



FIRST METRO
INVESTMENT CORPORATION
Metrobank Group

April 14, 2010

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: JANET A. ENCARNACION
Head, Disclosure Department

Dear Ms. Encarnacion:

We are submitting herewith our 17-A annual report to SEC and the audited financial statement for the year-ended December 31, 2009.

We trust this satisfies your requirement.

Thank you.

Very truly yours,

ROBERTO JUANCHITO T. DISPO
Corporate Information Officer

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CERTIFICATION



KNOW ALL MEN BY THESE PRESENTS:


I, **ROBERTO JUANCHITO T. DISPO**, Filipino, of legal age, with office address at 45th Floor, G.T. Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City, being the Executive Vice President of **First Metro Investment Corporation (FMIC)**, a corporation duly organized and existing under the laws of the Philippines, do hereby certify that the hard copy of the **SEC Form 17-A** and the attached diskette labeled “**SEC Form 17-A (December 31, 2009), First Metro Investment Corporation**” are one and the same.

APR 14 2010
Manila Philippines, ___ of April 2010.


ROBERTO JUANCHITO T. DISPO
Executive Vice President

SUBSCRIBED AND SWORN to before me this APR 14 2010 day of April 2010, affiant exhibiting to me his Community Tax Certificate No. 01953839 issued on January 7, 2010 in Manila.

Doc. No. 36;
Page No. 08;
Book No. 1222;
Series of 2010.


PERFECTO C. NOLASCO
Notary Public
Until December 31, 2011
PTR NO. 8242038-Manila-01/04/2010
IBP NO. 772440-Pasig City-01/16/2009
IBP ROLL NO. 18343

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2009**
2. SEC Identification Number: **23269**
3. BIR Tax Identification No.: **000-500-232**
4. Exact name of issuer as specified in its charter: **FIRST METRO INVESTMENT CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. **45th Floor G.T. Tower Int'l., Ayala Avenue cor. H.V. de la Costa St., Makati City** **1200**
Address of principal office Postal Code

1. Issuer's telephone number, including area code: **(632) 840 – 5751**
2. Former name, former address, and formal fiscal year, if changed since last report: **Not Applicable**
3. Securities registered pursuant to Section 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding (Par Value P10.00)
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Common Stock	377,056,150 shares *
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** Net of 43,813,090 treasury shares.*

4. Are any or all of these securities listed on a Stock Exchange?

Yes No

If yes, state the name of the stock exchange and the classes of securities listed therein.

Philippine Stock Exchange	Common Shares
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5. Check whether the issuer:

- (a) has filed all reports required to be filed by section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes No

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

6. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

Aggregate Market Value	:	P 1,470,484,340.00
Number of Shares	:	56,557,090
Market Value per Share	:	P 26.00*

** As of March 31, 2010*

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

DESCRIPTION OF BUSINESS

1. Business Development

First Metro Investment Corporation (FMIC) was incorporated on August 30, 1972 in Metro Manila and started business operations as an investment house with quasi-banking functions in May 1974.

In 1999, the management of FMIC agreed on a vision of first becoming a leading and respected financial institution specializing in investment banking services and second of being a prime mover in the development of capital markets.

In 2000, Metropolitan Bank & Trust Company (Metrobank) bought majority stake in Solidbank but subsequently decided to merge the bank with its investment banking subsidiary, First Metro Investment Corporation. The said merger, which was approved by the Securities and Exchange Commission on September 22, 2000, provided that Solidbank shall be the surviving entity to be renamed First Metro Investment Corporation.

The merged corporation retained its Quasi-Banking license but gave up its license to engage in commercial banking activities. It also increased its authorized capital stock from ₱3,200,000,000 divided into 30,000,000 common shares and 2,000,000 preferred shares, both with a par value of ₱100 to ₱8,000,000,000 divided into 78,000,000 common shares and 2,000,000 preferred shares, both with a par value of ₱100.

The Bangko Sentral ng Pilipinas officially gave its nod on the merger on November 8, 2000 but instructed that the 2,000,000 preferred shares be converted to common shares thereby bringing the authorized capital stock of the corporation to 80,000,000 common shares.

As a result of the merger, Metropolitan Bank and Trust Company's stake in the company was slightly diluted from 100% to 98.7% but the merger further reinforced First Metro Investment's hold to being the country's largest listed investment bank. As of December 31, 2006, the ownership of Metropolitan Bank and Trust Company decreased from 98.438% last June 30, 2005 to 84.998% with the sale of shares to the public to meet the requirement set by the Philippine Stock Exchange (PSE) regarding Public Ownership.

In June 2005, the stockholders ratified the approval by the board of directors of FMIC for the amendment to the Articles of Incorporation of the Company. The amendment pertains to the reduction of the par value from ₱100 to ₱10 each of the shares of the Company and increasing the number of the common shares from 80,000,000 to 800,000,000.

FMIC celebrated its 35 years in operation last August 31, 2007. The celebration was highlighted by a corporate campaign on passion for excellence, one of FMIC's corporate values.

In 2007, the Company made significant roles in three successful listings in the stock exchange. FMIC was the financial advisor; issue manager and underwriter for the IRemit IPO (Initial Public Offerings); while in the Splash IPO, FMIC and SB Capital were joint issue managers and joint lead underwriters for this deal. The Company was tapped as the issue manager and lead underwriter for the TKC Steel's offering. The Company acted as Domestic Co-Lead Underwriter in Aboitiz Power Corporation and as a participating underwriter in GMA Network IPO.

On the other hand, FMIC issued ₱2 billion 4-year floating rate bonds in several tranches also in 2007. The bonds, which have a minimum investment lot of P500,000, in increments of P100,000, were fully secured by government securities, held in custody of a third-party Collateral Agent, the Philippine Depository and Trust Corporation (PDTC).

In 2008, FMIC was successful in the different debt issuance. Among them are: ₱70 billion Retail Treasury Bond Tranche 10 as Joint Issue Manager; Smart Communication's ₱5.0 billion 5-year Fixed Rate Note, as Sole Arranger; Ayala Corporation's first PhP1.5-billion 10-year fixed rate note – the conglomerate's first loan with a maturity of ten years, SM Prime's PhP3-billion notes with 16 institutional lenders; Hedcor Sibulan Inc.'s PhP3.5-billion project loan facility, First Metro Investment's first lead managed project finance transaction

In 2009, FMIC was the Sole Arranger for the Aboitiz Power ₱5.0 billion Fixed Rate Corporate Notes Facility, and Globe Telecom's ₱5.0 billion issuance of 5 – and 7 – year Floating Rate Corporate Notes. The company also acted as Joint Issue Manager and Selling Agent for the Bureau of Treasury's Retail Treasury Bonds Tranche 11 ₱25.6 billion issue and as Arranger for the Cebu Energy Development Corporation's Peso 16 billion Limited Recourse Facility.

FMIC has progressed significantly towards achieving its vision. In terms of respect, it earned some awards and recognitions from different institutions since 2000 as shown below:

- 2000
 - Most Innovative Deal-Progress Bonds *by Finance Intelligence Asia*
- 2001
 - Most Outstanding Underwriter and Selling Agent *for rTB by BTr*
- 2002
 - Best Domestic Investment Bank *by The Asset Magazine*
- 2003
 - Plaque for Excellence *by BTr for rTB4*
- 2004
 - Best Domestic Bond House *by The Asset Magazine*
- 2005
 - Best Domestic Investment Bank *by The Asset Magazine*
 - Best Investment Bank *by FinanceAsia*
- 2006
 - Philippine Capital Markets Deal of the Year (Ayala P5.8B Preferred) *by International Financing Review Asia*
 - Philippine Capital Markets Deal of the Year (Ayala P5.8B Preferred) *by The Asset Magazine*
 - Best Bond House in the Philippines *by FinanceAsia, Country Awards*
- 2007
 - Top Ten Best Performing GSED in the Primary and Secondary Markets Plaque of Excellence *by Department of Finance and Bureau of the Treasury for RTB9*
- 2008
 - Best Bond House in the Philippines *by Finance Asia*
- 2009
 - Best Bond House in the Philippines *by Finance Asia*
 - Best Domestic Bond House in the Philippines *by The Asset Triple A Country Awards*
 - Asia's Domestic Bond Deal of the Year *by International Financing Review (IFR)*
 - Philippine Capital Markets Deal of the Year (San Miguel Brewery P38.18B 3-Tranche Bond) *by International Financing Review (IFR)*
 - Best Deal in the Philippines (San Miguel Brewery P38.18B 3-Tranche Bond) *The Asset Triple A Country Awards*

Another feat was being ranked by Stern Stewart & Co. as among Philippines' Best Companies last July 2009 and one of the Top 11 Filipino companies in the Asean 100 Relative Wealth Added List. FMIC also belongs to the Top 5 Fixed Income Dealing Participant in 2009 for having made the most trading volume that year; and included in the Top 20 Finalists for the Best Annual Report Awards conferred by the Management Association of the Philippines.

First Metro Securities Brokerage Corporation (FMSBC), a subsidiary of FMIC, was awarded by the PDS Group as one of the Top 5 Depository Brokering Participants who have generated the highest volume for the year measured by the total market value of depository holdings. First Metro Asset Management, Inc. bagged the ICAP Award for 1st Place in the Three-year Return Equity Fund Category.

2. Business of Registrant

Description of Registrant

Principal Products and Services

First Metro Investment Corporation (FMIC) is the investment banking arm of Metropolitan Bank and Trust Company (Metrobank). The Company holds the distinction of being the only publicly-listed investment bank among the 44 member institutions of the Investment Houses Association of the Philippines (IHAP), and was recently ranked among the Top 50 companies in the Philippines by Stern Stewart & Co. It performs four strategic functions:

- **Investment Banking** – is responsible for raising long-term funding requirements of the government and the private sectors. Its products and services include debt and equity underwriting, loan syndication, financial advisory, project finance and structured financial solutions. It holds over 50% market share in origination and underwriting of debt and equity.
- **Treasury Operations** – manages the liquidity and funding requirements of the Company and the distribution of financial instruments such as government securities and corporate papers. It offers a wide variety of profitable and secure instruments such as Treasury Bills, Treasury Notes/Bonds, Commercial Papers, and Promissory Notes. As a quasi- bank licensed by the Bangko Sentral ng Pilipinas, it borrows money from the public and issues its own financial instruments. Moreover, it is an accredited government securities eligible dealer authorized by the Bureau of the Treasury in trading government securities.
- **Investment Advisory** – launched in the year 2000, is the newest profit driver of the Company that offers professional investment advisory and research services to individuals and firms, as well. It likewise creates and develops new products that serve the requirements of the market. This group likewise handles proprietary equity portfolio of the company.
- **Corporate Lending** – provides short- and long-term financing to institutional clients requiring funds for various growth initiatives. It also offers practical loan packages to support liquidity or capital buildup, expansion, restructuring, and acquisitions or buyouts.

Through the years, FMIC painstakingly and consistently nurtured an enviable role in capital market development in the country so much so that it has become not only the biggest investment banking institution in terms of assets and capitalization but also one whose core competence places a significant influence over almost all major investment banking deals. It has successfully carved out its name in commercial paper and government securities dealership.

FMIC's principal products and services are as follows:

- **Underwriting** – As a leading investment banking institution in the country, FMIC regularly participates in the underwriting of private debt and equity flotation. Our core competence in tapping the capital market and huge capital accounts, as well as our wide distribution capability

through the Metrobank branch network, is an enviable advantage that enables us to lead major underwriting activities.

- Syndication – Syndicated loans remain as one of the primary lending vehicles for borrowers to finance major business operations with heavy financial requirements. Its flexibility and innovative nature makes it a highly attractive funding technique for borrowers, applicable over a broad mix of industries. Financial institutions originate and arrange these loans for these large borrowers on a consolidated basis. Since secondary market participation is becoming more and more common-place, smaller capitalized banks are seeking greater return on their assets as they participate in credit previously outside their pricing or relationship reach.
- Project Financing – FMIC also advises and arranges the financing of specific projects which require huge capital outlay. Its services in this particular area of investment banking activity normally involve formulating creative strategies and techniques for the structuring of appropriate financial package to address the funding requirements of the project.
- Government Securities Dealership – As an eligible government securities dealer, FMIC participates in the regular auction of government debt instruments. It also taps the secondary market to augment our government securities trading portfolio for it is heavily into the trading of this particular type of security. FMIC capitalizes on its wide distribution capability to be able to reach out to the varied clientele of the MBTC Group. FMIC has been very successful in this treasury activity as the total trading/interest income generated in 2009 accounted for about 38% of the company's gross operating revenues.
- Commercial Paper Dealership – As part of its participation in the underwriting of various private debt issues, FMIC distributes and sells commercial papers floated by large and prime corporations (AYALA CORP., MANILA ELECTRIC COMPANY, ROBINSONS LAND CORP., and ROCKWELL LAND CORPORATION, to name a few). Trading/interest income from this activity contributed about 17% to the company's gross operating revenues in 2009.
- Financial Advisory or Consultancy – In addition to extending financial assistance, FMIC renders fee-based advisory (technical and management) services to clients with regard to investments in the following: debt or equity instruments, balance sheet or income statement items, investment in real estate, expansion, consolidation, mergers or acquisitions of business activities.
- Trading and Investment Advisory – In trading, FMIC takes proprietary positions through trading of blue chip equity securities. In Investment advisory, FMIC offers institutional clients access to fixed income, equity and dollar investments, as well as the firm's research and trading capabilities. The target markets are companies and high net-worth individuals who neither have the time nor skill to look after their specialized funds.
- Loans – FMIC regularly extends short and long-term credit accommodations normally on a secured basis (i.e., against REM, Peso and US Dollar Deposits and/or Money Market Placements). These loans are normally granted to increase the borrowers' working capital, finance expansion of business operations, and support other possible corporate activities. The interest rates on these loans are usually fixed based on a standard spread over and above the company's average borrowing costs. Interest income on these loan accounts for about 5% of its gross operating revenues in 2009.

Contribution of Foreign Offices

FMIC has no revenue or income contributed by foreign market since investment houses are restricted by the Bangko Sentral ng Pilipinas (BSP) to engage in foreign exchange transactions.

Significant Subsidiaries and Affiliates

- First Metro Securities Brokerage Corporation (formerly Multi-Grade Securities Corporation), a wholly-owned subsidiary, is engaged in the business of buying, selling of, or otherwise dealing in

stocks, bonds, debentures and other securities or commercial papers and *rendering* financial advisory services. It was incorporated in October 1987 and started commercial operations in June 1994. FMSBC is a member of the Philippine Stock Exchange. It's wholly-owned subsidiary, Multi-Currency FX Corporation (MCFC), is engaged in the business of foreign exchange by dealing and brokering currencies, options and other derivative instruments. First Metro Securities serves both institutional and retail clients. On October 14, 2005, MCFC's Board of Directors (BOD) approved the temporary cessation of its operations commencing October 31, 2005. Since October 2006, First Metro Securities has put in place an online stock trading facility where clients can trade equities by simply logging on to the company's website.

- *PBC Capital Investment Corporation*, also a wholly-owned subsidiary, was incorporated on March 1, 1996 and started commercial operations on March 8, 1996. Metrobank acquired the Company as part of the acquisition of the Philippine Banking Corporation. It was incorporated primarily to perform basic investment banking activities, such as equity and debt underwriting, loan arrangement and syndication, financial advisory services and other corporate finance work. Its wholly-owned subsidiary, First Metro Insurance Agency, Inc. (formerly Gainsworth Insurance Agency, Inc.) was incorporated to act as insurance agent for and on behalf of any domestic and/or foreign life or non-life insurance company or companies authorized to do business in the Philippines. FMAI however, ceased operations last August 6, 2008.
- *First Metro Insurance Brokers Corporation* was registered with the Securities and Exchange Commission on August 21, 1989 to engage in the business of insurance brokering for life and/or non-life insurance; along such lines as life, health, accident, fire and allied lines, motor vehicle, casualty, surety and fidelity, marine cargo, marine hull, comprehensive liability insurance and allied risks. Formerly Solid Insurance Brokers, Inc., it was acquired as a result of the merger with Solidbank in September 2000. The company ceased business operations on May 8, 2001 and is winding up its activities for eventual dissolution.
- *Prima Ventures Development Corporation* (formerly Prima Estate Realty Corporation) is a wholly-owned subsidiary registered with the Securities and Exchange Commission on January 11, 1979. Prima, a holding company, owns 60% of First Metro Travel, Inc. (formerly Thomas Cook (Philippines), Inc.), which is engaged in the general business of travel services, both domestic and international.
- *FMIC Equities, Inc.*, a wholly-owned subsidiary, was incorporated on November 9, 2001 to acquire, invest in, own, control, use, lease, sell or otherwise dispose of any and all kinds of property, businesses and enterprises.
- *SBC Properties, Inc.*, is a wholly-owned subsidiary of FMIC incorporated in the Philippines and was registered with the Securities and Exchange Commission on June 27, 1997 primarily to engage in the acquisition, development, lease and sale of real properties intended for residential, commercial or industrial use. On February 7, 2003, the board of directors of SBC Properties approved the change of its corporate name from SBC Properties, Inc. to FMIC Properties, Inc. To date, the Securities and Exchange Commission has yet to approve SBC's application for the change of its corporate name.
- *Resiliency (SPC), Inc.*, a wholly-owned subsidiary, registered with the SEC as a financial holding company last June 22, 2009, was created for the securitization of assets which shall include, but not limited to, receivables, mortgage loans and other debt instruments.
- *First Metro Asset Management, Inc.*, was incorporated on April 21, 2005 to manage, provide and render management and technical advice/services for partnerships, corporations and other entities. Currently, FAMI is the investment manager, administrator, and principal distributor of First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, First Metro Save & Learn Balanced Fund, First Metro Save & Learn – Money Market Fund and First Metro Save & Learn Global Currency Fund, Inc. FAMI is 70% owned by FMIC, while 30% is shared equally by the Catholic Educational Association of the Philippine (CEAP) and by the Marist (Marist Brothers) Development Foundation.

- First Metro Save & Learn Global Currency Fund, Inc. – a new wholly-owned mutual fund of FMIC incorporated last December 23, 2009 to engage and generally to carry on the business of an open-end investment company in all the elements and details thereof.
- First Metro Save & Learn Money Market Fund, Inc. – is 100% owned by FMIC and incorporated on November 4, 2008. SALMMF is an open-end mutual fund engaged in selling its capital to the public and investing the proceeds in selected high grade stocks and fixed-income securities. It can also redeem its outstanding capital stock at net asset value per share at any time upon redemption of its investors.
- First Metro Save & Learn Fixed – Income Fund, Inc. – was incorporated in the Philippines on June 3, 2005 and subsequently registered under the Philippine Investment Company Act on September 6, 2005. SALFIF is an open-end mutual fund company engaged in selling its capital to the public and investing the proceeds in high grade fixed income generating instruments, such as bonds, commercial papers and other money market instruments.
- First Metro Save & Learn Equity Fund – SALEF was registered in SEC on May 27, 2005 and registered in Philippine Investment Company Act on September 6, 2005 as an open-end mutual fund primarily engaged in selling its capital and investing the proceeds in selected stocks with strong balance sheets and attractive valuations. FMIC owns 32% of this fund.
- First Metro Save & Learn Balanced Fund, - FMIC owns 28% of the fund and was incorporated in the Philippines on January 29, 2007 and subsequently under the Philippine Investment Company Act last May 10, 2007 to engage in the trading of stocks and fixed income securities.
- Aurora Towers, Inc. - ATI is 50%-owned by FMIC. It is a joint venture company with Progressive Development Corporation. ATI owns condominium and real estate properties in Cubao from where the company earns rental income. It was incorporated on May 12, 1982.
- Cathay International Resources – FMIC owns 35% of this company. Cathay International, the owner of Cebu Plaza Hotel, was incorporated on April 26, 2005 primarily to acquire by purchase or exchange and use for investment or otherwise sell or transfer properties.
- Diamond Air – FMIC owns 35% of this company. This was incorporated on April 28, 1994 primarily to engage in the general business of a common and/or private air carrier.
- Philippine Charter Insurance Corp. – is 33.33% owned by FMIC. It was incorporated in December 1987 and has been a major player in the non-life insurance industry for the past four decades. Phil. Charter currently ranks among the country's top 10 non-life insurance companies in terms of gross premiums written among 112 Philippine non-life insurance companies.
- Philippine Axa Life Insurance Corporation – FMIC owns 28.148% of the capital stock of Phil. Axa, a life insurance company incorporated in November 1962. Year 2006 is the eight year of the joint venture between Metrobank and the AXA Group (the world's largest insurance company). Philippine Axa affirmed its position as a major player and formidable new entrant in the life insurance industry.
- Dahon Realty Corporation – FMIC owns 20% of the capital stock of Dahon Realty Corporation (DRC), which was incorporated in May 1989. The Company is primarily engaged in the leasing of its land. Its primary purpose is to purchase, lease, develop and manage any real estate or interest acquired therein, and to mortgage, sell, lease or otherwise dispose of any land, buildings or other structure without engaging in the subdivision business. DRC leases its property to Honda Philippines, Inc. for the latter's manufacturing plant and warehouses.
- Orix Metro Leasing and Finance Corporation – 20% owned by FMIC, Orix Metro Leasing was incorporated and registered with the SEC on June 28, 1977. Its primary purpose is to engage in financing by leasing of all kinds of real and personal property; extending credit facilities to consumers and enterprises by discounting commercial papers or accounts receivable, or by buying or selling evidences of indebtedness; and underwriting of securities.

- *Skyland Realty Corporation* – SRC is 20% owned by FMIC and was incorporated on November 6, 1974. This is now an inactive company whose original nature of business was to handle the development of the Skyland Plaza in Makati.
- *First Metro International Investment Corporation, Ltd.* – FMIIC, Ltd is 20% owned by FMIC and was incorporated in Hong Kong in 1972. FMIIC, Ltd. is engaged in traditional banking and remittance business.
- *Global Business Power Corporation* - (formerly Mirant Global Corporation) is 30% owned by FMIC. It was incorporated with the Philippine Securities and Exchange Commission (SEC) on March 13, 2002 primarily to hold or own, purchase, acquire (except land), lease, contract power assets and to do acts of being a holding company except to act as broker dealer in securities. It is currently looking at expanding its power plants in the Visayas to address the looming power shortage in the region and provide stable and reliable supply of electricity that will fuel economic growth in the said area.

Distribution Methods of Products and Services

Distribution of products or services is normally coursed through the branch network of our Parent Bank, Metropolitan Bank and Trust Company. For the treasury transactions, FMIC has two branches which is in Binondo and in Makati to fully serve its clients. The company also have 5 other branches outside Metro Manila namely; Bacolod, Cagayan de Oro, Cebu, Davao and Ilo-ilo City. As of today, these branches has not yet started its commercial operations.

Competition

FMIC's thrust is to penetrate corporate accounts and high net worth individuals. Competition lies in being able to offer the highest interest rates, quality of securities traded and quality of service to clients. Major competitors of FMIC are also investment houses with quasi-banking functions. Among these are the: BDO Capital & Investment corp., EBC Investment, Inc., BPI Capital Corp, RCBC Capital Corp, State Investment Trust Corp, AB Capital and Investment Corp. and Multinational Investment Corp.

FMIC believes that it can effectively contend with other companies in the investment banking industry because it is the largest capitalized investment house in the country with capital funds of ₱8.7 billion and total resources of ₱59.6 billion as of end of 2009. It is the investment banking arm of the Metrobank Group and is considered to be the largest investment bank in the country. It is listed in the Philippine Stock Exchange, the only one in its industry.

Principal Suppliers and Major Clients

FMIC has no raw materials for its business. Hence, it is not dependent upon one or a limited number of suppliers for essential raw materials, energy or other items. There are no major existing supply contracts.

The business of FMIC is not dependent upon a single client or a few clients. The loss of one or more would not have any material or adverse effect on FMIC and its subsidiaries taken as a whole. Clients are diversified and distributed out that no single client or a few clients will account for twenty percent (20%) or more of FMIC's business.

Transactions with and/or Dependence on Related Parties

In the ordinary course of business, FMIC has loans and other transactions with its subsidiaries, associated companies, affiliates and with certain related interests collectively referred to as directors, officers, stockholders and other related interests (DOSRI) consisting principally of loan transactions, management contracts, outright purchases and sales of trading and investment securities, sales of real properties, non-interest bearing advances and other regular banking transactions.

Existing BSP regulations limit the amount of individual loans to DOSRI, of which 70.0% must be secured, to the total amount of their respective deposits and book value of their respective investments in the

Parent Company. In the aggregate, loans to DOSRI generally should not exceed the Parent Company's total regulatory capital or 15.0% of the Parent Company's total loan portfolio, whichever is lower.

The following table shows information on loans to DOSRI as of December 31, 2009 and 2008:

	2009	2008	2007
Total outstanding DOSRI loans	₱41,637,429	₱30,748,000	₱29,549,435
Percent of DOSRI loans to total loans	2.6%	0.6%	0.5%
Percent of unsecured DOSRI loans to total DOSRI	17.9%	9.7%	7.9%

Government Approval of Principal Products of Services

The license granted by the Securities and Exchange Commission to FMIC as an investment house engaged in dealing in government securities will expire on December 31, 2010, and is renewable annually. This authorizes the registrant to operate as an investment house and to distribute and sell government securities on a public or private placement basis. It also grants the registrant to enter into a contract with another entity to further distribute the securities that it has underwritten.

The exemption fee paid by FMIC to SEC for the issuance of short and long-term commercial papers covers the calendar year 2010 and is renewable on an annual basis. Other than its license as an investment house engaged in dealing in government securities and its exemption for the issuance of short and long term commercial papers, other FMIC's products and services do not require government approval.

Effective or Existing or Probable Government Regulations

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes. Income taxes include corporate income tax and final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

Republic Act (RA) No. 9337, an Act Amending National Internal Revenue Code, provides that effective November 1, 2005, the Regular Corporate Income Tax (RCIT) rate was 35% until December 31, 2008. Starting January 1, 2009, the RCIT was 30%. Interest allowed as a deductible expense is reduced by amount equivalent to 42%, starting November 1, 2005 to December 31, 2008, and 33%, starting January 1, 2009, of interest income subject to final tax. Starting July 1, 2008, the OSD equivalent to 40% of gross income maybe claimed as an alternative deduction in computing for the RCIT.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1% of net revenue. The regulations also provide for MCIT of 2% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group and Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

In the banking industry, they had anticipated adverse consequences when the Anti-Money Laundering Law was implemented, more particularly in obtaining new clients because of the stringent provisions of the law requiring intrusive background information check procedures. But if there were adverse effects to the industry, FMIC was hardly affected at all. Other than this, we are not aware of any existing or probable governmental regulation that affects or is affecting the business of the company.

Compliance with Environmental Laws

FMIC has not incurred any costs resulting from the effects of compliance or non-compliance with environmental laws.

Research and Development Costs

FMIC has not undergone, and therefore has not incurred costs, into any research and development activities during the last three years.

Employees

As of December 31, 2009, the company has a total of 121 employees. Rank and file employees represent 37% of the total work force. None of them are subject to any collective bargaining agreement (CBA) and had not been in any dispute with management for the past three years. The table below shows the number of employees for the past two years (2009 and 2008) and the registrant's projection for the year 2010.

