <u>P 769,757,185</u>    | <u>P 6,971,761,858</u>      | <u>( P 887,530,161 )</u> | <u>P 6,084,231,697</u>  |
| Segment liabilities           | <u>P 561,470,172</u>    | <u>P 3,566,407,885</u>  | <u>P 582,382,561</u>    | <u>P 4,710,260,618</u>      | <u>( P 70,331,400 )</u>  | <u>P 4,639,929,218</u>  |
| Other segment items:          |                         |                         |                         |                             |                          |                         |
| Capital expenditures          | <u>P 23,740,844</u>     | <u>P 119,928</u>        | <u>P -</u>              | <u>P 23,860,772</u>         | <u>P -</u>               | <u>P 23,860,772</u>     |
| Depreciation and amortization | <u>P 8,013,527</u>      | <u>P 1,128,989</u>      | <u>P 4,631,180</u>      | <u>P 13,773,696</u>         | <u>P -</u>               | <u>P 13,773,696</u>     |
| December 31, 2016             |                         |                         |                         |                             |                          |                         |
|                               | Securities<br>Brokerage | Investment<br>Banking   | Leasing<br>and Others   | Total before<br>Elimination | Elimination              | Group                   |
| Revenues :                    |                         |                         |                         |                             |                          |                         |
| External                      | P 213,309,721           | P 133,972,187           | P 74,357,297            | P 421,639,205               | P -                      | P 421,639,205           |
| Inter-segment                 | <u>80,256</u>           | <u>36,869,800</u>       | <u>8,282,016</u>        | <u>45,232,072</u>           | <u>( 50,820,133 )</u>    | <u>( 5,588,061 )</u>    |
|                               | <u>213,389,977</u>      | <u>170,841,987</u>      | <u>82,639,313</u>       | <u>466,871,277</u>          | <u>( 50,820,133 )</u>    | <u>416,051,144</u>      |
| Expenses:                     |                         |                         |                         |                             |                          |                         |
| External                      | 128,495,182             | 236,727,727             | 39,288,673              | 404,511,582                 | -                        | 404,511,582             |
| Inter-segment                 | <u>44,634,105</u>       | <u>1,164,060</u>        | <u>-</u>                | <u>45,798,165</u>           | <u>( 45,798,165 )</u>    | <u>-</u>                |
|                               | <u>173,129,287</u>      | <u>237,891,787</u>      | <u>39,288,673</u>       | <u>450,309,747</u>          | <u>( 45,798,165 )</u>    | <u>404,511,582</u>      |
| Profit (loss) before tax      | <u>P 40,260,690</u>     | <u>( P 67,049,800 )</u> | <u>P 43,350,640</u>     | <u>P 16,561,530</u>         | <u>( P 5,021,968 )</u>   | <u>P 11,539,562</u>     |
| Net profit (loss)             | <u>P 26,928,259</u>     | <u>( P 68,517,910 )</u> | <u>P 43,088,331</u>     | <u>P 1,498,680</u>          | <u>( P 5,021,968 )</u>   | <u>( P 3,523,288 )</u>  |
| Segment assets                | <u>P 804,813,727</u>    | <u>P 5,484,674,256</u>  | <u>P 738,806,253</u>    | <u>P 7,028,294,236</u>      | <u>( P 972,487,433 )</u> | <u>P 6,055,806,803</u>  |
| Segment liabilities           | <u>P 440,484,216</u>    | <u>P 2,991,717,019</u>  | <u>P 528,189,436</u>    | <u>P 3,960,390,671</u>      | <u>( P 152,141,983 )</u> | <u>P 3,808,248,688</u>  |
| Other segment items:          |                         |                         |                         |                             |                          |                         |
| Capital expenditures          | <u>P 11,054,321</u>     | <u>P -</u>              | <u>P -</u>              | <u>P 11,054,321</u>         | <u>P -</u>               | <u>P 11,054,321</u>     |
| Depreciation and amortization | <u>P 5,718,587</u>      | <u>P 1,148,734</u>      | <u>P 4,631,184</u>      | <u>P 11,498,505</u>         | <u>P -</u>               | <u>P 11,498,505</u>     |
| December 31, 2015             |                         |                         |                         |                             |                          |                         |
|                               | Securities<br>Brokerage | Investment<br>Banking   | Leasing<br>and Others   | Total before<br>Elimination | Elimination              | Group                   |
| Revenues :                    |                         |                         |                         |                             |                          |                         |
| External                      | P 182,646,043           | P 139,949,383           | P 46,090,090            | P 368,685,516               | P -                      | P 368,685,516           |
| Inter-segment                 | <u>65,331</u>           | <u>41,016,185</u>       | <u>8,282,016</u>        | <u>49,363,532</u>           | <u>( 50,365,277 )</u>    | <u>( 1,001,745 )</u>    |
|                               | <u>182,711,374</u>      | <u>180,965,568</u>      | <u>54,372,106</u>       | <u>418,049,048</u>          | <u>( 50,365,277 )</u>    | <u>367,683,771</u>      |
| Expenses :                    |                         |                         |                         |                             |                          |                         |
| External                      | 130,998,544             | 206,833,830             | 31,041,046              | 368,873,420                 | -                        | 368,873,420             |
| Inter-segment                 | <u>39,237,839</u>       | <u>10,125,694</u>       | <u>-</u>                | <u>49,363,533</u>           | <u>( 49,363,533 )</u>    | <u>-</u>                |
|                               | <u>170,236,383</u>      | <u>216,959,524</u>      | <u>31,041,046</u>       | <u>418,236,953</u>          | <u>( 49,363,533 )</u>    | <u>368,873,420</u>      |
| Profit (loss) before tax      | <u>P 12,474,991</u>     | <u>( P 35,993,956 )</u> | <u>P 23,331,060</u>     | <u>( P 187,905 )</u>        | <u>( P 1,001,744 )</u>   | <u>( P 1,189,649 )</u>  |
| Net profit (loss)             | <u>P 6,084,177</u>      | <u>( P 25,032,510 )</u> | <u>P 23,042,702</u>     | <u>P 4,094,369</u>          | <u>P 1,001,744</u>       | <u>P 3,092,625</u>      |
| Segment assets                | <u>P 692,819,973</u>    | <u>P 4,949,705,160</u>  | <u>P 562,527,202</u>    | <u>P 6,205,052,335</u>      | <u>( P 894,057,421 )</u> | <u>P 5,310,994,914</u>  |
| Segment liabilities           | <u>P 354,837,284</u>    | <u>P 2,518,409,157</u>  | <u>P 394,816,246</u>    | <u>P 3,268,062,687</u>      | <u>( P 78,733,940 )</u>  | <u>P 3,189,328,747</u>  |
| Other segment items :         |                         |                         |                         |                             |                          |                         |
| Capital expenditures          | <u>P 1,850,772</u>      | <u>P -</u>              | <u>P -</u>              | <u>P 1,850,772</u>          | <u>P -</u>               | <u>P 1,850,772</u>      |
| Depreciation and Amortization | <u>P 6,347,762</u>      | <u>P 1,499,304</u>      | <u>P 4,631,184</u>      | <u>P 12,478,250</u>         | <u>P 280,000</u>         | <u>P 12,758,250</u>     |

## 7. CASH

This account includes the following:

|               | <u>2017</u>                 | <u>2016</u>                |
|---------------|-----------------------------|----------------------------|
| Cash in banks | <b>P 104,933,281</b>        | P 77,833,253               |
| Cash on hand  | <u>86,621</u>               | <u>86,621</u>              |
|               | <b><u>P 105,019,902</u></b> | <b><u>P 77,919,874</u></b> |

In compliance with the Securities Regulation Code (SRC) Rule 49.2 covering customer protection, reserves and custody of securities, the Group maintains a special reserve bank account for the exclusive benefit of its customers in relation to the Group's securities and brokerage business. Reserve requirement is determined on a monthly basis using SEC-prescribed computation. The bank account has an unrestricted balance of P45,359,652 and P1,339,758 as of December 31, 2017 and 2016, respectively.

Foreign currency-denominated cash amounts to P347,913 (US\$6,969) and P186,451 (US\$3,743) as of December 31, 2017 and 2016, respectively (see Note 4.2).

Cash in banks generally earn interest based on daily bank deposit rates (see Note 20.1).

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets at FVTPL are composed of equity securities with a total fair value amounting to P956,395,411 and P970,057,383 as of December 31, 2017 and 2016, respectively.

Equity securities include investments in shares of stock of publicly-listed entities which are held solely for trading purposes. These shares are carried at fair value as determined directly by reference to published prices quoted in an active market. For investments in shares of stock of publicly-listed entities, which are suspended for trading as of the end of the reporting period, if any, the last transacted price was used in the determination of fair value.

The net gain on sale of financial assets at FVTPL amounted to P59,488,085 in 2017, P57,747,281 in 2016 and P45,515,945 in 2015. These are presented as part of Gain on Sale of Investments under the Finance Income account in the consolidated statements of profit or loss (see Note 20.1).

The Group recognized changes in fair value of financial assets at FVTPL amounting to a loss of P3,438,627 in 2017, and a gain of P79,475,778 and P30,491,273 in 2016 and 2015, respectively. These are presented as part of Finance Income or Finance Costs in the consolidated statements of profit or loss (see Notes 20.1 and 20.2).

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS financial assets pertain to the shares of stock in the following corporations:

|                                 | <u>2017</u>                   | <u>2016</u>            |
|---------------------------------|-------------------------------|------------------------|
| At fair value:                  |                               |                        |
| BCOR                            | <b>P 1,815,259,478</b>        | P 2,383,449,331        |
| Others – club shares            | <u><b>6,270,000</b></u>       | <u>6,180,000</u>       |
|                                 | <u><b>1,821,529,478</b></u>   | <u>2,389,629,331</u>   |
| At cost:                        |                               |                        |
| Metro Pacific Corporation (MPC) | <b>5,348,835</b>              | 5,348,835              |
| Others                          | <u><b>3,000,000</b></u>       | <u>3,000,000</u>       |
|                                 | <u><b>8,348,835</b></u>       | <u>8,348,835</u>       |
|                                 | <u><b>P 1,829,878,313</b></u> | <u>P 2,397,978,166</u> |

The movements of AFS financial assets are as follows:

|                               | <u>Note</u> | <u>2017</u>                   | <u>2016</u>            |
|-------------------------------|-------------|-------------------------------|------------------------|
| Balance at beginning of year  |             | <b>P 2,397,978,166</b>        | P 2,361,529,820        |
| Additions                     |             | <b>250,204,385</b>            | 13,162,250             |
| Disposals                     |             | <b>( 31,765,352)</b>          | ( 105,766,262)         |
| Realized fair value gains     |             |                               |                        |
| transferred to profit or loss | 20.1        | <b>( 224,735,836)</b>         | ( 92,425,144)          |
| Unrealized fair value gains   |             |                               |                        |
| (losses) – net                |             | <u><b>( 561,803,050)</b></u>  | <u>221,477,502</u>     |
| Balance at end of year        |             | <u><b>P 1,829,878,313</b></u> | <u>P 2,397,978,166</u> |

Other AFS financial assets pertain to proprietary membership in golf and country club shares.

The fair values of the listed equity securities were determined directly by reference to quoted prices published by the PSE and are classified under Level 1 in the fair value hierarchy (see Note 5.3). On the other hand, the fair values of the club shares were determined using the prices published by an SEC-registered club share broker.

Investments in Universal Rightfield Properties and Philippine Central Depository, publicly listed companies whose shares are suspended for trading, were valued at cost amounting to P144,910,130 and P22,800, respectively, and were fully impaired as of December 31, 2017 and 2016. The Group's investments in MPC with a cost of P10,697,669 is partially impaired with an allowance of P5,348,834.

Fair value losses on AFS financial assets amounting to P561,803,050 and 75,705,489 in 2017 and 2015, respectively, and fair value gains amounting to P221,477,502 in 2016, are presented in the consolidated statements of comprehensive income as items that will be reclassified subsequently to profit or loss. Accordingly, as a result of investment disposals, the cumulative fair value gains amounting to P224,735,836, P92,425,144 and P98,921,767 in 2017, 2016 and 2015, respectively, were realized and reclassified from equity and are included as part of Gain on sale of investments under the Finance Income account in the consolidated statements of profit or loss (see Note 20.1).

Net cumulative fair value changes on AFS financial assets amount to P1,194,681,692 and P1,981,220,578 as of December 31, 2017 and 2016, respectively, and are presented as part of the Revaluation Reserves account in the consolidated statements of financial position (see Note 17.2).

## 10. RECEIVABLES

The breakdown of this account is as follows:

|                          | <u>Notes</u> | <u>2017</u>                   | <u>2016</u>            |
|--------------------------|--------------|-------------------------------|------------------------|
| Current:                 |              |                               |                        |
| Customers/brokers        | 10.2         | <b>P 2,013,606,193</b>        | P 1,518,388,751        |
| Due from clearing house  | 5.2          | <b>137,832,415</b>            | 37,830,941             |
| Management fees          | 11.1         | <b>51,000,000</b>             | 42,500,000             |
| Accounts receivable      |              | <b>12,905,347</b>             | 8,568,806              |
| Others                   | 11.3         | <b>9,929,969</b>              | 6,908,662              |
|                          |              | <b><u>2,225,273,924</u></b>   | <u>1,614,197,160</u>   |
| Non-current:             |              |                               |                        |
| Equity margin loans      | 10.1         | <b>631,010,178</b>            | 631,010,178            |
| Accounts receivable      | 10.3,        |                               |                        |
|                          | 11.2         | <b>173,910,002</b>            | 175,902,118            |
| Notes receivables        | 10.4         | <b>72,963,743</b>             | 77,585,266             |
| Interest receivables     | 10.4         | <b>65,141,630</b>             | 65,141,630             |
| Others                   | 11.5         | <b>4,221,059</b>              | 2,114,003              |
|                          |              | <b><u>947,246,612</u></b>     | <u>951,753,195</u>     |
|                          |              | <b>3,172,520,536</b>          | 2,565,950,355          |
| Allowance for impairment |              | <b>( <u>296,557,113</u> )</b> | ( <u>289,326,103</u> ) |
|                          |              | <b><u>P 2,875,963,423</u></b> | <u>P 2,276,624,252</u> |

A reconciliation of the allowance for impairment at the beginning and end of 2017 and 2016 is shown below.

|                              | <u>Note</u> | <u>2017</u>                 | <u>2016</u>          |
|------------------------------|-------------|-----------------------------|----------------------|
| Balance at beginning of year |             | <b>P 289,326,103</b>        | P 284,326,103        |
| Impairment losses            | 20.2        | <b><u>7,231,010</u></b>     | <u>5,000,000</u>     |
| Balance at end of year       |             | <b><u>P 296,557,113</u></b> | <u>P 289,326,103</u> |

All receivables of the Group have been reviewed for indications of impairment. Management believes that the allowance for impairment is adequate to cover any losses from its receivables. The Group is in constant communication with the debtors for the settlement of the receivables.

### ***10.1 Equity Margin Loans***

Effective January 1, 2007 and until the Group's BOD reverses the resolution, management decided to stop recognizing interest on equity margin loans by virtue of a board resolution after the Group received requests from its customers for a moratorium on interest charges on equity margin loans. These receivables are secured by certain marketable shares of stock (pledged by certain customers) with a total market value of P596,740,122 and P617,291,132 as of December 31, 2017 and 2016, respectively.

### ***10.2 Due from/to Customers/Brokers***

Due from/to customers pertain to outstanding receivable from/payable to customers and brokers related to the Group's securities trading transactions and are normally settled within three days from transaction date. Receivables are subjected to impairment testing based on the present value of the estimated future cash flows.

### ***10.3 Accounts Receivable***

Accounts receivable include a receivable from Kestrel Resources Philippines, Inc. (Kestrel), a third party engaged in purchasing receivables, amounting to P100,467,026 and P102,467,026 as of December 31, 2017 and 2016, respectively, which arose from an Assignment of Receivables Agreement executed between the Group and Kestrel on April 12, 2002. Under the agreement, the amount collected by Kestrel, including accrued interest, shall be payable to the Group on or before December 31, 2006, which date was subsequently extended to December 31, 2021. These receivables represent the balance of an equity margin loan of a previous customer after deducting a partial settlement through a *dacion en pago* arrangement, whereby the original debtor transferred to the Group certain condominium units valued at P65,280,000 (see Note 13.4).

Under the terms of the assignment, Kestrel grants the Group a call option on all but not part of the receivables, including uncollected but accrued earnings, which have not been collected at the time of the exercise of the call option. The call option is exercisable by the Group any time prior to November 30, 2016. The exercise price of the call option is equal to the uncollected principal of the receivables. The portion of the receivables already collected prior to the exercise of the call option shall constitute the remaining obligation of Kestrel to the Group, which is payable on or before December 31, 2021. The call option is considered closely related to its host contract since the exercise price on each exercise date is equivalent to the carrying amount of the host contract.