	2010	2009	2008
Officers	84	76	68
Rank and File	50	45	42
Total	134	121	110

Major Risks Involved

FMIC has identified the following major risks involving each of its businesses and other operations:

1. Credit risk is the risk of financial loss to the group if a counterparty to a financial instrument fails to meet its contractual obligations.
2. Market risk that originates from its holdings in debt and equity securities. It is the risk of loss to future earnings, to fair values or future cash flows due to adverse fluctuations in the price or market value of instruments, products, and transactions in the company's overall portfolio which may further evolve across other risk categories e.g. high interest rates which may cause credit problems as borrowers will have difficulty repaying debts, and if this occurs over an extended period, may cause liquidity crises.
3. Liquidity Risk refers to risks to earnings or capital arising from FMIC's inability to meet its financial commitments to clients or counterparties when they become due. Liquidity can be affected by its inability to access long or short – term deposit substitutes, or draw from credit facilities due to factors endemic in the Company or to general market conditions.
4. Regulatory risk from changes in laws, monetary, tax or other governmental regulations. Since our business is highly regulated, constant changes in rules and regulations must be monitored and managed, as regulatory sanctions from non-compliance, especially in extreme cases, may involve not just mere loss of reputation or financial penalties, but a revocation of the banking charter or franchise.
5. Any potential legal risk arising from changes in, and breaches of applicable laws, unenforceability of contracts, lawsuits, or adverse judgments, that may lead to the incurrence of losses, disruption or consequently to financial or reputational risk.
6. Data integrity risk addresses the impact if inaccurate data is used to arrive at business or management decisions. This risk also addresses the impact if customer information such as account balances or transaction histories were incorrect, or if inaccurate data is used in payment to/from external entities. The release of inaccurate data to customers, regulators, shareholders, the public, etc. could lead to a loss of business, possible legal action or public embarrassment.
7. Customer service risk considers the likely impact on customers if a control should fail. A customer may be external or internal to FMIC. For example, the line units are customers to the support units. When the customer is internal, assessment of customer service risk should

consider how problems with internal services will likely impact the level of service offered to the outside customer.

8. Risks associated with operations, such as fraud or defalcations perpetuated by internal and external forces or financial losses due to failed processes, systems and procedures.

The company's Legal Division is tasked to ensure that all documentations related to transactions entered into by the company are enforceable and that contracting parties have the required legal capacity to do so. The Compliance Unit has the primary duty of identifying, monitoring and controlling compliance with regulatory policies.

The management of risks is being observed in the areas of credit, treasury operations, as well as in all legal dealings by the designated officers and staff of FMIC applying sound risk management practices in the day-to-day transactions of the company. FMIC endeavors to strike a critical balance of attaining optimal returns while taking calculated risks. Inextricable from our passion for excellence, a Risk Management Unit was formed to identify, evaluate and assess the business risks of the Company. Its major objective is to enhance risk awareness among FMIC personnel in order to achieve a more disciplined approach in the overall management of risks.

Item 2. DESCRIPTION OF PROPERTIES

Please refer to Exhibit 1 for the location and condition of the principal properties that FMIC and its subsidiaries own and the limitations on ownership, if any.

The Company leases its office spaces in Binondo, Manila and in Makati City at monthly rentals of P734,683.62 and P1,520,940.96, respectively, subject to increases as provided. The leases are renewable every two years for Binondo and yearly for Makati office, unless sooner terminated as provided in the contract of lease.

The Company does not intend to acquire properties within the next twelve months.

Item 3. LEGAL PROCEEDINGS

There are no pending material legal proceedings to which First Metro Investment or any of its subsidiaries and affiliates is a party since January 2003 up to date.

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

There are no matters submitted during the fourth quarter of the calendar year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET PRICE OF AND DIVIDENDS ON ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The company's shares of common stock are traded in the Philippine Stock Exchange. Below is a history of the trading prices of said shares for the last two years and for the 1st quarter of 2010:

	<u>Year</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
2008	High	42.00	40.00	37.50	37.00
	Low	38.00	36.00	35.00	28.50
2009	High	36.00	34.00	33.00	32.00
	Low	28.00	29.00	30.00	28.00

2010	High	29.50
	Low	25.00

As of March 31, 2010, FMIC shares are traded at a market price of ₱ 29.00 per share.

We have no plans to issue more shares in connection with an acquisition, business combination or reorganization in the near future. In fact, our primary concern right now is how to dispose our treasury stocks that we acquired in connection with the merger with Solidbank Corporation. This is to satisfy the requirement of the Philippine Stock Exchange as to the minimum size of public ownership of listed companies.

Holders

As of March 31, 2010, there are 1,492 shareholders of the Company's common stock. Shown below are the top twenty (20) shareholders, including the number of shares and percentage of ownership held by each.

<u>Name of Stockholder</u>	<u>No. of Shares Held</u>	<u>Percentage of Ownership*</u>
Metropolitan Bank and Trust Company	320,491,690	84.998%
PCD Nominee Corporation (Filipino)	51,871,730	13.757%
De Olondriz, Mathilda S.	740,690	0.196%
PCD Nominee Corporation (Non-Filipino)	274,360	0.073%
Young, Guan Sing Aw	100,000	0.027%
Man Choi	100,000	0.027%
Cuaycong, Jose	85,320	0.023%
Per, Apolinario	60,800	0.016%
Fange, Benedicto Leon Chang	50,740	0.013%
Siy, Lyn Florence A.	50,000	0.013%
Ang, Pue Tin Uy	50,000	0.013%
Sy, Charles T.	48,000	0.013%
Asilo de San Vicente de Paul	38,080	0.010%
Suarez, Ma. Rosalina T.	37,560	0.010%
Wong Sotsen	36,150	0.010%
Yu, Chuen Yan	36,150	0.010%
Yu, Marie T. &/or Willa Michelin T. Yu	36,150	0.010%
A.P. Madrigal ITF	32,640	0.009%
Aco, Pura Lim	30,920	0.008%
Calingo, Esperanza M.	30,780	0.008%
Co, Mike C.	30,490	0.008%
Yu Hong Hong	28,800	0.008%
Gan, Kelvin Yu	28,800	0.008%
Ramirez, Trinidad	26,120	0.007%
Montinola, Antonio J.	24,760	0.007%

*Computed based on outstanding shares

Dividends

For 2009 and 2008, First Metro Investment Corporation did not declare dividends. FMIC paid cash dividends amounting to ₱987,887,113 or ₱2.62 per share, and ₱349,908,107.20 or ₱0.93 per share for the years 2007, and 2006, respectively. Details of the dividend declarations/payments are as follows:

Date of Declaration	Cash Dividend		Date of	Record Date	Payment Date
	Per Share	Amount	BSP Approval		
June 9, 2006	0.928	349,908,107.20	June 29, 2006	July 31, 2006	August 15, 2006
March 22, 2007	1.320	497,714,118.00	April 13, 2007	April 30, 2007	May 18, 2007
July 31, 2007	1.300	490,172,995.00	September 23, 2007	October 22, 2007	November 8, 2007

The Board of Directors can authorize the declaration of dividends, subject to approval of BSP.

Aside from the preconditions above-mentioned, there are no other restrictions that limit the ability of the company to pay dividends on its common equity.

Recent Sale of Unregistered Securities

There are no securities of the registrant sold by it within the past three (3) years which were not registered under the Code.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Economic and Financial Market Environment

Hopes for a relatively good economic recovery in the year 2009 were dashed as the global and economic crisis that started in Q4 2008 had been compounded by the devastation caused by tropical storm "Ondoy" and "Pepeng". Our Gross Domestic Product wobbled at a mere 0.7% rise for the first three quarters, and may end up at positive 1.6% with the assistance of an export recovery,

The fiscal sector remained the Achilles' heel of the economy since it was beleaguered by flagging tax collections. The budgetary deficit was expected to end at an all-time high of ₱300 billion. Obviously, the National Government cannot sustain a stimulative stance, so there is a demanding need to improve tax efforts, lest the economy enter into a debt spiral.

For the fixed income market, the year 2009 proved to be a very resilient year. The National Government issued the largest volume of peso-denominated papers since 2002 where the Retail Treasury Bond (RTB) floatation in the 3rd quarter was oversubscribed by ₱109 billion. On the other hand, corporate bond new issues reached a historic level, more than ₱293 billion, twice the size of 2008. The industry profile of the issuers ranged from banking to real estate to utilities, where the public demand was overwhelming. The driver of yields was the excess liquidity in the Philippine financial system. The outlook for the 1st quarter of 2010 is; (1) excess liquidity will continue to be vigorous and (2) the entry into a period of low risk premium of the country.

As to the equities market, when the PSEi surged past the key barrier at 2,900 and the country reeling fresh from the onslaught brought about by the tropical storms, stock experts agreed it was a bullish breakout. Everyone seemingly expected that equities will generally outperform other asset class like bonds through 2010. However, many stocks remained expensive compared to their earnings prospects and also to be taken into account is the shadowy uncertainties around the globe despite the "green shoots" of recovery. Nevertheless, there is so much liquidity in the financial system, coupled with the fiscal pump-priming sanctioned by various governments and a trend of aggressive interest rate cuts by central banks. This paved the way for a run-up in the stock market. Growth in all sectors had been phenomenal, reaching triple digit gains, coming off from the 2008 global financial crisis.

Strategic business planning by FMIC's management produced very favorable results as exemplified in the following financial highlights.

Financial Highlights

At Year-end

(In Million Pesos)	2009	2008	2007	2009 vs. 2008		2008 vs. 2007	
				Amount	%	Amount	%
ASSETS							
Cash and Other Cash Items	8,156.8	5,597.4	5,841.7	2,559.4	45.7	(244.2)	(4.2)
Due from Bangko Sentral ng Pilipinas	1,965.0	1,916.1	1,177.4	48.9	2.6	738.7	62.7
Interbank Loans Receivable and Sec. Purchased Under Resale Agreements	-	1,430.0	531.0	(1,430.0)	(100.0)	899.0	169.3
Financial Assets at FV Through P&L	1,890.0	421.7	827	1,468.2	348.1	(405.4)	(49.0)
Available-for-Sale Investments	20,842.2	9,032.4	14,210	11,809.9	130.8	(5,177.7)	(36.4)
Held-to-Maturity Investments	3,735.8	3,756.1	3,785	(20.3)	(0.5)	(28.4)	(0.8)
Loans and Receivables	12,616.3	15,912.4	13,385	(3,296.1)	(20.7)	2,527.2	18.9
Property and Equipment	78.9	80.3	49	(1.4)	(1.7)	31.4	64.2
Investments in Subsidiaries, Associates and Joint Venture	9,233.3	6,927.1	3,993	2,306.1	33.3	2,933.8	73.5
Investment Properties	806.1	865.7	869	(59.5)	(6.9)	(3.1)	(0.4)
Deferred Tax Assets	8.5	3.7	4	4.8	130.3	(0.7)	(16.2)
Other Assets	243.3	220.6	172	22.8	10.3	48.4	28.1
TOTAL ASSETS	59,576.3	46,163.5	44,844.7	13,412.8	29.1	1,318.9	2.9

LIABILITIES							
Bills Payable	50,047.3	37,941.1	35,760.6	12,106.2	31.9	2,180.5	6.1
Accrued Taxes, Interest and Other Expenses	219.1	268.4	223.3	(49.3)	(18.4)	45.1	20.2
Accounts Payable	211.4	208.5	165.7	2.9	1.4	42.8	25.8
Derivative Liability	138.7	116.5	7.7	22.2	19.1	108.8	1,411.7
Income Taxes Payable	5.6	1.0	18.3	4.7	478.9	(17.3)	(94.7)
Bonds Payable	55.2	61.2	93.6	(6.0)	(9.8)	(32.4)	(34.6)
Deferred Tax Liability	7.0	1.7	38.2	5.3	305.2	(36.5)	(95.5)
Other Liabilities	278.0	254.1	261.6	23.9	9.4	(7.5)	(2.9)
TOTAL LIABILITIES	50,962.4	38,852.5	36,569.1	12,109.9	31.2	2,283.5	6.2

EQUITY							
Common Stock	4,208.7	4,208.7	4,208.7	-	-	-	-
Capital Paid in Excess of Par Value	2,065.7	2,065.7	2,065.7	-	-	-	-
Retained Earnings	4,826.0	3,803.4	3,403.7	1,022.6	26.9	399.7	11.7
Treasury Stock	(2,256.2)	(2,256.2)	(2,256.2)	-	-	-	-
Net Unrealized Gain (Loss) on Available-for-Sale Investments	(431.6)	(631.7)	504.5	200.1	31.7	(1,136.2)	(225.2)
Equity in Translation Adjustment	(29.4)	(20.6)	58.6	(8.8)	(42.9)	(79.2)	(135.1)
Equity in Unrealized Gain on Available-for-Sale Investments of Associates	168.9	77.8	224.4	91.1	117.0	(146.5)	(65.3)
Equity in Revaluation Increment	29.9	31.1	31.7	(1.2)	(3.8)	(0.5)	(1.7)
Minority Interest	31.8	32.6	34.4	(0.8)	(2.5)	(1.8)	(5.2)
TOTAL EQUITY	8,613.9	7,311.0	8,275.6	1,302.9	17.8	(964.6)	(11.7)
TOTAL LIABILITIES AND EQUITY	59,576.3	46,163.5	44,844.7	13,412.8	29.1	1,318.9	2.9

For the Year

(In Million Pesos)	2009	2008	2007	2009 vs. 2008		2008 vs. 2007	
				Amount	%	Amount	%
Interest Income	2,787.5	2,130.0	2,102.8	657.5	30.9	27.2	1.3
Interest Expense	2,042.3	1,688.7	1,100.1	353.6	20.9	588.6	53.5
Net Interest Income	745.2	441.3	1,002.7	303.9	68.9	(561.4)	(56.0)
Other Operating Income	1,202.0	656.4	1,315.7	545.6	83.1	(659.3)	(50.1)
Total Operating Income	1,947.2	1,097.7	2,318.4	849.5	77.4	(1,220.7)	(52.7)
Other Operating Expenses	1,004.7	609.6	820.2	395.1	64.8	(210.6)	(25.7)
Income Before Share in Net Income of Investees	942.5	488.1	1,498.2	454.4	93.1	(1,010.1)	(67.4)
Share in Net Income of Investees	427.7	75.5	247.2	352.2	466.5	(171.7)	(69.5)
Income Before Share in Tax	1,370.2	563.6	1,745.4	806.6	143.1	(1,181.8)	(67.7)
Provision for Income Tax	340.4	164.7	336.3	175.7	106.7	(171.6)	(51.0)
NET INCOME	1,029.8	398.9	1,409.1	630.9	158.2	(1,010.2)	(71.7)

Attributable to:

Equity holders of the Parent

Company	1,022.6	399.7	1,407.4	1,407.4	155.8	1,407.4	(71.6)
Minority Interests	7.2	(0.8)	1.7	1.7	(1,000.0)	1.7	(147.1)
	1,029.8	398.9	1,409.1	1,409.1	(844.2)	1,409.1	(218.7)

2009 Performance

Results of Operation

First Metro Investment Corporation ended the year 2009 with very impressive audited net income of ₱ 1.03 billion income. Our consolidated net profits increased by ₱630.9 million or 158% compared to the ₱ 398.9 million recorded income in 2008.

Total gross revenues consisting of net interest income, other operating income and share in net income of investees reached ₱2.37 billion, 103% or ₱1.20 billion higher than the ₱1.17 billion registered last year.

Net interest income derived from lending, investment and borrowing activities totaled ₱745.2 million, an increase of ₱303.9 million or 69% from ₱441.3 million last year, represents 31% of the total group revenues. This is due to the effect of the substantial growth in the volume of our high-yielding investment securities and loan assets account coupled with the strategic effort of our Treasury Group in managing and lowering our cost of funds.

Other operating income totaled ₱1.2 billion, an increase of ₱545.6 million or 83% compared from last year's ₱656.4 million, comprised of net trading and securities gains, fees and commissions, profit or loss from assets sold, foreign exchange gain or loss, dividend income, rental income and miscellaneous income. The substantial increase was brought about by the remarkable achievement of our Investment Banking Group and some of our subsidiaries which earned fees almost never imagined before amounting to ₱391.9 million. Moreover, net trading and securities gains rose by ₱496.7 million or 335% to ₱645.0 million from ₱148.3 million last year. Dividend Income also increased by ₱27.8 million or 32% to ₱114.3 million this year from ₱86.5 million recognized last year.

Total operating expenses amounting to ₱1.0 billion rose by ₱395.1 million or 65% from ₱609.6 million. This account mainly composed of taxes and licenses, compensation and fringe benefits, provisions for/(recovery from) impairment and credit losses, and other administrative and miscellaneous expenses. The growth was driven by the changes made in the provisions for impairment losses of ₱180.7 million or 208% higher compared to recovery of ₱167.3 million last year. In addition to this, the ₱54.4 million or

182% increase in our Taxes & Licenses from ₱298.9 million to ₱353.3 million and the ₱13.2 or 6% increase in our compensation and fringe benefit account from ₱209.8 million to ₱223.0 million this year also add up to some of the major causes in the increase in our total operating expense account.

Share in Net Income of Subsidiaries/Affiliates totaled ₱427.7 million and this is ₱352.2 million or 467% higher compared to ₱75.5 million recognized last year. Some of the highest contributors in this account are the following: Phil Axa Life Insurance (P239M), First Metro Save and Learn Mutual Funds (P88M), Global Business Power (P83M) and Orix Metro Leasing (P60M), to name a few.

Provision for Income Tax increased by ₱175.7 million or 107% from ₱164.7 million in 2008 to ₱340.4 million recorded this year.

Overall, First Metro did very well this year despite of many challenges we've faced all year round. In terms of return on equity, we achieved 12.84% from 5.13% and return on assets was reported at 1.93% from 0.88% last year.

Financial Condition

A. Cash and Cash Equivalents

1. *Due from BSP* increased by ₱48.9 million or 3% from ₱1.92 billion to ₱1.97 billion primarily on account of the increased regular demand deposit account from ₱531.0 million to ₱830.0 million and the decrease of ₱250.0 million in our reserve deposit account of ₱1.4 billion to ₱1.1 billion.
2. *Due from Other Banks* account rose by 46% or ₱2.6 billion from ₱5.6 billion last year to ₱8.2 billion mainly for the purpose of maintaining very high liquidity, both for statutory and legal reserves as well as for market opportunities.

B. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of overnight placements with the BSP where the underlying securities cannot be sold or repledged. The decrease in this account composed of the Company's interbank loans receivable and SPURA last year amounted to ₱0.1 billion and ₱1.3 billion, respectively.

C. Investment in Debt and Equity Securities

1. *Financial Assets at Fair Value Through Profit or Loss* increased by ₱1.5 billion or 348% from ₱421.7 million to ₱1.9 billion this year. This account consists of held-for-trading (HFT) securities, government and equity type of securities portfolio, ₱1.5 billion and ₱394.8 million, respectively.

As of December 31, 2009 and 2008, held-for-trading securities include unrealized gain of ₱14.5 million and unrealized loss of ₱31.4 million, respectively.

2. *Available for Sale Securities* rose by 131% or ₱11.8 billion from ₱9.0 billion last year to ₱20.8 billion. This consists of mostly debt securities, government or private, totaling ₱19.0 billion and equity securities, quoted and unquoted, totaling ₱1.8 billion. This is net of allowance for impairment losses of ₱285.6 million. The increase is due to the result of various transactions affecting this account such as acquisitions, sale, marking to market valuation and allowance for impairment losses.

AFS investments as of December 31, 2009 and 2008 include net unrealized loss of ₱431.6 million and ₱631.7 million, respectively.

3. *Held to Maturity* declined by 1% or ₱20.3 million from ₱3.76 billion last year to ₱3.74 billion due to the amortized premium recognized for the year. This account consist of government bonds amounting to ₱3.7 billion and private securities amounting to ₱16.9 million.

D. Loans and Receivables – net

1. *Unquoted Debt Securities Classified as Loans* increased by ₱84.0 million or just 1% from ₱ 10.1 billion to ₱10.2 billion this year. This account consists of various financial instruments issued by private corporations and comprises 81% of the total loan portfolio
2. *Loans Receivable* declined by 66% or ₱3.4 billion from ₱5.2 billion last year to ₱1.8 billion. This is due to the result of net effect of new loans granted and settlements happened on this account.

As of December 31, 2009 and 2008, 94.3% and 92.2% of the total loans were subject to periodic interest repricing, respectively. The remaining loans earned fixed annual interest rates ranging from 7.2% to 10.0% and 5.9% to 15.25% in 2009 and 2008, respectively.

The Group's gross loan portfolio is 73% and 53% secured at end-2009 and 2007, respectively. About 67% and 51% were secured by chattel and real estate in 2009 and 2008, respectively.

Loans to the manufacturing industry, wholesale and retail trade, real estate, renting and business activities and other industry represent 69%, 13%, 12% and 6% of the gross loan portfolio in 2009, respectively, and 48%, 11%, 24% and 17% in 2008, respectively.

E. Property and Equipment - net

This account decreased by ₱1.4 million or just 2% from ₱80.3 million to ₱78.9 million this year. As of December 31, 2009 and 2008, the gross carrying value of fully depreciated property and equipment that are still in use amounted to ₱39.5 million and ₱30.2 million, respectively.

F. Investments in Subsidiaries, Associates and Joint Venture – net

The increase of ₱2.3 billion or 33% from ₱6.9 billion to ₱9.2 billion this year is attributable to the deposit for future subscription to Global Business Power Corporation (GBPC) and Cathay International Resources, Inc. (CIRC).

G. Investment Properties

This account declined by ₱59.5 million or 7% from ₱865.7 million to ₱806.1 million this year. The Group recognized a gain amounting to ₱10.0 million from the sale of this investment property.

H. Deferred Tax Assets

The increment of ₱4.8 million or 130% from ₱3.7 million to ₱8.5 million is mainly due to the tax effect of the allowance for impairment and credit losses and NOLCO of subsidiaries.

I. Other Assets

This account increased by ₱22.8 million or 10% from ₱220.6 million to ₱243.3 million in 2009. This account consists of creditable withholding tax, prepaid expenses and other miscellaneous assets.

J. Bills Payable

The significant increase of ₱12.1 billion or 32% from ₱37.9 billion to ₱50.0 billion was due to the effect of the movement in our Treasury and Loan asset portfolio this year. It is composed of deposit substitute borrowings such as Promissory Notes (PNs) and repurchase agreements (RAs) and interbank loans.

K. Accrued Taxes, Interest and Other Expenses

This account decreased by ₱49.3 million or 18% from ₱268.4 million to ₱219.1 million this year. This comprises of the accruals for interest payable on deposit substitutes borrowings, both for PNs and RAs, accrual for other expenses, taxes & licenses and retirement liability.

L. Accounts Payable

This account increased by ₱2.9 million or just 1% from ₱208.5 million to ₱211.4 million this year.

M. Derivative Liabilities

This account includes call options embedded in structured financial instruments and its fair value as of December 31, 2009 amounted to ₱138.7 million, an increase of ₱22.2 million or 19% compared to ₱116.5 million in 2008.

N. Income Taxes Payable

The increase of ₱4.7 million or 479% from ₱1.0 million to ₱5.6 million came from the results of operations of those subsidiaries that are in a positive tax position status.

O. Bonds Payable

This pertains to the Company's outstanding issuance of 4-year Floating Rate Bonds (FRB) amounting to ₱61.2 million declined to ₱55.2 million this year equivalent to 10% or ₱6.0 billion.

P. Deferred Tax Liability

This account which increased by 305% or ₱5.3 million from ₱1.7 million last year to ₱7.0 million in 2009, is mainly composed of deferred tax liability on unrealized gain on AFS and HFT securities account.

Q. Other Liabilities

This account totaled ₱278.0 million, an increase of ₱23.9 million or 9% from ₱254.1 million recorded last year. The major components of this account are non-equity minority interest (39.9%) deferred income (16.0%), premiums payable (14.4%) and withholding taxes payable (14.0%) as of year end 2009.

R. Equity

Our capital funds increased by 18% or ₱1.3 billion from ₱7.3 billion to ₱8.6 billion this year. The significant changes of this account composed of the following:

1. *Retained Earnings* increased by 27% or ₱1.02 billion, which represents the Company's operating results for the year.
2. *Net Unrealized Gains/(Losses) on Available for Sale Securities* increased by ₱200.1 million or 32% from ₱631.7 million to ₱431.6 million net unrealized losses this year

primarily due to the impact of the sale of substantial amount of GS and the resulting effect of aligning our outstanding AFS portfolio at its market value.

3. *Equity in Translation Adjustment* declined by ₱8.8 million or 43% from ₱20.6 million losses last year to ₱29.4 million this year.
4. *Equity in Net Unrealized Gain on Available for Sale Securities of Investment in Associates* ended at ₱168.9 million, an increase of ₱91.1 million or 117% from last year's balance of ₱77.8 million.

2008 Performance

Amidst very challenging financial markets and a deteriorating economic environment, First Metro Investment Corporation ended the year with a ₱399.71 million net income, a decline of 71.6% compared to last year's earnings of ₱1.41 billion. The decline is attributed mainly to the slump in the equities trading income coupled with the increase in funding costs due to the steep climb in interest rates.

The Investment Banking Group (IBG) had another banner year contributing ₱185.94 million to the total revenue generated by the Company. This came from various underwritings: Stradcom Corporation's Asset-Backed Bonds Issue as Participating Underwriter; as Issue Manager to the Metrobank Card Corporation's ₱2.00 billion Corporate Notes; Arranger to the ₱1.50 billion Floating Rate Note of Ayala Corporation, ₱2.00 billion Fixed Rate Corporate Notes of Rockwell Land Corporation, ₱5.00 billion Short-term Notes of Manila Electric Company and ₱5.00 billion SMART Communications Fixed Rate Note, to name a few. The Group, together with the Treasury Distribution Unit, continued to corner a huge chunk of the peso debt market, some 90% of the government deals and 34% of corporate issues for a total of ₱118.0 billion

The Company's Investment Advisory Group (IAG) handles the proprietary equity portfolio of the company. The group provides professional investment research and advisory services to clients. It likewise creates and develops new products to serve the requirements of the market. Advisory fees earned during the year aggregated to ₱6.0 million from Metro Pacific Investment Corp., Zainiah Philippines, Inc. and Metrobank Tier II.

Our Treasury Group consistently contributed the bulk of the Company's gross revenue. Trading gain and interest income from government securities contributed the highest income aggregating to ₱1.33 billion for the year, before finance charges. Profits from government securities purchased under reverse repurchase agreement with the BSP added ₱94.17 million, while the interbank lending chipped in ₱23.94 million.

Our total expenses went up by 20% from ₱1.92 billion last year to ₱2.30 billion this year. This is basically attributed to the 54% increase in the interest expenses incurred on our short – term borrowings, to ₱1.69 billion from ₱1.10 billion. Other expenses incurred consist primarily of the ₱25.00 million donation to the Metrobank Foundation.

Total consolidated resources at the end of 2008 stood at ₱46.20 billion, slightly higher than the ₱44.84 billion at the close of 2007. This reflects the increase in our unquoted debt securities portfolio as well as the deposit in bank balances maintained for reserve requirement on our deposit substitute liabilities. Capital Funds closed at ₱7.46 billion, which translates to a 16.27% capital adequacy ratio (CAR). This is still over the 10% CAR required by the BSP on non-bank financial intermediaries such as First Metro.

Last August 2008, the Company launched its first "Bigay Liwanag Project" as one of the corporate social responsibility initiatives on education. The project was designed to enable vision impaired public school children read and study better by donating eyeglasses.

2007 Performance

First Metro Investment Corporation tallied a record income in 2007 of ₱1.41 billion, the highest in its 35-year history. This represents a very significant increase of 33% from its 2006 income of ₱1.06 billion.

Landmark fixed income transactions during the year were retail Treasury bonds Tranche 9, which raised a record of ₱77.6 billion for the Philippine Government, the biggest peso transaction in Philippine history, as well as the triple A rated ₱5.0 billion bond issue of the Asian Development Bank. The Company also actively participated in initial public offerings for the Philippine stock market. Both debt and equity issues enabled the Investment Banking Group to post record fee income during the year.