Management is confident that the receivables will be realized and Kestrel will eventually be able to settle its obligations. The Group's management also estimated that the proceeds of the receivables including interest and other charges will be sufficient to recover the carrying amount of the receivables. In 2017 and 2016, the Group collected P2,000,000 on these receivables. Impairment loss amounting to P5,000,000 was recognized in 2016, and is recorded as part of Finance Costs in the 2016 consolidated statement of profit or loss (see Note 20.2). As of December 31, 2017 and 2016, the Group has provided allowance for impairment on receivable from Kestrel amounting to P40,000,000.

#### 10.4 Notes and Interest Receivables

Notes and interest receivables represent unsecured outstanding claims from an individual, which are due upon demand.

### 11. RELATED PARTY TRANSACTIONS

The summary of the Group's significant transactions with its related parties as of and for the years ended December 31, 2017, 2016 and 2015 is as follows:

| Related Party Category   | Notes | 2017                   |                      | 2016                   |                      | 2015                   |                      |
|--|-------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
|  |       | Amount of Transactions | Outstanding Balances | Amount of Transactions | Outstanding Balances | Amount of Transactions | Outstanding Balances |
| <b>Related Parties Under Common Ownership or Directorship:</b> |       |                        |                      |                        |                      |                        |                      |
| Management fees  | 11.1  | P 30,000,000           | P 51,000,000         | P 40,000,000           | P 42,500,000         | P 40,000,000           | P 34,000,000         |
| Lease of properties  | 11.3  | 2,492,842              | 4,561,822            | 137,826                | 2,285,505            | 1,458,915              | 2,248,469            |
| <b>Employees –</b>   |       |                        |                      |                        |                      |                        |                      |
| Granting (collections) of advances                             | 11.2  | ( 75,846)              | 1,095,572            | ( 4,851,802 )          | 1,171,418            | 852,509                | 6,569,027            |
| <b>Key management Personnel:</b>                               |       |                        |                      |                        |                      |                        |                      |
| Compensation   | 11.4  | 22,004,623             | -                    | 21,172,267             | -                    | 19,247,367             | -                    |
| Acquisition of transportation equipment                        | 11.5  | 6,619,180              | 6,585,079            | -                      | -                    | -                      | -                    |
| Transfer of transportation equipment                           | 11.5  | 1,236,667              | -                    | -                      | -                    | -                      | -                    |
| Fair value of plan assets                                      | 11.6  | -                      | 30,615,920           | -                      | 30,254,228           | -                      | 20,191,873           |

All receivables from related parties have been reviewed for indications of impairment. Based on management's assessment, no impairment losses are required to be recognized on these receivables at the end of each reporting period.

#### 11.1 Management Fees

The Group earns management fees from Philippine Gaming Management Corporation (PGMC), an entity under common key management personnel, by virtue of the Management Services Agreement (the Agreement) between the Parent Company and PGMC.

Management fees amounted to P30,000,000 in 2017 and P40,000,000 both in 2016 and 2015, and are presented as Management Fees in the consolidated statements of profit or loss. Management fees receivable amounts to P51,000,000 and P42,500,000 as of December 31, 2017 and 2016, respectively, and are unsecured, noninterest-bearing and payable in cash upon demand. These receivables are presented as part of Receivables - Net in the consolidated statements of financial position (see Note 10).

#### 11.2 Granting of Advances

The Group grants unsecured loans to employees with interest rates ranging from 6.00% to 12.00% in both 2017 and 2016. Receivables from employees as of December 31, 2017 and 2016 amount to P1,095,572 and P1,171,418, respectively. These are presented as part of Accounts Receivables under the Receivables account in the consolidated statements of financial position (see Note 10.3).

### ***11.3 Lease of Properties***

The Group has a lease agreement with Berjaya Pizza Philippines, Inc. (BPPI), a related party under common key management personnel, covering certain office spaces. Rent income recognized by the Group from this transaction amounted to P2,492,842 in 2017, P137,826 in 2016 and P1,458,915 in 2015, and is included as part of Others under the Income section in the consolidated statements of profit or loss. The outstanding receivable from this transaction amounts to P4,561,822 and P2,285,505 as of December 31, 2017 and 2016, respectively, and is included as part of Others under the Receivables account in the consolidated statements of financial position (see Note 10). The outstanding balance of receivable from BPPI is unsecured, non-interest bearing and collectible in cash upon demand.

### ***11.4 Key Management Personnel Compensation***

Short-term benefits to key management personnel amounted to P22,004,623, P21,172,267 and P19,247,367 in 2017, 2016, and 2015, respectively, and is presented as part of Salaries and employee benefits account in the consolidated statements of profit or loss.

### ***11.5 Transfer and Acquisition of Equipment***

In 2017, the Group acquired certain transportation equipment through finance lease arrangements (see Note 12). The capitalized cost of the acquired transportation equipment is only up to certain limit cognizant to the car executive plan policy of the Group while the remaining difference, i.e. between the cost to acquire the equipment and the cost covered by the plan policy, is recorded as receivables from employees, which is presented as part of Others under Receivables – Net account in the 2017 consolidated statement of financial position (see Note 10).

Also in 2017, the Group transferred certain transportation equipment to its key management personnel with a carrying amount of P1,236,667 (see Note 12). The Group received cash settlement arising from this transaction equal to the carrying amount of the assets transferred; hence, no gain or loss recognized.

### ***11.6 Retirement Plan***

The Group's plan assets are maintained and consolidated under a multi-employer retirement plan which is administered and managed under a trust agreement. The fair value and the composition of the plan assets as of December 31, 2017 and 2016 are presented in Note 18.2.

## 12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment, at the beginning and end of 2017 and 2016 are shown below.

|   |          | <u>Condominium<br/>Units</u> |          | <u>Building<br/>Improvements</u> |          | <u>Transportation<br/>Equipment</u> |          | <u>Computer<br/>Equipment</u> |          | <u>Furniture,<br/>Fixtures and<br/>Equipment</u> |          | <u>Total</u>      |
|---|----------|------------------------------|----------|----------------------------------|----------|-------------------------------------|----------|-------------------------------|----------|--|----------|-------------------|
| December 31, 2017                         |          |                              |          |                                  |          |                                     |          |                               |          |  |          |                   |
| Cost                                      | P        | 114,435,714                  | P        | 22,853,868                       | P        | 35,714,053                          | P        | 22,352,792                    | P        | 8,715,692  | P        | 204,072,119       |
| Accumulated depreciation and amortization | (        | 89,468,782)                  | (        | 14,761,934)                      | (        | 16,639,042)                         | (        | 19,555,060)                   | (        | 8,510,921)                                       | (        | 148,935,739)      |
| Net carrying amount                       | <u>P</u> | <u>24,966,932</u>            | <u>P</u> | <u>8,091,934</u>                 | <u>P</u> | <u>19,075,011</u>                   | <u>P</u> | <u>2,797,732</u>              | <u>P</u> | <u>204,771</u>                                   | <u>P</u> | <u>55,136,380</u> |
| December 31, 2016                         |          |                              |          |                                  |          |                                     |          |                               |          |  |          |                   |
| Cost                                      | P        | 114,435,714                  | P        | 22,611,173                       | P        | 15,782,015                          | P        | 19,903,420                    | P        | 8,715,692  | P        | 181,448,014       |
| Accumulated depreciation and amortization | (        | 83,770,627)                  | (        | 12,851,842)                      | (        | 13,892,013)                         | (        | 18,179,057)                   | (        | 8,260,980)                                       | (        | 136,954,519)      |
| Net carrying amount                       | <u>P</u> | <u>30,665,087</u>            | <u>P</u> | <u>9,759,331</u>                 | <u>P</u> | <u>1,890,002</u>                    | <u>P</u> | <u>1,724,363</u>              | <u>P</u> | <u>454,712</u>                                   | <u>P</u> | <u>44,493,495</u> |
| January 1, 2016                           |          |                              |          |                                  |          |                                     |          |                               |          |  |          |                   |
| Cost                                      | P        | 114,435,714                  | P        | 19,300,441                       | P        | 15,782,015                          | P        | 19,000,648                    | P        | 8,675,578  | P        | 177,194,396       |
| Accumulated depreciation and amortization | (        | 78,072,472)                  | (        | 11,019,437)                      | (        | 12,394,853)                         | (        | 16,212,889)                   | (        | 7,756,363)                                       | (        | 125,456,014)      |
| Net carrying amount                       | <u>P</u> | <u>36,363,242</u>            | <u>P</u> | <u>8,281,004</u>                 | <u>P</u> | <u>3,387,162</u>                    | <u>P</u> | <u>2,787,759</u>              | <u>P</u> | <u>919,215</u>                                   | <u>P</u> | <u>51,738,382</u> |

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016 of property and equipment is shown below.

|  |          | <u>Condominium<br/>Units</u> |          | <u>Building<br/>Improvements</u> |          | <u>Transportation<br/>Equipment</u> |          | <u>Computer<br/>Equipment</u> |          | <u>Furniture,<br/>Fixtures and<br/>Equipment</u> |          | <u>Total</u>      |
|--|----------|------------------------------|----------|----------------------------------|----------|-------------------------------------|----------|-------------------------------|----------|--|----------|-------------------|
| Balance at January 1, 2017,<br>net of accumulated<br>depreciation and<br>amortization      | P        | 30,665,087                   | P        | 9,759,331                        | P        | 1,889,002                           | P        | 1,724,363                     | P        | 454,712  | P        | 44,493,495        |
| Additions  | -        | -                            | -        | 242,695                          | -        | 21,168,705                          | -        | 2,449,372                     | -        | -  | -        | 23,860,772        |
| Disposals  | -        | -                            | -        | -                                | (        | 1,236,667)                          | -        | -                             | -        | -  | (        | 1,236,667)        |
| Depreciation and<br>amortization charges<br>for the year                                   | (        | 5,698,155)                   | (        | 1,910,092)                       | (        | 2,747,029)                          | (        | 1,376,003)                    | (        | 249,941)   | (        | 11,981,220)       |
| Balance at<br>December 31, 2017,<br>net of accumulated<br>depreciation and<br>amortization | <u>P</u> | <u>24,966,932</u>            | <u>P</u> | <u>8,091,934</u>                 | <u>P</u> | <u>19,075,011</u>                   | <u>P</u> | <u>2,797,732</u>              | <u>P</u> | <u>204,771</u>                                   | <u>P</u> | <u>55,136,380</u> |
| Balance at January 1, 2016,<br>net of accumulated<br>depreciation and<br>amortization      | P        | 36,363,242                   | P        | 8,281,004                        | P        | 3,387,162                           | P        | 2,787,759                     | P        | 919,215  | P        | 51,738,382        |
| Additions  | -        | -                            | -        | 3,310,732                        | -        | -                                   | -        | 902,772                       | -        | 40,114   | -        | 4,253,618         |
| Depreciation and<br>amortization charges<br>for the year                                   | (        | 5,698,155)                   | (        | 1,832,405)                       | (        | 1,497,160)                          | (        | 1,966,168)                    | (        | 504,617)   | (        | 11,498,505)       |
| Balance at<br>December 31, 2016,<br>net of accumulated<br>depreciation and<br>amortization | <u>P</u> | <u>30,665,087</u>            | <u>P</u> | <u>9,759,331</u>                 | <u>P</u> | <u>1,890,002</u>                    | <u>P</u> | <u>1,724,363</u>              | <u>P</u> | <u>454,712</u>                                   | <u>P</u> | <u>44,493,495</u> |

The depreciation of property and equipment is presented as part of Depreciation and amortization account in the consolidated statements of profit or loss.

In 2017, certain transportation equipment with cost amounting to P21,168,705 were acquired through finance lease arrangements (see Notes 11.5, 14 and 23.3). The acquired transportation equipment with carrying values amounting to P19,075,007 as of December 31, 2017 were used as collateral to secure these finance leases.

Also, in 2017, certain transportation equipment were transferred to the Group's key management personnel (see Note 11.5). These transportation equipment were sold at carrying amount, thus, the Group recognized no gain or loss on disposal.

As of December 31, 2017 and 2016, the cost of fully-depreciated assets that are still used by the Group amounts to P29,990,988.

### 13. OTHER ASSETS

The breakdown of this account is as follows:

|  | <u>Notes</u> | <u>2017</u>                 | <u>2016</u>                 |
|--|--------------|-----------------------------|-----------------------------|
| Current –  |              |                             |                             |
| Prepayments  |              | <b><u>P 5,182,726</u></b>   | <b><u>P 384,458</u></b>     |
| Non-current:   |              |                             |                             |
| Creditable withholding taxes   | 13.3         | <b>115,386,029</b>          | 108,583,958                 |
| Goodwill   | 13.1         | <b>84,584,951</b>           | 84,584,951                  |
| Deferred oil exploration costs   | 13.5         | <b>15,418,003</b>           | 15,418,003                  |
| Trading right  | 13.6         | <b>1,408,000</b>            | 1,408,000                   |
| Computer software  | 13.7         | <b>5,494,604</b>            | -                           |
| Advances to a supplier   | 13.2         | -                           | 6,520,703                   |
| Others   | 13.7         | <b><u>3,653,264</u></b>     | <b><u>9,486,766</u></b>     |
|  |              | <b><u>225,944,851</u></b>   | <b><u>226,002,381</u></b>   |
|  |              | <b>231,127,576</b>          | 226,386,839                 |
| Allowance for impairment<br>of goodwill                                  |              | <b>( 49,260,596)</b>        | <b>( 49,260,596)</b>        |
| Allowance for non-recoverability<br>of deferred oil exploration<br>costs |              | <b><u>( 15,418,003)</u></b> | <b><u>( 15,418,003)</u></b> |
|  |              | <b><u>P 166,448,978</u></b> | <b><u>P 161,708,240</u></b> |

#### 13.1 Goodwill

The carrying amount of Goodwill as of December 31, 2017 and 2016 is shown below.

|                          |                             |
|--------------------------|-----------------------------|
| Cost                     | P 84,584,951                |
| Allowance for impairment | <b><u>( 49,260,596)</u></b> |
|                          | <b><u>P 35,324,355</u></b>  |

Goodwill arose from ACIC's acquisition of a portion of ASC's equity, which pertains to the expected synergy from its stock brokerage business. ACIC's acquisition cost is higher than the fair value of the net assets acquired from ASC. It is subject to annual impairment testing and whenever there is an indication of impairment. Some of the key assumptions that have been considered which have significant impact on the results of management's assessment are as follows:

- ASC, the identified CGU on which the goodwill is allocated, will continue as a going concern;
- ASC will have sufficient financial assets to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,

- ASC's performance forecasts for the next three years, which include the effects of online trading facility that was launched in 2017.

Based on the assessment of the Group's management, ASC's continued profitability indicated that no additional impairment loss is necessary in 2017, 2016 and 2015.

### ***13.2 Advances to a supplier***

This account represents cash payments made to a third party developer from which ASC entered into a customization and implementation agreement for a certain suite of software. Further, a service agreement is also perfected by both parties in relation to the procurement of maintenance and other services to the eventual installation of the said software. ASC started utilizing the software in April 2017 catering their online platform, MyTrade (see Note 13.7).

### ***13.3 Creditable Withholding Taxes***

This account represents accumulated income tax credits of the Group that remained unapplied as of December 31, 2017 and 2016. These income tax credits will be applied against future income tax liabilities.

### ***13.4 Investment Properties***

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the beginning and end of 2017 and 2016 are shown below.

|                               | <u>December 31,<br/>2017</u> | <u>December 31,<br/>2016</u> | <u>January 1,<br/>2016</u> |
|-------------------------------|------------------------------|------------------------------|----------------------------|
| Cost                          | <b>P 70,897,472</b>          | P 70,897,472                 | P 72,280,000               |
| Accumulated depreciation      | <b>( 69,002,794)</b>         | ( 69,002,794)                | ( 69,002,794)              |
| Accumulated impairment losses | <b>( 1,894,678)</b>          | ( 1,894,678)                 | ( 1,894,678)               |
| Net carrying amount           | <b><u>P -</u></b>            | <b><u>P -</u></b>            | <b><u>P 1,382,528</u></b>  |

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016 of investment properties is shown below.

|   | <u>December 31,<br/>2017</u> | <u>December 31,<br/>2016</u> | <u>January 1,<br/>2016</u> |
|---|------------------------------|------------------------------|----------------------------|
| Balance at beginning of year, net of accumulated depreciation and impairment losses | <b>P -</b>                   | P 1,382,528                  | P 2,007,727                |
| Reclassification  | <b>-</b>                     | ( 1,382,528)                 | -                          |
| Depreciation for the year   | <b><u>-</u></b>              | <b><u>-</u></b>              | <b><u>( 625,199)</u></b>   |
| Balance at end of year, net of accumulated depreciation and impairment losses       | <b><u>P -</u></b>            | <b><u>P -</u></b>            | <b><u>P 1,382,528</u></b>  |

There are no direct operating expenses incurred for the investment properties.