Treasury Group, the largest contributor of our income, realized ₱796.2 million for the year. They are up by ₱316.4 million against the ₱479.8 million registered last year. The increase was brought mainly by the significant decline in funding costs and the huge trading gains realized from government securities.

The Investment Advisory Group (IAG) also managed to post significant income from stock market trading, chipping in ₱146.0 million or more than 10% of the total income.

The Investment Banking Group (IBG) contributed ₱117.5 million to the total revenue. The Company continued to be an active force in the investment scene as it closed significant deals for the year 2007. The IBG bagged for FMIC two initial Public Offerings (IPOs) as well as significant corporate debt issues. The Company acted as Domestic Co-lead Underwriter in Aboitiz Power Corp.'s ₱10 billion IPO and as a participating underwriter in the GMA-7 ₱7.76 billion worth of common shares and PDRs IPOs. First Metro and Philippine Commercial Capital Inc. (PCCI) were the joint issue managers and lead underwriters in the ₱2 billion 7-year fixed rate corporate notes of Rockwell Land Corporation.

On the expense side, the 25.2% drop on interest expense from ₱1.47 billion of 2006 to 1.10 billion of 2007 is primarily due to the decline in interest rates of our deposit substitute borrowings (Promissory Notes and Repurchase Agreements). The increase in operating expenses of the Company is due to the contribution to Metrobank Foundation. Other than that, the Company's other expenses went down due to the program of reducing expenses for the year 2007.

Total consolidated asset of ₱44.84 billion for the year 2007 grew by 14% compared to ₱39.33 billion for the year 2006. This is attributed to the increase in loan portfolio, trading account securities and deposit in banks balances.

Finally, the Company harvested significant private equity income from major subsidiaries and affiliates which had outstanding 2007 results, like Philippine Axa Life, First Metro Securities Brokerage Corporation and Orix Metro Leasing and Finance Corporation.

Plan of Action

This year, First Metro Investment Corporation takes on a broader mindset in the conduct of its banking business, under the slogan, "Think Big, Think Metrobank," this means:

1. Putting on a consciousness of Metrobank as its own, not just as a parent, but as its very own business;
2. Taking ownership of Metrobank products and services by bringing them, not just as a cross selling effort, but as core outright and direct effort to promote the business of Metrobank;
3. Committing to develop the infrastructure and metrics that will enable it to manage and measure the "Think Metrobank" initiative.

The FMIC Senior Management has adopted the "Think Metrobank" as a key strategy to promote and cascade the company's core values of loyalty and innovation. Through this mindset, it not only displays loyalty to the institution that is Metrobank, FMIC also believes that this initiative will engender a whole slew of business opportunities that will challenge its creativity and spark its innovative spirit.

Other Matters

Other than the information on financial condition, results of operations and business prospects discussed over the last three (3) years, the following disclosures are made on matters that affect the past or would have an impact on past and future operations:

- The company does not have or anticipate having, within the next twelve (12) months, any cash flow or liquidity problems; is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; and has no significant amount of trade payables that have not been paid within the stated trade terms.
- There are no material commitments for capital expenditures during the past years and in the subsequent year.
- There are no known trends, events or uncertainties that the Company had or that are reasonably expected to cause a material favorable or unfavorable impact on income from continuing operations; and
- There are no significant elements of income or loss that did not arise from the registrant's continuing operations.
- There are no seasonal aspects that materially affect the Company's financial condition and results of operations.
- There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- 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.

Discussion of Key Performance Indicators

In evaluating its performance, First Metro Investment Corporation (FMIC) regularly analyzes the results of current operations and compares these against budget and results of prior period. The results of operations reflect the financial end results and effectiveness of assets and liabilities management. This business review is being discussed monthly in the Senior Management Committee. The review discloses the causes of any deviation and aids the company in controlling the costs, evaluating performance and planning future goals.

The company has an adequate budgeting system, forecasting process and management of information system. A quarterly budget review is being conducted to determine if we are meeting the set targets.

Monthly results of operations and financial condition are also reported regularly to the parent bank, to the Board of Directors and to the Bangko Sentral ng Pilipinas (BSP).

The following basic ratios measure the financial performance of the Company for the years ended 2009 and 2008 as well as the interim period February 28, 2010 (based on the unaudited figures):

PERFORMANCE INDICATORS	As of Feb. 28, 2010	As of Dec. 31, 2009	As of Dec. 31, 2008
Return on Assets ^{1/}	1.81%	1.93%	0.88%
Return on Equity ^{2/}	12.35%	12.84%	5.13%
Cost-to-Income Ratio ^{3/}	34.49%	34.69%	66.22%
Non-Performing Loans Ratio ^{4/}	3.03%	3.83%	2.77%
Capital Adequacy Ratio ^{5/}	24.32%	24.32%	16.27%

^{1/} Average assets for periods ended December 31 were computed based on the average of the beginning and ending balances, over the net income for the year ended.

^{2/} Likewise, average equity for periods ended December 31 was computed based on the average of the beginning and ending balances, over the net income for the year ended.

- ^{3/} Operating expenses for the cost-to-income ratios do not include provision for probable losses and provision for income taxes.
- ^{4/} Non-performing loans were gross of valuation reserves, but, are fully covered.
- ^{5/} Risk-based capital adequacy ratio was determined based on BSP Circular No. 538 (Basel II) as amended.

Item 7. FINANCIAL STATEMENTS

Statement of Management's Responsibility for Financial Statements

Please refer to Exhibit 2.

Audited Financial Statements

Please refer to Exhibit 3.

Form and Content of Schedules

Statement of Condition

1. Marketable Securities

Name of Issuing Entity	Number of shares	Amounts shown in the balance sheet	Income/(Loss) for the year
Financial assets at Fair Value Through Profit or Loss:			
Government Securities Purchased		1,495,143,295	
Equity Securities Purchased		394,815,702	
		<u>1,889,958,997</u>	330,277,692
Available-for-Sale Investments:			
Aboitiz Power Corp.	1,748,512	15,037,203	
Alabang Country Club	651,550	100,000	
Ayala Corporation	1,076,400	457,238,550	
Bonifacio Land Corp.	327,101	130,901,397	
Cathay Insurance Co., Inc.	20,526	2,052,700	
Cebu Holdings	215,928,364	704,757,020	
Global Business Holdings Inc.	183,142	12,926,806	
Globe Telecom, Inc	142,698	130,568,670	
Honda Philippines, Inc.	122,054	1,230,915	
Investment in Government Securities	-	18,368,911,306	
Lagos Dela Sierra	225,000	225,000	
Makati Sports Club	-	55,000	
Phase II Holdings	692,875	69,287,500	
Philippine Central Depository	10,228	1,022,800	
Philippine Long Distance Telephone	108,130	283,300,600	
Philippine Savings Bank	8,573,335	492,966,763	
Splash Corporation	9,272,054	31,524,984	
Splendido Taal Golf	-	3,600,000	
Tagaytay Highlands	-	1,700,000	
Toyota Cubao, Inc.	7,200,000	7,890,104	
Toyota Manila Bay	12,250,000	12,250,000	
Other various issuers from subsidiaries	-	400,265,351	
		<u>21,127,812,669</u>	1,486,607,561
Held-to-Maturity Investments		<u>3,735,821,730</u>	316,520,995
Unquoted Debt Securities Classified as Loans			
Aboitiz Equity Ventures Inc.		75,801,446	
Aboitiz Power Corporation		575,519,718	
Ayala Corporation		375,047,809	
Ayala Land Inc.		200,000,000	
Benpress Holdings, Corp.		356,250,000	
City Savings Bank, Inc.		344,017,558	
DBP Tier II Notes		500,700,000	
Globe Telecom, Inc.		1,013,038,895	
JG Summit Holding, Inc.		779,085,299	
Manila Electric Company		762,249,682	
Metro Pacific Investments Corp.		466,666,667	
Mondragon International Philippines, Inc.		100,000,000	
National Power Corporation		410,450,984	
Pag-Ibig Fund		67,410,000	
Philippine National Bank		200,673,518	
Philippine Ports Authority		1,000,000,000	
Robinsons Land Corp.		500,000,000	
Rockwell Land Corp.		197,625,000	
SM Investments Corporation		209,650,000	
SM Prime Holdings, Inc.		400,000,000	
SM Yamamura Asia Corp.		500,000,000	
Smart Communications, Inc.		495,000,000	
Special Purpose Trust		192,500,000	
Stradcom Int'l. Holdings, Inc.		275,000,000	
Stradcom Int'l. Holdings, Inc.		196,875,000	
		<u>10,193,561,576</u>	774,368,514

2. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Affiliates)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at end of period
Officers and staff	31,516,911	17,655,700	5,894,771	356,658	42,921,182	43,277,840
Total	31,516,911	17,655,700	5,894,771	356,658	42,921,182	43,277,840

3. Non-Current Marketable Equity Securities, Other Long Term Investments in Stocks, and Other Investments

Name of Issuing Entity	No. of Shares	Ownership (%)	Amount
Subsidiaries & Associates - at equity			
Aurora Towers, Inc.	18,408	50.000	-
Cathay International Resources	1,750,000	35.000	477,361,109
First Metro S&L Equity Fund	109,507,383	32.000	248,637,244
Philippine Charter Insurance Corp.	333,304	33.330	251,332,500
Global Business Power Corp.	729,961	30.000	5,585,391,418
Philippine Axa Life	1,310,976	28.148	863,033,796
First Metro S&L Balanced Fund	25,202,510	28.000	33,547,945
Orix Metro Leasing & Finance Corp.	1,405,287	20.000	271,656,144
Skyland Realty Corporation	1,000	20.000	(1,598,468)
First Metro Int'l. Investment Corp.	30,000,000	20.000	196,527,528
Lepanto Consolidated Mining	3,640,535,269	11.080	1,307,362,150
			9,233,251,366

4. Indebtedness of Unconsolidated Subsidiaries and Affiliates

Name of Subsidiaries/Affiliates	Beginning Balance	Ending Balance
Aurora Towers, Inc.	44,031,860	44,065,819
Lepanto Consolidated Mining	3,916	-
Global Business Holdings	-	59,738
Global Business Power Corporation	201,838	61,658
Philippine Charter Insurance Corp.	5,045	5,045

5. Intangible Assets - Other Assets

Intangible Assets of the Company consists of capitalized computer software costs worth ₱4.1M which will be amortized over three years and from its subsidiaries, First Metro Asset Management, Inc. worth ₱1.8M representing mutual fund system software which expires on August 31, 2012 and computer software of First Metro Insurance Agency, Inc., a wholly owned subsidiary of PBC Capital, worth ₱0.1M which expires on November 23, 2011.

6. Long Term Debt

The Company has a long-term debt with the Development Bank of the Philippines (DBP) originally amounting to ₱1.0 billion which will mature on January 5, 2014. On January 9, 2008 FMIC paid ₱500.0 million.

7. Indebtedness to Affiliates and Related Parties (Long Term Loans from Related Companies)

The Company has no long-term indebtedness to its affiliates and related parties.

8. Guarantees of Securities of Other Issuers

There are no guarantees made on securities of other issuers.

9. Capital Stock**

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Stock	800,000,000	377,056,150*	420,869,240	320,491,690	7,370	56,557,090

* Net of 43,813,090 Treasury Shares

** Figures as of February 28, 2010

Income Statement

Finance Costs

The breakdown of payments and/or monthly accruals for interest on Bills Payable – Deposit Substitutes (PN), Bills Payable – Others (DBP), Interbank Call Loans, Reverse REPO with BSP and Repurchase Agreement are shown below:

Deposit Substitutes	1,780,791,484
IBCL Payable	54,003,194
Bonds	2,680,418
Repurchase Agreement	171,810,027
Notes Payable	33,040,572
Total	2,042,325,695

Deposit substitutes have maturities of 15-364 days and bear interest rates ranging from 2.3% to 8.0%. Interbank call loans are short-term borrowings that have terms of 1-5 days and bear annual interest rates of 4.1% to 6.3%. Notes payable is a long-term borrowing with a local bank that has a term of 7 years with an annual interest rate of 6.2%.

Related Party Transactions

The Company has loans and other transactions with subsidiaries, associated companies, affiliates, and to directors, officers, stockholders, and related interests (DOSRI) consisting principally of loan transactions, management contracts and outright purchases and sales of trading and investment securities.

Most of these transactions were carried out in the normally stated trade terms as practiced in the ordinary course of the Company's business.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

The present auditor of the Company, Sycip, Gorres, Velayo and Co., was also the auditor of the company in 2009 and 2008. The reports of said auditors on the financial statements of the company for the two years ended December 31, 2009 and 2008 contained unqualified opinions.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their respective reports on the financial statements for such years.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

Incorporators

- Antonio P. Madrigal
- Jose P. Madrigal
- Simon R. Paterno
- Fermin Z. Caram
- Claudio Teehankee
- Wilfrido C. Tecson

Directors (as of December 31, 2009)

	<u>Term Served</u>	<u>Age</u>	<u>Business Experience</u>
Antonio S. Abacan Jr.	9 years, 6 months	67	Banking/Finance/Investment
Solomon S. Cua	8 year, 11 months	54	Management/Finance/Investment
Mary Vy Ty	16 years, 11 months	69	Banking/Finance/Investment
Francisco C. Sebastian	12 years, 6 months	55	Banking/Finance/Investment
Martin Q. Dy Buncio	14 years, 11 months	46	Management/Finance/Investment
Romualdo A. Ong	4 years, 6 months	70	Management/Government Service
Bienvenido E. Laguesma	4 years, 11 months	60	Finance/Government Service
Roberto Juanchito T. Dispo	4 years, 11 months	45	Management/Finance/Investment
Carmelo Ma. L. Bautista	1 year, 11 months	59	Banking/Finance
Ismael I. Cruz	1 year, 11 months	64	Management/Investment

The directors are elected during the Annual Stockholders' Meeting. Each director holds office until the corresponding Board of Directors' Meeting in the succeeding year, or until a successor is elected, appointed or shall have been qualified.

Executive Officers

	<u>Position</u>	<u>Age</u>	<u>Business Experience</u>
Antonio S. Abacan Jr.	Chairman	67	Banking/Finance/Investment
Solomon S. Cua	Vice-Chairman	54	Management/Finance/Investment
Francisco C. Sebastian	President	55	Banking/Finance/Investment
Roberto Juanchito T. Dispo	Executive Vice President	45	Management/Finance/Investment
Jose Pacifico E. Marcelo	Executive Vice President	50	Banking/Finance
Danilo G. Olondriz	Senior Vice President/ Controller	55	Banking/Finance
Stella Maria Pieded I. Torres	First Vice President	49	Banking/Finance
Maria Antonia N. Bacabac	First Vice President	45	Banking/Finance
Reynaldo Montalbo Jr.	First Vice President	48	Banking/Finance
Erwein John M. Catoto	First Vice President	42	Banking/Finance
Nimfa B. Pastrana	Vice President	48	Banking/Finance/Law
Romeo M. Avila	Vice President	52	Banking/Finance
Marie Arabella D. Veron	VP/Deputy Controller	49	Banking/Finance
Eduardo R. Banaag	Vice President	48	Banking/Finance
Jonathan T. Tabac	VP/Compliance Officer	55	Banking/Finance
Arsenio Kenneth M. Ona	Vice President	40	Banking/Finance
Lalaine C. De Guzman	Assistant Vice President	44	Banking/Finance
Alesandra V. Ty	Corporate Secretary	29	Business/Law

ANTONIO S. ABACAN, JR., 67, Filipino, is the present Chairman of the Board of Directors of FMIC. He has served as a member of Board since 1996. He also holds the following positions: Chairman of the Board of Directors of Metropolitan Bank & Trust Co., Toyota Financial Services (Phils.) Inc., Federal Homes, Inc., Baywatch Realty Corp., Circa 2000 Homes, Inc. and Baywatch Project Management Corp., Honorary Chairman of MBTC Technology, Inc., Honorary Vice Chairman of First Metro Travel, Inc., Group Vice Chairman of Metrobank Group of Companies, Vice Chairman of Global Business Holdings, Inc., Vice Chairman of the Advisory Board of First Metro International Investment Corp., (HongKong); Director of Cebu Holdings, Inc. and Subic Bay Yacht Club, Adviser in Philippine Axa Life Insurance Corporation, Toyota Cubao, Inc. and Toyota Manila Bay Corporation. Member of the Board of Governors of MACEA.

SOLOMON S. CUA, 54, Filipino, Vice Chairman, (Independent Director), also holds the following positions: Director in PBC Capital Investment Corp. and Omico Corporation, Vice Chairman and Chief Executive Officer in Arlec Inc., President /Director in Philippine Racing Club and Venasque Club.

MARY VY TY, 69, Filipino, has served as Director of FMIC since September 14, 2005. At present, she holds the following positions: Assistant to the Group Chairman of Metropolitan Bank & Trust Company; Treasurer/Director: Global Business Holdings Inc., Global Business Power Corporation, and CIRCA 2000; Adviser: Metropolitan Bank (Bahamas), MBTC Technology Inc., Cathay International Resources Corporation; Board of Trustee/Treasurer of Metrobank Foundation Inc., and Manila Doctors College Inc.; Treasurer: Manila Medical Services Inc. and GT Capital Holdings Inc.; Director/Vice Chairman: Federal Land Inc.; Director: Global Treasure Holdings Inc. and Grand Titan Capital Holdings Inc.; Vice-Chairman: Great Mark Resources Corporation and Grand Estate Property Corporation; Chairman: Philippine Securities Corporation, Horizon Royale Holdings, Inc., Interpar Philippines Resources Corporation and Ausan Resources Corporation.

FRANCISCO C. SEBASTIAN, 55, Filipino, assumed his post as President of FMIC on October 1, 1997. He has over twenty years of experience in investment banking, financial advisory, loan arranging and syndication, and investment advisory in HK with Ayala Finance and Filinvest Finance. Mr. Sebastian holds the following positions: Vice Chairman, Metropolitan Bank & Trust Co., President of Global Business Holdings, Inc. and Integrated Financial Services, Philippines, Ltd., Chairman of Global Executive Solutions Group, Inc., Global Business Power Corp., First Metro Asset Management Inc. and Federal Land Inc. and as Managing Director, Integrated Financial Services Ltd.

CARMELO MA. L. BAUTISTA, 59, Filipino, was elected as Executive Director in April 2008. He graduated in Ateneo de Manila University with a Bachelor's Degree in Economics and completed his Masters in Business Management in Asian Institute of Management in 1981.

ISMAEL G. CRUZ, 64, Filipino, was elected Director of FMIC in April 2008. He graduated in Ateneo de Manila University with a Bachelor's Degree in Economics. He also holds the following position: Chairman/President of IGC Securities Inc. and Carmen Homes, Inc. Independent Director of PentaCapital Investment Corp. and PentaCapital Finance Corp. Governor of Makati Commercial Estates Association (MACEA) and the Makati Stock Exchange. He is the President of the Philippine Association of Securities Brokers and Dealers Inc. (PASBDI).

MARTIN Q. DY BUNCIO, 46, Filipino, has served as Director since 1995. He also sits as Chairman of the Board of Pro-Oil Corp and Pro-Auto Parts, President of HJ Marketing, Design Products, MFG., Proline II Mercantile and Integra Dev't Corp., and Director/Vice Chairman of Omico Corporation.

ROMUALDO A. ONG, 70, Filipino, was elected as Independent Director of FMIC in September 2005. He is also an independent director of PBC Capital Investment Corp. and First Metro Securities Brokerage Corp. Mr. Ong served as Ambassador of the Philippines in Malaysia, China, Russia and Australia, He was former Assistant Secretary of the Office of ASEAN Affairs, Department of Foreign Affairs and Director of the Foreign Service Institute, DFA.

BIENVENIDO E. LAGUESMA, 60, Filipino, was elected as Director in April 2005. He is a Senior Partner of Laguesma, Magsalin Consulta & Gastardo Law Offices, Director of GROW Inc. and IBP-Q.C. Chapter, Member of the Integrated Bar of the Philippines and former Secretary of the Department of Labor and Employment from 1998 to 2001.

ROBERTO JUANCHITO T. DISPO, 45, Filipino, was elected as Director of FMIC in April 2005. Mr. Dispo is also First Metro Investment's Executive Vice President, Head of Treasury, and the Chief Fixed Income Strategist for the Investment Advisory Group. Among his other positions are: Chairman of First Metro Securities Brokerage Corporation, Vice Chairman of First Metro Asset Management Inc. and PBC Capital Investment Corporation, Director of Prima Ventures Development Corporation, First Metro Insurance Brokerage Corporation, FMIC Equities, Inc., Money Market Association of the Phils., Vice President & Director of Saleage Insurance Agency, Inc., Vice President of First Metro Insurance Agency, Inc., an Alternate Director of Investment House Association of the Phils., and Member of the Advisory Board of Metropolitan Bank & Trust Company. He also held various positions in the Bureau of Treasury among which were Division Chief, External Debt Management Division; Director, Policy and Planning Service; Director, Public Debt Management Services; and Deputy Treasurer of the Philippines – Operations Subsector.

JOSE PACIFICO E. MARCELO, 50, Filipino, First Metro Investment's Executive Vice President and Head of Investment Banking Group, has significant experience in financial restructuring, capital raising, mergers and acquisitions, credit analysis and rehabilitation/loan work-outs. He concurrently serves as the director for PBC Capital Investment Corporation, First Metro Asset Management Inc., First Metro Insurance Brokers Corp., SBC Properties, Inc., Prima Ventures Development Corporation and FMIC Equities Inc. He is also the Vice Chairman of Stradcom Corporation.

DANILO G. OLONDRIZ, 55, Filipino, First Metro Investment's Senior Vice President and Controller, is a Certified Public Accountant who previously worked for the Bangko Sentral ng Pilipinas as Senior Bank Examiner for 10 years. He also sits as Director of PBC Capital Investment Corporation, SBC Properties Inc., First Metro Insurance Brokers Corporation and First Metro Asset Management Inc.; Director/Controller of Saleage Insurance Agency, Inc. and Controller of First Metro Insurance Agency, Inc. and Prima Ventures Development Corporation; and as Chief Financial Officer of First Metro Save & Learn Equity Fund, First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Balanced Fund, First Metro Save & Learn Money Market Fund Inc. and Skyland Realty Development Corporation. He is also the Chairman of Toledo Cebu International Trading Resources, Inc.

Principal Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders.

Significant Employees

No person who is not an executive officer is expected by the company to make a significant contribution to the business.

Family relationships

Mrs. Mary Vy Ty, Director of FMIC, is the mother-in-law of Mr. Martin Q. Dy Buncio, also a Director and the mother of Alessandra V. Ty, the company's Corporate Secretary. There are no other family relationships among the directors and officers listed above.

Involvement in Certain Legal Proceedings

The company is not aware of any event that occurred during the past five years that are material to an evaluation of the ability or integrity of any of its directors, any nominees for election as directors or executive officers.

Item 10. EXECUTIVE COMPENSATION

	<u>Year</u>	<u>Salary</u>	<u>Bonuses/Other Remuneration</u>	<u>Total</u>
Aggregate annual compensation of the following:	2010*	38,855,148.00	13,067,305.00	51,922,453.00
	2009	33,787,085.00	11,362,874.00	45,149,959.00
	2008	29,920,774.00	13,952,796.00	43,873,570.00
Francisco C. Sebastian, President				
Roberto Juanchito T. Dispo, EVP				
Jose Pacifico E. Marcelo, EVP				
Danilo G. Olondriz, SVP/Controller				
All other executive officers and directors as a group unnamed (except the four executive officers mentioned above)	2010*	35,227,930.00	11,048,614.00	46,276,544.00
	2009	32,542,391.00	10,230,195.00	42,772,586.00
	2008	25,990,056.00	9,483,584.00	35,473,640.00

* Projected

Compensation of Directors

The members of the Board of Directors are compensated under standard remuneration as follows:

Per diem ranging from ₱35,000.00 to ₱75,000.00 and transportation allowance of ₱15,000.00 are granted to Directors on annual Stockholders' and regular Board meetings. Bonuses ranging from ₱80,000.00 to ₱240,000.00 are given to each director during December each year.

As part of "Good Corporate Governance," most of the directors, particularly the so-called "Independent Directors", are required to chair certain committees created to enhance our business operations. Their participation in these committees is part of their annual compensation packages.

Employment Contracts, Termination of Employment and Change-In Control Arrangements

There are no compensatory plans or arrangement with respect to any of its executive officers that can result to the resignation, retirement or any other termination of such executive officer's employment with the company and its subsidiaries. Neither from a change in control of the registrant or a change in the named executive officer's responsibilities.

Warrants and Options Outstanding: Repricing

There are no stock warrants or options that the Company has awarded to any of its directors or officers. Neither has the registrant's officers or directors own any stock warrants or options.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners

The following stockholder owns more than 5% of the common voting securities as of March 31, 2009:

<u>Title of class</u>	<u>Name and address of owner</u>	<u>Amount and nature of ownership</u>	<u>Percent to outstanding shares</u>
Common shares	Metropolitan Bank and Trust Company (MBTC) Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City	320,491,690 r	84.998%

First Metro Investment Corporation holds 43,813,090 treasury shares, which represent 10.4% of the total common shares issued.

Metropolitan Bank & Trust Company, a universal banking corporation, is the registered owner of the shares in the books of the Company. Beneficial owners with at least 10% of the voting stocks of said universal bank are George S. K. Ty (16.505%) and PCD Nominee Corporation (Filipino) 11.317% and (Non-Filipino) 27.817% as of March 31, 2008. The Board of Directors of Metrobank has the right to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of Metropolitan Bank & Trust Co. is Mr. Antonio S. Abacan, Jr.

Security Ownership of Management

Following are the securities owned by directors and officers of the Company as of March 31, 2009:

<u>Title of class</u>	<u>Name of beneficial owners</u>	<u>Amount and nature of ownership</u>	<u>Percent to outstanding shares</u>
Common shares	Antonio S. Abacan, Jr.	1,100 r	0.000
Common shares	Francisco C. Sebastian	1,070 r	0.000
Common shares	*Solomon S. Cua	1,100 r	0.000
Common shares	Mary Vy Ty	1,100 r	0.000
Common shares	Martin Q. Dy Buncio	1,100 r	0.000
Common shares	*Romualdo A. Ong	1,000 r	0.000
Common shares	Bienvenido A. Laguesma	100 r	0.000
Common shares	Ismael G. Cruz	100 r	0.000
Common shares	Carmelo M. L. Baustista	100 r	0.000
Common shares	Roberto Juanchito T. Dispo	600 r	0.000

* Independent Directors

Voting Trust Holders of 5% or More

There are no persons known to the registrant who owns more than 5% of a voting trust or similar arrangements.

Changes in Control

The Metropolitan Bank and Trust Company has no intention of relinquishing its 84.998% majority hold on the Company. At most, it will allow fifteen (15%) per cent public float but merely to comply with the floor limit prescribed by existing regulations of the Philippine Stock Exchange on public ownership of listed companies. As of this writing, there are no arrangements that can result to a change in control of the registrant.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the related party transactions stated in the notes to financial statements of the Company for the years 2009 and 2008, there has been no material transactions during the last two years nor is there any material transaction currently proposed to which the Company was, or is a party, or in which any director or executive officer of the Company, any nominee for election, any owner of more than five (5%) percent of the Company's voting shares, or any member of the immediate family of any such director or officer, had or is to have a direct or indirect material interest.