The Group's investment properties consist mostly of condominium units. These condominium units located in Nasugbu and Batulao, Batangas were acquired and capitalized by the Group as a result of the *dacion en pago* arrangement with a major customer in exchange for a partial settlement of the latter's loans (see Note 10.3).

As of December 31, 2017 and 2016, the cost of fully-depreciated investment properties that are still held by the Group for capital appreciation amounts to P65,280,000, after consideration of the related allowance for impairment losses of P1,894,678.

The total estimated fair values of the investment properties based on the latest available appraisal report obtained by the Group amounted to P58,827,000 both in December 31, 2017 and 2016, respectively (see Note 5.6).

### ***13.5 Deferred Oil Exploration Costs***

Deferred oil exploration costs represent mainly of costs and related expenses incurred in connection with the Group's participation in the exploration of oil under GSEC-57. The Group believes that, while the result of the exploration of the first well indicated that the area covered by the first well may no longer be viable, the potential of the remaining areas is still untested and, thus, future prospects and leads remain valid. In this regard, the consortium applied for its third Non-Exclusive Geophysical Permit which was approved by the Department of Energy on October 31, 1995. The Group's management asserts that the project is still viable and no write-offs have been made by the project proponents. Nonetheless, a full allowance for possible non-recoverability of deferred exploration cost is provided.

### ***13.6 Trading Right***

Trading right is assessed as having an indefinite useful life and is carried at cost less accumulated impairment loss. It is tested annually for impairment by comparing its recoverable amount, and recognizing any excess of the carrying amount over the recoverable amount as an impairment loss.

As certified by the PSE, the last transacted price of an exchange right is P8,500,000, which was recorded on December 14, 2011; hence, based from the comparison of the trading right's carrying amount of P1,408,000 as of December 31, 2017 and 2016, and the recoverable amount, the Group's trading right is not impaired.

### ***13.7 Computer Software***

In 2017, the amount of Advances to a supplier was reclassified to this account due to the completion and full installation of the software acquired from a third party in 2016. The total capitalized cost as computer software amounted to P7,287,080, including additional costs incurred for the completion and installation of the software amounting to P766,377 during the year.

The Group recognized an amortization amounted to P1,792,476 in 2017 which is presented as part of Depreciation and Amortization account in the 2017 consolidated statement of profit or loss.

The fully-amortized computer software with a gross carrying amount of P1,231,965 is still being used by the Group as of December 31, 2017 and 2016.

#### 14. INTEREST-BEARING LOANS AND BORROWINGS

As of December 31, this account consists of:

|                         | <u>2017</u>                   | <u>2016</u>                   |
|-------------------------|-------------------------------|-------------------------------|
| Current:                |                               |                               |
| Notes payable           | <b>P 4,017,256,849</b>        | P 3,391,593,736               |
| Bank loans              | <b>50,000,000</b>             | 60,000,000                    |
| Finance lease liability | <u><b>8,078,486</b></u>       | <u>-</u>                      |
|                         | <u><b>4,075,335,335</b></u>   | <u>-</u>                      |
| Non-current –           |                               |                               |
| Finance lease liability | <u><b>11,499,685</b></u>      | <u>-</u>                      |
|                         | <u><b>P 4,086,835,020</b></u> | <u><b>P 3,451,593,736</b></u> |

Notes payable represents short-term unsecured loans from various funders bearing annual interest at rates ranging from 4.00% to 6.88%, from 5.00% to 7.00% and from 4.50% to 7.00% in 2017, 2016 and 2015, respectively. Interest expense pertaining to these interest-bearing loans and borrowings, which is presented as part of the Finance Costs in the consolidated statements of profit or loss, amounted to P239,661,872, P214,975,606 and P181,551,079 in 2017, 2016 and 2015, respectively, with related accrued interests of P21,936,521 and P19,640,191, as of December 31, 2017 and 2016, respectively, which are presented as part of Accounts payable and accrued expenses under the Accounts Payable and Other Liabilities account in the consolidated statements of financial position (see Notes 16 and 20.2).

ASC made cumulative drawdowns from its existing credit lines from local commercial banks amounting to P197,000,000 and P350,000,000 in 2017 and 2016, respectively, gross of repayments, for working capital requirements (see Note 23.4). The outstanding balance of these loans as of December 31, 2017 and 2016 amounted to P50,000,000 and P60,000,000, respectively, and is presented under the Bank loans account. The loans are payable within three months with rollover options and are subject to annual effective interest rates ranging from 5% to 6% both in 2017 and 2016. Interest expense pertaining to these loans amounted to P759,882, P2,426,978 and P2,529,312 in 2017, 2016 and 2015, respectively, and is included as part of Finance Costs in the consolidated statements of profit or loss (see Note 20.2). There is no interest payable as of December 31, 2017 and 2016 related to these loans. There are no significant restrictive loan covenants or provisions related to these loans.

In 2017, the Group entered into various finance lease agreements with local commercial banks for the acquisition of certain transportation equipment totalling to P22,885,600 (see Notes 12 and 23.3). Obligations under finance leases are payable in three years and are subject to average annual effective interest rates of ranging from 0.50% to 1.00%. Uniform lease payments are made on a monthly basis. The outstanding balance of these finance leases as of December 31, 2017 amounted to P19,578,171 and is presented as part of Interest-bearing Loans and Borrowings account in the 2017 consolidated statement of financial position. Interest expense pertaining to these finance leases amounted to P729,168 in 2017 and is shown as part of Finance Costs in the 2017 consolidated statement of profit or loss (see Note 20.2). There is no outstanding interest payable as of December 31, 2017 related to these finance leases.

The fair values of long-term financial liabilities, if any, have been determined by calculating their present values at the reporting date using fixed effective market interest rates applicable to the Group. No fair value changes have been included in the consolidated statements of profit or loss as financial liabilities are carried at amortized cost in the consolidated statements of financial position.

The Group's interest bearing loans and borrowings have contractual maturities due within one year from the end of each reporting date.

Presented below is the reconciliation between the opening and closing balances of the Group's liabilities arising from these financing activities.

|  |                               |
|--|-------------------------------|
| Balance as of January 1, 2017                            | P 3,451,593,736               |
| Cash flows from financing activities:                    |                               |
| Additional loan availments                               | 1,443,185,880                 |
| Repayments of loans                                      | ( 983,405,160)                |
| Non-cash financing activities:                           |                               |
| Roll-over of interest                                    | 154,291,859                   |
| Transportation equipment acquired through finance leases | <u>21,168,705</u>             |
| Balance as of December 31, 2017                          | <b><u>P 4,086,835,020</u></b> |

## 15. DUE TO CUSTOMERS

Due to customers arise from the Group's securities brokerage activities. These are normally settled within three days after the respective trading dates and are all noninterest-bearing. Management considers the carrying amounts recognized in the consolidated statements of financial position to be the reasonable approximation of their fair values. Outstanding balance as of December 31, 2017 and 2016 amounted to P371,563,965 and P185,916,065, respectively.

## 16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

|  | <u>Notes</u> | <u>2017</u>                 | <u>2016</u>          |
|--|--------------|-----------------------------|----------------------|
| Current:                                   |              |                             |                      |
| Accounts payable and accrued expenses      | 14           | <b>P 125,181,542</b>        | P 114,831,628        |
| Withholding and other taxes payable        |              | <b>16,687,667</b>           | 18,001,800           |
| Dividend payable                           |              | <b>613,242</b>              | 191,358              |
| Others                                     |              | <u><b>9,648,890</b></u>     | <u>10,120,121</u>    |
|  |              | <b>152,131,341</b>          | 143,144,907          |
| Non-current –                              |              |                             |                      |
| Post-employment defined benefit obligation | 18.2         | <u><b>29,398,892</b></u>    | <u>27,593,980</u>    |
|  |              | <u><b>P 181,530,233</b></u> | <u>P 170,738,887</u> |

Others include other payables to government agencies, customers' deposits, and miscellaneous liabilities arising from the Group's operations.

## 17. EQUITY

### *17.1 Capital Stock and Treasury Shares*

As of December 31, 2017 and 2016, these accounts consist of:

|                                   | <u>Shares</u>        | <u>Amount</u>          |
|-----------------------------------|----------------------|------------------------|
| Capital stock – P1 par value      |                      |                        |
| Authorized – 1,800,000,000 shares |                      |                        |
| Issued shares                     | <u>1,193,200,000</u> | <u>P 1,193,200,000</u> |
| Treasury shares – at cost         | <u>171,413,600</u>   | <u>P 385,670,581</u>   |

## 17.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

|  | Notes    | AFS<br>Financial<br>Assets | Post-employment<br>Benefit<br>Obligation | Total                  |
|--|----------|----------------------------|--|------------------------|
| Balance as of January 1, 2017  |          | P 1,981,220,578            | ( P 9,324,504 )                          | P 1,971,896,074        |
| Remeasurements of post-employment defined benefit obligation                     | 18.2(b)  | -                          | 3,024,538                                | 3,024,538              |
| Unrealized fair value losses on AFS financial assets                             | 9        | ( 561,803,050 )            | -  | ( 561,803,050 )        |
| Fair value gains on disposed AFS financial assets reclassified to profit or loss | 9        | ( 224,735,836 )            | -  | ( 224,735,836 )        |
| Tax expense  | 21       | -                          | ( 369,328 )                              | ( 369,328 )            |
| Other comprehensive gain (loss)  |          | ( 786,538,886 )            | 2,655,210                                | ( 783,883,676 )        |
| Balance as of December 31, 2017  |          | <b>P 1,194,681,692</b>     | <b>( P 6,669,294 )</b>                   | <b>P 1,188,012,398</b> |
| Balance as of January 1, 2016  |          | P 1,852,168,220            | ( P 9,687,382 )                          | P 1,842,480,838        |
| Remeasurements of post-employment defined benefit obligation                     | 18.2(b)  | -                          | 349,328                                  | 349,328                |
| Unrealized fair value gains on AFS financial assets                              | 9        | 221,477,502                | -  | 221,477,502            |
| Fair value gains on disposed AFS financial assets reclassified to profit or loss | 9        | ( 92,425,144 )             | -  | ( 92,425,144 )         |
| Tax expense  | 21       | -                          | 13,550                                   | 13,550                 |
| Other comprehensive gain   |          | 129,052,358                | 362,878                                  | 129,415,236            |
| Balance as of December 31, 2016  |          | <b>P 1,981,220,578</b>     | <b>( P 9,324,504 )</b>                   | <b>P 1,971,896,074</b> |
| Balance as of January 1, 2015  |          | P 2,026,795,476            | ( P 11,736,013 )                         | P 2,015,059,463        |
| Remeasurements of post-employment defined benefit obligation                     | 18.02(b) | -                          | 3,099,490                                | 3,099,490              |
| Unrealized fair value losses on AFS financial assets                             |          | ( 75,705,489 )             | -  | ( 75,705,489 )         |
| Fair value gains on disposed AFS financial assets reclassified to profit or loss |          | ( 98,921,767 )             | -  | ( 98,921,767 )         |
| Tax expense  | 21       | -                          | ( 1,050,859 )                            | ( 1,050,859 )          |
| Other comprehensive gain (loss)  |          | ( 174,627,256 )            | 2,048,631                                | ( 172,578,625 )        |
| Balance as of December 31, 2015  |          | <b>P 1,852,168,220</b>     | <b>( P 9,687,382 )</b>                   | <b>P 1,842,480,838</b> |

## 17.3 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group has existing loans with a local bank and various funders. A reasonable level of debt-to-equity is maintained to properly manage the Group's operations. Presented below is the 2017 and 2016 debt-to-equity ratio of the Group:

|                      | <u>2017</u>                 | <u>2016</u>          |
|----------------------|-----------------------------|----------------------|
| Total liabilities    | <b>P 4,639,929,218</b>      | P 3,808,248,688      |
| Total equity         | <b><u>1,444,302,479</u></b> | <u>2,247,558,115</u> |
| Debt-to-equity ratio | <b><u>3.21:1.00</u></b>     | <u>1.69:1.00</u>     |

#### ***17.4 Capital Requirements for ASC***

##### ***17.4.1 Minimum Capital Requirement – SEC***

On November 11, 2004, the SEC approved Memorandum Circular No. 16 which provides for the guidelines on the adoption in the Philippines of the Risk-Based Capital Adequacy (RBCA) Framework for all registered broker dealers in accordance with the Securities Regulation Code. These guidelines cover the following risks:

- (a) Position on market risk;
- (b) Credit risks such as counterparty, settlement, large exposure and margin financing risks; and,
- (c) Operational risks.

ASC monitors capital on the basis of RBCA ratio and Net Liquid Capital (NLC). RBCA requirement is the minimum level of capital that has to be maintained by firms which are licensed, or securing a broker dealer license, taking into consideration the firm size, complexity and business risk. Such risks that are considered in determining the capital requirement include, among others, Operational, Position and Credit Risk (which include counterparty, large exposure, underwriting, and margin financing risks).

RBCA ratio is the quotient of the NLC and the sum of the requirements for operational risk, credit risk and position or market risk. NLC, on the other hand, represents the equity eligible for NLC adjusted for non-allowable current and non-current assets as described under the circular.

In order to maintain or adjust the capital structure, ASC may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Under the guidelines set-out by the SEC, all registered brokers dealers should maintain the following RBCA and NLC requirements:

- (a) RBCA ratio of greater than or equal to 1:1.1;
- (b) NLC should be at least P5,000,000 or 5.00% of aggregate indebtedness, whichever is higher;
- (c) A dealer who deals only with proprietary shares and does not keep shares in its custody shall maintain a net capital of P2,500,000 or 2.5% of aggregate indebtedness, whichever is higher;

- (d) In cases where in order to meet an RBCA ratio of at least 1.1, a NLC higher than P5,000,000 is required, the higher NLC shall be maintained; and,
- (e) No broker dealer shall permit its aggregate indebtedness to exceed 2000% of its NLC.

As of December 31, 2017 and 2016, ASC is in compliance with minimum capital requirement set out by the RBCA framework. The ASC's RBCA ratio is 262% and 221.00% as of December 31, 2017 and 2016, respectively.

#### ***17.4.2 Minimum Capital Requirement – Philippine Stock Exchange's Rules Governing Trading Rights and Trading Participants***

On May 28, 2009, the SEC approved PSE's Rules Governing Trading Rights and Trading Participants, which provide among others, the following provisions:

- (a) Trading participants should have a minimum unimpaired paid-up capital (defined as the trading participant's total paid up capital less any deficiency in the retained earnings account) amounting to P20,000,000 effective December 31, 2009, provided further that effective December 31, 2010 and onwards, the minimum unimpaired paid up capital shall be P30,000,000; and,
- (b) Each trading participant shall pledge its trading right to the extent of its full value to secure the payment of all of debts and claims due to the trading participant, the government, PSE and to other trading participants of the PSE and to the Securities Clearing Corporation of the Philippines.

As of December 31, 2017 and 2016, ASC is in compliance with PSE's Rules Governing Trading Rights and Trading Participants.

#### ***17.4.3 Retained Earnings Appropriation***

Rule 49.1 (B), Reserve Fund of SEC Memorandum Circular No. 16 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 account. Appropriation shall be 30%, 20% and 10% of profit after tax for broker dealers with unimpaired paid-up capital of between P10,000,000 to P30,000,000; between P30,000,000 to P50,000,000; and above P50,000,000 million, respectively.

No appropriations were made by ASC in 2017 and 2016 since ASC has a deficit amounting to P22,136,328 and P28,751,967 as of December 31, 2017 and 2016, respectively.

#### ***17.5 Capital Requirements for ACIC***

Under the provisions of Section 8 of Republic Act (RA) No. 8366, an Act amending Presidential Decree No. 129, otherwise known as the Investment Houses Law, ACIC is required to maintain a minimum paid-up capital of P300,000,000.

As of December 31, 2017 and 2016, ACIC is in compliance with minimum capital requirement set out by the RA No. 8366.

### 17.6 *Track Record*

On November 17, 1994, the SEC approved the listing of the Parent Company's shares totaling 1,193,200,000. The shares were initially issued at an offer price of P1.00 per share. As of December 31, 2017 and 2016, there are 105 and 110 holders, respectively, of the listed shares equivalent to 100% of the Group's total outstanding shares. Such listed shares closed at P0.72 and P0.73 per share as of December 31, 2017 and 2016, respectively.