Item 13. COMPLIANCE WITH THE MANUAL ON CORPORATE GOVERNANCE

In line with the Securities and Exchange Commission's Memorandum Circular No. 2 series of 2002, the Company has adopted its Manual on Corporate Governance providing for the leading best practices on governance. The duties, responsibilities and authorities of the Board of Directors as well as the qualifications of a director/officer are adopted and complied with. Board Committees were created, such as, the Audit Committee the majority members of which are independent directors and the Nominations

Committee which pre-qualifies and shortlists the nominees for independent directors to be elected in the annual stockholders meeting.

A compliance officer has been appointed to manage the Compliance System of the Company and to monitor and evaluate compliance with the Manual on Corporate Governance. Two (2) more board committees were created in 2005, namely: Good Governance Committee, mostly composed of independent directors and Risk Management Committee. The Good Governance Committee shall assist the Board of Directors in ensuring due observance of corporate governance principles and guidelines while the Risk Management Committee shall be responsible for the development and oversight of the Company's risk management program.

In general, the Company is in compliance with the leading practices on good corporate governance. The Company has adopted a good governance scorecard to measure and determine the level of compliance by the Board of Directors and top-level management with its Manual of Corporate Governance. Every end of the current year, the scorecard shall be accomplished by the Compliance Officer. The result of this evaluation is submitted to the Board together with the CO's recommendation for any sanctions of non-compliance. On the basis of this scorecard, the Compliance Officer has issued to SEC a certification on the Company's compliance with its Manual of Corporate Governance. This was reported in a Certification by the Compliance Officer filed with the Commission on January 12, 2009. No director, officer or employee of the Company was found in violation of the Manual.

There was no deviation from the company's Manual on Corporate Governance.

There are continuing plans to improve corporate governance of the company. Existing policies and procedures are being reviewed to enhance organizational structure, operation and risk management.

PART IV - EXHIBITS AND SCHEDULES

Exhibits

Exhibit No.	Description of Exhibit
1	Location and description of principal properties owned
2	Statement of management responsibility
3	Audited financial statements

Reports on SEC Form 17-C

The following were the reports on SEC Form 17-C filed during 2009:

<u>Date Filed</u>	<u>Items Reported</u>
March 2, 2009	<p>The Board of Directors in its meeting held on February 26, 2009, approved the following: (1) April 30, 2009 as the date of the Annual Stockholders meeting to be held at Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City (2) March 30, 2009 as the record date to determine the stockholders entitled to notice and to vote in the April 30, 2009 stockholders meeting (3) authorized the Chairman or the President to change the date, time and place of the stockholder's meeting and the record date and (4) Appointment and creation of the Special Committee of Inspectors by the Board of Directors which shall be empowered to pass on the validity of proxies.</p>
May 4, 2009	<p>During the Annual Stockholders Meeting held on April 30, 2009 the following were agreed upon: (1) The election of the Board of Directors of FMIC (2) Sycip, Gorres, Velayo & Co.'s appointment as External Auditor for the year 2009.</p> <p>Thereafter, at the organizational meeting of the Board of Directors, it appointed the Officers of the Corporation, members of the Executive Committee, Corporate Governance Committee, Audit Committee, Risk Management Committee, Nominations Committee and Investment Management Committee.</p>
June 18, 2009	<p>The Board of Directors of First Metro Investment Corporation in its meeting held on June 16, 2009 approved the amendment of the Primary Purpose of the Articles of Incorporation to include the conduct and business of a trust corporation and the entire Article IX of the By-Laws from the Investment Management Operations to Trust Operations relative to the organization, functions and responsibilities related to Trust Operations. Such amendments are still subject to the approval of the stockholders.</p>
November 23, 2009	<p>The Board of Directors of FMIC in its meeting held on November 19, 2009 ratified the approval of the Executive Committee for the establishment of an investment (mutual fund) company, First Metro Save and Learn Global Currency Fund, Inc. FMIC will provide its seed capital and the fund will be registered, managed, distributed and administered by First Metro Asset Management, Inc (FAMI).</p> <p>Further, the Board approved Mr. Justino Juan R. Ocampo's appointment as Senior Vice President and Deputy Group Head for Investment Banking Group effective January 4, 2010, subject to confirmation by the Monetary Board of the Bangko Sentral ng Pilipinas.</p>

LIST OF PRINCIPAL PROPERTIES

First Metro Investment Corporation

Except for the two (2) condominium units at Ritz Towers which are jointly owned with Multi-Realty Development Corporation, all other properties are wholly-owned and in good condition.

NAME OF PROPERTY

LOCATION

Real Estate for Sale/Lease

Ritz Towers Condominium (1 unit)	Ayala Avenue, Makati City
Skyland Plaza Condominium (12 units)	Gil Puyat Avenue, Makati City
Tytana Center (5 units)	Tytana Plaza, Binondo, Manila
Pacific Towers (1 unit)	Fort Bonifacio, Makati City
Skyland Plaza Parking Lots (18 units)	Gil Puyat Avenue, Makati City
Baguio Property (4 units)	Gibraltar Road, Baguio City

Real Properties Owned/Acquired

Este del Sol Property	Puray, Montalban, Rizal
CHM & Sons Realty Corporation	Barangay Pansol, Calamba, Laguna
C & P Homes, Inc.	Bgy. Don Jose, Sta. Rosa, Laguna
Philippine Appliances Corporation (PHILACOR)	Bgy. San Antonio, Parañaque City
Serg's Product, Inc.	Barrio Lumang Dayap, Cainta, Rizal
Antonio Isidoro & Sons Property*	Camba Street, San Nicolas District, Manila
Manila Mill Corporation**	J. Nepomuceno Street, Quiapo, Manila
One Stop Music, Inc.	Commonwealth Ave, Quezon City
Pryce Corporation***	
Villa Josefina Resort Village (Ph. 1&2)	Barangay Dumoy, Davao City
Villa Josefina Resort Village (Phase 4)	Barangay Dumoy, Davao City
Pryce Business Park (Commercial Lot)	Bajada, Davao City
Ozamiz Memorial Gardens (360 Lots)	Dimaluma, Ozamiz City
Zamboanga Memorial Gardens (360 Lots)	Sinunuc, Zamboanga City
North Zamboanga Gardens (361 Lots)	Polanco, Zamboanga del Norte
Cagayan de Oro Gardens (361 Lots)	Lumbia, Cagayan de Oro
Maria Christina Gardens (361 Lots)	Sta. Felomina, Iligan City
Henry Pua Tan	New Cavite Industrial City, Gen. Trias, Cavite
Sps. Arnold C. Eligado and Ma. Luisa T. Eligado	Lt.23, Blk. 20, Georgetown Heights Subd., Molino Rd., Bacoor, Cavite
Cesar Cua	Ortigas Ave., Ext., Taytay, Rizal

* This is a case for declaration of "Nullity of Mortgage and Annulment of Extra-Judicial foreclosure of Mortgage and Auction Sale".

** This has a "Lis Pendens" attached to the title

*** Deed of Dacion en Pago



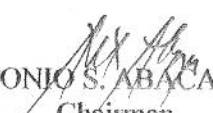
STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

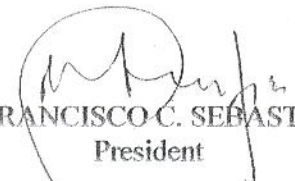
The management of First Metro Investment Corporation (the Company) is responsible for all information and representations contained in the consolidated and parent company financial statements as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009. The consolidated and parent company financial statements have been prepared in conformity with Philippine Financial Reporting Standards in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.


In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's Audit Committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated and parent company financial statements before such statements are approved and submitted to the stockholders of the Company.

SyCip Gorres Velayo and Co., the independent auditors appointed by the stockholders, have examined the consolidated and parent company financial statements in accordance with Philippine Financial Reporting Standards in the Philippines and have expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.


ANTONIO S. ABACAN, JR.
Chairman


FRANCISCO C. SEBASTIAN
President


MARIE ARABELLA D. VERON
Vice President/Deputy Controller

Makati Office
45th Floor, GT Tower International
Ayala Avenue corner HV Dela Costa
Makati City, Philippines
Tel : +632 858 7900
Fax : +632 840 3706


Binondo Office
2nd Floor Wellington Building
Plaza Lorenzo Ruiz, Binondo
Tel : +632 241 4301 to 07
Fax : +632 241 0750

SUBSCRIBED AND SWORN TO BEFORE ME this MAR 23 2010 day of March 2010 at Makati City, Philippines, affiant exhibit to me their Community Tax Certificate Nos. :

Name	CTC /Passport No.	Place/Date of Issue
Mr. Antonio S. Abacan, Jr.	PP No. EA0009299	DFA Manila/ Dec. 11, 2009
Mr. Francisco C. Sebastian	01953822	Manila /Jan. 7, 2010
Ms. Marie Arabella D. Veron	28585441	Makati City/January 17, 2010

NOTARY PUBLIC

Doc. No. 96
Page No. 21
Book No. 4
Series of 2010.

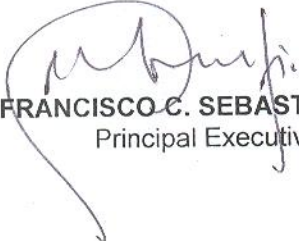

ATTY. NOEL M. GALICIA, CPA
NOTARY PUBLIC
UNTIL DECEMBER 31/2010
ROLL NO. 49340
PTR 1567826 1/5/00 MAKATI CITY
REP 265321 12/18/08 PASIG CITY
APPOINTMENT NO. M-158

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila on April 6, 2010.

FIRST METRO INVESTMENT CORPORATION
Company

By:


FRANCISCO C. SEBASTIAN, President
Principal Executive Officer


ROBERTO JUANCHITO T. DISPO, EVP
Principal Operating Officer

(On Sick Leave)
DANILO G. OLONDRIZ, SVP/Controller
Principal Financial Officer/Controller

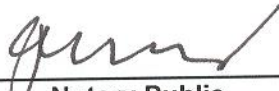

MARIE ARABELLA D. VERON, VP
Principal Accounting Officer


ALESANDRA V. TY
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 14 2010 day of _____, 20__ affiants exhibiting to me their Community Tax Certificates, as follows:

<u>Names</u>	<u>Com. Tax Cert. No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Francisco C. Sebastian	01953822	January 7, 2010	Manila
Roberto Juanchito T. Dispo	01953839	January 7, 2010	Manila
Danilo G. Olondriz	02152608	January 7, 2010	Manila
Marie Arabella D. Veron	28585441	January 17, 2010	Manila
Alesandra V. Ty	28633202	February 17, 2010	Makati

Doc. No. 37
Page No. 08
Book No. 4344
Series of 2010.


Notary Public
PERFECTO C. NOLASCO
Notary Public
Until December 31, 2011
PTR NO. 8242038-Manila-01/04/2010
IBP NO. 772440-Pasig City-01/16/2009
IBP ROLL NO. 18343

First Metro Investment Corporation
and Subsidiaries

Financial Statements
December 31, 2009 and 2008
and for the Years Ended December 31, 2009, 2008 and 2007

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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C	o	s	t	a		S	t	r	e	e	t	,		M	a	k	a	t	i		C	i	t	y									

(Business Address: No. Street City/Town/Province)

Mr. Danilo G. Olondriz

(Contact Person)

840-5751

(Company Telephone Number)

1	2		3	1
Month	Day		Month	Day
(Fiscal Year)				

A	A	F	S
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(Form Type)

Month	Day		Month	Day
(Annual Meeting)				

--

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Cashier

STAMPS

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SGVMC113832

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
First Metro Investment Corporation
45th Floor, GT Tower International
Ayala Avenue corner H.V. dela Costa Street
Makati City

We have audited the accompanying financial statements of First Metro Investment Corporation and Subsidiaries (the Group) and of First Metro Investment Corporation (the Parent Company), which comprise the consolidated and the parent company statements of financial position as of December 31, 2009 and 2008, and the consolidated and the parent company statements of income, the consolidated and the parent company statements of comprehensive income, the consolidated and the parent company statements of changes in equity and the consolidated and the parent company statements of cash flows for each of the three years in the period ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

*** SGVMC113832 ***

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

Opinion

In our opinion, the consolidated and the parent company financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as of December 31, 2009 and 2008, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Vicky B. Lee-Salas
Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-1

Tax Identification No. 129-434-735

PTR No. 2087542, January 4, 2010, Makati City

February 18, 2010



FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31			
	2009	2008	2009	2008
ASSETS				
Cash and Other Cash Items (Notes 15 and 26)	₱8,156,812,303	₱5,597,441,874	₱7,711,939,172	₱5,096,354,904
Due from Bangko Sentral ng Pilipinas (Note 15)	1,965,000,000	1,916,100,000	1,965,000,000	1,916,100,000
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (Note 7)	–	1,430,000,000	–	1,430,000,000
Financial Assets at Fair Value Through Profit or Loss (Note 8)	1,889,958,997	421,728,810	1,803,850,184	286,886,922
Available-for-Sale Investments (Note 8)	20,842,220,055	9,032,367,786	20,526,389,916	8,829,900,840
Held-to-Maturity Investments (Note 8)	3,735,821,730	3,756,141,902	3,718,899,612	3,749,989,615
Loans and Receivables (Notes 9 and 26)	12,616,335,623	15,912,428,702	12,317,636,388	15,508,918,150
Property and Equipment (Note 10)	78,901,361	80,264,354	67,484,514	64,667,753
Investments in Subsidiaries, Associates and Joint Venture (Notes 11 and 26)	9,233,251,366	6,927,109,107	8,329,942,154	6,339,882,477
Investment Properties (Note 12)	806,135,061	865,671,587	806,135,061	805,671,587
Deferred Tax Assets (Note 25)	8,526,242	3,702,731	–	–
Other Assets (Note 13)	243,346,322	220,567,367	201,689,927	183,469,976
	₱59,576,309,060	₱46,163,524,220	₱57,448,966,928	₱44,211,842,224
LIABILITIES AND EQUITY				
LIABILITIES				
Bills Payable (Notes 15 and 26)	₱50,047,335,210	₱37,941,147,817	₱50,047,335,210	₱37,941,147,817
Accrued Taxes, Interest and Other Expenses (Notes 16 and 26)	219,075,831	268,370,384	208,939,337	250,241,863
Accounts Payable (Note 26)	211,380,284	208,517,232	54,204,967	21,386,691
Derivative Liability (Note 8)	138,729,241	116,511,055	138,729,241	116,511,055
Income Taxes Payable (Note 25)	5,649,974	976,002	–	–
Bonds Payable (Note 17)	55,200,000	61,200,000	150,000,000	150,000,000
Deferred Tax Liability (Note 25)	7,003,924	1,728,326	–	420,447
Other Liabilities (Notes 18 and 26)	278,011,257	254,078,934	208,523,263	133,909,652
	50,962,385,721	38,852,529,750	50,807,732,018	38,613,617,525
EQUITY				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common Stock (Note 20)	4,208,692,400	4,208,692,400	4,208,692,400	4,208,692,400
Capital Paid in Excess of Par Value	2,065,694,042	2,065,694,042	2,065,694,042	2,065,694,042
Retained Earnings	4,826,034,194	3,803,421,275	3,068,370,739	2,211,178,642
Treasury Stock (Note 20)	(2,256,151,891)	(2,256,151,891)	(2,256,151,891)	(2,256,151,891)
Net Unrealized Loss on Available- for-Sale Investments (Note 8)	(431,605,063)	(631,686,077)	(445,370,380)	(631,188,494)
Equity in Translation Adjustment (Note 11)	(29,422,895)	(20,593,286)	–	–
Equity in Unrealized Gain on Available-for-Sale Investments of Associates (Note 11)	168,916,960	77,826,648	–	–
Equity in Revaluation Increment (Note 11)	29,948,345	31,142,610	–	–
	8,582,106,092	7,278,345,721	6,641,234,910	5,598,224,699
Minority Interest	31,817,247	32,648,749	–	–
	8,613,923,339	7,310,994,470	6,641,234,910	5,598,224,699
	₱59,576,309,060	₱46,163,524,220	₱57,448,966,928	₱44,211,842,224

See accompanying Notes to Financial Statements.

* SGVMC113832 *

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2009	2008	2007	2009	2008	2007
INTEREST INCOME (Notes 21 and 26)	₱2,787,506,033	₱2,130,060,760	₱2,102,829,674	₱2,732,242,341	₱2,077,587,491	₱2,029,636,732
INTEREST EXPENSE (Notes 15, 17, and 26)	2,042,325,695	1,688,730,363	1,100,128,132	2,047,175,162	1,688,716,101	1,100,622,944
NET INTEREST INCOME	745,180,338	441,330,397	1,002,701,542	685,067,179	388,871,390	929,013,788
OTHER OPERATING INCOME						
Trading and securities gain (Note 8)	645,040,886	148,267,244	830,873,655	573,002,306	223,830,541	713,737,068
Service charges, fees and commissions	391,882,908	286,337,762	297,213,688	310,698,068	196,747,455	155,628,913
Dividends	114,326,314	86,542,534	95,948,674	501,512,169	734,641,585	240,381,683
Gain on sale of assets	10,695,552	77,746,141	42,751,917	695,552	79,739,776	42,751,917
Foreign exchange gains (losses)	(5,148,881)	24,383,902	(4,889,237)	(5,148,881)	23,738,073	(5,613,631)
Miscellaneous (Note 12)	45,175,747	33,069,924	53,830,888	22,459,674	33,629,397	14,784,027
TOTAL OPERATING INCOME	1,947,152,864	1,097,677,904	2,318,431,127	2,088,286,067	1,681,198,217	2,090,683,765
OTHER EXPENSES						
Taxes and licenses (Note 25)	353,281,327	298,937,644	318,741,886	343,983,003	293,204,396	304,366,413
Compensation and fringe benefits (Notes 22 and 26)	223,047,082	209,760,678	186,198,188	184,032,827	164,554,102	143,089,375
Provision for (recovery from) impairment and credit losses (Note 14)	180,737,944	(167,321,593)	67,084,558	171,742,298	(106,501,800)	-
Rent, light and water (Note 23)	36,803,516	37,982,876	31,544,892	31,899,873	28,973,570	22,743,171
Depreciation of investment properties (Notes 12)	4,221,139	5,229,695	20,120,167	4,221,139	5,229,695	19,931,673
Depreciation and amortization of property and equipment (Note 10)	26,451,403	23,785,221	16,110,518	21,729,773	15,755,529	12,070,249
Entertainment, amusement and recreation (Note 25)	15,360,013	13,775,692	11,314,303	13,675,421	11,787,416	10,096,310
Miscellaneous (Notes 12 and 24)	164,759,310	187,476,197	169,094,737	137,313,760	148,758,723	119,471,971
	1,004,661,734	609,626,410	820,209,249	908,598,094	561,761,631	631,769,162
INCOME BEFORE SHARE IN NET INCOME OF INVESTEES AND INCOME TAX	942,491,130	488,051,494	1,498,221,878	1,179,687,973	1,119,436,586	1,458,914,603
SHARE IN NET INCOME OF INVESTEES (Note 11)	427,749,836	75,548,641	247,150,538	-	-	-
INCOME BEFORE INCOME TAX	1,370,240,966	563,600,135	1,745,372,416	1,179,687,973	1,119,436,586	1,458,914,603
PROVISION FOR INCOME TAX (Note 25)	340,469,653	164,693,618	336,316,026	322,495,876	152,322,945	282,409,922
NET INCOME	₱1,029,771,313	₱398,906,517	₱1,409,056,390	₱857,192,097	₱967,113,641	₱1,176,504,681
Attributable to:						
Equity holders of the Parent Company (Note 29)	₱1,022,612,919	₱399,707,120	₱1,407,383,719			
Minority interest	7,158,394	(800,603)	1,672,671			
	₱1,029,771,313	₱398,906,517	₱1,409,056,390			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 29)	₱2.71	₱1.06	₱3.73			

See accompanying Notes to Financial Statements.

* SGVMC113832 *

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	2009	2008	2007	2009	2008	2007
NET INCOME FOR THE YEAR	₱1,029,771,313	₱398,906,517	₱1,409,056,390	₱857,192,097	₱967,113,641	₱1,176,504,681
OTHER COMPREHENSIVE INCOME (LOSS)						
Changes in fair values of available-for-sale investments (Note 8)	207,956,014	(1,133,248,458)	(226,663,919)	185,818,114	(1,123,990,073)	(232,597,962)
Equity share on changes in fair values of available-for-sale investments of associates (Note 8)	91,090,312	(146,532,813)	(28,025,297)	-	-	-
Equity share on change in translation adjustment	(8,829,609)	33,670,536	(190,071,319)	-	-	-
Equity share on changes in revaluation increment	(1,194,265)	(544,135)	26,085,747	-	-	-
Income tax effect (Note 25)	(7,875,000)	(2,975,697)	(39,157,748)	-	(420,447)	(27,693,429)
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX	₱1,310,918,765	(₱850,724,050)	₱951,223,854	₱1,043,010,211	(₱157,296,879)	₱916,213,290
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company	₱1,303,760,371	(₱849,923,447)	₱949,551,183			
Minority Interest	7,158,394	(800,603)	1,672,671			
	₱1,310,918,765	(₱850,724,050)	₱951,223,854			

See accompanying Notes to Financial Statements.

* SGVMC113832 *

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY

Consolidated											
Equity Attributable to Equity Holders of the Parent Company											
	Common Stock (Note 20)	Capital Paid in Excess of Par Value	Retained Earnings (Note 20)	Treasury Stock (Note 20)	Net Unrealized Gain (Loss) on Available-for- Sale Investments (Note 8)	Equity in Translation Adjustment (Note 11)	Equity in Unrealized Gain (Loss) on Available-for- Sale Investments of Associates (Note 11)	Equity in Revaluation Increment (Note 11)	Total	Minority Interest	Total Equity
Balance at January 1, 2009	₱4,208,692,400	₱2,065,694,042	₱3,803,421,275	(₱2,256,151,891)	(₱631,686,077)	(₱20,593,286)	₱77,826,648	₱31,142,610	₱7,278,345,721	₱32,648,749	₱7,310,994,470
Total comprehensive income	-	-	1,022,612,919	-	200,081,014	(8,829,609)	91,090,312	(1,194,265)	1,303,760,371	7,158,394	1,310,918,765
Decrease in minority interest	-	-	-	-	-	-	-	-	-	(7,989,896)	(7,989,896)
Balance at December 31, 2009	₱4,208,692,400	₱2,065,694,042	₱4,826,034,194	(₱2,256,151,891)	(₱431,605,063)	(₱29,422,895)	₱168,916,960	₱29,948,345	₱8,582,106,092	₱31,817,247	₱8,613,923,339
Balance at January 1, 2008	₱4,208,692,400	₱2,065,694,042	₱3,403,714,155	(₱2,256,151,891)	₱504,538,078	(₱54,263,822)	₱224,359,461	₱31,686,745	₱8,128,269,168	₱34,422,025	₱8,162,691,193
Total comprehensive income	-	-	399,707,120	-	(1,136,224,155)	33,670,536	(146,532,813)	(544,135)	(849,923,447)	(800,603)	(850,724,050)
Cash dividends	-	-	-	-	-	-	-	-	-	(972,673)	(972,673)
Balance at December 31, 2008	₱4,208,692,400	₱2,065,694,042	₱3,803,421,275	(₱2,256,151,891)	(₱631,686,077)	(₱20,593,286)	₱77,826,648	₱31,142,610	₱7,278,345,721	₱32,648,749	₱7,310,994,470
Balance at January 1, 2007	₱4,208,692,400	₱2,065,694,042	₱2,984,217,549	(₱2,256,151,891)	₱770,359,745	₱135,807,497	₱252,384,758	₱5,600,998	₱8,166,605,098	₱30,942,233	₱8,197,547,331
Total comprehensive income	-	-	1,407,383,719	-	(265,821,667)	(190,071,319)	(28,025,297)	26,085,747	949,551,183	1,672,671	951,223,854
Cash dividends	-	-	(987,887,113)	-	-	-	-	-	(987,887,113)	1,807,121	(986,079,992)
Balance at December 31, 2007	₱4,208,692,400	₱2,065,694,042	₱3,403,714,155	(₱2,256,151,891)	₱504,538,078	(₱54,263,822)	₱224,359,461	₱31,686,745	₱8,128,269,168	₱34,422,025	₱8,162,691,193

* SGVMC113832 *

Parent Company						
	Common Stock (Note 20)	Capital Paid in Excess of Par Value	Retained Earnings (Note 20)	Treasury Stock (Note 20)	Net Unrealized Gain (Loss) on Available-For-Sale Investments (Note 8)	Total Equity
Balance at January 1, 2009	P4,208,692,400	P2,065,694,042	P2,211,178,642	(P2,256,151,891)	(P631,188,494)	P5,598,224,699
Total comprehensive income	-	-	857,192,097	-	185,818,114	1,043,010,211
Balance at December 31, 2009	P4,208,692,400	P2,065,694,042	P3,068,370,739	(P2,256,151,891)	(P445,370,380)	P6,641,234,910
Balance at January 1, 2008	P4,208,692,400	P2,065,694,042	P1,244,065,001	(P2,256,151,891)	P493,222,026	P5,755,521,578
Total comprehensive income	-	-	967,113,641	-	(1,124,410,520)	(157,296,879)
Balance at December 31, 2008	P4,208,692,400	P2,065,694,042	P2,211,178,642	(P2,256,151,891)	(P631,188,494)	P5,598,224,699
Balance at January 1, 2007	P4,208,692,400	P2,065,694,042	P1,055,447,433	(P2,256,151,891)	P753,513,417	P5,827,195,401
Total comprehensive income	-	-	1,176,504,681	-	(260,291,391)	916,213,290
Cash dividends	-	-	(987,887,113)	-	-	(987,887,113)
Balance at December 31, 2007	P4,208,692,400	P2,065,694,042	P1,244,065,001	(P2,256,151,891)	P493,222,026	P5,755,521,578

See accompanying Notes to Financial Statements.

SGVMC113832

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2009	2008	2007	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱1,370,240,966	₱563,600,135	₱1,745,372,416	₱1,179,687,973	₱1,119,436,586	₱1,458,914,603
Adjustments for:						
Unrealized (gain) loss on financial assets at fair value through profit or loss (Note 8)	(14,518,371)	31,426,463	(10,488,591)	(4,947,899)	8,100,160	10,488,591
Depreciation and amortization (Notes 10 and 12)	30,672,542	29,014,916	36,230,685	25,950,912	20,985,224	32,001,922
Loss (gain) from sale of assets	(661,290)	(92,499)	(854,827)	(661,290)	(92,499)	(854,827)
Gain on sale of investment properties (Note 12)	(10,034,262)	(22,677,451)	–	(34,262)	(22,677,451)	–
Provision for (recovery from) impairment and credit losses (Note 14)	180,737,944	(167,321,593)	67,084,558	171,742,298	(106,501,800)	–
Gain on sale of investments in associates (Notes 11 and 26)	–	(52,695,741)	–	–	(52,695,741)	–
Dividend income	(114,326,314)	(86,542,534)	(95,948,674)	(501,512,169)	(734,641,585)	(240,381,683)
Trading gain on available-for-sale investments (Note 8)	(226,559,112)	(474,151,016)	(703,141,051)	(220,816,457)	(431,647,900)	(583,845,435)
Share in net income of associates (Note 11)	(427,749,836)	(75,548,641)	(247,150,538)	–	–	–
Changes in fair value of derivative liability (Note 8)	(53,136,214)	2,107,258	(15,906,983)	(53,136,214)	2,107,258	(15,906,983)
Amortization of premium on held-to-maturity investments	31,090,003	28,440,194	25,382,170	31,090,003	28,508,452	26,145,989
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at fair value through profit or loss	(1,453,711,816)	373,999,791	852,911,222	(1,512,015,363)	456,238,291	236,016,173
Loans and receivables	3,503,853,366	(2,332,147,556)	(2,401,346,982)	3,356,281,236	(2,436,029,055)	(2,143,922,625)
Other assets	(29,492,236)	(47,707,371)	(132,041,012)	(18,219,951)	40,726,388	(127,503,647)
Increase (decrease) in the amounts of:						
Accrued interests and other expenses	(49,294,553)	27,746,687	68,774,833	(41,302,526)	68,728,063	25,632,710
Accounts payable	12,863,052	–	–	32,818,276	–	–
Other liabilities	33,853,725	(44,155,725)	26,081,934	81,176,111	(16,580,421)	(29,847,610)
Net cash generated from (used in) operations	2,783,827,594	(2,246,704,683)	(785,040,840)	2,526,100,678	(2,056,036,030)	(1,353,062,822)
Income taxes paid	(335,419,386)	(164,693,618)	(336,316,026)	(322,495,876)	(152,322,945)	(282,409,922)
Net cash provided by (used in) operating activities	2,448,408,208	(2,411,398,301)	(1,121,356,866)	2,203,604,802	(2,208,358,975)	(1,635,472,744)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Available-for-sale investments	(34,885,871,474)	(17,296,362,353)	(17,441,723,237)	(34,548,493,990)	(17,565,133,315)	(16,940,728,630)
Held-to-maturity investments	(10,769,831)	–	–	–	–	–
Property and equipment (Note 10)	(25,417,122)	(57,266,387)	(29,093,774)	(24,875,246)	(54,458,196)	(13,876,761)
Capital infusion on investments in subsidiaries and associates	(1,858,250,884)	(1,508,870,038)	(1,453,846,230)	(1,990,059,677)	(1,558,870,038)	(1,485,492,007)
Proceeds from sale of:						
Available-for-sale investments	23,110,525,748	20,025,090,756	15,596,703,672	22,811,476,740	19,507,226,505	15,220,299,717
Property and equipment (Note 10)	990,002	2,189,976	1,230,950	990,002	3,260,302	10,615,443
Investment properties (Note 12)	60,056,762	31,329,482	–	56,762	31,329,477	–
Investment in associates	2,046,188	173,678,594	–	2,046,188	173,678,594	–
Dividends received	236,365,439	58,782,626	16,743,842	673,551,294	656,881,677	154,046,177
Net cash provided by (used in) investing activities	(13,370,325,172)	1,428,572,656	(3,309,984,777)	(13,075,307,927)	1,193,915,006	(3,055,136,061)

(Forward)

* SGVMC113832 *

	Consolidated			Parent Company		
	Years Ended December 31					
	2009	2008	2007	2009	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills payable	₱428,704,029,541	₱288,206,652,076	₱232,530,500,870	₱428,704,029,541	₱288,206,652,076	₱232,530,500,870
Payments of bills payable	(416,597,842,148)	(286,026,132,134)	(227,100,417,241)	(416,597,842,148)	(286,026,132,134)	(227,100,417,241)
Redemption of bonds payable	(6,000,000)	-	-	-	-	-
Proceeds from bonds payable (Note 17)	-	-	93,600,000	-	-	150,000,000
Dividends paid	-	(2,371,728)	(979,735,563)	-	-	(985,042,621)
Net cash provided by financing activities	12,100,187,393	2,178,148,214	4,543,948,066	12,106,187,393	2,180,519,942	4,595,041,008
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	1,178,270,429	1,195,322,569	112,606,423	1,234,484,268	1,166,075,973	(95,567,797)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	5,597,441,874	6,039,819,305	2,973,062,882	5,096,354,904	5,567,978,931	2,709,396,728
Due from Bangko Sentral ng Pilipinas	1,916,100,000	1,177,400,000	3,532,550,000	1,916,100,000	1,177,400,000	3,532,550,000
Interbank loans receivable and securities purchased under resale agreements	1,430,000,000	531,000,000	1,130,000,000	1,430,000,000	531,000,000	1,130,000,000
	8,943,541,874	7,748,219,305	7,635,612,882	8,442,454,904	7,276,378,931	7,371,946,728
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	8,156,812,303	5,597,441,874	6,039,819,305	7,711,939,172	5,096,354,904	5,567,978,931
Due from Bangko Sentral ng Pilipinas	1,965,000,000	1,916,100,000	1,177,400,000	1,965,000,000	1,916,100,000	1,177,400,000
Interbank loans receivable and securities purchased under resale agreements	-	1,430,000,000	531,000,000	-	1,430,000,000	531,000,000
	₱10,121,812,303	₱8,943,541,874	₱7,748,219,305	₱9,676,939,172	₱8,442,454,904	₱7,276,378,931

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2009	2008	2007	2009	2008	2007
Interest paid	₱2,089,398,092	₱1,610,264,360	₱1,065,555,286	₱2,094,943,462	₱1,609,654,123	₱1,003,688,726
Interest received	2,518,781,683	2,110,157,427	2,063,684,181	2,474,805,072	2,048,428,599	1,999,517,867

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

First Metro Investment Corporation (the Parent Company) is an investment house incorporated in the Philippines. The Parent Company's shares of stock are listed at the Philippine Stock Exchange, Inc. (PSE). The Parent Company is a 98.06%-owned subsidiary of Metropolitan Bank & Trust Company (the Ultimate Parent Company).

The Parent Company is primarily engaged in investment banking and has a quasi-banking license. It provides services such as equity and debt underwriting and private placements, loan syndication and arrangements, financial advisory and securities dealership.

The Parent Company's principal place of business is at 45th Floor, GT Tower International, Ayala Avenue corner H.V. dela Costa Street, Makati City.

2. Accounting Policies

Basis of Preparation

The accompanying financial statements are prepared under the historical cost basis except for financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) investments and derivative liabilities that have been measured at fair value. The financial statements are presented in Philippine peso, the functional currency of the Parent Company and all values are rounded to the nearest pesos except when otherwise indicated.

Statement of Compliance

The financial statements of the Parent Company and Subsidiaries (the Group) and of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

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

<u>Subsidiary</u>	<u>Effective Percentage of Ownership</u>
Securities Brokerage:	
First Metro Securities Brokerage Corporation (FMSBC) and Subsidiary	100.00
Financial Market:	
PBC Capital Investment Corporation (PBC) and Subsidiary	100.00
Insurance Brokerage:	
First Metro Insurance Brokers Corporation (FMIBC)	100.00

(Forward)

*** SGVMC113832 ***

Subsidiary	Effective Percentage of Ownership
Mutual Funds:	
First Metro Save and Learn – Global Currency Fund (FMSLGCF)	100.00
First Metro Save and Learn – Money Market Fund (FMSLMMF)	74.45
First Metro Save and Learn – Fixed Income Fund (FMSLFIF)	69.61
Others:	
Prima Ventures Development Corporation (PVDC) and Subsidiary	100.00
FMIC Equities, Inc. (FEI)	100.00
SBC Properties, Inc. (SPI)	100.00
Resiliency (SPC), Inc.	100.00
First Metro Asset Management, Inc. (FAMI)	70.00

The Parent Company’s subsidiaries were all incorporated in the Philippines and with presentation and functional currencies of Philippine peso.

The consolidated financial statements are prepared in the same reporting year as the Parent Company’s financial statements, using consistent accounting policies.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation of subsidiaries ceases when control is transferred out of the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

The Group has seed capital investments in a number of funds where it is in a position to be able to control those funds. These funds are consolidated but the Group does not own all the net assets of that fund, the interests of minority investors are classified as non-equity minority interests and are stated within other liabilities at the minority’s proportion of the fair values of the assets and liabilities recognized.

Minority Interests

Minority interests represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Parent Company’s equity. Acquisitions of minority interest are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS and Philippine Interpretation which were adopted as of January 1, 2009:

New Standards and Interpretations

Philippine Accounting Standards (PAS) 1, Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

PFRS 7 Amendments - Improving Disclosures about Financial Instruments

The amendments to PFRS 7, *Financial Instruments: Disclosures*, require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The liquidity risk disclosures and fair value measurement disclosures are presented in Notes 4 and 5, respectively.

PFRS 8, Operating Segments

PFRS 8 replaced PAS 14, *Segment Reporting*. The Group concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14. The Group presented the required disclosures for operating segments under PFRS 8 in Note 6.

The issuance of and amendments to the following PAS and Philippine Interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- PAS 23, *Borrowing Costs* (Revised)
- PAS 32 and PAS 1 Amendments - *Puttable Financial Instruments and Obligations Arising on Liquidation*
- PFRS 1 and PAS 27 Amendments - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- PFRS 2, Amendment - *Vesting Conditions and Cancellations*
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*
- Philippine Interpretation IFRIC 9 and PAS 39 Amendments - *Embedded Derivatives*

Improvements to PFRS 2008

The omnibus amendments to PFRSs issued in 2008 were issued primarily with a view to remove inconsistencies and clarify wordings. There are separate transitional provisions for each standard. The adoption of the amendments resulted in changes in accounting policies but did not have any impact on the financial position or performance of the Group.

Significant Accounting Policies

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency-denominated monetary assets and liabilities are translated in Philippine peso based on the Philippine Dealing system (PDS) closing rate prevailing at end of year and foreign currency-denominated income and expenses, at PDS weighted average rate (PDSWAR) for the year. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

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

Determination of fair value

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

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques that include the use of mathematical models. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The

judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates.

'Day 1' difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income under 'Miscellaneous expense' unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Derivatives recorded at FVPL

The Group assesses whether embedded derivatives are required to be separated from the host contract. Embedded derivatives are separated from their host contracts and carried at fair value when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets at FVPL, when their economic risks and characteristics are not closely related to those of their respective host contracts, and when a corporate instrument with the same terms as the embedded derivatives required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows.

The Parent Company has certain derivatives that are embedded in the debt financial instruments classified as loans and receivables. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives are taken directly to the statement of income and are included in 'Trading and securities gain'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets or financial liabilities at FVPL

Financial assets or financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met, determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Financial assets at FVPL include securities which are held for trading. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense' in the statement of income, respectively, while dividend income is recorded in 'Dividends' in the statement of income according to the terms of the contract, or when the right to receive payment has been established.

HTM investments

HTM investments are quoted, non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments before maturity, the entire category would be tainted and reclassified as AFS investments.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method (EIR), less allowance for impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in the statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for impairment and credit losses'.

Loans and receivables

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas (BSP)', 'Due from other banks', 'Interbank loans receivable (IBLR) and securities purchased under resale agreements (SPURA)', and 'Loans and receivables'. These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Other financial assets held for trading' or designated as 'AFS investments' or 'Financial assets designated at FVPL'.

After initial measurement, Loans and receivables, Due from BSP, Due from other banks, IBLR and SPURA are subsequently measured at amortized cost using the EIR method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment are recognized in 'Provision for impairment and credit losses' in the statement of income.

AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as designated at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from the reported earnings and are included in the statement of comprehensive income as 'Net unrealized loss on AFS investments'.

When the security is disposed of, the cumulative gain or loss previously recognized in statement of comprehensive income is recognized as 'Trading and securities gain' in the statement of income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS debt investments are reported in the statement of income as 'Interest income' using the EIR. Dividends earned on holding AFS equity investments are recognized in the statement of income as 'Dividends' when the right to receive payment has been established. The losses arising from impairment of such

investments are recognized as 'Provision for impairment and credit losses' in the statement of income.

Bills payable and other borrowed funds

Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under 'Bills payable', 'Bonds payable', or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

Treasury bonds

Issued bonds payable which are reacquired but not retired or extinguished and those that are being held by a subsidiary are deducted from the carrying value of the bond and accounted for at weighted average cost. Treasury bonds are recorded at face value and any related unamortized premium, discount and issue costs are cancelled. Also, any related accrued interest paid is charged to interest expense and the difference between the acquisition cost and the book value of the treasury bonds is treated as gain or loss in the statement of income.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (where applicable, a part of a financial asset, or part of a group of financial assets) is derecognized where:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

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

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized on the statement of financial position. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as 'Interest income' and is accrued over the life of the agreement using the EIR method.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the statement of financial position.

Impairment of Financial Assets

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

Impairment of financial assets carried at amortized cost

For financial assets carried at amortized cost, which includes loans and receivables, due from banks, IBLR, SPURA and HTM investments, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For individually assessed financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Loans, together with the associated allowance accounts, are written

off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Provision for impairment and credit losses' in the statement of income.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in property prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Restructured loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment and credit losses' in the statement of income.

AFS investments

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

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

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash

flows for the purpose of measuring impairment loss. Such accrual is recorded as part of “Interest income” in the statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and IBLR and SPURA with original maturities of three months or less from the dates of placements and are subject to insignificant risk of changes in value.

Investments in subsidiaries, associates and joint ventures

Investment in subsidiaries

Subsidiaries are entities, which the Group has the power to govern the financial and operating policies and generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investment in associates

Associates are entities which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group’s share of the net assets of the associate. Goodwill relating to an associate is included in the carrying value of the investment and is not amortized. The Group’s share in an associate’s post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associate’s equity reserves is recognized directly in statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Group and an associate are eliminated to the extent of the interest in the associate.

Investment in joint venture

Investment in joint venture is accounted for under the equity method of accounting. The investment in joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the share of net assets of the joint venture, less any allowance for impairment losses.

Investments in subsidiaries, associates and joint ventures in the Parent Company financial statements are carried at cost less any allowance for impairment losses.

Equity in translation adjustment

Accounts of First Metro International Investment Corporation Ltd. - Hongkong (FMIIC) are maintained in the currency of the country in which it operates. Adjustments resulting from the translation of foreign currency financial statements into Philippine pesos are shown to statement of comprehensive income.

Property and equipment

Depreciable properties including building improvements and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization, and any allowance for impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met but excludes repairs and maintenance costs.

Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable assets. The estimated useful lives of the depreciable assets are as follows:

Furniture, fixtures and equipment	1-5 years
Building improvements	1-5 years or the terms of the related leases, whichever is shorter

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Investment properties

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

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

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

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

Depreciation is calculated on a straight-line basis using the remaining useful life of 34 years from the time of acquisition of the investment properties (specifically the condominium units).

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Impairment of Nonfinancial Assets

Property and equipment, investment properties and investment in subsidiaries, associates and joint venture

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the year in which it arises.

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

Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income' in the statement of income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR used to discount the future recoverable cash flows.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- (a) Fee income earned from services that are provided over a certain period of time.
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, portfolio and other management fees, and advisory fees. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan.
- (b) Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as underwriting fees, corporate finance fees, and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Dividend income

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

Trading and securities gain

Income results from trading activities and all gains and losses from changes in fair value of financial assets and financial liabilities held for trading and gains and losses from disposal of financial assets held for trading and AFS investments.

Rental income

Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Miscellaneous income'.

Leases

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

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

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

Group as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to 'Interest expense.'

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Group as lessor

Finance leases, where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. A lease receivable is recognized at an amount equivalent to the net investment (asset cost) in the lease. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Retirement benefits

The Group has a noncontributory defined benefit retirement plan. The retirement cost of the Parent Company and FMSBC is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year.

The retirement asset or retirement liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement.

Contingent liabilities and contingent assets

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

Income taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxing authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the statement of financial position date.

Deferred taxes

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign associates, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in statement of comprehensive income and is also recognized in comprehensive income and not in the statement of income.

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

Treasury shares and contracts on own shares

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the statements of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

Earnings per share

Basic earnings per share (EPS) is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Group does not have dilutive potential common shares.

Dividends on common shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company and its subsidiaries and BSP. Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the statement of financial position date.

Subsequent events

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

Segment reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. The Group's assets producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2009

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

New Standards and Interpretations

PFRS 3, Business Combinations (Revised) and PAS 27, Consolidated and Separate Financial Statements (Amended)

The revised standards are effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of minority interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with minority interests. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with few exceptions.

Philippine Interpretation IFRIC - 15, Agreement for Construction of Real Estate

This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Philippine Interpretation IFRIC - 17, Distributions of Non-Cash Assets to Owners

This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The Interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

Amendments to Standards

PAS 39 Amendment - Eligible Hedged Items

The amendment to PAS 39, *Financial Instruments: Recognition and Measurement*, effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

PFRS 2 Amendments - Group Cash-settled Share-based Payment Transactions

The amendments to PFRS 2, *Share-based Payments*, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions.

Improvements to PFRS in 2009

The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wordings. The amendments are effective for financial years January 1, 2010 except otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- PFRS 2, *Share-based Payment*, clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, *Business Combinations* (Revised). The amendment is effective for financial years on or after July 1, 2009.
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.
- PFRS 8, *Operating Segment Information*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- PAS 1, *Presentation of Financial Statements*, clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- PAS 7, *Statement of Cash Flows*, explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.
- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.
- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*, clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.
- PAS 39, *Financial Instruments Recognition and Measurement*, clarifies the following:
 - that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
 - that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
 - that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss
- Amendment to Philippine Interpretation IFRIC - 9, *Reassessment of Embedded Derivatives*, clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.
- Amendment to Philippine Interpretation IFRIC - 16, *Hedge of a Net Investment in a Foreign Operation*, states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

a. *Operating leases*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases. In determining whether or not there is indication of operating lease treatment, the Group considers retention of ownership title to the leased property, period of lease contract relative to the estimated useful economic life of the leased property, bearer of executory costs, and among others.

b. *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments (Note 5).

c. *HTM investments*

The classification to HTM investment requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. Ability to hold the debt securities to maturity is demonstrated by the availability of financial resources to continue to finance the investment until maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire portfolio as AFS investments. The investments would therefore be measured at fair value and not at amortized cost.

d. *Financial assets not quoted in an active market*

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

e. *Embedded derivatives*

Where a hybrid instrument is not classified as financial assets at FVPL, the Group evaluates whether the embedded derivative should be bifurcated and accounted for separately. This includes assessing whether the embedded derivative has a close economic relationship to the host contract.

f. *Contingencies*

The Group, specifically associates, are defendants in legal actions arising from normal business activities. Management believes that the ultimate liability, if any, resulting from these cases will not materially affect the Group's financial position and performance.

Estimates

a. *Credit losses of loans and receivables*

The Group reviews its impaired loans and receivables at each reporting date to assess whether an allowance for credit losses should be recorded in the statement of income. In particular, judgment of management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures, which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

As of December 31, 2009 and 2008, the allowance for credit losses on loans and receivables amounted to ₱379.9 million and ₱376.9 million, respectively, for the Group and ₱363.7 million and ₱355.0 million, respectively, for the Parent Company. Loans and receivables as of December 31, 2009 and 2008 are carried at ₱12.6 billion and ₱15.9 billion, respectively, for the Group and ₱12.3 billion and ₱15.5 billion, respectively, for the Parent Company (see Note 9).

b. *Fair values of derivatives*

The fair values of derivatives that are not quoted in active markets are determined using valuation techniques such as discounted cash flow analysis and standard option pricing models. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. (Refer to Notes 5 and 8 for information on the carrying values of these instruments).

c. *Valuation of unquoted equity securities*

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length transactions;
- current fair value of another instrument is substantially the same
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data. Where observable market data is not available, unquoted equity securities are carried at cost less allowance for

impairment losses. Refer to Note 8 for the information on the carrying amounts of these investments.

d. Impairment of AFS equity investments

The Group determines that AFS equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as decrease by more than 20% of the original cost of investment, and 'prolonged' as greater than 12 months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. As of December 31, 2009 and 2008, allowance for impairment losses on AFS equity securities amounted to ₱285.6 million and ₱113.9 million, respectively, for the Group and ₱200.5 million and ₱28.7 million, respectively, for the Parent Company. As of December 31, 2009 and 2008, the carrying value of AFS equity securities (included under AFS investments) amounted to ₱1.8 billion and ₱1.6 billion, respectively, for the Group and ₱1.7 billion and ₱1.5 billion, respectively, for the Parent Company (see Note 8).

e. Recognition of deferred income taxes

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

The Parent Company and certain subsidiaries have been in a tax loss position over the past several years. However, estimates of future taxable income for the subsidiaries indicate that certain temporary differences will be realized in the future. As of December 31, 2009 and 2008, deferred tax assets recognized amounted to ₱8.5 million and ₱3.7 million, respectively, for the Group and nil for the Parent Company. Also, as of December 31, 2009 and 2008, the Group and the Parent Company recognized deferred tax liabilities amounting to ₱7.0 million and ₱1.7 million, respectively, for the Group and nil and ₱0.4 million, respectively, for the Parent Company. In addition, as of December 31, 2009 and 2008, no deferred tax assets have been set up on NOLCO and deductible temporary differences of ₱2.4 billion and ₱2.1 billion, respectively, for the Group and ₱2.4 billion and ₱2.0 billion, respectively, for the Parent Company (see Note 25).

In 2009 and 2008 RCIT computations, the Parent Company elected to claim itemized deductions instead of optional standard deduction (OSD).

g. Present value of retirement obligation

The cost of defined benefit pension plan and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The expected rates of return on plan assets were based on the average historical premium of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit

payout as of statement of financial position dates. Refer to Note 22 for the details of assumption used in the actuarial valuation.

h. Impairment of property and equipment, investment properties and investments in subsidiaries, associates and joint venture

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As of December 31, 2009, the carrying value of property and equipment, investment properties and investments in subsidiaries, associates and joint venture amounted to ₱78.9 million, ₱806.1 million and ₱9.2 billion, respectively, for the Group and ₱67.5 million, ₱806.1 million and ₱8.3 billion, respectively, for the Parent Company. As of December 31, 2008, the carrying value of property and equipment, investment properties and investments in subsidiaries, associates and joint venture amounted to ₱80.3 million, ₱865.7 million and ₱6.9 billion, respectively, for the Group and ₱64.7 million and ₱805.7 million and ₱6.3 billion, respectively, for the Parent Company (see Notes 10, 11 and 12).

As of December 31, 2009 and 2008, allowance for impairment losses on investments in subsidiaries, associates and joint venture amounted to nil and ₱8.7 million, respectively, for the Group and ₱100.1 million and ₱108.8 million, respectively, for the Parent Company (see Note 11).

4. Financial Risk Management

The Group has exposures to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk Management Framework

The Parent Company's implementation of the risk management process involves a top-down approach that starts with the Board of Directors (BOD). The Parent Company's BOD, through the board-level Risk Management Committee (RMC), is actively involved in planning, approving, reviewing, and assessing all risks involved within the Parent Company.

The RMC's functions are supported by the Executive Committee (EXCOM), which provides essential inputs and advice, particularly on credit and investment policy matters. The EXCOM is provided the necessary assistance by the following management working committees, namely: the

Senior Management Committee (SMC), the Credit Committee (Crecom), the Investment Committee (Incom) and the Deal Committee (Dealcom).

The SMC is responsible for identifying, synchronizing and addressing various operational problems and concerns of the Parent Company and certain subsidiaries. The SMC is also tasked with providing the RMC with general guidelines and advice pertaining to operations risks. SMC's other functions are similar to that of Asset and Liability Committee (ALCO) of most banks; its members comprise of the most senior officers of the Parent Company which has significant risk responsibilities over the Asset and Liability Management.

The Crecom, another senior management committee, is tasked with reviewing all credit proposals and approving loan applications and credit facilities up to set limits/criteria; when exceeded, the decision is elevated to the EXCOM.

The Incom is tasked with reviewing all investment proposals and approving investment outlets.

The Dealcom is tasked with reviewing/screening new deal proposals preparatory to sending mandate letter; clearing the business units' new deals subject to the final approval of credit authority; and monitoring all deals in process of the business units.

Two other departments also collaborate with the RMC: the Internal Audit Division (IAD) and the Compliance Division (CD). The former is tasked with monitoring the Parent Company's internal management control processes and providing an independent assessment of the Parent Company's systems to ensure that integrity is maintained, while the latter is tasked with monitoring and assessing compliance of the Parent Company's various units to the Parent Company's rules and regulations as well as the rules and regulations prescribed by the government regulatory bodies. The CD is also tasked with the proper dissemination of these rules and regulations within the Parent Company.

The Chief Risk Officer (CRO) manages and oversees the day-to-day activities of the Risk Management Department (RMD). The CRO likewise evaluates all risk policy proposals and reports to be presented to the RMC. The CRO, through the RMD, also coordinates with the Risk Taking Units (RTUs) and the Risk Control and Compliance Units (RCCUs) of the Parent Company with regards to the submission of requisite reports on their risk compliance and control activities.

RMD is tasked with identifying, analyzing, measuring, controlling and evaluating risk exposures arising from fluctuations in the prices or market values of instruments, products and transactions of the Parent Company and certain subsidiaries. It is responsible for recommending trading risk and liquidity management policies, setting uniform standards of risk assessment and measurement, providing senior management with periodic evaluation and simulation and analyzing limit compliance exceptions.

The Parent Company requires either internal or external legal opinions to ensure that all documentations related to transactions entered into by the Parent Company are enforceable. Specific, internal legal functions/responsibilities including coordination with external counsel groups are handled by the Legal Department.

The identified market/interest rate and liquidity, as well as credit and operations risks are consequently measured and then controlled by a system of limits. The RMD defines and presents for approval of the RMC and BOD the various risk management measures to be used in quantifying those risks.

The following summarizes the tools used by the Parent Company to effectively managing market risk:

Tool	Purpose
<i>Mark-to-Market</i>	Profit and Loss for Risk-Taking Activities
<i>VaR Limit / EaR Limit*</i>	Management tolerance for potential loss (VaR/EaR) in a given period
<i>Stop Loss Limit</i>	Management tolerance for realized and unrealized losses in a given period
<i>Loss Alert</i>	Early warning for potentially large losses
<i>Nominal Position Limit</i>	Management approved total position size
<i>Stress Test</i>	Impact of extreme market movement on the Parent Company's earnings

*The VaR methodology is manual (excel-based) and will be enhanced once the Credence Treasury System, which includes VaR methodology, is accepted/adopted.

For liquidity risk, the Parent Company uses the Maximum Cumulative Outflow (Liquidity Gap) analysis in analyzing its funding requirements. The assumptions employed in the preparation of this report are approved by the BOD. In addition, the Parent Company develops a Liquidity and Contingency funding plan to serve as reference in case of an occurrence of an event.

The management of credit risk is outlined in the Credit Policy Manual where credit authority and approval bodies are formalized within the institution. The Parent Company operates under sound, well-defined credit-granting criteria which include a thorough understanding of the borrower or counterparty, as well as the purpose and structure of the credit, and its source of repayment. The Parent Company gathers sufficient information to enable a comprehensive assessment of the true risk profile of the borrower or counterparty through independent credit ratings provider and its internal credit risk rating system.

The development of policies and procedures manual on almost all major operating units of the Parent Company are the main operations risk management measures in place. Also, the IAD conducts regular examination of the operations of the Parent Company and certain subsidiaries to ensure adherence to policies and procedures. Moving forward, the Parent Company is working towards an enterprise-wide operations risk management using reference materials and assistance of the Parent Company's risk management group.

Credit Risk and Concentration

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures in relation to such limits. Counterparty credit lines are established by the Parent Company annually to guide the Parent Company's transactions. Business transactions are restricted to this accredited counterparties, any violations are reported to the designated control units.

The Parent Company's Risk Management Manual serves as the framework for its subsidiaries in developing their own Risk Management Manual. The Parent Company has already developed one for FMSBC.

Concentration to counterparty arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographic location. The Parent Company's acceptable level of concentration is set at not more than 30% of the unimpaired capital.

Monitoring reports are done daily and monthly and subsequently elevated to the RMC on a monthly basis. Credit risk emanating from treasury activities are managed independently, but reported as a component of market risk exposure.