## 18. SALARIES AND EMPLOYEE BENEFITS

### 18.1 *Salaries and Employee Benefits*

Details of salaries and employee benefits are presented below.

|                           | Note | 2017                       | 2016                | 2015                |
|---------------------------|------|----------------------------|---------------------|---------------------|
| Salaries and wages        |      | <b>P 37,642,384</b>        | P 36,585,033        | P 35,063,762        |
| Bonuses                   |      | <b>6,569,106</b>           | 6,648,656           | 5,790,528           |
| Staff benefits            |      | <b>6,281,864</b>           | 5,922,116           | 4,020,040           |
| Retirement benefits       | 18.2 | <b>3,370,837</b>           | 3,326,510           | 3,629,134           |
| Social security costs     |      | <b>1,341,495</b>           | 1,194,730           | 1,132,525           |
| Other short-term benefits |      | <b>62,967</b>              | 33,266              | 51,168              |
|                           |      | <b><u>P 55,268,653</u></b> | <u>P 53,710,311</u> | <u>P 49,687,157</u> |

### 18.2 *Post-Employment Defined Benefit*

#### (a) *Characteristics of the Defined Benefit Plan*

The Group maintains a tax-qualified and non-contributory retirement plan that is being administered by a trustee bank covering all regular full-time employees. The plan is partially funded as of December 31, 2017 and 2016. Actuarial valuations are made each year to update the post-employment benefit costs and the amount of contributions. The latest actuarial valuation report of the Group's retirement benefit plan as of December 31, 2017 is dated March 23, 2018.

The normal retirement age is 60 with a minimum of 5 years of credited service. Normal retirement benefit is an amount equivalent to 100% of latest monthly salary for every year of credited service, and the manner of payment is lump sum.

(b) *Explanation of Amounts Presented in the Consolidated Financial Statements*

All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary. The amounts of post-employment defined benefit obligation recognized and recorded as part of Accounts Payable and Other Liabilities (see Note 16) in the consolidated statements of financial position are determined as follows:

|                                 | <u>2017</u>                | <u>2016</u>                |
|---------------------------------|----------------------------|----------------------------|
| Present value of the obligation | <b>P 60,014,812</b>        | P 57,848,208               |
| Fair value of plan assets       | <b>( 30,615,920)</b>       | ( 30,254,228)              |
|                                 | <b><u>P 29,398,892</u></b> | <b><u>P 27,593,980</u></b> |

The movements in present value of the post-employment defined benefit obligation recognized in the books are as follows:

|                                  | <u>2017</u>                | <u>2016</u>                |
|----------------------------------|----------------------------|----------------------------|
| Balance at beginning of year     | <b>P 57,848,208</b>        | P 53,321,346               |
| Current service cost             | <b>3,370,837</b>           | 3,326,510                  |
| Interest expense                 | <b>2,998,583</b>           | 2,767,060                  |
| Benefits paid                    | <b>( 496,177)</b>          | ( 304,588)                 |
| Remeasurements –                 |                            |                            |
| Actuarial gains arising from:    |                            |                            |
| Experience adjustments           | <b>( 3,247,162)</b>        | ( 474,886)                 |
| Changes in financial assumptions | <b>( 459,477)</b>          | ( 787,234)                 |
|                                  | <b><u>P 60,014,812</u></b> | <b><u>P 57,848,208</u></b> |

The movements in the fair value of plan assets are as follows:

|                              | <u>2017</u>                | <u>2016</u>                |
|------------------------------|----------------------------|----------------------------|
| Balance at beginning of year | <b>P 30,254,228</b>        | P 20,191,873               |
| Interest income              | <b>1,539,970</b>           | 1,279,735                  |
| Remeasurement loss           | <b>( 682,101)</b>          | ( 912,792)                 |
| Benefits paid                | <b>( 496,177)</b>          | ( 304,588)                 |
| Contributions                | <b>-</b>                   | 10,000,000                 |
| Balance at end of year       | <b><u>P 30,615,920</u></b> | <b><u>P 30,254,228</u></b> |

The composition of the fair value of plan assets at the end of each reporting period by category is shown below.

|                                     | <u>2017</u>                | <u>2016</u>                |
|-------------------------------------|----------------------------|----------------------------|
| Government bonds                    | <b>P 19,463,884</b>        | P 13,257,402               |
| Unit Investment Trust Funds (UITFs) | <b>9,882,818</b>           | 15,136,191                 |
| Cash and cash equivalents           | <b><u>1,269,218</u></b>    | <u>1,860,635</u>           |
|                                     | <b><u>P 30,615,920</u></b> | <b><u>P 30,254,228</u></b> |

The fair value of the debt securities presented in the succeeding page were determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy), while the fair values of UITFs are generally measured based on the net asset value of the investment, computed and determined at the end of each reporting period based on the closing market and trade prices of the securities comprising the fund's portfolio, adjusted for the effect of performance of the funds including all trades made within the funds and the related income and expenses arising therefrom (classified as Level 2 of the fair value hierarchy).

The plan assets earned a gain in 2017 and 2016 amounting to P857,869 and P366,943, respectively.

As of December 31, 2017 and 2016, the plan assets do not comprise any of the Group's own financial instruments and the fund does not own any shares of stock of the Group.

The components of amounts recognized in the consolidated statements of profit or loss and in the consolidated other comprehensive income in respect of the post-employment defined benefit plan are as follows:

|  | <u>2017</u>               | <u>2016</u>        | <u>2015</u>        |
|--|---------------------------|--------------------|--------------------|
| <i>Reported in profit or loss:</i>             |                           |                    |                    |
| Current service cost                           | <b>P 3,370,837</b>        | P 3,326,510        | P 3,629,134        |
| Net interest expense                           | <u><b>1,458,613</b></u>   | <u>1,487,325</u>   | <u>1,761,603</u>   |
|  | <u><b>P 4,829,450</b></u> | <u>P 4,813,835</u> | <u>P 5,390,737</u> |
| <i>Reported in other comprehensive income:</i> |                           |                    |                    |
| Actuarial gains arising from:                  |                           |                    |                    |
| Experience adjustments                         | <b>P 3,247,162</b>        | P 474,886          | P 3,927,093        |
| Changes in financial assumptions               | <b>459,477</b>            | 787,234            | 498,729            |
| Remeasurement loss on plan assets              | <u><b>(682,101)</b></u>   | <u>(912,792)</u>   | <u>(1,326,332)</u> |
|  | <b>3,024,538</b>          | 349,328            | 3,099,490          |
| Tax income (expense)                           | <u><b>(369,328)</b></u>   | <u>13,550</u>      | <u>(1,050,859)</u> |
|  | <u><b>P 2,655,210</b></u> | <u>P 362,878</u>   | <u>P 2,048,631</u> |

Current service cost is recorded as part of Salaries and Employee Benefits in the consolidated statements of profit or loss.

Net interest expense is presented under the Finance Costs account in the consolidated statements of profit or loss (see Note 20.2).

Amount recognized in other comprehensive income is included and is presented as item that will not be reclassified subsequently to profit or loss.

In determining the retirement benefit obligation, the following actuarial assumptions were used:

|                               | <u>2017</u>  | <u>2016</u>   | <u>2015</u>   |
|-------------------------------|--------------|---------------|---------------|
| Discount rates                | <b>5.70%</b> | 4.77% - 5.38% | 4.54% - 5.51% |
| Expected salary increase rate | <b>8.00%</b> | 8.00%         | 8.00%         |

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 is 16.7 years and 13.4 years for males and females, respectively, in 2017, and 12.4 years and 13.9 years for males and females, respectively, in 2016. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment defined benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

(i) *Interest Rate Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, debt securities, and UITFs. Due to the long-term nature of the plan obligation, a level of continuing debt securities and UITF investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

|                    | Impact on Post-employment<br>Defined Benefit Obligation |                           |                           |
|--------------------|---|---------------------------|---------------------------|
|                    | Change in<br>Assumption                                 | Increase in<br>Assumption | Decrease in<br>Assumption |
| <b>2017</b>        |   |                           |                           |
| Discount rate      | +/-1%   | (P 861,153)               | P 940,091                 |
| Salary growth rate | +/-1%   | 672,294 (                 | 625,057)                  |
| <b>2016</b>        |   |                           |                           |
| Discount rate      | +/-1%   | (P 697,492)               | P 765,690                 |
| Salary growth rate | +/-1%   | 610,886 (                 | 570,060)                  |

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(iv) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2017 and 2016 consists of debt securities and UITFs, although the Group also invests in cash and cash equivalents.

There has been no change in the Group's strategies in managing the related risks from the previous period.

(v) *Funding Arrangements and Expected Contributions*

The plan is currently underfunded by P29,398,892 based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 10 years' time when a significant number of employees is expected to retire.

Management is yet to assess to the amount of contribution for the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan as of December 31, 2017 and 2016 for the next 10 years are as follows:

|                                  | <u>2017</u>                | <u>2016</u>                |
|----------------------------------|----------------------------|----------------------------|
| More than one year to five years | <b>P 21,529,469</b>        | P 19,619,648               |
| Between five years to 10 years   | <u>10,148,052</u>          | <u>11,375,379</u>          |
|                                  | <b><u>P 31,677,521</u></b> | <b><u>P 30,995,027</u></b> |

The weighted average duration of the post-employment defined benefit obligation at the end of the reporting period is 1.47 year.

## 19. OTHER EXPENSES

This account consists of:

|   | <u>2017</u>                | <u>2016</u>                | <u>2015</u>                |
|---|----------------------------|----------------------------|----------------------------|
| Philippine Depository and Trust Corp. and clearing fees | <b>P 5,066,323</b>         | P 3,957,586                | P 4,631,761                |
| Advertising and publicity                               | <b>3,097,181</b>           | 58,630                     | 5,000                      |
| Office supplies   | <b>2,370,772</b>           | 2,085,869                  | 2,373,322                  |
| Condominium dues  | <b>2,226,031</b>           | 2,334,629                  | 1,500,964                  |
| Insurance   | <b>1,934,741</b>           | 1,404,428                  | 1,573,940                  |
| Repairs and maintenance                                 | <b>1,660,535</b>           | 2,633,357                  | 1,029,458                  |
| Bank charges  | <b>146,309</b>             | 66,181                     | 86,802                     |
| Miscellaneous   | <u>3,026,748</u>           | <u>1,516,586</u>           | <u>2,862,220</u>           |
|   | <b><u>P 19,528,640</u></b> | <b><u>P 14,057,266</u></b> | <b><u>P 14,063,467</u></b> |

## 20. FINANCE INCOME (COSTS)

The breakdown of this account is as follows:

### 20.1 Finance Income

|   | Notes | 2017                 | 2016                 | 2015                 |
|---|-------|----------------------|----------------------|----------------------|
| Gain on sale of investments                   | 8, 9  | P 284,223,921        | P 150,172,425        | P 144,437,712        |
| Interest income                               | 7     | 487,994              | 356,375              | 245,427              |
| Fair value gains on financial assets at FVTPL | 8     | -                    | 79,475,778           | 30,491,273           |
|   |       | <u>P 284,711,915</u> | <u>P 230,004,578</u> | <u>P 175,174,412</u> |

### 20.2 Finance Costs

|   | Notes | 2017                 | 2016                 | 2015                 |
|---|-------|----------------------|----------------------|----------------------|
| Interest expense  | 14    | P 241,150,922        | P 217,402,584        | P 184,080,391        |
| Impairment losses   | 10    | 7,231,010            | 5,000,000            | -                    |
| Fair value loss on financial assets at FVTPL              | 8     | 3,438,627            | -                    | -                    |
| Net interest cost on post-employment defined benefit plan | 18.2  | 1,458,613            | 1,487,325            | 1,761,603            |
| Foreign exchange loss – net                               |       | <u>12,093</u>        | <u>-</u>             | <u>-</u>             |
|   |       | <u>P 253,291,265</u> | <u>P 223,889,909</u> | <u>P 185,841,994</u> |

## 21. TAXES

The components of tax expense (income) reported in the consolidated statements of comprehensive income are as follows:

|   | 2017                | 2016                | 2015                  |
|---|---------------------|---------------------|-----------------------|
| <i>Recognized in profit or loss:</i>  |                     |                     |                       |
| Regular corporate income tax (RCIT) at 30%  | P 7,327,191         | P 10,257,015        | P 7,735,726           |
| Minimum corporate income tax (MCIT) at 2%   | 1,411,714           | 1,561,117           | 1,692,366             |
| Final tax at 20%  | <u>1,343,297</u>    | <u>68,158</u>       | <u>167,325</u>        |
|   | 10,082,202          | 11,886,290          | 9,595,417             |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | <u>31,266,775</u>   | <u>3,176,560</u>    | <u>( 13,877,691 )</u> |
|   | <u>P 41,348,977</u> | <u>P 15,062,850</u> | <u>(P 4,282,274)</u>  |

|   | <u>2017</u>      | <u>2016</u> | <u>2015</u> |
|---|------------------|-------------|-------------|
| <i>Recognized in other comprehensive income –</i>   |                  |             |             |
| Deferred tax expense (income) on actuarial gains (losses) on post-employment defined benefit plan | <b>P 369,328</b> | (P 13,550)  | P 1,050,859 |

The reconciliation of tax on pre-tax profit (loss) computed at the applicable statutory rate to tax expense (income) is as follows:

|  | <u>2017</u>         | <u>2016</u>    | <u>2015</u>   |
|--|---------------------|----------------|---------------|
| Tax on pre-tax profit (loss)                                   | <b>P 6,593,105</b>  | P 3,461,869    | (P 356,895)   |
| Adjustments for income subjected to:                           |                     |                |               |
| Stock transaction tax at ½ of 1%                               | ( 59,464,949)       | -              | -             |
| Final tax at 20%   | ( 29,549)           | ( 3,404)       | ( 116,255 )   |
| Tax effects of:  |                     |                |               |
| Unrecognized net operating loss carry-over (NOLCO)             | <b>64,488,643</b>   | 13,335,106     | -             |
| Expiration and write-off of NOLCO and MCIT                     | <b>31,378,488</b>   | 41,606,248     | 25,680,772    |
| Non-taxable income   | ( 10,395,917)       | ( 48,794,019)  | ( 40,255,781) |
| Non-deductible expenses  | <b>3,948,494</b>    | 2,227,850      | 3,714,149     |
| Unrecognized MCIT  | <b>1,411,714</b>    | 1,580,307      | 1,692,366     |
| Unrecognized deferred tax asset on other temporary differences | <b>3,418,948</b>    | 1,500,000      | 5,359,370     |
| Recognition of previously unrecognized deferred tax assets     | <u>-</u>            | <u>148,893</u> | <u>-</u>      |
| Tax expense (income)   | <b>P 41,348,977</b> | P 15,062,850   | (P 4,282,274) |

The net deferred tax assets (DTA) as of December 31 relate to the following:

|   | <u>Statements of Financial Position</u> |                |
|---|---|----------------|
|   | <u>2017</u>                             | <u>2016</u>    |
| NOLCO                                   | <b>P 36,069,186</b>                     | P 67,447,674   |
| Allowance for impairment                | <b>56,330,199</b>                       | 56,330,199     |
| Accrued retirement benefit obligation   | <b>4,719,194</b>                        | 6,345,825      |
| Fair value gain on investments at FVTPL | ( 3,398,291)                            | ( 6,229,259)   |
| Unamortized past service cost           | <b>1,545,248</b>                        | 3,007,200      |
| Accrued short-term employee benefits    | <u>123,754</u>                          | <u>123,754</u> |
| Net deferred tax assets                 | <b>P 95,389,290</b>                     | P 127,025,393  |

| Statements of Profit or Loss            |              |   |           |    |             |
|---|--------------|---|-----------|----|-------------|
|   | 2017         |   | 2016      |    | 2015        |
| NOLCO                                   | P 31,378,488 | P | -         | (P | 12,463,192) |
| Unamortized past service cost           | 1,461,954    | ( | 872,692)  | (  | 519,340)    |
| Accrued retirement benefit obligation   | 1,257,301    |   | 905,405   |    | 756,698     |
| Fair value gain on investments at FVTPL | ( 2,830,968) |   | 3,143,847 | (  | 1,676,955)  |
| Allowance for impairment losses         | -            |   | -         |    | 25,098      |
| Deferred tax expense (income) – net     | P 31,266,775 | P | 3,176,560 | (P | 13,877,691) |

| Statements of Comprehensive Income |             |    |         |   |           |
|------------------------------------|-------------|----|---------|---|-----------|
|                                    | 2017        |    | 2016    |   | 2015      |
| Actuarial gains                    | P 3,024,538 | P  | 349,328 | P | 3,099,490 |
| Deferred tax expense (income)      | P 369,328   | (P | 13,550) | P | 1,050,859 |

Details of unrecognized DTA as of December 31 are summarized below.

|  | 2017          |               | 2016          |               |
|--|---------------|---------------|---------------|---------------|
|  | Amount        | Tax Effect    | Amount        | Tax Effect    |
| NOLCO  | P 422,830,886 | P 126,849,266 | P 228,589,341 | P 68,576,802  |
| Allowance for impairment losses                                    | 108,789,779   | 32,636,934    | 101,558,769   | 30,467,631    |
| Allowance for non-recoverability of deferred oil exploration costs | 15,418,003    | 4,625,401     | 15,418,003    | 4,625,401     |
| Retirement benefit obligation                                      | 13,668,249    | 4,100,474     | 6,441,235     | 1,932,371     |
| Past service cost  | 8,823,044     | 2,646,913     | 6,447,006     | 1,934,102     |
| MCIT   | 4,684,387     | 4,684,387     | 5,128,643     | 5,128,643     |
| Accrued short-term employee benefits                               | 581,750       | 174,525       | 581,750       | 174,525       |
|  | P 574,796,098 | P 175,717,900 | P 364,164,747 | P 112,839,475 |

The breakdown of NOLCO, which can be claimed as deductions from future taxable income within three years from the year the tax loss was incurred, is shown below.

| Year Incurred | Parent        | Subsidiaries  | Expired Amount | Balance       | End of Availment |
|---------------|---------------|---------------|----------------|---------------|------------------|
| 2017          | P 163,069,732 | P 51,892,408  | P -            | P 214,962,140 | 2020             |
| 2016          | 139,744,078   | 43,163,141    | -              | 182,907,219   | 2019             |
| 2015          | 120,230,619   | 24,961,527    | -              | 145,192,146   | 2018             |
| 2014          | 104,594,961   | 38,024,426    | 142,619,387    | -             |                  |
|               | P 527,639,390 | P 158,041,502 | P 142,619,387  | P 543,061,505 |                  |

As of December 31, 2017 and 2016, the Parent Company has recognized DTA of P36,069,186 and P67,447,674, respectively, on NOLCO, after reversal of the previously recognized DTA of P31,378,488 and P24,275,307 on NOLCO incurred in 2014 and 2013, respectively.