Each business unit is responsible for the performance and quality of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. IAD undertakes the periodic review of business units and credit processes.

Management of Credit Risk

The Parent Company faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (e.g., investment securities issued by either sovereign or corporate entities) or enters into market-traded securities either through implied or actual contractual agreements (i.e., on- or off-balance sheet exposures). The Parent Company manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in consultation with business units, covering the structuring product documentations/collateral requirements, credit assessments, process including the risk grading, monitoring and reporting. The guidelines provided by the regulatory are also incorporated to internal policies to ensure adherence to regulatory requirements.
- Providing seminars or programs that enhances risk awareness among its personnel.
- Establishing authorization limits for the approval and renewal of credit facilities.
- Independent review by Credit Risk Management prior to loan approval.
- Limiting concentrations of exposure to counterparties and industries (for loans), and by issuer (for investment securities).
- Maintaining Internal Credit Risk Rating System (ICRRS), approved by the BOD, in order to categorize exposures according to the risk profile. The risk grading system is used for determining impairment provisions against specific credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation.

The ICRRS contains the following:

- a. Borrower Risk Rating (BRR) - The BRR is an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations in a foreseen manner.

The assessment is described below:

<u>Component</u>	<u>Description</u>	<u>Credit Factor Weight</u>
Financial Condition	Refers to the financial condition of the borrower as indicated by certain financial ratios. The Financial Factor Evaluation is conducted manually.	40%
Industry Analysis	Refers to the prospects of the industry as well as the company's performance and position in the industry.	30%
Management Quality	Refers to the management's ability to run the company successfully.	30%

- b. Facility Risk Factor (FRF) - This is determined for each individual facility considering the term of the facility, security arrangement and quality of documentation. This factor can downgrade or upgrade the BRR based on the elements relating to cover (collateral including pledged cash deposits and guarantee), quality of documentation and structure of transactions.
- c. Adjusted Borrower Risk Rating (ABRR) - the combination of BRR and FRF results to ABRR.
- d. Composite Risk Rating (CRR) for borrowers with multiple facilities - the weighted average ABRR shall be computed and used in determining the CRR.

The following table shows the description of ICRRS grade:

<u>Credit Quality*</u>	<u>ICRRS Grade</u>	<u>Description</u>
High Grade	1	Excellent
	2	Strong
Standard Grade	3	Good
	4	Satisfactory
	5	Acceptable
Substandard Grade	6	Watchlist
	7	Especially mentioned
Impaired	8	Substandard
	9	Doubtful
	10	Loss

* applied on exposure to loans

1 - Excellent

An excellent rating is given to a borrower with no history of delinquencies or defaults, highly liquid and sustaining strong operating trends, unlikely to be affected by external factors and has a competent management that uses current business models.

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2 - Strong

A “strong” rating is given to borrowers with the same characteristics as those rated as “excellent” rating, but is only adequately liquid.

3 - Good

A “good” rating is given to a borrower with no history of default in the last 12 months. The entity’s borrowing base can support its line of credit, and it is meeting performance expectations. It is unlikely to be affected by external factors and has a competent management that uses current business models.

4 - Satisfactory

A “satisfactory” rating is given to a borrower that pays as agreed, but is not necessarily non-delinquent. The entity has adequate to marginal liquidity and generally meets performance expectations. While there are external factors that may affect the entity, these will likely be overcome. A lack of key management experience may be a current problem for the entity, and such could be brought about by a recent departure of a key employee.

5 - Acceptable

An “acceptable” rating is given to a borrower that is current in its payments while not necessarily paying as agreed. The entity has marginal liquidity and has a declining trend in operations or an imbalanced position in the balance sheet, though not to the point that repayment is jeopardized. There are identified external disruptions though the impact on the entity is uncertain. There may also be some turnover causing key management positions to stay vacant.

6 - Watchlist

This rating is given to a borrower that may either be current in its payments, or 30 to 60 days past due. The entity has marginal liquidity and may not be meeting performance expectations, even having defaulted on some of its loans. There are identified disruptions that negatively affect the entity’s performance, though there are near-term solutions. Management may also have changed its business model with negative implications for the entity.

7 - Especially Mentioned

The borrower in this rating shows evidence of weakness in its financial condition, having expected financial difficulties. There is a real risk that the entity’s ability to pay the interest and principal on time could be jeopardized. Without government intervention, external factors will negatively impact the entity. The entity’s ability or willingness to service debt is in doubt, likely causing a need to reschedule payments.

8 - Substandard

For a ‘substandard’ borrower, the debt burden has become too heavy, only to be made worse by weak or negative cash flows and interest coverage. This makes the collection of principal or interest payments questionable, causing an assessment of default of up to 50%. Unless given closer supervision, the institution will likely suffer a future loss. External factors may be causing an adverse trend, or there may be a significant weakness in the entity’s collateral. Management has an unfavorable record and lacks managerial capability.

9 - Doubtful

This rating is given to a nonperforming borrower where a payment default has occurred, due to the borrower's inability or unwillingness to service debt over an extended period of time. Loss is unavoidable and significant, although the extent of probable loss on the loan cannot be exactly quantified at the current time. However, there may be external factors that may strengthen the entity's assets, e.g. merger, acquisition, and capital injection. Management has an unfavorable record and lacks managerial capability.

10 - Loss

This rating is given to a borrower when debt service or the prospect for re-establishment of credit worthiness, has become remote. This may be due to the fact that the borrower and/or his co-makers have become insolvent, thus the lender may already be preparing foreclosure procedures. A full provision is made on that part of the principal which is not fully and adequately covered. While the loan covers basically worthless assets, writing off these loans is neither practical nor desirable for the lender.

- Risk Rating References - Investment Securities

In ensuring quality investment portfolio, the Parent Company uses the credit risk rating from published data providers like Moody's, Standard & Poor and other reputable rating agencies as well as its internal rating system.

In undertaking its investment transactions, the Parent Company is also guided by BOD - approved manual of procedures and the applicable rules and regulations issued by the concerned regulatory bodies of the government. The Parent Company's Compliance unit, in collaboration with Legal Unit is tasked with monitoring adherence to these risk areas.

- Collateral

The Parent Company's Credit Policy Manual provides for a separate collateral appraisal by an independent appraisal firm and re-appraisal for at least every two years as circumstances warrant.

- Monitoring of compliance by the RMD of the approved exposure limits.

Maximum exposure to credit risk before collateral held or other credit enhancements

An analysis of the maximum exposure to credit risk related to on-balance sheet assets without taking into account any collateral held or other credit enhancements is shown below:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Credit risk exposures relating to on balance sheet assets are as follow:				
Due from BSP	₱1,965,000,000	₱1,916,100,000	₱1,965,000,000	₱1,916,100,000
Cash and other cash items*	8,156,745,303	5,596,525,305	7,711,899,172	5,096,331,560
Interbank loans receivable and SPURA	-	1,430,000,000	-	1,430,000,000
Financial assets at FVPL (Note 8)				
Government debt securities	1,495,143,295	51,778,131	1,485,138,322	51,778,131
Equity securities	394,815,702	369,950,679	318,711,862	235,108,791
	1,889,958,997	421,728,810	1,803,850,184	286,886,922
AFS investments (Note 8)				
Government debt securities	18,598,060,193	6,944,274,859	18,368,911,305	6,795,499,700
Private debt securities	467,825,882	492,236,400	451,828,000	492,236,400
Equity securities				
Quoted	1,533,137,184	1,078,143,759	1,491,867,184	1,053,884,096
Unquoted	243,196,796	517,712,768	213,783,427	488,280,644
	20,842,220,055	9,032,367,786	20,526,389,916	8,829,900,840

(Forward)

*** SGVMC113832 ***

	Consolidated		Parent Company	
	2009	2008	2009	2008
HTM investments (Note 8)				
Government bonds	₱3,718,899,612	₱3,756,141,902	₱3,718,899,612	₱3,749,989,615
Private	16,922,118	–	–	–
	3,735,821,730	3,756,141,902	3,718,899,612	3,749,989,615
Loans and receivables (Note 9)				
Loans and discounts				
Corporate lending	1,753,455,658	5,142,384,207	1,542,371,980	4,947,241,171
Others	43,535,481	31,516,911	43,277,840	31,516,911
Less unearned discounts	43,276	1,985,666	43,276	133,254
	1,796,947,863	5,171,915,452	1,585,606,544	4,978,624,828
Unquoted commercial papers	10,193,561,576	10,109,603,818	10,193,561,576	10,109,603,818
Accrued interest receivable	785,110,929	487,238,966	769,928,453	481,491,159
Accounts receivable	218,334,515	396,315,587	129,944,747	119,955,466
Dividends receivable	2,251,062	124,290,187	2,251,062	174,290,187
	12,996,205,945	16,289,364,010	12,681,292,382	15,863,965,458
Less allowance for credit losses (Note 14)	379,870,322	376,935,308	363,655,994	355,047,308
	12,616,335,623	15,912,428,702	12,317,636,388	15,508,918,150
	₱49,206,081,708	₱38,065,292,505	₱48,043,675,272	₱36,818,127,087

* Excludes petty cash fund.

Concentration of risks of financial assets with credit risk exposure

An analysis of concentrations of credit risk by industry at the reporting date is shown below:

	Consolidated			
	2009			
	Loans and Receivables	Loans and advances to banks*	Investment Securities**	Total
Carrying amount				
Financial intermediaries	₱3,113,515,658	₱8,156,745,303	₱1,259,006,963	₱12,529,267,924
Electricity, gas and water	2,665,364,706	–	93,551,960	2,758,916,666
Philippine government	2,529,875,883	1,965,000,000	23,812,103,100	28,306,978,983
Transportation, Storage and communication	2,007,057,461	–	547,139,997	2,554,197,458
Real estate, renting and business activities	1,601,739,655	–	881,108,758	2,482,848,413
Manufacturing (various industries)	512,830,243	–	81,798,999	594,629,242
Wholesale and retail trade	378,112,763	–	41,157,272	419,270,035
Private households	47,639,897	–	–	47,639,897
Construction	56,243	–	9,949,277	10,005,520
Mining and quarrying	–	–	27,777,070	27,777,070
Others	140,013,436	–	–	140,013,436
	12,996,205,945	10,121,745,303	26,753,593,396	49,871,544,644
Less allowance for credit losses	379,870,322	–	285,592,614	665,462,936
	₱12,616,335,623	₱10,121,745,303	₱26,468,000,782	₱49,206,081,708

	Consolidated			
	2008			
	Loans and Receivables	Loans and advances to banks*	Investment Securities**	Total
Carrying amount				
Electricity, gas and water	₱4,309,853,912	₱–	₱112,417,389	₱4,422,271,301
Financial intermediaries	4,238,852,704	7,026,525,305	1,069,829,034	12,335,207,043
Real estate, renting and business activities	3,721,085,985	–	556,732,547	4,277,818,532
Transportation, storage and communication	1,875,307,739	–	751,535,723	2,626,843,462
Manufacturing (various industries)	1,022,579,867	–	27,816,162	1,050,396,029
Wholesale and retail trade	687,065,414	–	41,113,585	728,178,999
Philippine government	254,002,568	1,916,100,000	10,752,194,892	12,922,297,460
Private households	45,251,738	–	–	45,251,738
Construction	378,688	–	5,035,102	5,413,790
Mining and quarrying	–	–	7,282,380	7,282,380
Others	134,985,395	–	132,000	135,117,395
	16,289,364,010	8,942,625,305	13,324,088,814	38,556,078,129
Less allowance for credit losses	376,935,308	–	113,850,316	490,785,624
	₱15,912,428,702	₱8,942,625,305	₱13,210,238,498	₱38,065,292,505

* SGVMC113832 *

Parent Company				
2009				
	Loans and Receivables	Loans and advances to banks*	Investment Securities**	Total
Carrying amount				
Financial intermediaries	₱3,140,417,887	₱7,711,899,172	₱1,184,576,785	₱12,036,893,844
Philippine government	2,527,422,206	1,965,000,000	23,572,949,239	28,065,371,445
Electricity, gas and water	2,514,034,354	–	59,179,460	2,573,213,814
Transportation, storage and communication	2,007,057,461	–	448,608,378	2,455,665,839
Real estate, renting and business activities	1,567,537,359	–	880,118,758	2,447,656,117
Manufacturing (various industries)	512,830,243	–	51,580,317	564,410,560
Wholesale and retail trade	322,670,469	–	20,724,606	343,395,075
Private households	47,382,256	–	–	47,382,256
Construction	56,243	–	7,992,397	8,048,640
Mining and quarrying	–	–	23,877,070	23,877,070
Others	41,883,904	–	–	41,883,904
	12,681,292,382	9,676,899,172	26,249,607,010	48,607,798,564
Less allowance for credit losses	363,655,994	–	200,467,298	564,123,292
	₱12,317,636,388	₱9,676,899,172	₱26,049,139,712	₱48,043,675,272

Parent Company				
2008				
	Loans and Receivables	Loans and advances to banks*	Investment Securities**	Total
Carrying amount				
Electricity, gas and water	₱4,158,893,763	₱–	₱109,567,389	₱4,268,461,152
Financial intermediaries	4,130,559,298	6,526,331,560	925,849,146	11,582,740,004
Real estate, renting and business activities	3,621,083,470	–	556,336,547	4,177,420,017
Transportation, storage and communication	1,875,307,739	–	645,535,290	2,520,843,029
Manufacturing (various industries)	1,022,579,867	–	27,816,162	1,050,396,029
Wholesale and retail trade	663,917,826	–	20,680,915	684,598,741
Philippine government	250,306,232	1,916,100,000	10,597,267,446	12,763,673,678
Private households	39,885,559	–	–	39,885,559
Construction	378,688	–	5,035,102	5,413,790
Mining and quarrying	–	–	7,282,380	7,282,380
Others	101,053,016	–	132,000	101,185,016
	15,863,965,458	8,442,431,560	12,895,502,377	37,201,899,395
Less allowance for credit losses	355,047,308	–	28,725,000	383,772,308
	₱15,508,918,150	₱8,442,431,560	₱12,866,777,377	₱36,818,127,087

* Comprised of Cash and other cash items (excluding petty cash fund), Due from BSP, and Interbank loans receivables and SPURA

** Comprised of Financial assets at FVPL, AFS investments and HTM investments.

The following table shows the credit quality of financial assets:

Consolidated				
December 31, 2009				
	Loans and receivables	Loans and advances to banks*	Investment Securities**	Total
Neither past due nor impaired	₱11,454,356,637	₱10,121,745,303	₱25,797,055,211	₱47,373,157,151
Impaired	1,541,849,308	–	956,538,185	2,498,387,493
Gross	12,996,205,945	10,121,745,303	26,753,593,396	49,871,544,644
Less allowance for credit losses	379,870,322	–	285,592,614	665,462,936
Net	₱12,616,335,623	₱10,121,745,303	₱26,468,000,782	₱49,206,081,708

* SGVMC113832 *

Consolidated				
December 31, 2008				
	Loans and receivables	Loans and advances to banks*	Investment Securities**	Total
Neither past due nor impaired	P14,671,351,803	P8,942,625,305	P13,079,095,085	P36,693,072,193
Past due but not impaired	4,749,769	-	-	4,749,769
Impaired	1,613,262,438	-	244,993,729	1,858,256,167
Gross	16,289,364,010	8,942,625,305	13,324,088,814	38,556,078,129
Less allowance for credit losses	376,935,308	-	113,850,316	490,785,624
Net	P15,912,428,702	P8,942,625,305	P13,210,238,498	P38,065,292,505

Parent Company				
December 31, 2009				
	Loans and Receivables	Loans and advances to banks*	Investment Securities**	Total
Neither past due nor impaired	P11,139,443,074	P9,676,899,172	P25,406,917,406	P46,223,259,652
Impaired	1,541,849,308	-	842,689,604	2,384,538,912
Gross	12,681,292,382	9,676,899,172	26,249,607,010	48,607,798,564
Less allowance for credit losses	363,655,994	-	200,467,298	564,123,292
Net	P12,317,636,388	P9,676,899,172	P26,049,139,712	P48,043,675,272

Parent Company				
December 31, 2008				
	Loans and Receivables	Loans and advances to banks*	Investment Securities**	Total
Neither past due nor impaired	P14,250,558,104	P8,442,431,560	P12,764,375,980	P35,457,365,644
Past due but not impaired	4,749,769	-	-	4,749,769
Impaired	1,608,657,585	-	131,126,397	1,739,783,982
Gross	15,863,965,458	8,442,431,560	12,895,502,377	37,201,899,395
Less allowance for credit losses	355,047,308	-	28,725,000	383,772,308
Net	P15,508,918,150	P8,442,431,560	P12,866,777,377	P36,818,127,087

* Comprised of Cash and other cash items (excluding petty cash fund), Due from BSP, and Interbank loans receivables and SPURA

** Comprised of Financial assets at FVPL, AFS investments and HTM investments.

The table below shows the credit quality per class of financial assets based on the Group's rating system, gross of allowance for credit losses:

	Consolidated					
	December 31, 2009					
	Neither past due nor impaired				Past Due or Impaired	Total
High Grade	Standard Grade	Substandard Grade	Unrated			
Loans and advances to banks						
Due from BSP	P-	P1,965,000,000	P-	P-	P-	P1,965,000,000
Cash and other cash items*	-	-	-	8,156,745,303	-	8,156,745,303
	-	1,965,000,000	-	8,156,745,303	-	10,121,745,303
Financial assets at FVPL						
Government debt securities	-	1,495,143,295	-	-	-	1,495,143,295
Equity securities	121,680,340	174,772,881	66,172,343	32,190,138	-	394,815,702
	121,680,340	1,669,916,176	66,172,343	32,190,138	-	1,889,958,997
AFS Investments						
Government debt securities	-	18,598,060,193	-	-	-	18,598,060,193
Private debt securities	467,825,882	-	-	-	-	467,825,882
Equity Securities						
Quoted	428,034,132	524,028,143	10,004,000	31,250,000	711,563,207	1,704,879,482
Unquoted	1,230,915	82,214,306	20,140,104	8,486,809	244,974,978	357,047,112
	897,090,929	19,204,302,642	30,144,104	39,736,809	956,538,185	21,127,812,669
HTM investments						
Government bonds	-	3,718,899,612	-	-	-	3,718,899,612
Private	-	16,922,118	-	-	-	16,922,118
	-	3,735,821,730	-	-	-	3,735,821,730
Loans and receivables						
Loans and discounts						
Corporate lending	50,000,000	243,406,323	546,074,262	9,158,806	904,772,991	1,753,412,382
Others	-	-	-	43,535,481	-	43,535,481
	50,000,000	243,406,323	546,074,262	52,694,287	904,772,991	1,796,947,863
Unquoted commercial papers	3,706,307,550	3,855,271,283	1,400,732,743	775,000,000	456,250,000	10,193,561,576
Accrued interest receivable	45,233,992	584,476,827	40,694,593	17,407,994	97,297,523	785,110,929
Accounts receivable	-	-	25,150,000	109,655,721	83,528,794	218,334,515
Dividends receivable	2,078,468	116,351	56,243	-	-	2,251,062
	3,803,620,010	4,683,270,784	2,012,707,841	954,758,002	1,541,849,308	12,996,205,945
	P4,822,391,279	P31,258,311,332	P2,109,024,288	P9,183,430,252	P2,498,387,493	P49,871,544,644

* Excludes petty cash fund.

	Consolidated					
	December 31, 2008					
	Neither past due nor impaired				Past Due or Impaired	Total
High Grade	Standard Grade	Substandard Grade	Unrated			
Loans and advances to banks						
Due from BSP	P-	P1,916,100,000	P-	P-	P-	P1,916,100,000
Cash and other cash items*	-	-	-	5,596,525,305	-	5,596,525,305
Interbank loans receivable and SPURA	-	1,330,000,000	-	100,000,000	-	1,430,000,000
	-	3,246,100,000	-	5,696,525,305	-	8,942,625,305
Financial assets at FVPL						
Government debt securities	-	51,778,131	-	-	-	51,778,131
Equity securities	101,575,603	62,053,178	-	206,321,898	-	369,950,679
	101,575,603	113,831,309	-	206,321,898	-	421,728,810
AFS Investments						
Government debt securities	-	6,944,274,859	-	-	-	6,944,274,859
Private debt securities	492,236,400	-	-	-	-	492,236,400
Equity securities						
Quoted	629,505,412	45,811,450	37,820,162	365,006,735	-	1,078,143,759
Unquoted	1,230,915	-	306,830,335	78,508,105	244,993,729	631,563,084
	1,122,972,727	6,990,086,309	344,650,497	443,514,840	244,993,729	9,146,218,102

(Forward)

* SGVMC113832 *

Consolidated						
December 31, 2008						
Neither past due nor impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due or Impaired	Total
HTM investments						
Government bonds	₱-	₱3,756,141,902	₱-	₱-	₱-	₱3,756,141,902
Loans and receivables						
Loans and discounts						
Corporate lending	365,000,000	1,704,069,008	2,095,636,967	32,469,575	943,222,991	5,140,398,541
Others	-	-	-	31,516,911	-	31,516,911
	365,000,000	1,704,069,008	2,095,636,967	63,986,486	943,222,991	5,171,915,452
Unquoted commercial papers	3,341,500,000	3,453,669,347	1,565,684,471	1,292,500,000	456,250,000	10,109,603,818
Accrued interest receivable	63,986,461	240,070,096	36,827,766	41,060,034	105,294,609	487,238,966
Accounts receivable	-	-	181,000	287,639,749	108,494,838	396,315,587
Dividends receivable	117,970,288	3,158,825	-	3,161,074	-	124,290,187
	3,888,456,749	5,400,967,276	3,698,330,204	1,688,347,343	1,613,262,438	16,289,364,010
	₱5,113,005,079	₱19,507,126,796	₱4,042,980,701	₱8,034,709,386	₱1,858,256,167	₱38,556,078,129
Parent Company						
December 31, 2009						
Neither past due nor impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due or Impaired	Total
Loans and advances to banks						
Due from BSP	₱-	₱1,965,000,000	₱-	₱-	₱-	₱1,965,000,000
Cash and other cash items*	-	-	-	7,711,899,172	-	7,711,899,172
	-	1,965,000,000	-	7,711,899,172	-	9,676,899,172
Financial assets at FVPL						
Government debt securities	-	1,485,138,322	-	-	-	1,485,138,322
Equity securities	104,346,540	142,962,901	55,524,233	15,878,188	-	318,711,862
	104,346,540	1,628,101,223	55,524,233	15,878,188	-	1,803,850,184
AFS investments						
Government debt securities	-	18,368,911,305	-	-	-	18,368,911,305
Private debt securities	451,828,000	-	-	-	-	451,828,000
Equity Securities						
Quoted	428,018,132	524,028,143	-	-	711,563,207	1,663,609,482
Unquoted	1,230,915	82,214,306	19,450,000	8,486,809	131,126,397	242,508,427
	881,077,047	18,975,153,754	19,450,000	8,486,809	842,689,604	20,726,857,214
HTM investments						
Government bonds	-	3,718,899,612	-	-	-	3,718,899,612
Loans and receivables						
Loans and discounts						
Corporate lending	-	243,406,323	391,074,262	3,075,128	904,772,991	1,542,328,704
Others	-	-	-	43,277,840	-	43,277,840
	-	243,406,323	391,074,262	46,352,968	904,772,991	1,585,606,544
Unquoted commercial papers	3,706,307,550	3,855,271,283	1,400,732,743	775,000,000	456,250,000	10,193,561,576
Accrued interest receivable	44,278,535	579,474,993	39,031,181	9,846,221	97,297,523	769,928,453
Accounts receivable	-	-	-	46,415,953	83,528,794	129,944,747
Dividends receivable	2,078,468	116,351	56,243	-	-	2,251,062
	3,752,664,553	4,678,268,950	1,830,894,429	877,615,142	1,541,849,308	12,681,292,382
	₱4,738,088,140	₱30,965,423,539	₱1,905,868,662	₱8,613,879,311	₱2,384,538,912	₱48,607,798,564

* Excludes petty cash fund.

* SGVMC113832 *

Parent Company						
December 31, 2008						
	Neither past due nor impaired				Past Due or Impaired	Total
	High Grade	Standard Grade	Substandard Grade	Unrated		
Loans and advances to banks						
Due from BSP	₱-	₱1,916,100,000	₱-	₱-	₱-	₱1,916,100,000
Cash and other cash items*	-	-	-	5,096,331,560	-	5,096,331,560
Interbank loans receivable and SPURA	-	1,330,000,000	-	100,000,000	-	1,430,000,000
	-	3,246,100,000	-	5,196,331,560	-	8,442,431,560
Financial assets at FVPL						
Government debt securities	-	51,778,131	-	-	-	51,778,131
Equity securities	99,750,303	58,857,428	-	76,501,060	-	235,108,791
	99,750,303	110,635,559	-	76,501,060	-	286,886,922
AFS investments						
Government debt securities	-	6,795,499,700	-	-	-	6,795,499,700
Private debt securities	492,236,400	-	-	-	-	492,236,400
Equity securities						
Quoted	628,749,748	45,811,450	27,816,162	351,506,736	-	1,053,884,096
Unquoted	1,230,915	-	306,830,335	77,817,997	131,126,397	517,005,644
	1,122,217,063	6,841,311,150	334,646,497	429,324,733	131,126,397	8,858,625,840
HTM investments						
Government bonds	-	3,749,989,615	-	-	-	3,749,989,615
Loans and receivables						
Loans and discounts						
Corporate lending	300,000,000	1,704,069,008	1,967,346,344	32,469,574	943,222,991	4,947,107,917
Others	-	-	-	31,516,911	-	31,516,911
	300,000,000	1,704,069,008	1,967,346,344	63,986,485	943,222,991	4,978,624,828
Unquoted commercial papers	3,291,500,000	3,448,063,717	1,543,429,946	1,370,360,155	456,250,000	10,109,603,818
Accrued interest receivable	62,843,505	240,070,095	36,827,767	41,060,034	100,689,758	481,491,159
Accounts receivable	-	-	181,000	11,279,630	108,494,836	119,955,466
Dividends receivable	167,970,287	3,158,825	-	3,161,075	-	174,290,187
	3,822,313,792	5,395,361,645	3,547,785,057	1,489,847,379	1,608,657,585	15,863,965,458
	₱5,044,281,158	₱19,343,397,969	₱3,882,431,554	₱7,192,004,732	₱1,739,783,982	₱37,201,899,395

* Excludes petty cash fund

Impaired loans and receivables - are loans and receivables for which the Group determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory note and securities agreements. These loans are graded 8, 9 and 10 in the Group's ICRRS if provided with allowance.

Past due but not impaired loans and receivables - are loans and receivables where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate based on the cash flows of the available collateral or status of collection of the amounts due to the Group.

Past due but not impaired loans and receivables as of December 31, 2008 amounting to ₱4.7 million are over 180 days past due.

The Group holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and these are updated every two years. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Parent Company is not allowed to sell or pledge collateral held for reverse repurchase agreements. Collateral, usually, is not held against investment securities and no such collateral was held as of December 31, 2009 and 2008.

* SGVMC113832 *

The following table shows the fair value of collateral held against Loans and receivables both for the Group and the Parent Company:

	2009	2008
Against individually impaired		
Equities	₱25,000,000	₱25,000,000
Chattel	800,681,000	984,907,200
Against past due but not impaired		
Property	-	6,481,856
Debt securities	-	3,000,000
Against neither past due nor impaired		
Property	419,647,400	1,750,373,144
Chattel	209,687,200	207,301,000
Others	-	370,236,200
	₱1,455,015,600	₱3,347,299,400

It is the Group's policy to dispose foreclosed properties acquired in an orderly fashion.

Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

Liquidity management is among the most important activities conducted within the Parent Company. The Parent Company manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning.

The Parent Company's liquidity risk is managed by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio which is repriced on a regular basis. Deposits with banks are made on a short-term basis with almost all being available on demand or within one month.

The Treasury Group uses liquidity forecast models that estimate the Parent Company's cash flow needs based on the Parent Company's actual contractual obligations and under normal and extraordinary circumstances. The plans and strategies in the liquidity risk management are contained on the Board-approved Liquidity Risk Management and Contingency Funding Plan. The RMD prepares MCO report, which quantifies the Parent Company's liquidity mismatch risk twice-a-month starting January 2009.

Liquidity is monitored by the Group on a daily basis and further analyzed at predetermined scenarios/situations.

The table below shows the maturity profile of the financial instruments, based on contractual undiscounted cash flows:

	Consolidated					Total
	December 31, 2009					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 Year	
Financial Assets						
Loans and advances						
Cash and other cash items	₱8,156,812,303	₱-	₱-	₱-	₱-	₱8,156,812,303
Due from BSP	1,965,000,000	-	-	-	-	1,965,000,000
	10,121,812,303	-	-	-	-	10,121,812,303
Loans and receivables						
Loans and discounts						
Corporate lending	118,259,697	167,196,855	68,686,498	64,036,947	1,757,901,072	2,176,081,069
Others	741,004	1,471,377	2,191,487	4,294,416	56,953,372	65,651,656
	119,000,701	168,668,232	70,877,985	68,331,363	1,814,854,444	2,241,732,725
Unquoted commercial papers	90,048,823	145,696,089	248,897,418	376,566,996	12,243,826,337	13,105,035,663
Accrued interest receivable	214,561,650	436,347,982	52,169,779	9,458,633	72,572,885	785,110,929
Accounts receivable	42,868,187	1,642,751	316,856	196,192	84,920,761	129,944,747
Dividends receivable	2,251,062	-	-	-	-	2,251,062
	468,730,423	752,355,054	372,262,038	454,553,184	14,216,174,427	16,264,075,126
Held for trading						
Government debt securities	1,495,143,295	-	-	-	-	1,495,143,295
Equity securities	394,815,702	-	-	-	-	394,815,702
AFS Investments						
Government debt securities	27,666,364	149,857,475	154,385,317	747,441,719	28,642,385,703	29,721,736,578
Private debt securities	-	4,640,026	12,752,461	19,960,866	529,207,304	566,560,657
Quoted equity investments	-	-	-	-	1,511,544,348	1,511,544,348
Unquoted equity investments	-	-	-	-	264,789,632	264,789,632
HTM investments						
Government debt securities	-	33,873,568	2,513,769,687	66,267,407	1,495,544,975	4,109,455,637
Private debt securities	-	-	-	16,922,118	-	16,922,118
	1,917,625,361	188,371,069	2,680,907,465	850,592,110	32,443,471,962	38,080,967,967
	₱12,508,168,087	₱940,726,123	₱3,054,169,503	₱1,305,145,294	₱46,659,646,389	₱64,466,855,396
Financial Liabilities						
Non-derivative liabilities						
Bills payable	₱1,553,726,720	₱40,207,991,548	₱7,542,992,683	₱381,068,058	₱606,378,344	₱50,292,157,353
Bonds payable	505,307	-	1,704,338	3,654,720	155,856,723	161,721,088
Accrued other expenses	33,895,716	105,894,454	38,285,963	2,819,813	-	180,895,946
Accounts payable	-	211,380,284	-	-	-	211,380,284
Other liabilities	-	62,029,827	-	-	19,156,365	81,186,192
	1,588,127,743	40,587,296,113	7,582,982,984	387,542,591	781,391,432	50,927,340,863
Derivative liabilities	-	-	-	-	138,729,241	138,729,241
	₱1,588,127,743	₱40,587,296,113	₱7,582,982,984	₱387,542,591	₱920,120,673	₱51,066,070,104

	Consolidated					Total
	December 31, 2008					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 Year	
Non-derivative liabilities						
Bills payable	₱22,316,569,988	₱10,427,732,853	₱4,394,101,002	₱790,117,670	₱635,478,086	₱38,563,999,599
Bonds payable	1,510,507	-	1,461,781	2,972,288	73,056,670	79,001,246
Accrued other expenses	-	60,842,513	-	-	-	60,842,513
Other liabilities	-	296,295,902	-	35,443,514	17,684,826	349,424,242
	22,318,080,495	10,784,871,268	4,395,562,783	828,533,472	726,219,582	39,053,267,600
Derivative liabilities	-	-	-	-	116,511,055	116,511,055
	₱22,318,080,495	₱10,784,871,268	₱4,395,562,783	₱828,533,472	₱842,730,637	₱39,169,778,655

* SGVMC113832 *

	Parent Company					Total
	December 31, 2009					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 Year	
Financial Assets						
Loans and advances						
Cash and other cash items	₱7,711,899,172	₱-	₱-	₱-	₱-	₱7,711,899,172
Due from BSP	1,965,000,000	-	-	-	-	1,965,000,000
	9,676,899,172	-	-	-	-	9,676,899,172
Loans and receivables						
Loans and discounts						
Corporate lending	116,127,246	165,010,369	64,367,560	55,838,257	1,524,566,707	1,925,910,139
Others	724,513	1,438,395	2,142,015	4,209,763	56,599,344	65,114,030
	116,851,759	166,448,764	66,509,575	60,048,020	1,581,166,051	1,991,024,169
Unquoted commercial papers						
	90,048,823	145,696,089	248,897,418	376,566,996	12,243,826,337	13,105,035,663
Accrued interest receivable						
	199,703,175	436,023,982	52,169,779	9,458,633	72,572,885	769,928,454
Accounts receivable						
	42,868,187	1,642,751	316,856	196,192	135,939,559	180,963,545
Dividends receivable						
	2,251,062	-	-	-	-	2,251,062
	451,723,006	749,811,586	367,893,628	446,269,841	14,033,504,832	16,049,202,893
Held for trading						
Government debt securities						
	1,485,138,322	-	-	-	-	1,485,138,322
Equity securities						
	318,711,862	-	-	-	-	318,711,862
AFS Investments						
Government debt securities						
	27,666,364	149,857,475	154,385,317	747,441,719	28,642,385,703	29,721,736,578
Private debt securities						
	-	4,640,026	12,752,461	19,960,866	529,207,304	566,560,657
Quoted equity investments						
	-	-	-	-	1,470,274,348	1,470,274,348
Unquoted equity investments						
	-	-	-	-	235,376,263	235,376,263
HTM investments						
Government debt securities						
	-	33,873,568	2,513,769,687	66,267,407	1,495,544,975	4,109,455,637
	1,831,516,548	188,371,069	2,680,907,465	833,669,992	32,372,788,593	37,907,253,667
	₱11,960,138,726	₱938,182,655	₱3,048,801,093	₱1,279,939,833	₱46,406,293,425	₱63,633,355,732
Financial Liabilities						
Non-derivative liabilities						
Bills payable						
	₱1,553,726,720	₱40,207,991,548	₱7,542,992,683	₱381,068,058	₱606,378,344	₱50,292,157,353
Bonds payable						
	505,307	-	1,704,338	3,654,720	155,856,723	161,721,088
Accrued other expenses						
	26,695,485	105,894,454	38,285,963	2,819,813	-	173,695,715
Accounts payable						
	-	54,204,967	-	-	-	54,204,967
Other liabilities						
	-	106,614,656	-	-	18,562,500	125,177,156
	1,580,927,512	40,474,705,625	7,582,982,984	387,542,591	780,797,567	50,806,956,279
Derivative liabilities						
	-	-	-	-	138,729,241	138,729,241
	₱1,580,927,512	₱40,474,705,625	₱7,582,982,984	₱387,542,591	₱919,526,808	₱50,945,685,520

	Parent Company					Total
	December 31, 2008					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 Year	
Non-derivative liabilities						
Bills payable						
	₱22,316,569,988	₱10,427,732,853	₱4,394,101,002	₱790,117,670	₱635,478,086	₱38,563,999,599
Bonds payable						
	2,551,533	-	2,469,225	5,020,758	170,028,158	180,069,674
Accrued other expenses						
	-	40,711,495	-	-	-	40,711,495
Other liabilities						
	-	94,484,279	-	35,443,514	25,751,947	155,679,740
	22,319,121,521	10,562,928,627	4,396,570,227	830,581,942	831,258,191	38,940,460,508
Derivative liabilities						
	-	-	-	-	116,511,055	116,511,055
	₱22,319,121,521	₱10,562,928,627	₱4,396,570,227	₱830,581,942	₱947,769,246	₱39,056,971,563

Financial assets

Analysis of equity and debt securities at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

* SGVMC113832 *

Market Risk

Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in market variables such as interest rates, foreign currency exchange rates, commodity prices, equity prices and other market factors. The Parent Company's market risk originates from holding of trading and investment portfolios as market conditions changes.

The Parent Company manages market risk by segregating its statement of financial position into trading book and banking book. The SMC, chaired by the Parent Company's president, is the senior reviewer and decision-making body for the management of all related market risks. The risk limits are approved by the RMC and confirmed by the BOD.

The RMD serves under RMC and performs daily market risk analyses to ensure compliance with the Parent Company's policies and procedures and makes recommendations based on such analyses.

The Treasury Group of the Parent Company manages asset/liability risks arising from both normal quasi-banking operations and from trading operations in financial markets. Risk limit is assigned to the Treasury Group by the RMC.

The Parent Company is implementing its Value-at-Risk (VaR) methodology in certain trading activities particularly in the fixed-rate treasury notes issued by the Bureau of Treasury. The methodology prescribes the use of historical data set with a minimum sample size of 260 trading days of most recently observed daily percentage changes in price (a one-year "rolling window"). The VaR amount is equal to that percentile associated with the specified level of confidence set at 99%. The coverage of the analysis will be enhanced/widened once the Credence Ideal System is finally accepted and put in business use.

Interest Rate Risk

The Group follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Majority of the Parent Company's loan portfolio have repricing rate arrangements. The determination of the applicable rates is sourced from the Company's approved lending rates. Lending rates are determined based on funding cost plus certain spreads. As of December 31, 2009 and 2008, 94.1% and 91.9%, respectively, of the total loan portfolio are subject to repricing, while unquoted commercial papers have fixed interest rates. Substantial portion of the Parent Company's total loan portfolio has term of less than one year while the corresponding funding is also on a less than one-year term.

Another interest rate risk area where the Parent Company has exposures is on the effect of future changes in the prevailing level of interest rates on its fixed and floating interest rates financial assets and liabilities. It has identified the financial assets and liabilities that are to mature or to reprice in the future and monitors its effect into the statement of income and equity.

The tables below demonstrate the sensitivity to a reasonable possible change in interest rates with all other variables held constant, of the Group's net income before tax (through the impact on interest on floating rate instruments and financial debt assets at FVPL) and the Group's equity (through the impact on unrealized gain/loss on AFS fixed rate debt securities).

The impact on the Company's equity already excludes the impact on transactions affecting the statement of income.

Consolidated							
December 31, 2009							
	Increase in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity				Total
			0 up to 6 months	6 months to 1 year	1 year to 5 Years	More than 5 years	
Currency PhP	+50	(P28,609,008)	(P4,413)	(P10,199)	(P948,116)	(P549,367,408)	(P550,330,136)
Currency PhP	-50	29,781,962	4,420	10,247	966,481	570,322,289	571,303,437

Consolidated							
December 31, 2008							
	Increase in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity				Total
			0 up to 6 months	6 months to 1 year	1 year to 5 Years	More than 5 years	
Currency PhP	+50	P24,285,993	P-	P-	(P25,658,456)	(P142,913,259)	(P168,571,715)
Currency PhP	-50	(24,262,907)	-	-	26,138,925	148,232,807	174,371,732

Parent Company							
December 31, 2009							
	Increase in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity				Total
			0 up to 6 months	6 months to 1 year	1 year to 5 Years	More than 5 years	
Currency PhP	+50	(P29,734,296)	P-	P-	P-	(P547,722,521)	(P547,722,521)
Currency PhP	-50	30,907,250	-	-	-	568,627,600	568,627,600

Parent Company							
December 31, 2008							
	Increase in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity				Total
			0 up to 6 months	6 months to 1 year	1 year to 5 Years	More than 5 years	
Currency PhP	+50	P23,336,026	P-	P-	(P25,516,077)	(P142,913,259)	(P168,429,336)
Currency PhP	-50	(23,310,480)	-	-	25,994,592	148,232,807	174,227,399

Foreign Currency Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes an exposure to effects on the fluctuations in the prevailing foreign currency exchange rates on its cash flows.

As of December 31, 2009 and 2008, the Group has no significant exposure to foreign currency risk.

Equity Price Risk

Equity price risk is the risk that the fair values of equities fluctuate as a result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposures arise from the Parent Company's investment portfolio and golf shares.

The Parent Company's policies and procedures as well as risk limit structures on its equity investment portfolio are approved by the RMC and BOD. Management strategies and plans are discussed in the regular Incom meetings. The committee is headed by the President and the members include the Treasurer and the investment managers.

The following tables set forth, for the period indicated, the impact of a reasonable possible change in the PSE index (PSEi), with all other factors being held constant, to the Group and the Parent Company's unrealized gain or loss on held for trading securities:

	Consolidated			
	2009		2008	
Changes in PSEi	21.2%	(21.2%)	8.0%	(8.0%)
Change on trading income under:				
Financial industry	₱18,964,737	(₱18,964,737)	₱3,282,984	(₱3,282,984)
Industrial industry	13,214,523	(13,214,523)	3,569,140	(3,569,140)
Services industry	10,111,644	(10,111,644)	1,892,074	(1,892,074)
Holding firm industry	7,700,742	(7,700,742)	476,056	(476,056)
Property industry	6,420,251	(6,420,251)	3,419,480	(3,419,480)
Mining and oil industry	5,649,537	(5,649,537)	950,873	(950,873)
Total	₱62,061,434	(₱62,061,434)	₱13,590,607	(₱13,590,607)
As a percentage of the Group's net trading gain/loss for the year	17.0%	(17.0%)	(3.8%)	3.8%

	Parent Company			
	2009		2008	
Changes in PSEi	21.2%	(21.2%)	8.0%	(8.0%)
Change on trading income under:				
Financial industry	₱15,683,026	(₱15,683,026)	₱3,282,984	(₱3,282,984)
Industrial industry	10,999,525	(10,999,525)	3,510,772	(3,510,772)
Services industry	9,145,326	(9,145,326)	1,875,373	(1,875,373)
Property industry	6,154,921	(6,154,921)	3,373,956	(3,373,956)
Holding firm industry	5,642,218	(5,642,218)	476,056	(476,056)
Mining and oil industry	4,352,589	(4,352,589)	950,873	(950,873)
Total	₱51,977,605	(₱51,977,605)	₱13,470,014	(₱13,470,014)
As a percentage of the Parent Company's net trading gain/loss for the year	17.4%	(17.4%)	(4.1%)	4.1%

Given the repricing position of the investment securities of the Group and the Parent Company as of December 31, 2009 and 2008, if PSEi increased by 21.2% and 8.0%, respectively, unrealized gain or loss on securities at FVPL would increase by ₱62.1 million and ₱13.6 million, respectively, for the Group and ₱52.0 million and ₱13.5 million, respectively, for the Parent Company. If PSEi decreased by 21.2% and 8.0% as of December 31, 2009 and 2008, respectively, the unrealized gain or loss on securities at FVPL would decrease by ₱62.1 million and ₱13.6 million, respectively, for the Group and ₱52.0 million and ₱13.5 million, respectively, for the Parent Company. The increase or decrease in PSEi will directly impact the statement of income of both the Group and Parent Company.

The following table sets forth, for the period indicated, the impact of changes in PSE index (PSEi) the Group and the Parent Company's unrealized gain or loss on AFS investments:

	Consolidated			
	2009		2008	
Changes in PSEi	21.2%	(21.2%)	8.0%	(8.0%)
Change on equity under:				
Services industry	₱75,363,096	(₱75,363,096)	₱25,447,938	(₱25,447,938)
Property industry	75,140,543	(75,140,543)	14,166,146	(14,166,146)
Financial industry	50,319,247	(50,319,247)	13,784,541	(13,784,541)
Industrial industry	7,689,253	(7,689,253)	3,765,626	(3,765,626)
Mining and oil industry	-	-	19,498,806	(19,498,806)
Total	₱208,512,139	(₱208,512,139)	₱76,663,057	(₱76,663,057)
As a percentage of the Group's net unrealized gain for the year	(48.3%)	48.3%	(10.8%)	10.8

* SGVMC113832 *

	Parent Company			
	2009		2008	
Changes in PSEi	21.2%	(21.2%)	8.0%	(8.0%)
Change on equity under:				
Services industry	₱75,359,917	(₱75,359,917)	₱25,391,368	(₱25,391,368)
Property industry	75,140,543	(75,140,543)	14,166,146	(14,166,146)
Financial industry	45,850,219	(45,850,219)	12,894,621	(12,894,621)
Industrial industry	7,689,253	(7,689,253)	3,765,626	(3,765,626)
Mining and oil industry	-	-	19,498,806	(19,498,806)
Total	₱204,039,932	(₱204,039,932)	₱75,716,567	(₱75,716,567)
As a percentage of the Parent Company's net unrealized gain for the year	(45.8%)	45.8%	(10.9%)	10.9%

Given the repricing position of the investment securities of the Group and the Parent Company as of December 31, 2009 and 2008, if PSEi increased by 21.2% and 8.0%, respectively, the unrealized gain on AFS investments would increase by ₱208.5 million and ₱76.7 million, respectively, for the Group and ₱204.0 million and ₱75.7 million, respectively, for the Parent Company. If PSEi decreased by 21.2% and 8.0%, respectively, the unrealized gain on AFS investments securities would decrease by ₱208.5 million and ₱76.7 million, respectively, for the Group and ₱204.0 million and ₱75.7 million, respectively, for the Parent Company. The increase or decrease in PSEi will directly impact the equity of both the Group and Parent Company.

Capital Management

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

The Group manages its capital structure attuned to the changes in economic conditions and the risk characteristics of its activities. The Group may adjust the amount of dividend payment to shareholders or issue capital securities in order to maintain or adjust its capital structure.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of the Company, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP.

Under BSP Circular No. 360, effective July 1, 2003, the capital-to-risk assets ratio (CAR) is to be inclusive of a market risk charge. As of December 31, 2009 and 2008, the Group was in compliance with the capital adequacy ratio. The capital-to-risk assets ratio of the Group as reported to the BSP as of December 31, 2009 and December 31, 2008 are shown in the table below:

	Consolidated		Parent Company	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Tier 1 capital	P7,804,978,957	P4,898,651,638	P7,774,447,097	P4,879,033,075
Tier 2 capital	24,940,840	24,940,840	24,940,840	24,940,840
Gross qualifying capital	7,829,919,797	4,923,592,478	7,799,387,937	4,903,973,915
Less: Required deductions	44,650,242	34,592,017	688,753,763	830,031,101
Total qualifying capital	P7,785,269,555	P4,889,000,461	P7,110,634,174	P4,073,942,814
Risk weighted assets	P32,015,451,460	P30,054,176,209	P30,912,109,820	P28,712,427,516
Tier 1 capital ratio	24.38%	16.30%	25.15%	16.99%
Total capital ratio	24.32%	16.27%	23.00%	14.19%

The regulatory qualifying capital of the Parent Company consists of Tier 1 (core) capital, which comprises paid-up common stock, hybrid tier 1 capital securities, surplus including current year profit, surplus reserves and minority interest less required deductions such as net unrealized loss on AFS investments, deferred income tax, and goodwill. Certain adjustments are made to PFRS - based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debt and general loan loss provision.

The Group and its individual regulated operations have complied with all externally imposed capital requirements throughout the period.

The BSP, under BSP Circular No. 538 dated August 4, 2006, has issued the prescribed guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel II recommendations. The new BSP guidelines took effect on July 1, 2007.

In 2009, the BSP issued Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) which supplements the BSP's risk-based capital adequacy framework under the BSP Circular No. 538. As required by the BSP, the Group is currently in the process of developing its ICAAP.

5. Fair Value Measurement

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

Cash and other cash items, due from BSP, interbank loan receivable and SPURA, financial liabilities at cost except bills payable and bonds payable - Carrying amounts approximate fair values due to the relatively short-term maturities of these investments.

Trading and investment securities - Fair values of debt securities (both AFS and HTM investments) and quoted equity investments are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. For equity

investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Derivative instruments - Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using acceptable valuation models.

Loans and receivables - Fair values of loans are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximated fair values (see Note 9).

Bills payable - Carrying value approximates fair value due to its short-term nature, except for certain borrowings which is long-term in nature. Fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

Bonds payable - Carrying value approximates fair value due to its quarterly repricing feature.

Set out below is a comparison by category of carrying amounts and fair values of financial instruments that are carried in the financial statements:

	Consolidated			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and advances				
Cash and other cash items	P8,156,812,303	P8,156,812,303	P5,597,441,874	P5,597,441,874
Due from BSP	1,965,000,000	1,965,000,000	1,916,100,000	1,916,100,000
Interbank loans receivable and SPURA	-	-	1,430,000,000	1,430,000,000
Loans and receivables				
Loans and discounts				
Corporate lending	1,704,356,514	1,756,260,297	5,088,826,001	5,283,547,259
Others	43,535,481	45,486,392	31,516,911	35,774,641
Other receivables				
Unquoted commercial papers	10,018,762,106	10,498,738,010	9,943,413,034	10,029,833,220
Accrued interest receivable	712,538,043	712,538,043	412,431,480	412,431,480
Accounts receivable	134,892,417	134,892,417	311,951,089	311,951,089
Dividends receivables	2,251,062	2,251,062	124,290,187	124,290,187
Financial assets at FVPL				
Held-for-trading				
Government debt securities	1,495,143,295	1,495,143,295	51,778,131	51,778,131
Equity securities	394,815,702	394,815,702	369,950,679	369,950,679
AFS investments				
Government debt securities	18,598,060,193	18,598,060,193	6,944,274,859	6,944,274,859
Private debt securities	467,825,882	467,825,882	492,236,400	492,236,400
Quoted equity investments	1,533,137,184	1,533,137,184	1,078,143,759	1,078,143,759
Unquoted equity investments	243,196,796	243,196,796	517,712,768	517,712,768
HTM investments				
Government bonds	3,718,899,612	3,869,883,832	3,756,141,902	3,855,960,947
Private	16,922,118	16,922,118	-	-
Financial Liabilities				
Financial liabilities at FVPL				
Derivative liability	138,729,241	138,729,241	116,511,055	116,511,055
Other liabilities at cost				
Bills payable	50,047,335,210	50,157,881,571	37,941,147,817	37,739,310,250
Accrued interest and other expenses payable	180,565,354	180,565,354	208,517,232	208,517,232
Bonds payable	55,200,000	55,200,000	61,200,000	61,200,000
Accounts payable	211,380,284	211,380,284	208,517,232	208,517,232
Premiums payable	39,957,593	39,957,593	8,358,278	8,358,278
Dividends payable	20,287,932	20,287,932	20,332,765	20,332,765
Subscription payable	9,187,500	9,187,500	15,750,000	15,750,000
Payable for securities purchased	1,784,302	1,784,302	-	-

* SGVMC113832 *

	Parent Company			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and advances				
Cash and other cash items	P7,711,939,172	P7,711,939,172	P5,096,354,904	P5,096,354,904
Due from BSP	1,965,000,000	1,965,000,000	1,916,100,000	1,916,100,000
Interbank loans receivable and SPURA	-	-	1,430,000,000	1,430,000,000
Loans and Receivables				
Loans and discounts				
Corporate lending	1,509,487,163	1,545,176,619	4,914,266,376	5,090,256,635
Others	43,277,840	45,228,751	31,516,911	35,774,641
Other receivables				
Unquoted commercial papers	10,018,762,106	10,498,738,010	9,943,413,034	10,029,833,220
Accrued interest receivable	697,355,568	697,355,568	408,918,274	408,908,274
Accounts receivable	46,502,649	46,502,649	36,513,368	36,513,368
Dividends receivables	2,251,062	2,251,062	174,290,187	174,290,187
Financial assets at FVPL				
Held for trading				
Government debt securities	1,485,138,322	1,485,138,322	51,778,131	51,778,131
Equity Securities	318,711,862	318,711,862	235,108,791	235,108,791
AFS investments				
Government debt securities	18,368,911,305	18,368,911,305	6,795,499,700	6,795,499,700
Private debt securities	451,828,000	451,828,000	492,236,400	492,236,400
Quoted equity investments	1,491,867,184	1,491,867,184	1,053,884,096	1,053,884,096
Unquoted equity investments	213,783,427	213,783,427	488,280,644	488,280,644
HTM investments				
Government bonds	3,718,899,612	3,869,883,832	3,749,989,615	3,855,960,947
Financial Liabilities				
Financial liabilities at FVPL			116,511,055	116,511,055
Derivative liability	138,729,241	138,729,241		
Other liabilities at cost				
Bills payable	50,047,335,210	50,157,881,571	37,941,147,817	37,739,310,250
Accrued interest and other expenses payable	173,695,715	173,695,715	233,647,370	233,647,370
Bonds payable	150,000,000	15,000,000	150,000,000	150,000,000
Payable for securities purchased	86,025,766	86,025,766	-	-
Accounts payable	54,204,967	54,204,967	21,386,691	21,386,691
Premiums payable	300,958	300,958	276,868	276,868
Dividends payable	20,287,932	20,287,932	20,332,765	20,332,765
Subscription payable	18,562,500	18,562,500	25,125,000	25,125,000

The following table shows financial instruments recognized at fair value, analyzed based on inputs to fair value is as follow:

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

	Consolidated			
	2009			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVPL				
Government securities	P1,495,143,295	P-	P-	P1,495,143,295
Equity securities	394,815,702	-	-	394,815,702
AFS investments				
Debt securities				
Government	18,598,060,193	-	-	18,598,060,193
Private	467,825,882	-	-	467,825,882
Equity securities	1,704,879,482	-	-	1,704,879,482
Financial Liabilities				
Derivative liabilities	-	138,729,241	-	138,729,241

* SGVMC113832 *

	Parent Company			
	2009			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVPL				
Government securities	P1,485,138,322	P-	P-	P1,485,138,322
Equity securities	318,711,862	-	-	318,711,862
AFS investments				
Debt securities				
Government	18,368,911,305	-	-	18,368,911,305
Private	451,828,000	-	-	451,828,000
Equity securities	1,663,609,482	-	-	1,663,609,482
Financial Liabilities				
Derivative liabilities	-	138,729,241	-	138,729,241

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined through valuation techniques using observable data. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Instruments included in Level 3 include those for which there is currently no active market and valued using unobservable inputs, or using observable inputs that require significant adjustment based on unobservable inputs. As of December 31, 2009 and 2008, the Group and Parent Company has no financial instruments that are reported within Level 3 and no transfers were made between levels in the fair value hierarchy.

6. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. The Group's business segments are as follows:

- Corporate Lending - principally handling loans and other credit facilities for individual, corporate and institutional customers;
- Investment Advisory - providing access to fixed income, equity and dollar investments, as well as research and trading capabilities;
- Investment Banking - principally providing comprehensive financial advisory and capital raising services to corporations and the government, both local and national;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of government securities and placements and acceptances with banks; and
- Others - principally consisting of institutions with significant presence in each of its respective markets which include stock brokerage, foreign exchange, life and non-life insurance, auto sales and real estate.