The Group is subject to the MCIT which is computed at 2% of gross income as defined under the tax regulations, or RCIT at 30% of taxable income, whichever is higher. MCIT which is available for offset against future income tax payable for income tax purposes is as follows:

| <u>Year Incurred</u> |   | <u>Parent</u>             |   | <u>Subsidiaries</u>     | <u>Expired Amount</u>     | <u>Balance</u>            | <u>End of Availment</u> |
|----------------------|---|---------------------------|---|-------------------------|---------------------------|---------------------------|-------------------------|
| 2017                 | P | 1,315,972                 | P | 95,742                  | P -                       | P 1,411,714               | 2020                    |
| 2016                 |   | 1,397,927                 |   | 182,380                 | -                         | 1,580,307                 | 2019                    |
| 2015                 |   | 1,405,465                 |   | 286,901                 | -                         | 1,692,366                 | 2018                    |
| 2014                 |   | <u>1,702,835</u>          |   | <u>153,194</u>          | <u>1,856,029</u>          | <u>-</u>                  |                         |
|                      |   | <b><u>P 5,822,199</u></b> |   | <b><u>P 718,217</u></b> | <b><u>P 1,856,029</u></b> | <b><u>P 4,684,387</u></b> |                         |

In 2017, 2016 and 2015, respective taxable entities within the Group claimed itemized deductions in computing for its income tax due.

## 22. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is computed as follows:

|   | <u>Note</u> | <u>2017</u>           | <u>2016</u>    | <u>2015</u>    |
|---|-------------|-----------------------|----------------|----------------|
| Net profit (loss)   |             | <b>(P 19,371,960)</b> | (P 3,523,288)  | P 3,092,625    |
| Divided by the weighted average number of outstanding shares: |             |                       |                |                |
| Issued shares   | 17.1        | <b>1,193,200,000</b>  | 1,193,200,000  | 1,193,200,000  |
| Treasury shares   | 17.1        | <b>( 171,413,600)</b> | ( 171,413,600) | ( 171,413,600) |
| Outstanding shares  |             | <b>1,021,786,400</b>  | 1,021,786,400  | 1,021,786,400  |
| Earnings (loss) per share                                     |             | <b>(P 0.0190)</b>     | (P 0.0034)     | P 0.0030       |

As of December 31, 2017, 2016, and 2015, the Group has no outstanding potentially dilutive shares; hence, basic earnings (losses) per share are equal to diluted earnings (loss) per share in the years presented.

## 23. COMMITMENTS AND CONTINGENCIES

### 23.1 Legal Claims

The Group is either a defendant or plaintiff in lawsuits and legal actions arising from its various business activities. Management believes that the claims against the Group are either without merit or that the ultimate liability, if any, resulting from lawsuits and legal actions will not materially affect the Group's consolidated financial statements.

### 23.2 Operating Leases

The Group is a lessor under non-cancellable operating leases covering its condominium units. The leases have a term of two years, with renewal options. The future minimum rentals receivable under these non-cancellable operating leases as of December 31, 2017 and 2016 amounted to P2,504,748 and 1,373,392, respectively.

Total rentals from these operating leases amounted to P2,492,842 in 2017, P137,826 in 2016 and P1,458,915 in 2015, and are presented as part of Others under the Income section of the consolidated statements of profit or loss (see Note 11.3).

### 23.3 Finance Lease Arrangements

The Group has outstanding commitments from its finance lease agreements involving certain transportation equipment acquired in 2017 (see Notes 12 and 14). The present value of the outstanding finance lease obligations, which are expected to be settled within one to three years, are presented as part of Interest-bearing Loans and Borrowings account in the 2017 consolidated statement of financial position. Interest expense pertaining to these finance leases is shown as part of Finance Costs in the 2017 consolidated statement of profit or loss.

The future minimum lease payment (MLP) under finance leases together with the present value (PV) of net minimum lease payments (NMLP) as of December 31, 2017 follows:

|  | <u>MLP</u>                 | <u>PV of NMLP</u>          |
|--|----------------------------|----------------------------|
| Within one year                              | P 9,613,397                | P 8,078,486                |
| After one year but not more than three years | <u>12,220,353</u>          | <u>11,499,685</u>          |
|  | 21,833,750                 | 19,578,171                 |
| Amounts representing finance charges         | ( <u>2,255,579</u> )       | <u>-</u>                   |
|  | <b><u>P 19,578,171</u></b> | <b><u>P 19,578,171</u></b> |

### 23.4 Credit Lines

As of December 31, 2017 and 2016, ASC has total credit line facilities of P1,245,000,00 and P1,145,000,000, respectively. The movements of ASC's available credit lines as of December 31, 2017 and 2016 are presented below (see Note 14).

|                                 | <u>2017</u>                  | <u>2016</u>                  |
|---------------------------------|------------------------------|------------------------------|
| Balance at beginning of year    | <b>P1,085,000,000</b>        | P1,024,866,529               |
| Additions                       | <b>100,000,000</b>           | 70,000,000                   |
| Loan paydowns (drawdowns) – net | <u><b>10,000,000</b></u>     | ( <u>9,866,529</u> )         |
| Balance at end of year          | <b><u>P1,195,000,000</u></b> | <b><u>P1,085,000,000</u></b> |

### 23.5 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations, which are not reflected in the accompanying consolidated financial statements. As of December 31, 2017 and 2016, management is of the opinion that losses, if any, from these events and conditions will not have a material effect on the Group's consolidated financial statements.



**P&A**  
**Grant Thornton**

An instinct for growth™

**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange  
Commission Filed Separately  
from the Basic Consolidated  
Financial Statements**

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**Punongbayan & Araullo**

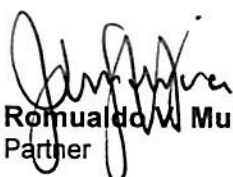
20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288

**The Board of Directors and Stockholders**  
**First Abacus Financial Holdings Corporation**  
Unit 2904-A East Tower, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center  
Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of First Abacus Financial Holdings Corporation and subsidiaries (the Group) for the year ended December 31, 2017, on which we have rendered our report dated April 6, 2018. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see SEC Supplementary Schedules) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

By:  **Romualdo W. Murcia III**  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 6616014, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-3 (until Nov. 29, 2019)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 6, 2018

# FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

## SEC Supplementary Schedules December 31, 2017

| Schedule   | Content  |
|--|--|
| <b>Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68</b> |  |
| A  | Financial Assets<br>Financial Assets at Fair Value Through Profit or Loss  |
| *  | Held-to-maturity Investments<br>Available-for-sale Financial Assets  |
| B  | Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties) |
| C  | Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements                    |
| D  | Intangible Assets - Other Assets   |
| E  | Long-term Debt   |
| F  | * Indebtedness to Related Parties  |
| G  | * Guarantees of Securities of Other Issuers  |
| H  | Capital Stock  |

### Others Required Information

Schedule of Selected Financial Performance Indicators as of and for the years ended  
December 31, 2017 and 2016

Reconciliation of Retained Earnings Available for Dividend Declaration

Schedule of Philippine Financial Reporting Standards and Interpretations

Adopted by the Securities and Exchange Commission and the

Financial Reporting Standards Council as of December 31, 2017

Map Showing the Relationship Between the Parent Company and its Related Entities

*\* These schedules and supplementary information are not included as these are not applicable to the Group.*

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

Schedule A - Financial Assets  
December 31, 2017  
(Amount in Philippine Pesos)

| <i>Name of issuing entity and association of each issue</i> | <i>Number of shares or principal amount of bonds or notes</i> | <i>Amount shown on the statement of the financial position</i> | <i>Valued based on the market quotation at reporting date (per share)</i> | <i>Income received and accrued</i> |
|---|---|--|---|------------------------------------|
|---|---|--|---|------------------------------------|

**Investments at Fair Value Through Profit or Loss**

|                                |           |   |           |   |          |   |   |
|--------------------------------|-----------|---|-----------|---|----------|---|---|
| 2GO GROUP, INC.                | 82,654    | P | 1,527,446 | P | 18.48    | p | - |
| ATOK BIG WEDGE MINING CO INC A | 522       |   | 7,830     |   | 15       |   | - |
| ABACORE CAPITAL HOLDINGS, INC. | 1,145,671 |   | 355,158   |   | 0.31     |   | - |
| ASIABEST GROUP                 | 417       |   | 7,239     |   | 17.36    |   | - |
| ABS-CBN CORPORATION            | 312       |   | 10,795    |   | 34.60    |   | - |
| ABS-CBN HOLDING CORP. - PDR    | 3,435     |   | 118,508   |   | 34.50    |   | - |
| AYALA CORPORATION "A"          | 506       |   | 513,590   |   | 1,015.00 |   | - |
| ACESITE (PHILS) HOTEL CORP     | 1,458     |   | 2,027     |   | 1.39     |   | - |
| AYALA CORP PREF CLASS "B"      | 5         |   | 2,643     |   | 528.50   |   | - |
| AYALA CORP SERIES 2 PREF       | 3         |   | 1,578     |   | 526.00   |   | - |
| ALSONS CONSOLIDATED RESOURCES  | 105,144   |   | 141,944   |   | 1.35     |   | - |
| ABOITIZ EQUITY VENTURES, INC   | 1,766     |   | 130,684   |   | 74.00    |   | - |
| AG FINANCE, INCORPORATED       | 338,678   |   | 1,151,505 |   | 3.40     |   | - |
| ALLIANCE GLOBAL GROUP, INC.    | 302       |   | 4,832     |   | 16.00    |   | - |
| ARTHA LAND CORPORATION         | 6,731     |   | 6,058     |   | 0.90     |   | - |
| ANCHOR LAND HOLDINGS, INC.     | 50        |   | 644       |   | 12.88    |   | - |
| AYALA LAND, INC.               | 7,695     |   | 343,197   |   | 44.60    |   | - |
| AGRINURTURE, INC.              | 91,354    |   | 1,114,519 |   | 12.20    |   | - |
| A. SORIANO CORPORATION "A"     | 610,928   |   | 4,307,042 |   | 7.05     |   | - |
| ABOITIZ POWER CORPORATION      | 11,899    |   | 494,403   |   | 41.55    |   | - |
| APC GROUP, INC.                | 8,253,100 |   | 3,961,488 |   | 0.48     |   | - |
| APOLLO GLOBAL CAPITAL, INC.    | 310,775   |   | 13,053    |   | 0.04     |   | - |

| <i>Name of issuing entity and association of each issue</i> | <i>Number of shares or principal amount of bonds or notes</i> | <i>Amount shown on the statement of the financial position</i> | <i>Valued based on the market quotation at reporting date (per share)</i> | <i>Income received and accrued</i> |
|---|---|--|---|------------------------------------|
| ANGLO-PHIL HOLDINGS   | 3,419,940   | 3,214,744  | 0.94  | -                                  |
| APEX MINING COMPANY, INC. "A"                               | 375   | 581  | 1.55  | -                                  |
| ABRA MINING & INDUSTRIAL CORP                               | 513,648,561   | 1,130,027  | 0.00  | -                                  |
| ARANETA PROPERTIES, INC.                                    | 14,793  | 33,728   | 2.28  | -                                  |
| ATLAS CONS MNG & DEVT CORP                                  | 2,447,246   | 12,236,230   | 5.00  | -                                  |
| ASIAN TERMINAL, INC.  | 1,066   | 12,600   | 11.82   | -                                  |
| ATN HOLDINGS, INC.  | 452,240   | 185,418  | 0.41  | -                                  |
| ATN HOLDINGS, INC.'B'                                       | 2,003,700   | 921,702  | 0.46  | -                                  |
| ASIA UNITED BANK CORPORATION                                | 530   | 31,694   | 59.80   | -                                  |
| BENGUET CORPORATION "A"                                     | 3,010   | 5,207  | 1.73  | -                                  |
| BENGUET CORPORATION "B"                                     | 2,658   | 4,652  | 1.75  | -                                  |
| BERJAYA PHILIPPINES INC.                                    | 119,837,560   | 754,976,628  | 6.30  | -                                  |
| BENGUET CORP.-Convtible Pref A                              | 9   | 108  | 12.02   | -                                  |
| BDO UNIBANK, INC.   | 1,512   | 247,968  | 164.00  | -                                  |
| BELLE CORPORATION   | 888,742   | 3,448,319  | 3.88  | -                                  |
| BOULEVARD HOLDINGS, INC.                                    | 601,348   | 42,696   | 0.07  | -                                  |
| BRIGHT KINDLE RES & INV                                     | 520,851   | 1,026,076  | 1.97  | -                                  |
| BDO LEASING & FINANCE, INC.                                 | 470,600   | 1,797,692  | 3.82  | -                                  |
| BLOOMBERRY RESORTS CORPORATION                              | 3,153   | 34,368   | 10.90   | -                                  |
| BOGO MEDELLIN MILLING CO.                                   | 30  | 3,603  | 120.10  | -                                  |
| BANK OF THE PHILIPPINE ISLANDS                              | 17,030  | 1,840,943  | 108.10  | -                                  |
| A. BROWN COMPANY, INC                                       | 294,200   | 294,200  | 1.00  | -                                  |
| BASIC ENERGY CORPORATION                                    | 1,672,916   | 374,733  | 0.22  | -                                  |
| CONCRETE AGGREGATES CORP "A"                                | 95  | 5,700  | 60.00   | -                                  |
| CENTRAL AZUCARERA DE TARLAC                                 | 40  | 814  | 20.35   | -                                  |
| CITYLAND DEVELOPMENT CORP "A"                               | 5,505   | 6,441  | 1.17  | -                                  |
| CEBU AIR, INC.  | 101   | 10,100   | 100.00  | -                                  |
| CROWN EQUITIES, INC.  | 2,042,107   | 467,643  | 0.23  | -                                  |
| CENTRO ESCOLAR UNIVERSITY                                   | 67  | 590  | 8.80  | -                                  |
| CEBU HOLDINGS, INC  | 133,678   | 768,649  | 5.75  | -                                  |
| CHINA BANKING CORPORATION                                   | 1,001   | 33,333   | 33.30   | -                                  |
| CEMEX HOLDINGS PHILIPPINES, INC.                            | 700   | 3,416  | 4.88  | -                                  |
| CONCEPCION INDUSTRIAL CORP                                  | 80  | 5,056  | 63.20   | -                                  |

| <i>Name of issuing entity and association of each issue</i> | <i>Number of shares or principal amount of bonds or notes</i> | <i>Amount shown on the statement of the financial position</i> | <i>Valued based on the market quotation at reporting date (per share)</i> | <i>Income received and accrued</i> |
|---|---|--|---|------------------------------------|
| CHELSEA LOGISTICS HOLDINGS CORPORATION                      | 10,248  | 89,977   | 8.78  | -                                  |
| CEBU LANDMASTERS, INC.                                      | 200   | 976  | 4.88  | -                                  |
| CENTURY PACIFIC FOOD, INC.                                  | 413   | 6,682  | 16.18   | -                                  |
| COAL ASIA HOLDINGS INCORPORATED                             | 4,280   | 1,327  | 0.31  | -                                  |
| COL FINANCIAL GROUP, INC.                                   | 70,045  | 1,085,698  | 15.50   | -                                  |
| COSCO CAPITAL, INC.   | 1,275,920   | 9,824,584  | 7.70  | -                                  |
| CENTURY PROPERTIES GROUP INC.                               | 14,875  | 7,289  | 0.49  | -                                  |
| CENTURY PEAK METALS HLD CORP                                | 9,682   | 15,782   | 1.63  | -                                  |
| CEBU PROPERTY VENT & DEV'T "A"                              | 12,935  | 80,197   | 6.20  | -                                  |
| CEBU PROPERTY VENT & DEV'T "B"                              | 39  | 242  | 6.20  | -                                  |
| CROWN ASIA CHEMICALS CORPORATION                            | 883,000   | 1,677,700  | 1.90  | -                                  |
| CITYSTATE SAVINGS BANK, INC.                                | 140   | 1,400  | 10.00   | -                                  |
| CYBER BAY CORPORATION                                       | 47,795  | 21,747   | 0.46  | -                                  |
| DA VINCI CAPITAL HOLDINGS, INC.                             | 1,991   | 10,731   | 5.39  | -                                  |
| DOUBLEDRAAGON PROP CORP                                     | 2,753   | 109,294  | 39.70   | -                                  |
| DFNN, INC.  | 80,306  | 562,945  | 7.01  | -                                  |
| DIZON COPPER SILVER MINES, INC                              | 25,993  | 184,550  | 7.10  | -                                  |
| DMCI HOLDINGS, INC.   | 5,697   | 82,037   | 14.40   | -                                  |
| DEL MONTE PACIFIC LIMITED                                   | 479   | 5,231  | 10.92   | -                                  |
| PHILAB HOLDINGS CORPORATION                                 | 246   | 920  | 3.74  | -                                  |
| D&L INDUSTRIES, INC.  | 36,848  | 407,539  | 11.06   | -                                  |
| EASYCALL COMM PHILS INC COMMON                              | 1,001   | 18,519   | 18.50   | -                                  |
| ENERGY DEVELOPMENT CORP.                                    | 7,113   | 40,829   | 5.74  | -                                  |
| EEI CORPORATION   | 9,740   | 116,880  | 12.00   | -                                  |
| EMPIRE EAST LAND HOLDINGS, INC                              | 6,322   | 4,109  | 0.65  | -                                  |
| EMPERADOR INC.  | 34,063  | 250,363  | 7.35  | -                                  |
| EURO-MED LAB. PHIL., INC.                                   | 258   | 428  | 1.66  | -                                  |
| EVER-GOTESCO RES. & HOLDINGS                                | 1,310,000   | 193,880  | 0.15  | -                                  |
| EAST WEST BANKING CORPORATION                               | 210   | 6,710  | 31.95   | -                                  |
| FILINVEST DEVELOPMENT CORP.                                 | 902,672   | 6,995,708  | 7.75  | -                                  |
| LBC EXPRESS HOLDINGS, INC.                                  | 65  | 1,105  | 17.00   | -                                  |
| FAR EASTERN UNIVERSITY, INC                                 | 47  | 45,120   | 960.00  | -                                  |
| FILIPINO FUND, INC.   | 689   | 5,305  | 7.70  | -                                  |

| <i>Name of issuing entity and association of each issue</i> | <i>Number of shares or principal amount of bonds or notes</i> | <i>Amount shown on the statement of the financial position</i> | <i>Valued based on the market quotation at reporting date (per share)</i> | <i>Income received and accrued</i> |
|---|---|--|---|------------------------------------|
| FIRST GEN CORPORATION                                       | 20,098  | 341,666  | 17.00   | -                                  |
| F&J PRINCE HOLDINGS CORP.                                   | 847   | 3,744  | 4.42  | -                                  |
| FILINVEST LAND, INC.  | 149,064   | 280,240  | 1.88  | -                                  |
| GLOBAL FERRONICKEL HOLDINGS, INC.                           | 323,651   | 851,202  | 2.63  | -                                  |
| ALLIANCE SELECT FOODS INTL                                  | 1,370,620   | 849,784  | 0.62  | -                                  |
| FIRST PHIL HOLDINGS CORP "A"                                | 71  | 4,402  | 62.00   | -                                  |
| FORUM PACIFIC, INC.   | 15,505  | 2,822  | 0.18  | -                                  |
| GEOGRACE RESOURCES,PHILS.,INC.                              | 19,386,689  | 4,071,205  | 0.21  | -                                  |
| GLOBAL-ESTATE RESORTS, INC.                                 | 12,121  | 17,333   | 1.43  | -                                  |
| GLOBE TELECOM INC, "A"                                      | 164   | 311,600  | 1,900.00  | -                                  |
| GMA NETWORK, INC.   | 288,626   | 1,685,576  | 5.84  | -                                  |
| GMA HOLDINGS, INC.  | 339,394   | 1,927,758  | 5.68  | -                                  |
| GINEBRA SAN MIGUEL, INC.                                    | 1,481   | 39,765   | 26.85   | -                                  |
| GT CAPITAL HOLDINGS, INC.                                   | 104   | 134,368  | 1,292.00  | -                                  |
| PHILIPPINE H2O VENTURES CORP                                | 348   | 2,137  | 6.14  | -                                  |
| HOUSE OF INVESTMENTS, INC                                   | 200,017   | 1,472,125  | 7.36  | -                                  |
| HOLCIM PHILIPPINES, INC.                                    | 87,814  | 946,635  | 10.78   | -                                  |
| 8990 HOLDINGS, INC.   | 392,074   | 2,638,658  | 6.73  | -                                  |
| GOLDEN HAVEN MEMORIAL PARK, INC.                            | 100   | 2,200  | 22.00   | -                                  |
| I-REMIT, INC.   | 381,201   | 663,290  | 1.74  | -                                  |
| INT'L CONTAINER TERMINAL SERV                               | 641   | 67,626   | 105.50  | -                                  |
| ITALPINAS DEVELOPMENT CORPORATION                           | 1,000   | 10,200   | 10.20   | -                                  |
| INTEGRATED MICRO-ELEC INC.                                  | 3,058   | 57,552   | 18.82   | -                                  |
| IMPERIAL RESOURCES, INC "A"                                 | 67,553  | 178,340  | 2.64  | -                                  |
| IONICS,INC.   | 2,525,706   | 5,632,324  | 2.23  | -                                  |
| IPEOPLE, INC.   | 2,762   | 35,906   | 13.00   | -                                  |
| IRC PROPERTIES, INC.  | 950,229   | 703,169  | 0.74  | -                                  |
| ISLAND INFORMATION & TECH. INC                              | 3,000   | 423  | 0.14  | -                                  |
| ISM COMMUNICATIONS CORP.                                    | 81,268  | 113,776  | 1.40  | -                                  |
| JACKSTONES, INC.  | 600   | 1,842  | 3.07  | -                                  |
| JOLLIBEE FOODS CORPORATION                                  | 1,493   | 377,729  | 253.00  | -                                  |
| JG SUMMIT HOLDINGS, INC.                                    | 317   | 22,856   | 72.10   | -                                  |
| KEPPEL PHILS. PROPERTIES, INC.                              | 3,783   | 15,889   | 4.20  | -                                  |

| <i>Name of issuing entity and association of each issue</i> | <i>Number of shares or principal amount of bonds or notes</i> | <i>Amount shown on the statement of the financial position</i> | <i>Valued based on the market quotation at reporting date (per share)</i> | <i>Income received and accrued</i> |
|---|---|--|---|------------------------------------|
| KEPPEL PHILS. HOLDINGS INC "A"                              | 51,136  | 270,509  | 5.29  | -                                  |
| KEPPEL PHIL HOLDINGS INC "B"                                | 2,769   | 14,842   | 5.36  | -                                  |
| CITY & LAND DEVELOPERS, INC.                                | 1,861   | 1,991  | 1.07  | -                                  |
| LEPANTO CONSOLIDATED MNG CO A                               | 118,913   | 17,956   | 0.15  | -                                  |
| LEPANTO CONSOLIDATED MNG CO B                               | 227,074   | 34,742   | 0.15  | -                                  |
| LIBERTY FLOUR MILLS, INC.                                   | 715   | 42,185   | 59.00   | -                                  |
| LODESTAR INVSMT HOLDINGS CORP.                              | 401,086   | 276,749  | 0.69  | -                                  |
| LMG CHEMICALS CORPORATION                                   | 26,545  | 108,835  | 4.10  | -                                  |
| PACIFIC ONLINE SYSTEM CORP.                                 | 924   | 10,256   | 11.10   | -                                  |
| LOPEZ HOLDINGS CORPORATION                                  | 604,459   | 3,384,970  | 5.60  | -                                  |
| LEISURE & RESORTS WORLD CORP.                               | 4,241   | 16,879   | 3.98  | -                                  |
| LORENZO SHIPPING CORPORATION                                | 24,458  | 29,594   | 1.21  | -                                  |
| LT GROUP, INC.  | 1,263   | 23,669   | 18.74   | -                                  |
| MANILA MINING CORPORATION "A"                               | 12,343,052  | 116,025  | 0.01  | -                                  |
| MANILA MINING CORPORATION "B"                               | 118,641,280   | 1,186,413  | 0.01  | -                                  |
| Macro Asia Corp.(Cobertson)                                 | 122,221   | 2,792,750  | 22.85   | -                                  |
| MACAY HOLDINGS, INC.  | 22  | 416  | 18.90   | -                                  |
| MARCVENTURES HOLDINGS, INC.                                 | 9,449   | 16,819   | 1.78  | -                                  |
| MAX'S GROUP, INC.   | 10,110  | 188,046  | 18.60   | -                                  |
| MANILA BULLETIN PUBLISHING COR                              | 54,360  | 30,985   | 0.57  | -                                  |
| METROPOLITAN BANK & TRUST CO                                | 896   | 90,854   | 101.40  | -                                  |
| MEDCO HOLDINGS, INC.  | 990   | 594  | 0.60  | -                                  |
| MEGAWORLD CORPORATION                                       | 17,478  | 90,186   | 5.16  | -                                  |
| MANILA ELECTRIC COMPANY "A"                                 | 1,724   | 508,017  | 328.60  | -                                  |
| MANULIFE FINANCIAL CORP.                                    | 156   | 147,420  | 945.00  | -                                  |
| MAKATI FINANCE CORPORATION                                  | 134   | 382  | 2.85  | -                                  |
| MILLENNIUM GLOBAL HLDGS                                     | 663,675   | 135,390  | 0.20  | -                                  |
| MABUHAY HOLDINGS CORPORATION                                | 7,500   | 2,288  | 0.31  | -                                  |
| IPM HOLDINGS, INC.  | 1,057,866   | 8,833,181  | 8.35  | -                                  |
| MANILA JOCKEY CLUB, INC.                                    | 4,243   | 21,215   | 5.00  | -                                  |
| MJC INVESTMENTS CORPORATION                                 | 2,110   | 7,174  | 3.40  | -                                  |
| METRO PACIFIC INV'T CORP.                                   | 34,944  | 239,366  | 6.85  | -                                  |
| MRC ALLIED, INC.  | 2,608,429   | 873,824  | 0.34  | -                                  |

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|---|---|--|---|------------------------------------|
| MELCO RESORTS AND ENTERTAINMENT (PHILS) CORP                | 20,048  | 148,957  | 7.43  | -                                  |
| METRO RETAIL STORES GROUP, INC.                             | 865   | 3,374  | 3.90  | -                                  |
| MABUHAY VINYL CORPORATION                                   | 224,390   | 691,121  | 3.08  | -                                  |
| MANILA WATER COMPANY, INC.                                  | 10,569  | 296,460  | 28.05   | -                                  |
| MEGAWIDE CONST CORP   | 74,512  | 1,341,216  | 18.00   | -                                  |
| NIHAO MIN. RES. INT'L INC.                                  | 246,153   | 371,691  | 1.51  | -                                  |
| NICKEL ASIA CORPORATION                                     | 39,443  | 249,674  | 6.33  | -                                  |
| NOW CORPORATION   | 1,026   | 2,893  | 2.82  | -                                  |
| NATIONAL REINSURANCE CORP.                                  | 5,037,732   | 4,836,223  | 0.96  | -                                  |
| OMICO CORPORATION   | 1,004,169   | 451,876  | 0.45  | -                                  |
| ORIENTAL PET & MINERAL CORP A                               | 85,453,292  | 1,025,440  | 0.01  | -                                  |
| ORIENTAL PET & MINERAL CORP B                               | 52,761,816  | 633,142  | 0.01  | -                                  |
| ORIENTAL PENINSULA RES.GRP.INC                              | 161,156   | 153,098  | 0.95  | -                                  |
| THE PHILODRILL CORPORATION "A"                              | 29,210,443  | 350,525  | 0.01  | -                                  |
| PACIFICA, INC. "A"  | 45,259,689  | 2,036,686  | 0.05  | -                                  |
| PAL HOLDINGS, INC.  | 56,611  | 291,547  | 5.15  | -                                  |
| PAXYS, INC.   | 250,328   | 703,422  | 2.81  | -                                  |
| PHILIPPINE BUSINESS BANK                                    | 1,897   | 22,726   | 11.98   | -                                  |
| PHIL BANK OF COMMUNICATIONS A                               | 257   | 6,168  | 24.00   | -                                  |
| PETRON CORPORATION  | 17,522  | 160,677  | 9.17  | -                                  |
| PETROENERGY RESOURCES CORP.                                 | 105,986   | 646,515  | 6.10  | -                                  |
| SAN MIGUEL PFOODS CO INC. "A"                               | 4,195   | 2,219,155  | 529.00  | -                                  |
| PUREGOLD PRICE CLUB, INC.                                   | 455   | 22,750   | 50.00   | -                                  |
| PREMIERE HORIZON ALLIANCE CORP                              | 482,126   | 175,976  | 0.37  | -                                  |
| PHINMA ENERGY CORPORATION                                   | 506,748   | 795,594  | 1.57  | -                                  |
| PHILIPPINE ESTATES CORPORATION                              | 8,000   | 2,840  | 0.36  | -                                  |
| PHINMA CORPORATION  | 91,567  | 769,163  | 8.40  | -                                  |
| PEPSI-COLA PROD. PHIL., INC.                                | 601,335   | 1,292,870  | 2.15  | -                                  |
| SHAKEY'S PIZZA ASIA VENTURES, INC.                          | 3,160   | 42,534   | 13.46   | -                                  |
| PREMIUM LEISURE CORPORATION                                 | 18,705  | 25,252   | 1.35  | -                                  |
| PANASONIC MFG. PHILS., CORP.                                | 853   | 7,404  | 8.68  | -                                  |
| PHILIPPINE NATIONAL BANK                                    | 14,963  | 848,402  | 56.70   | -                                  |
| PHOENIX PETROLEUM PHIL., INC.                               | 13,887  | 180,531  | 13.00   | -                                  |

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|---|---|--|---|------------------------------------|
| PRIME ORION PHILIPPINES, INC.                               | 14,040,064  | 28,782,131   | 2.05  | -                                  |
| PRYCE PROPERTIES CORPORATION                                | 805   | 5,474  | 6.80  | -                                  |
| PHINMA PETROLEUM & GEOTHERMAL, INC.                         | 2,090   | 4,222  | 2.02  | -                                  |
| PHILIPPINE RACING CLUB, INC.                                | 1,499   | 13,476   | 8.99  | -                                  |
| PRIME MEDIA HOLDINGS, INC.                                  | 114,772   | 131,988  | 1.15  | -                                  |
| PHILIPPINE SAVINGS BANK                                     | 10,997  | 958,389  | 87.15   | -                                  |
| PHILIPPINE STOCK EXCHANGE, INC.                             | 27  | 6,480  | 240.00  | -                                  |
| PHILIPPINE TRUST COMPANY                                    | 2   | 290  | 145.00  | -                                  |
| PHILEX MINING CORP. "A"                                     | 192,978   | 1,169,447  | 6.06  | -                                  |
| PHILEX PETROLEUM CORPORATION                                | 57,837  | 460,383  | 7.96  | -                                  |
| RIZAL COMM'L BANKING CORP "A"                               | 3,622   | 200,478  | 55.35   | -                                  |
| ROXAS AND COMPANY, INC.                                     | 3,659   | 9,330  | 2.55  | -                                  |
| REPUBLIC GLASS HLDNGS CORP "A"                              | 4,273   | 11,110   | 2.60  | -                                  |
| RFM CORPORATION   | 175,189   | 870,689  | 4.97  | -                                  |
| ROBINSONS LAND CORPORATION                                  | 57,228  | 1,218,956  | 21.30   | -                                  |
| PHIL. REALTY & HOLDINGS CORP.                               | 113,243   | 70,211   | 0.62  | -                                  |
| ROCKWELL LAND CORPORATION                                   | 1,879,565   | 3,984,678  | 2.12  | -                                  |
| ROXAS HOLDINGS, INC.  | 187,570   | 761,534  | 4.06  | -                                  |
| ROBINSONS RETAIL HOLDINGS, INC.                             | 113   | 10,871   | 96.20   | -                                  |
| TRAVELLERS INTL HOTEL GRP                                   | 2,602   | 10,356   | 3.98  | -                                  |
| SBS PHILIPPINES CORPORATION                                 | 101,055   | 565,908  | 5.60  | -                                  |
| SEMIRARA MINING & POWER CORP                                | 685   | 25,208   | 36.80   | -                                  |
| SECURITY BANK CORPORATION                                   | 498   | 125,197  | 251.40  | -                                  |
| PHILIPPINE SEVEN CORPORATION                                | 52  | 5,949  | 114.40  | -                                  |
| SWIFT FOODS, INC  | 479,862   | 64,302   | 0.13  | -                                  |
| SWIFT FOODS INC CONV PREF                                   | 11,849  | 25,120   | 2.12  | -                                  |
| SOLID GROUP, INC.   | 368,275   | 578,192  | 1.57  | -                                  |
| PILIPINAS SHELL PETROLEUM CORPORATION                       | 4,890   | 298,290  | 61.00   | -                                  |
| SHANGRILA PROPERTIES, INC.                                  | 236,056   | 738,855  | 3.13  | -                                  |
| SUN LIFE FIN. SERV. OF CANADA                               | 4,731   | 9,130,830  | 1,930.00  | -                                  |
| STA. LUCIA LAND, INC.                                       | 4,698   | 4,745  | 1.01  | -                                  |
| SM INVESTMENTS CORPORATION                                  | 77  | 76,230   | 990.00  | -                                  |
| SAN MIGUEL CORPORATION "A"                                  | 161   | 17,968   | 111.60  | -                                  |

| <i>Name of issuing entity and association of each issue</i> | <i>Number of shares or principal amount of bonds or notes</i> | <i>Amount shown on the statement of the financial position</i> | <i>Valued based on the market quotation at reporting date (per share)</i> | <i>Income received and accrued</i> |
|---|---|--|---|------------------------------------|
| SAN MIGUEL CORP "2-C" PREF                                  | 12  | 960  | 80.00   | -                                  |
| SM PRIME HOLDINGS, INC                                      | 17,339  | 650,213  | 37.50   | -                                  |
| SOC RESOURCES, INC.   | 200,727   | 158,574  | 0.79  | -                                  |
| SPC POWER CORPORATION                                       | 180   | 972  | 5.40  | -                                  |
| SEAFRONT RESOURCES CORP. "A'                                | 314,992   | 841,029  | 2.67  | -                                  |
| SUPERCITY REALTY DEV'T. CORP.                               | 64,000  | 51,200   | 0.80  | -                                  |
| SSI GROUP, INC.   | 10,978  | 36,227   | 3.30  | -                                  |
| STI EDUCATION SYS HLDGS, INC.                               | 780,827   | 1,272,748  | 1.63  | -                                  |
| STARMALLS, INC.   | 73  | 643  | 8.81  | -                                  |
| SUNTRUST HOME DEVELOPERS, INC.                              | 2,289,397   | 1,945,987  | 0.85  | -                                  |
| TKC STEEL CORP.   | 133,650   | 157,707  | 1.18  | -                                  |
| TRANSPACIFIC BROD. GROUP INT'L                              | 797,957   | 2,154,484  | 2.70  | -                                  |
| CIRTEK HOLDINGS PHILS CORP                                  | 724   | 33,268   | 45.95   | -                                  |
| PHIL LONG DIS TEL CO "COMMON"                               | 92  | 136,160  | 1,480.00  | -                                  |
| PTFC REDEVELOPMENT CORPORATION                              | 26  | 871  | 33.50   | -                                  |
| TOP FRONTIER INV HLDGS, INC.                                | 144   | 41,184   | 286.00  | -                                  |
| HARBOR STAR SHIP SERV                                       | 190,000   | 853,100  | 4.49  | -                                  |
| UNION BANK OF THE PHILIPPINES                               | 47,372  | 4,104,784  | 86.65   | -                                  |
| UNIOIL RES & HLDGS CO, INC.                                 | 4,495,500   | 989,010  | 0.22  | -                                  |
| UNITED PARAGON MINING CORP.                                 | 3,342,683   | 22,062   | 0.01  | -                                  |
| UNIVERSAL ROBINA CORPORATION                                | 1,351   | 204,001  | 151.00  | -                                  |
| VANTAGE EQUITIES, INC.                                      | 2,515,930   | 3,119,753  | 1.24  | -                                  |
| VITARICH CORPORATION  | 25,696  | 50,364   | 1.96  | -                                  |
| VISTA LAND & LIFESCAPES, INC                                | 10,576  | 63,350   | 5.99  | -                                  |
| VICTORIAS MILLING COMPANY, INC                              | 4,113   | 12,257   | 2.98  | -                                  |
| VULCAN INDL & MINING CORP.                                  | 4,018,414   | 3,134,363  | 0.78  | -                                  |
| VIVANT CORPORATION  | 59  | 1,360  | 23.05   | -                                  |
| PHILWEB CORPORATION   | 59,082  | 451,386  | 7.64  | -                                  |
| WELLEX INDUSTRIES, INC.                                     | 807,086   | 148,504  | 0.18  | -                                  |
| WATERFRONT PHILIPPINES, INC                                 | 1,215,533   | 1,191,222  | 0.98  | -                                  |
| XURPAS INC.   | 109,300   | 608,801  | 5.57  | -                                  |
| ZUES HOLDINGS, INC.   | 3,171,294   | 599,375  | 0.19  | -                                  |

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|---|---|--|---|------------------------------------|
|---|---|--|---|------------------------------------|

|   |             |
|---|-------------|
| P | 956,395,411 |
|---|-------------|

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule A - Financial Assets**

**December 31, 2017**

*(Amount in Philippine Pesos)*

| <i>Name of issuing entity and association of each issue</i> | <i>Number of shares or principal amount of bonds or notes</i> | <i>Amount shown on the statement of the financial position</i> | <i>Valued based on the market quotation at reporting date (per share)</i> | <i>Income received and accrued</i> |
|---|---|--|---|------------------------------------|
|---|---|--|---|------------------------------------|

**Available-for-sale Securities**

|                           |             |   |               |   |              |   |   |
|---------------------------|-------------|---|---------------|---|--------------|---|---|
| BERJAYA PHILIPPINES INC.  | 376,609,850 | P | 1,815,259,478 | P | 4.82         | P | - |
| METRO PACIFIC CORPORATION | 5,143,110   |   | 5,348,835     |   | 2.08         |   | - |
| CEBU COUNTRY CLUB         | 1           |   | 5,000,000     |   | 5,000,000.00 |   | - |
| MIMOSA GOLF               | 1           |   | 400,000       |   | 400,000.00   |   | - |
| UNIVERSAL LEISURE CLUB    | 3           |   | 3,000,000     |   | 1,000,000.00 |   | - |
| VALLE VERDE               | 2           |   | 870,000       |   | 435,000      |   | - |

|          |                      |
|----------|----------------------|
| <b>P</b> | <b>1,829,878,313</b> |
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**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)**

**December 31, 2017**

*(Amount in Philippine Pesos)*

| <i>Company</i> | <i>Name</i>                   | <i>Kind of Loan</i> | <i>Balance at Beginning of Period</i> | <i>Additions</i>   | <i>Amounts Collected</i> | <i>Amounts Written Off</i> | <i>Current</i>     | <i>Non-Current</i> | <i>Balance at End of Period</i> |
|----------------|-------------------------------|---------------------|---------------------------------------|--------------------|--------------------------|----------------------------|--------------------|--------------------|---------------------------------|
| ASC            | Bernal, Madelyn               | Educational         | P 25,280                              | P 69,000           | P 62,313                 | P -                        | P 31,968           | P -                | P 31,968                        |
| ASC            | Casimsiman, Joel              | Educational         | 19,362                                | 65,000             | 67,868                   | -                          | 16,494             | -                  | 16,494                          |
| ASC            | Cometa, Roel                  | Educational         | 13,405                                | 45,000             | 45,093                   | -                          | 13,311             | -                  | 13,311                          |
| ASC            | Cruz, Elizabeth               | Educational         | 14,281                                | 35,000             | 35,991                   | -                          | 13,289             | -                  | 13,289                          |
| ASC            | Delos Santos, Mari Fritz      | Educational         | 6,120                                 | -                  | -                        | -                          | 6,120              | -                  | 6,120                           |
| ASC            | Delos Santos, Marie Anne      | Educational         | 41,548                                | 104,000            | 106,060                  | -                          | 39,488             | -                  | 39,488                          |
| ASC            | Escraman, Raquel              | Educational         | 25,437                                | 50,000             | 54,361                   | -                          | 21,076             | -                  | 21,076                          |
| ASC            | Marcelo, Cristina             | Educational         | 12,588                                | 25,700             | 26,381                   | -                          | 11,907             | -                  | 11,907                          |
| ASC            | Lemen, Gregory                | Educational         | 28,680                                | -                  | 28,680                   | -                          | -                  | -                  | -                               |
| ASC            | Norega, Ermen                 | Educational         | 20,960                                | 45,000             | 48,874                   | -                          | 17,086             | -                  | 17,086                          |
| ASC            | Rabe, Jennynlen               | Educational         | 11,461                                | 35,000             | 31,708                   | -                          | 14,754             | -                  | 14,754                          |
| ASC            | Sapon, Michelle               | Educational         | 23,289                                | 60,000             | 57,997                   | -                          | 25,292             | -                  | 25,292                          |
| ASC            | Velasco, Estella Mae          | Educational         | 11,461                                | 50,000             | 40,385                   | -                          | 21,076             | -                  | 21,076                          |
| ASC            | Villar Dennis                 | Educational         | 55,115                                | 100,000            | 117,146                  | -                          | 37,969             | -                  | 37,969                          |
| ASC            | Agapay, Grace                 | Emergency           | 77,180                                | 40,000             | 54,221                   | -                          | 62,959             | -                  | 62,959                          |
| ASC            | Banoc, Estrella               | Emergency           | 64,176                                | -                  | 45,247                   | -                          | 18,929             | -                  | 18,929                          |
| ASC            | Camacho, Rosaly               | Emergency           | 35,159                                | -                  | 22,434                   | -                          | 12,725             | -                  | 12,725                          |
| ASC            | Casimsiman, Joel              | Emergency           | 19,794                                | -                  | 19,794                   | -                          | -                  | -                  | -                               |
| ASC            | Cometa, Roel                  | Emergency           | 18,027                                | -                  | 9,822                    | -                          | 8,204              | -                  | 8,204                           |
| ASC            | Cruz, Elizabeth               | Emergency           | -                                     | 12,000             | 4,141                    | -                          | 7,859              | -                  | 7,859                           |
| ASC            | Escraman, Raquel              | Emergency           | 62,457                                | -                  | 37,296                   | -                          | 25,161             | -                  | 25,161                          |
| ASC            | Lana, Geraldine               | Emergency           | 25,749                                | -                  | 25,749                   | -                          | -                  | -                  | -                               |
| ASC            | Marcelo, Christina            | Emergency           | 93,360                                | -                  | 53,122                   | -                          | 40,237             | -                  | 40,237                          |
| ASC            | Norega, Ermen                 | Emergency           | 15,222                                | 30,000             | 14,223                   | -                          | 31,000             | -                  | 31,000                          |
| ASC            | Oso, Eli                      | Emergency           | -                                     | 20,000             | 3,629                    | -                          | 16,371             | -                  | 16,371                          |
| ASC            | Ramos, Nole                   | Emergency           | 21,008                                | -                  | 15,106                   | -                          | 5,902              | -                  | 5,902                           |
| ASC            | Velasco, Estella Mae          | Emergency           | 20,301                                | 21,000             | 18,378                   | -                          | 22,923             | -                  | 22,923                          |
| ASC            | Villar Dennis                 | Emergency           | 3,785                                 | -                  | -                        | -                          | 3,785              | -                  | 3,785                           |
| ASC            | Franco, Raymond Neil          | Housing             | 1,975,000                             | -                  | 240,000                  | -                          | 1,735,000          | -                  | 1,735,000                       |
| ASC            | Lemen, Gregory                | Housing             | 577,765                               | -                  | 46,520                   | -                          | 531,245            | -                  | 531,245                         |
| ASC            | Lazaro, Juanito               | Car                 | 21,666                                | -                  | 21,666                   | -                          | -                  | -                  | -                               |
| ASC            | Villar Dennis                 | Car                 | 489,356                               | -                  | 460,004                  | -                          | 29,352             | -                  | 29,352                          |
| FAF            | Abacan, Erwin                 | Educational         | 20,046                                | -                  | 21,748                   | -                          | ( 1,702 )          | -                  | ( 1,702 )                       |
| FAF            | Castillo, Madonna             | Educational         | 12,719                                | 65,000             | 58,491                   | -                          | 19,227             | -                  | 19,227                          |
| FAF            | Dela Cruz, Melanio            | Educational         | -                                     | 150,000            | 111,926                  | -                          | 38,074             | -                  | 38,074                          |
| FAF            | Patana, Archimedes            | Educational         | 7,466                                 | -                  | -                        | -                          | 7,466              | -                  | 7,466                           |
| FAF            | Santos, Marilou               | Educational         | 46,961                                | 130,000            | 144,603                  | -                          | 32,358             | -                  | 32,358                          |
| FAF            | Sarmiento, Christopher        | Educational         | 25,297                                | 40,000             | 40,076                   | -                          | 25,222             | -                  | 25,222                          |
| FAF            | Castillo, Madonna             | Emergency           | 26,020                                | -                  | 26,020                   | -                          | -                  | -                  | -                               |
| FAF            | Magno, Rosario                | Emergency           | 43,929                                | 50,000             | 48,003                   | -                          | 45,926             | -                  | 45,926                          |
| FAF            | Dela Cruz, Melanio            | Housing             | 682,392                               | -                  | 45,987                   | -                          | 636,406            | -                  | 636,406                         |
| FAF            | Magno, Rosario                | Car                 | 516,580                               | -                  | 147,594                  | -                          | 368,986            | -                  | 368,986                         |
| FAF            | Santos, Marilou               | Car                 | 262,500                               | -                  | 150,000                  | -                          | 112,500            | -                  | 112,500                         |
| ACIC           | Olavario, Ma. Sheila Olavario | Car                 | 102,916                               | 650,000            | 189,583                  | -                          | 563,333            | -                  | 563,333                         |
| ACIC           | Suganob, Pia Francesca        | Car                 | 129,240                               | -                  | 129,240                  | -                          | -                  | -                  | -                               |
| ACIC           | Domingo, Gwendalene           | Car                 | 314,166                               | -                  | 314,166                  | -                          | -                  | -                  | -                               |
| ACIC           | Mendoza, Arlene               | Car                 | 412,775                               | -                  | 125,400                  | -                          | 287,375            | -                  | 287,375                         |
| ACIC           | Ramos, Christine              | Educational         | 21,198                                | 70,000             | 61,691                   | -                          | 29,507             | -                  | 29,507                          |
| ACIC           | Rosalita, Elnee               | Emergency           | 83,334                                | -                  | 38,211                   | -                          | 45,123             | -                  | 45,123                          |
|                |                               |                     | <b>P 6,536,533</b>                    | <b>P 1,961,700</b> | <b>P 3,466,949</b>       | <b>P -</b>                 | <b>P 5,031,283</b> | <b>P -</b>         | <b>P 5,031,283</b>              |

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule C - Accounts Receivable from Parties which are Eliminated during the Consolidation of Financial Statements**

**December 31, 2017**

*(Amount in Philippine Pesos)*

| Name of Related Party                   | Balance at Beginning of year |             | Additions |               | Deductions        |                     | Ending Balance |             | Balance at End of year |            |
|---|------------------------------|-------------|-----------|---------------|-------------------|---------------------|----------------|-------------|------------------------|------------|
|   |                              |             |           |               | Amounts Collected | Amounts written off | Current        | Non-current |                        |            |
| Abacus Securities Corporation           | P                            | 131,007,689 | P         | 968,412,939   | P                 | 1,033,062,816       | P              | 66,357,812  | P                      | 66,357,812 |
| Abacus Capital & Investment Corporation |                              | 799,739     |           | 17,804,970    |                   | 1,157,349           |                | 17,447,360  |                        | 17,447,360 |
| Vista Holdings Corporation              | (                            | 2,993,029)  |           | 171,907,720   |                   | 167,750,260         |                | 1,164,431   |                        | 1,164,431  |
|   | P                            | 128,814,399 | P         | 1,158,125,629 | P                 | 1,201,970,425       | P              | 84,969,603  | P                      | 84,969,603 |

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule D - Intangible Assets - Other Assets**

**December 31, 2017**

*(Amount in Philippine Pesos)*

| <i>Description</i>      | <i>Beginning Balance</i>   | <i>Additions at Cost</i>  | <i>Charged to Cost and Expense</i> | <i>Charged to Other Accounts</i> | <i>Other Charges Additions (Deductions)</i> | <i>Ending Balance</i>      |
|-------------------------|----------------------------|---------------------------|------------------------------------|----------------------------------|---|----------------------------|
| Goodwill - net          | P 35,324,355               | P -                       | P -                                | P -                              | P -   | P 35,324,355               |
| Computer Software - net | -                          | 7,287,080                 | 1,792,476                          | -                                | -   | 5,494,604                  |
| Trading Right           | 1,408,000                  | -                         | -                                  | -                                | -   | 1,408,000                  |
|                         | <b><u>P 36,732,355</u></b> | <b><u>P 7,287,080</u></b> | <b><u>P 1,792,476</u></b>          | <b><u>P -</u></b>                | <b><u>P -</u></b>                           | <b><u>P 42,226,959</u></b> |

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule E - Long Term Debt**

**December 31, 2017**

*(Amount in Philippine Pesos)*

| <i>Title of Issue and Type of Obligation</i> | <i>Amount Authorized by Indenture</i> | <i>Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position</i> | <i>Amount Shown Under Caption "Long-term Debt" in Related Statement of Financial Position</i> |
|--|---------------------------------------|--|---|
| Notes Payable and Bank Loans                 | P <u>4,086,835,020</u>                | P <u>4,086,835,020</u>   | P <u>-</u>  |

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

Schedule H - Capital Stock  
December 31, 2017  
(Amount in Philippine Pesos)

| <i>Title of Issue</i>                       | <i>Number of Shares<br/>authorized</i> | <i>Number of shares<br/>issued and<br/>outstanding as<br/>shown under the<br/>related statement of<br/>financial position<br/>caption</i> | <i>Number of shares<br/>reserved for options,<br/>warrants, conversion<br/>and other rights</i> | <i>Number of Shares held by:</i> |  |                    |
|---|--|---|---|----------------------------------|--|--------------------|
|   |  |   |   | <i>Related parties</i>           | <i>Directors, officers<br/>and employees</i> | <i>Others</i>      |
| Common shares - P1 par value                |  |   |   |                                  |  |                    |
| Authorized - P1,800,000,000                 | 1,800,000,000                          |   |   |                                  |  |                    |
| 1,193,200,000 shares issued and outstanding | 1,193,200,000                          | 1,193,200,000   | -   | 76,286,000                       | 149,760,000                                  | 967,154,000        |
| Treasury shares                             |  | ( 171,413,600 )   | -   | -                                | -  | -                  |
|   |  | <u>1,021,786,400</u>  | <u>-</u>  | <u>76,286,000</u>                | <u>149,760,000</u>                           | <u>967,154,000</u> |

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule of Financial Indicators**  
**As of and for the year ended December 31, 2017 and 2016**

|   | <u>2017</u>         | <u>2016</u> |
|---|---------------------|-------------|
| <b>Profitability Ratios</b>   |                     |             |
| $\frac{\text{Net Income (Loss)}}{\text{Total Assets}}$                      | <b>0.00 : 1.00</b>  | 0.00 : 1.00 |
| $\frac{\text{Net Income (Loss)}}{\text{Stockholder's Equity}}$              | <b>-0.01 : 1.00</b> | 0.00 : 1.00 |
| <b>Debt -to equity Ratio</b>  |                     |             |
| $\frac{\text{Debt}}{\text{Equity}}$   | <b>3.21 : 1.00</b>  | 1.69 : 1.00 |
| <b>Asset to Equity Ratio</b>  |                     |             |
| $\frac{\text{Asset}}{\text{Equity}}$  | <b>4.21 : 1.00</b>  | 2.69 : 1.00 |
| <b>Interest Rate Coverage Ratio</b>   |                     |             |
| $\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Expense}}$ | <b>1.09 : 1.00</b>  | 1.05 : 1.00 |
| <b>Current/ Liquidity Ratios</b>  |                     |             |
| $\frac{\text{Current Assets}}{\text{Current Liabilities}}$                  | <b>1.31 : 1.00</b>  | 1.50 : 1.00 |
| $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$                    | <b>1.24 : 1.00</b>  | 1.50 : 1.00 |
| $\frac{\text{Cash}}{\text{Current Liabilities}}$                            | <b>0.02 : 1.00</b>  | 0.02 : 1.00 |

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION**  
Unit 2904-A East Tower, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center, Pasig City

**Parent Company Reconciliation of Deficit**  
**December 31, 2017**

The Parent Company has a deficit as at December 31, 2017. Presented below is an analysis of the deficit for purposes of this reconciliation requirement.

|   |                               |
|---|-------------------------------|
| <b>Deficit at Beginning of Year</b>                           | P 1,252,464,661               |
| <b>Prior Years' Outstanding Reconciling Items, net of tax</b> |                               |
| Deferred tax income   | <u>36,069,186</u>             |
| <b>Deficit at Beginning of Year, As Adjusted</b>              | 1,288,533,847                 |
| <b>Net Loss During the Year</b>                               | <u>174,493,573</u>            |
| <b>Deficit at End of Year</b>                                 | <b><u>P 1,463,027,420</u></b> |

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule of Philippine Financial Reporting Standards and Interpretations**  
**Adopted by the Securities and Exchange Commission and the**  
**Financial Reporting Standards Council as of December 31, 2017**

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS             |   | Adopted | Not Adopted | Not Applicable |
|--|---|---------|-------------|----------------|
| Framework for the Preparation and Presentation of Financial Statements   |   | ✓       |             |                |
| Conceptual Framework Phase A: Objectives and Qualitative Characteristics |   | ✓       |             |                |
| Practice Statement Management Commentary                                 |   |         | ✓           |                |
| <i>Philippine Financial Reporting Standards (PFRS)</i>                   |   |         |             |                |
| <b>PFRS 1<br/>(Revised)</b>  | First-time Adoption of Philippine Financial Reporting Standards   | ✓       |             |                |
|  | Amendments to PFRS 1: Additional Exemptions for First-time Adopters   | ✓       |             |                |
|  | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters                          | ✓       |             |                |
|  | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters                               | ✓       |             |                |
|  | Amendment to PFRS 1: Government Loans   | ✓       |             |                |
|  | Amendments to PFRS 1: Deletion of Short-term Exemptions   |         |             | ✓              |
| <b>PFRS 2</b>  | Share-based Payment   |         |             | ✓              |
|  | Amendments to PFRS 2: Vesting Conditions and Cancellations  |         |             | ✓              |
|  | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions   |         |             | ✓              |
|  | Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* (effective January 1, 2018)       |         |             | ✓              |
|  |   |         |             |                |
| <b>PFRS 3<br/>(Revised)</b>  | Business Combinations   | ✓       |             |                |
|  | Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation (effective January 1, 2019)            |         |             | ✓              |
| <b>PFRS 4</b>  | Insurance Contracts   |         |             | ✓              |
|  | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts  |         |             | ✓              |
|  | Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4, Insurance Contracts* (effective January 1, 2018) |         |             | ✓              |
| <b>PFRS 5</b>  | Non-current Assets Held for Sale and Discontinued Operations  |         |             | ✓              |
| <b>PFRS 6</b>  | Exploration for and Evaluation of Mineral Resources   |         |             | ✓              |
| <b>PFRS 7</b>  | Financial Instruments: Disclosures  | ✓       |             |                |
|  | Amendments to PFRS 7: Transition  | ✓       |             |                |
|  | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets   | ✓       |             |                |
|  | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition                       | ✓       |             |                |
|  | Amendments to PFRS 7: Improving Disclosures about Financial Instruments   | ✓       |             |                |
|  | Amendments to PFRS 7: Disclosures – Transfers of Financial Assets   | ✓       |             |                |
|  | Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities                                   | ✓       |             |                |
|  | Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures (effective when PFRS 9 is first applied) |         |             | ✓              |
| <b>PFRS 8</b>  | Operating Segments  | ✓       |             |                |
| <b>PFRS 9</b>  | Financial Instruments* (effective January 1, 2018)  |         |             | ✓              |
|  | Amendments to PFRS 9: Prepayment Features with Negative Compensation* (effective January 1, 2019)                           |         |             | ✓              |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS |  | Adopted | Not Adopted | Not Applicable |
|--|--|---------|-------------|----------------|
| PFRS 10  | Consolidated Financial Statements  | ✓       |             |                |
|  | Amendment to PFRS 10: Transition Guidance  | ✓       |             |                |
|  | Amendment to PFRS 10: Investment Entities  | ✓       |             |                |
|  | Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ( <i>effective date deferred indefinitely</i> ) |         |             | ✓              |
|  | Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception   | ✓       |             |                |
| PFRS 11  | Joint Arrangements   |         |             | ✓              |
|  | Amendment to PFRS 11: Transition Guidance  |         |             | ✓              |
|  | Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations   |         |             | ✓              |
|  | Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation ( <i>effective January 1, 2019</i> )                                   |         |             | ✓              |
| PFRS 12  | Disclosure of Interests in Other Entities  | ✓       |             |                |
|  | Amendment to PFRS 12: Transition Guidance  | ✓       |             |                |
|  | Amendment to PFRS 12: Investment Entities  | ✓       |             |                |
|  | Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception   | ✓       |             |                |
| PFRS 13  | Fair Value Measurement   | ✓       |             |                |
| PFRS 14  | Regulatory Deferral Accounts   |         |             | ✓              |
| PFRS 15  | Revenue from Contracts with Customers* ( <i>effective January 1, 2018</i> )  |         |             | ✓              |
| PFRS 16  | Leases* ( <i>effective January 1, 2019</i> )   |         |             | ✓              |
| PFRS 17  | Insurance Contracts* ( <i>effective January 1, 2021</i> )  |         |             | ✓              |
| <b>Philippine Accounting Standards (PAS)</b>                 |  |         |             |                |
| PAS 1 (Revised)  | Presentation of Financial Statements   | ✓       |             |                |
|  | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation  | ✓       |             |                |
|  | Amendment to PAS 1: Presentation of Items of Other Comprehensive Income  | ✓       |             |                |
|  | Amendment to PAS 1: Disclosure Initiative  | ✓       |             |                |
| PAS 2  | Inventories  |         |             | ✓              |
| PAS 7  | Statement of Cash Flows  | ✓       |             |                |
|  | Amendment to PAS 7: Disclosure Initiative  | ✓       |             |                |
| PAS 8  | Accounting Policies, Changes in Accounting Estimates and Errors  | ✓       |             |                |
| PAS 10   | Events after the End of the Reporting Period   | ✓       |             |                |
| PAS 11   | Construction Contracts   |         |             | ✓              |
| PAS 12   | Income Taxes   | ✓       |             |                |
|  | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets  | ✓       |             |                |
|  | Amendment to PAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses   | ✓       |             |                |
|  | Amendment to PAS 12 - Tax Consequences of Dividends* ( <i>effective January 1, 2019</i> )  |         |             | ✓              |
| PAS 16   | Property, Plant and Equipment  | ✓       |             |                |
|  | Amendment to PAS 16: Bearer Plants   | ✓       |             |                |
|  | Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization  | ✓       |             |                |
| PAS 17   | Leases   | ✓       |             |                |
| PAS 18   | Revenue  | ✓       |             |                |
| PAS 19 (Revised)   | Employee Benefits  | ✓       |             |                |
|  | Amendment to PAS 19: Defined Benefit Plans - Employee Contributions  | ✓       |             |                |
| PAS 20   | Accounting for Government Grants and Disclosure of Government Assistance   |         |             | ✓              |
| PAS 21   | The Effects of Changes in Foreign Exchange Rates   | ✓       |             |                |
|  | Amendment: Net Investment in a Foreign Operation   | ✓       |             |                |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS |   | Adopted | Not Adopted | Not Applicable |
|--|---|---------|-------------|----------------|
| PAS 23<br>(Revised)  | Borrowing Costs   | ✓       |             |                |
|  | Amendment to PAS 23: Eligibility for Capitalization   |         |             | ✓              |
| PAS 24<br>(Revised)  | Related Party Disclosures   | ✓       |             |                |
| PAS 26   | Accounting and Reporting by Retirement Benefit Plans  |         |             | ✓              |
| PAS 27<br>(Revised)  | Separate Financial Statements   |         |             | ✓              |
|  | Amendment to PAS 27: Investment Entities  |         |             | ✓              |
|  | Amendment to PAS 27: Equity Method in Separate Financial Statements   |         |             | ✓              |
| PAS 28<br>(Revised)  | Investments in Associates and Joint Ventures  | ✓       |             |                |
|  | Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely) |         |             | ✓              |
|  | Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception   | ✓       |             |                |
|  | Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss (effective January 1, 2018)                       |         |             | ✓              |
|  | Amendment to PAS 28: Long-term Interest in Associates and Joint Venture (effective January 1, 2019)   |         |             | ✓              |
| PAS 29   | Financial Reporting in Hyperinflationary Economies  |         |             | ✓              |
| PAS 32   | Financial Instruments: Presentation   | ✓       |             |                |
|  | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation   | ✓       |             |                |
|  | Amendment to PAS 32: Classification of Rights Issues  | ✓       |             |                |
|  | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities   | ✓       |             |                |
| PAS 33   | Earnings per Share  | ✓       |             |                |
| PAS 34   | Interim Financial Reporting   |         |             | ✓              |
| PAS 36   | Impairment of Assets  | ✓       |             |                |
|  | Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets  | ✓       |             |                |
| PAS 37   | Provisions, Contingent Liabilities and Contingent Assets  | ✓       |             |                |
| PAS 38   | Intangible Assets   | ✓       |             |                |
|  | Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization   | ✓       |             |                |
| PAS 39   | Financial Instruments: Recognition and Measurement  | ✓       |             |                |
|  | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities  | ✓       |             |                |
|  | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions  | ✓       |             |                |
|  | Amendments to PAS 39: The Fair Value Option   | ✓       |             |                |
|  | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts  | ✓       |             |                |
|  | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets   | ✓       |             |                |
|  | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition   | ✓       |             |                |
|  | Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives  | ✓       |             |                |
|  | Amendment to PAS 39: Eligible Hedged Items  | ✓       |             |                |
|  | Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting   | ✓       |             |                |
| PAS 40   | Investment Property   | ✓       |             |                |
|  | Amendment to PAS 40: Reclassification to and from Investment Property (effective January 1, 2018)   |         |             | ✓              |
| PAS 41   | Agriculture   |         |             | ✓              |
|  | Amendment to PAS 41: Bearer Plants  |         |             | ✓              |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS  |   | Adopted | Not Adopted | Not Applicable |
|---|---|---------|-------------|----------------|
| <i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i> |   |         |             |                |
| IFRIC 1   | Changes in Existing Decommissioning, Restoration and Similar Liabilities  | ✓       |             |                |
| IFRIC 2   | Members' Share in Co-operative Entities and Similar Instruments   |         |             | ✓              |
| IFRIC 4   | Determining Whether an Arrangement Contains a Lease   | ✓       |             |                |
| IFRIC 5   | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**                    | ✓       |             |                |
| IFRIC 6   | Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment                   |         |             | ✓              |
| IFRIC 7   | Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies                        |         |             | ✓              |
| IFRIC 9   | Reassessment of Embedded Derivatives**  | ✓       |             |                |
|   | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**  | ✓       |             |                |
| IFRIC 10  | Interim Financial Reporting and Impairment  |         |             | ✓              |
| IFRIC 12  | Service Concession Arrangements   |         |             | ✓              |
| IFRIC 13  | Customer Loyalty Programmes   |         |             | ✓              |
| IFRIC 14  | PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction                         | ✓       |             |                |
|   | Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction** | ✓       |             |                |
| IFRIC 16  | Hedges of a Net Investment in a Foreign Operation   |         |             | ✓              |
| IFRIC 17  | Distributions of Non-cash Assets to Owners**  | ✓       |             |                |
| IFRIC 18  | Transfers of Assets from Customers**  | ✓       |             |                |
| IFRIC 19  | Extinguishing Financial Liabilities with Equity Instruments**   | ✓       |             |                |
| IFRIC 20  | Stripping Costs in the Production Phase of a Surface Mine**   | ✓       |             |                |
| IFRIC 21  | Levies  | ✓       |             |                |
| IFRIC 22  | Foreign Currency Transactions and Advance Consideration (effective <i>January 1, 2018</i> )                               |         |             | ✓              |
| IFRIC 23  | Uncertainty Over Income Tax Treatments (effective <i>January 1, 2019</i> )  |         |             | ✓              |
| <i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>                            |   |         |             |                |
| SIC-7   | Introduction of the Euro  |         |             | ✓              |
| SIC-10  | Government Assistance - No Specific Relation to Operating Activities  |         |             | ✓              |
| SIC-15  | Operating Leases - Incentives   | ✓       |             |                |
| SIC-25  | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**   | ✓       |             |                |
| SIC-27  | Evaluating the Substance of Transactions Involving the Legal Form of a Lease  | ✓       |             |                |
| SIC-29  | Service Concession Arrangements: Disclosures  |         |             | ✓              |
| SIC-31  | Revenue - Barter Transactions Involving Advertising Services**  | ✓       |             |                |
| SIC-32  | Intangible Assets - Web Site Costs**  | ✓       |             |                |

\* These standards will be effective for periods subsequent to 2017 and are not early adopted by the Company.

\*\* These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

**First Abacus Financial Holdings Corporation and Subsidiaries**

**Map Showing the Relationships Between the Parent Company and Its Subsidiaries**  
**December 31, 2017**