These segments are the bases on which the Group reports its primary segment information.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported net as management primarily relies on the net interest income as performance measure, not the gross income and expense.

For the years ended December 31, 2009, 2008 and 2007, the Group has a significant customer, in its Treasury segment, which contributes ₱1.63 billion, ₱0.93 billion and ₱1.03 billion, respectively, of the consolidated revenue.

Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds. The following table presents revenue and income information of operating segments presented in accordance with PFRS as of and for the year ended December 31, 2009, 2008 and 2007:

	2009					Total
	Corporate Lending	Investment Banking	Investment Advisory	Treasury	Others	
Results of Operations						
Net interest income	₱104,719,766	₱-	(₱25,775,535)	₱798,171,471	(₱131,935,364)	₱745,180,338
Noninterest income	1,018,059	230,274,527	255,615,992	462,559,277	252,504,671	1,201,972,526
Revenue - net of interest expense	105,737,825	230,274,527	229,840,457	1,260,730,748	120,569,307	1,947,152,864
Noninterest expense	30,912,997	29,172,001	27,804,209	290,703,904	626,068,623	1,004,661,734
Income (loss) before share in net income of investees	74,824,828	201,102,526	202,036,248	970,026,844	(505,499,316)	942,491,130
Share in net income of investees	-	-	-	-	427,749,836	427,749,836
Income tax provision	(3,810,249)	-	(6,928,630)	(303,991,593)	(25,739,181)	(340,469,653)
Minority interest in net income of consolidated subsidiaries	-	-	-	-	(7,158,394)	(7,158,394)
Net income attributable to the Parent Company	₱71,014,579	₱201,102,526	₱195,107,618	₱666,035,251	(₱110,647,055)	₱1,022,612,919
Statement of Financial Position						
Total assets	₱1,929,899,420	₱-	₱877,959,790	₱42,868,854,991	₱13,899,594,859	₱59,576,309,060
Total liabilities	1,902,396,039	-	610,615,975	42,589,491,773	5,859,881,934	50,962,385,721
Other Segment Information						
Capital expenditures	-	-	-	-	25,417,122	25,417,122
Deferred tax assets	-	-	-	-	8,526,242	8,526,242
Depreciation and amortization	-	-	-	-	30,672,542	30,672,542
Provision for impairment and credit losses	-	-	-	-	180,737,944	180,737,944
Non-current assets	-	-	-	-	885,036,422	885,036,422

2008						
	Corporate Lending	Investment Banking	Investment Advisory	Treasury	Others	Total
Results of Operations						
Net interest income	₱195,682,930	₱-	(₱21,774,409)	₱353,693,258	(₱86,271,382)	₱441,330,397
Noninterest income	-	167,432,279	(249,222,190)	631,613,164	106,524,254	656,347,507
Revenue - net of interest expense	195,682,930	167,432,279	(270,996,599)	985,306,422	20,252,872	1,097,677,904
Noninterest expense	53,217,122	26,797,676	(1,259,949)	227,967,526	302,904,035	609,626,410
Income (loss) before share in net income of investees	142,465,808	140,634,603	(269,736,650)	757,338,896	(282,651,163)	488,051,494
Share in net income of investees	-	-	-	-	75,548,641	75,548,641
Income tax provision	(7,186,804)	-	(6,739,753)	(133,288,634)	(17,478,427)	(164,693,618)
Minority interest in net loss of consolidated subsidiaries	-	-	-	-	800,603	800,603
Net income attributable to the Parent Company	₱135,279,004	₱140,634,603	(₱276,476,403)	₱624,050,262	(₱223,780,346)	₱399,707,120
Statement of Financial Position						
Total assets	₱6,329,920,830	₱-	₱734,435,051	₱27,696,956,907	₱11,402,211,432	₱46,163,524,220
Total liabilities	6,142,328,807	-	619,027,420	27,653,979,227	4,437,194,296	38,852,529,750
Other Segment Information						
Capital expenditures	-	-	-	-	57,266,387	57,266,387
Deferred tax assets	-	-	-	-	3,702,731	3,702,731
Depreciation and amortization	-	-	-	-	29,014,916	29,014,916
Provision for (recovery from) impairment and credit losses	(136,779,104)	-	-	-	(30,542,489)	(167,321,593)
Non-current assets	-	-	-	-	945,935,941	945,935,941
2007						
	Corporate Lending	Investment Banking	Investment Advisory	Treasury	Others	Total
Results of Operations						
Net interest income	₱263,500,293	₱-	₱-	₱654,352,134	₱84,849,115	₱1,002,701,542
Noninterest income	-	139,966,347	174,468,036	617,030,184	384,265,018	1,315,729,585
Revenue - net of interest expense	263,500,293	139,966,347	174,468,036	1,271,382,318	469,114,133	2,318,431,127
Noninterest expense	47,971,123	22,450,314	10,240,483	222,245,875	517,301,454	820,209,249
Income (loss) before share in net income of investees	215,529,170	117,516,033	164,227,553	1,049,136,443	(48,187,321)	1,498,221,878
Share in net income of investees	-	-	-	-	247,150,538	247,150,538
Income tax provision	(8,979,398)	-	(17,925,751)	(252,984,527)	(56,426,350)	(336,316,026)
Minority interest in net income of consolidated subsidiaries	-	-	-	-	(1,672,671)	(1,672,671)
Net income attributable to the Parent Company	₱206,549,772.00	₱117,516,033	₱146,301,802	₱796,151,916	₱140,864,196	₱1,407,383,719
Statement of Financial Position						
Total assets	₱7,210,461,367	₱-	₱700,962,419	₱29,889,511,541	₱7,043,724,675	₱44,844,660,002
Total liabilities	7,155,591,405	-	514,522	28,845,499,729	680,363,153	36,681,968,809
Other Segment Information						
Capital expenditures	-	-	-	-	29,093,774	29,093,774
Deferred tax assets	-	-	-	-	4,417,711	4,417,711
Depreciation and amortization	-	-	-	-	36,230,685	36,230,685
Provision for impairment and credit losses	-	-	-	-	67,084,558	67,084,558
Non-current assets	-	-	-	-	917,685,775	917,685,775

Noninterest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain (loss) - net, foreign exchange gain (loss) - net, dividends and miscellaneous income. Noninterest expense consists of compensation and fringe benefits, taxes and licenses, provision for credit and impairment losses, depreciation, and miscellaneous expense.

Capital expenditure consists of additions of property, plant and equipment and investment properties.

Non-current assets consist of investment properties, chattel properties acquired in foreclosure, and property and equipment.

The Group operates in the Philippines but operations outside of the Philippines are handled by FMIIC wherein the Parent Company has 20.0% equity interest.

7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

As of December 31, 2008, the Group and the Parent Company's interbank loans receivable and SPURA amounted to ₱0.1 billion and ₱1.3 billion, respectively.

Outstanding balance of SPURA represents the Parent Company's overnight placements with the BSP where the underlying securities cannot be sold or repledged.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Financial assets at FVPL	₱1,889,958,997	₱421,728,810	₱1,803,850,184	₱286,886,922
AFS investments (Notes 15)	20,842,220,055	9,032,367,786	20,526,389,916	8,829,900,840
HTM investments	3,735,821,730	3,756,141,902	3,718,899,612	3,749,989,615
	₱26,468,000,782	₱13,210,238,498	₱26,049,139,712	₱12,866,777,377

Financial Assets at FVPL

Financial assets at FVPL consist of the following held for trading (HFT) securities:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Government debt securities	₱1,495,143,295	₱51,778,131	₱1,485,138,322	₱51,778,131
Equity securities	394,815,702	369,950,679	318,711,862	235,108,791
	₱1,889,958,997	₱421,728,810	₱1,803,850,184	₱286,886,922

As of December 31, 2009 and 2008, held-for-trading securities include unrealized gain of ₱14.5 million and unrealized loss of ₱31.4 million, respectively, for the Group and unrealized gain of ₱4.9 million and unrealized loss of ₱8.1 million, respectively, for the Parent Company.

AFS Investments

AFS investments consist of the following:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Debt securities (Notes 15 and 17):				
Government	₱18,598,060,193	₱6,944,274,859	₱18,368,911,305	₱6,795,499,700
Private	467,825,882	492,236,400	451,828,000	492,236,400
	19,065,886,075	7,436,511,259	18,820,739,305	7,287,736,100
Equity securities:				
Quoted	1,704,879,482	1,078,143,759	1,663,609,482	1,053,884,096
Unquoted	357,047,112	631,563,084	242,508,427	517,005,644
	2,061,926,594	1,709,706,843	1,906,117,909	1,570,889,740
Less allowance for impairment losses (Note 14)	285,592,614	113,850,316	200,467,298	28,725,000
	1,776,333,980	1,595,856,527	1,705,650,611	1,542,164,740
	₱20,842,220,055	₱9,032,367,786	₱20,526,389,916	₱8,829,900,840

AFS investments as of December 31, 2009 and 2008 include net unrealized loss of ₱431.6 million and ₱631.7 million, respectively, for the Group and net unrealized loss of ₱445.4 million and ₱631.2 million, respectively, for the Parent Company.

Unquoted equity securities are investments where the Group and the Parent Company generally have less than 20% in equity holdings. These are strategic investments initiated by the Group and the Parent Company with the objective of generating income through dividends. The Group and the Parent Company intend to hold on/retain their holdings in companies that provide acceptable/modest returns. The Group and the Parent Company will dispose these investments depending on the liquidity requirements but the primary consideration would be the profit out of the sale/disposal.

The changes in the net unrealized gain (loss) on AFS investments of the Group and of the Parent Company follow:

	Consolidated		
	2009	2008	2007
Balance at January 1	(₱631,686,077)	₱504,538,078	₱770,359,745
Unrealized gain (loss) recognized			
directly in equity, net of tax	426,640,126	(662,073,139)	437,319,384
Amounts realized in profit or loss	(226,559,112)	(474,151,016)	(703,141,051)
Net change during the year	200,081,014	(1,136,224,155)	(265,821,667)
Balance at December 31	(₱431,605,063)	(₱631,686,077)	₱504,538,078

	Parent Company		
	2009	2008	2007
Balance at January 1	(₱631,188,494)	₱493,222,026	₱753,513,417
Unrealized gain (loss) recognized			
directly in equity, net of tax	406,634,571	(692,762,620)	323,554,044
Amounts realized in profit or loss	(220,816,457)	(431,647,900)	(583,845,435)
Net change during the year	185,818,114	(1,124,410,520)	(260,291,391)
Balance at December 31	(₱445,370,380)	(₱631,188,494)	₱493,222,026

HTM Investments

As of December 31, 2009 and 2008, HTM investments consist of government bonds amounting to ₱3.7 billion and ₱3.8 billion, respectively, for the Group and Parent Company and private securities amounting to ₱16.9 million and nil, respectively, for the Group and nil for the Parent Company.

Trading and Securities Gain

The composition of trading and securities gain (loss) follows:

	Consolidated		
	2009	2008	2007
Realized from sale of:			
HFT	₱350,819,143	(₱288,102,413)	₱111,571,098
AFS	226,559,112	469,876,931	703,141,051
Unquoted commercial papers	8,046	26,447	(10,234,068)
	577,386,301	181,800,965	804,478,081
Changes in fair value of financial instruments at FVPL:			
HFT	₱14,518,371	(₱31,426,463)	₱10,488,591
Derivative liability	47,319,971	(2,107,258)	15,906,983
	61,838,342	(33,533,721)	26,395,574
Reversal of derivative liability from redemption of host instrument	5,816,243	-	-
	₱645,040,886	₱148,267,244	₱830,873,655
	Parent Company		
	2009	2008	2007
Realized from sale of:			
HFT	₱294,093,690	(₱193,362,303)	₱113,428,828
AFS	220,816,457	427,373,815	583,845,435
Unquoted commercial papers	8,046	26,447	(9,932,769)
	514,918,193	234,037,959	687,341,494
Changes in fair value of financial instruments at FVPL:			
HFT	4,947,899	(8,100,160)	10,488,591
Derivative liability	47,319,971	(2,107,258)	15,906,983
	52,267,870	(10,207,418)	26,395,574
Reversal of derivative liability from redemption of host instrument	5,816,243	-	-
	₱573,002,306	₱223,830,541	₱713,737,068

Trading and investment securities in 2009, 2008 and 2007 bear nominal annual interest rates ranging from 3.1% to 13.2%, 4.3% to 11.7% and 4.6% to 12.5%, respectively, for the Group and 3.1% to 13.2%, 4.3% to 11.7% and 4.6% to 9.5%, respectively, for the Parent Company.

Derivative Financial Instruments

As of December 31, 2009 and 2008, the Group and the Parent Company have outstanding investments in private commercial papers amounting to ₱2.8 billion and ₱1.2 billion, respectively, which contain embedded call options. The call options allow the issuers of the commercial papers to redeem the instruments prior to their maturity but subject to prepayment penalties ranging from 1.5% to 3.0%.

At the date of inception, the derivative liability on these embedded call options amounted to ₱75.4 million and ₱106.7 million in 2009 and 2008, respectively. As of December 31, 2009 and 2008, the fair value of the embedded derivative liability amounted to ₱138.7 million and ₱116.5 million, respectively.

Details of the Group and the Parent Company's derivative liability follow:

	2009	2008
Balance at beginning of year	₱116,511,055	₱7,707,323
Effect of bifurcation	75,354,400	106,696,474
Fair value changes	(47,319,971)	2,107,258
	28,034,429	108,803,732
Settlement	(5,816,243)	-
	₱138,729,241	₱116,511,055

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Loans and discounts:				
Corporate lending	₱1,753,455,658	₱5,142,384,207	₱1,542,371,980	₱4,947,241,171
Others	43,535,481	31,516,911	43,277,840	31,516,911
Less unearned discounts	43,276	1,985,666	43,276	133,254
	1,796,947,863	5,171,915,452	1,585,606,544	4,978,624,828
Unquoted commercial papers (Note 15)	10,193,561,576	10,109,603,818	10,193,561,576	10,109,603,818
Accrued interest receivable	785,110,929	487,238,966	769,928,453	481,491,159
Accounts receivable	218,334,515	396,315,587	129,944,747	119,955,466
Dividends receivable	2,251,062	124,290,187	2,251,062	174,290,187
	12,996,205,945	16,289,364,010	12,681,292,382	15,863,965,458
Less allowance for credit losses (Note 14)	379,870,322	376,935,308	363,655,994	355,047,308
	₱12,616,335,623	₱15,912,428,702	₱12,317,636,388	₱15,508,918,150

As of December 31, 2009 and 2008, 94.3% and 92.2% of the total loans were subject to periodic interest repricing, respectively, for the Group and 94.1% and 91.9%, respectively, for the Parent Company. The remaining loans earned fixed annual interest rates ranging from 7.2% to 10.0%, 5.9% to 15.25% and 10.0% to 14.0% in 2009, 2008 and 2007, respectively, for the Group and the Parent Company.

BSP Reporting

Nonperforming loans (NPLs) follow:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Secured	₱-	₱4,749,469	₱-	₱4,749,469
Unsecured	2,456,814	2,456,814	2,456,814	2,456,814
	₱2,456,814	₱7,206,283	₱2,456,814	₱7,206,283

Generally, NPLs refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This applies to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10%) of the total receivable balance.

Receivables are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Receivables are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs.

The following table shows the breakdown of loans and discounts, gross of unearned discounts, of the Group and of Parent Company as to secured and unsecured and the breakdown of secured loans as to type of security as of December 31, 2009 and 2008 (amounts in thousands):

	Consolidated				Parent Company			
	2009		2008		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%
Secured loans:								
Chattel	P992,037	55.21	P1,066,336	20.61	P992,037	62.56	P1,066,336	21.42
Real estate	216,734	12.06	1,546,272	29.89	216,734	13.67	1,546,272	31.06
Shares of stock	96,929	5.39	102,429	1.98	96,929	6.11	102,429	2.06
Deposit holdout	-	-	8,000	0.15	-	-	8,000	0.16
Assignment of receivables	-	-	1,700	0.03	-	-	1,700	0.03
	1,305,700	72.66	2,724,737	52.66	1,305,700	82.34	2,724,737	54.73
Unsecured loans	491,291	27.34	2,449,164	47.34	279,950	17.66	2,254,021	45.27
	P1,796,991	100.00	P5,173,901	100.00	P1,585,650	100.00	P4,978,758	100.00

As of December 31, 2009 and 2008, the Group and the Parent Company has no outstanding restructured loans.

Current banking regulations allow banks and non-bank financial intermediaries with quasi-banking functions with no unbooked valuation reserves and capital adjustments to exclude from nonperforming classification those receivables from customers classified as Loss in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued. As of December 31, 2009 and 2008, NPLs of the Group and the Parent Company are fully covered by allowance for credit losses.

As of December 31, 2009 and 2008, information on the concentration of credit as to industry of the Group and the Parent Company follows (amounts in thousands, gross of unearned discounts):

	Consolidated				Parent Company			
	2009		2008		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%
Electricity, gas and water	P1,238,966	68.95	P2,498,766	48.30	P1,088,966	68.68	P2,368,766	47.58
Wholesale and retail trade	236,373	13.15	572,375	11.06	206,373	13.02	542,375	10.89
Real estate, renting and business activities	205,920	11.46	1,218,231	23.55	205,920	12.99	1,218,231	24.47
Financial intermediaries	65,250	3.63	282,700	5.46	34,167	2.15	282,700	5.68
Manufacturing (various industries)	3,000	0.17	503,000	9.72	3,000	0.19	503,000	10.10
Private households	1,407	0.08	8,101	0.16	1,407	0.09	8,101	0.16
Others	46,075	2.56	90,728	1.75	45,817	2.89	55,585	1.12
	P1,796,991	100.00	P5,193,901	100.00	P1,585,650	100.00	P4,978,758	100.00

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio.

* SGVMC113832 *

Unquoted Commercial Papers

This account consists of various financial instruments issued by private corporations.

10. Property and Equipment

The composition of and movements in property and equipment account follow:

	Consolidated					
	2009			2008		
	Building Improvements	Furnitures, Fixtures and Equipment	Total	Building Improvements	Furnitures, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	P45,667,034	P117,260,831	P162,927,865	P16,310,561	P94,660,227	P110,970,788
Acquisition	10,742,148	14,674,974	25,417,122	29,636,132	27,630,255	57,266,387
Disposals/write-offs	(1,451,977)	(3,663,437)	(5,115,414)	(279,659)	(5,029,651)	(5,309,310)
Balance at end of year	54,957,205	128,272,368	183,229,573	45,667,034	117,260,831	162,927,865
Accumulated depreciation and amortization						
Balance at beginning of year	11,018,820	71,644,691	82,663,511	7,280,962	54,809,161	62,090,123
Depreciation and amortization	8,745,890	17,705,513	26,451,403	4,006,728	19,778,493	23,785,221
Disposals/write-offs	(1,451,977)	(3,334,725)	(4,786,702)	(268,870)	(2,942,963)	(3,211,833)
Balance at end of year	18,312,733	86,015,479	104,328,212	11,018,820	71,644,691	82,663,511
Net book value at end of year	P36,644,472	P42,256,889	P78,901,361	P34,648,214	P45,616,140	P80,264,354

	Parent Company					
	2009			2008		
	Building Improvements	Furnitures, Fixtures and Equipment	Total	Building Improvements	Furnitures, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	P36,411,069	P87,158,951	P123,570,020	P7,500,938	P66,578,437	P74,079,375
Acquisition	10,690,914	14,184,332	24,875,246	29,232,232	25,225,964	54,458,196
Disposals/write-offs	(1,451,977)	(3,663,437)	(5,115,414)	(322,101)	(4,645,450)	(4,967,551)
Balance at end of year	45,650,006	97,679,846	143,329,852	36,411,069	87,158,951	123,570,020
Accumulated depreciation and amortization						
Balance at beginning of year	6,475,569	52,426,698	58,902,267	3,654,649	41,291,837	44,946,486
Depreciation and amortization	7,918,785	13,810,988	21,729,773	3,088,944	12,666,585	15,755,529
Disposals/write-offs	(1,451,977)	(3,334,725)	(4,786,702)	(268,024)	(1,531,724)	(1,799,748)
Balance at end of year	12,942,377	62,902,961	75,845,338	6,475,569	52,426,698	58,902,267
Net book value at end of year	P32,707,629	P34,776,885	P67,484,514	P29,935,500	P34,732,253	P64,667,753

As of December 31, 2009 and 2008, the gross carrying value of fully depreciated property and equipment that are still in use amounted to P39.5 million and P30.2 million, respectively, for the Group and P35.4 million and P29.8 million, respectively, for the Parent Company.

11. Investments in Subsidiaries, Associates and Joint Venture

This account consists of investments in:

Acquisition cost:	Ownership (%)	Consolidated		Parent Company	
		2009	2008	2009	2008
Subsidiaries (Note 2):					
PBC	100.00	P-	P-	P324,798,000	P324,798,000
FMSBC	100.00	-	-	130,000,000	130,000,000
SPI	100.00	-	-	130,000,000	130,000,000
FEI	100.00	-	-	12,500,000	12,500,000
FMIBC	100.00	-	-	10,250,000	10,250,000
PVDC	100.00	-	-	4,200,000	4,200,000
FAMI	70.00	-	-	8,235,000	8,235,000
FMSLFIF	69.61	-	-	181,645,777	181,645,777
FMSLMMF	74.45	-	-	50,000,000	50,000,000
FMSLGCF	100.00	-	-	50,000,000	-
Resiliency (SPC), Inc.	100.00	-	-	5,000,000	-

* SGVMC113832 *

(Forward)

	Ownership (%)	Consolidated		Parent Company	
		2009	2008	2009	2008
Associates:					
Cathay International Resources, Inc. (CIRC)	35.00	₱488,950,000	₱439,500,000	₱488,950,000	₱439,500,000
Diamond Air, Inc.	35.00	–	8,750,000	–	8,750,000
Philippine Charter Insurance Corporation (PCIC)	33.33	59,977,343	59,977,343	59,977,343	59,977,343
First Metro Save & Learn Equity Fund (FMSALEF)	31.60	247,234,492	245,244,343	235,244,345	235,244,345
Global Business Power Corporation (GBPC)	30.00	4,498,979,440	2,613,369,763	4,498,979,440	2,613,369,763
Philippine AXA Life Insurance Corporation (PALIC)	28.15	278,118,238	278,118,238	278,118,238	278,118,238
First Metro Save & Learn Balanced Fund (FMSALBF)	27.57	27,779,090	25,202,510	25,202,510	25,202,510
FMIIC	20.00	363,567,634	363,567,634	363,567,634	363,567,634
Skyland Realty Development Corporation (SRDC)	20.00	318,333	318,333	318,333	318,333
Dahon Realty Corporation	20.00	2,853,580	2,853,580	2,853,580	2,853,580
Orix Metro Leasing and Finance Corp (OMLFC)	20.00	183,157,361	183,157,361	183,157,361	183,157,361
Lepanto Consolidated Mining Company (LCMC)	11.08	1,368,635,113	1,368,635,113	1,368,635,113	1,368,635,113
Joint Venture:					
Aurora Towers, Inc.	50.00	18,408,000	18,408,000	18,408,000	18,408,000
		7,537,978,624	5,607,102,218	8,430,040,674	6,448,730,997
Accumulated equity in net earnings:					
Balance at beginning of year		1,240,372,916	1,360,476,163	–	–
Equity in net earnings		427,749,836	75,548,641	–	–
Cash dividends		(139,783,750)	(192,968,148)	–	–
Divestment and reclassification to AFS investments		–	(2,683,740)	–	–
Others		(2,508,670)	–	–	–
Balance at end of year		1,525,830,332	1,240,372,916	–	–
Equity in unrealized gain on AFS investments					
of associates		168,916,960	77,826,648	–	–
Equity in revaluation increment		29,948,345	31,142,610	–	–
Equity in translation adjustment		(29,422,895)	(20,593,286)	–	–
		9,233,251,366	6,935,851,106	8,430,040,674	6,448,730,997
Less allowance for impairment losses (Note 14)		–	8,741,999	100,098,520	108,848,520
		₱9,233,251,366	₱6,927,109,107	₱8,329,942,154	₱6,339,882,477

The Parent Company has 11.1% ownership interest in LCMC. It also holds 19.5% voting rights in LCMC after it has considered the assigned 8.4% voting rights of its Ultimate Parent Company to the Parent Company.

As of December 31, 2009 and 2008, investment in GBPC includes deposit for future subscription amounting to ₱3.4 billion and ₱1.5 billion, respectively.

As of December 31, 2009 and 2008, investment in CIRC includes deposit for future subscription amounting to ₱314.0 million and ₱264.5 million, respectively.

As of December 31, 2009, the Group did not take up losses in excess of PBC's investments in its subsidiary amounting to ₱36.0 million.

In February 2008, the Parent Company sold its investment in TCI for ₱22.8 million representing 26.0% of the total 35.0% ownership, resulting in a gain of ₱2.0 million. The remaining 9.0% was reclassified to AFS investments.

The fair value of investment in LCMC and net assets value of investments in mutual funds amounted to ₱881.7 million and ₱574.9 million as of December 31 2009, respectively, and ₱226.4 million and ₱423.9 million as of December 31, 2008, respectively.

* SGVMC113832 *

The following table presents the financial information of significant associates as of and for the years ended December 31, 2009 and 2008 (amounts in thousands):

Name of Company	2009				
	Statement of Financial Position		Statement of Income		
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)
PALIC	₱32,810,963	₱30,291,560	₱10,011,093	₱1,060,564	₱848,493
GBPC	21,722,516	8,129,876	3,905,082	372,243	264,635
OMLFC	8,384,258	6,926,912	406,724	81,213	81,162
LCMC	8,135,281	3,762,049	1,272,302	(327,664)	(305,435)
PCIC	4,471,247	3,861,039	53,019	17,407	6,361
CIRC	2,060,129	1,561,212	121,847	30,946	(1,082)
FMIC	985,386	32,482	10,734	(30,512)	(30,512)
FMSALEF	881,221	139,258	286,387	272,773	260,779
FMSALBF	118,998	6,558	36,045	33,560	32,165

Name of Company	2008				
	Statement of Financial Position		Statement of Income		
	Total Assets	Total Liabilities	Gross Income (Loss)	Operating Income (Loss)	Net Income (Loss)
PALIC	₱30,722,328	₱28,977,400	₱5,356,322	₱2,852,765	₱152,286
GBPC	16,503,094	6,811,244	2,941,385	560,541	171,929
LCMC	8,191,238	3,210,753	1,820,250	(454,509)	(504,177)
OMLFC	7,187,029	5,892,566	1,376,023	349,023	252,289
PCIC	3,295,591	2,664,408	853,937	79,216	70,2456
CIRC	1,844,990	1,374,675	111,247	13,647	13,647
FMIC	1,090,048	62,481	281,895	37,251	31,121
FMSALEF	516,899	42,614	(207,366)	(221,078)	(228,512)
FMSALBF	67,412	259	(1,835)	(4,028)	(4,776)

12. Investment Properties

The composition of and movements in this account follow:

	Consolidated					
	2009			2008		
	Land	Building/ condominium for sale/lease	Total	Land	Building/ condominium for sale/lease	Total
Cost						
Balance at beginning of year	₱791,807,202	₱138,227,457	₱930,034,659	₱800,927,705	₱131,577,172	₱932,504,877
Additions	4,707,113	-	4,707,113	10,748,198	-	10,748,198
Disposals	(60,022,500)	-	(60,022,500)	(1,717,500)	(11,500,916)	(13,218,416)
Reclassification	-	-	-	(18,151,201)	18,151,201	-
Balance at end of year	736,491,815	138,227,457	874,719,272	791,807,202	138,227,457	930,034,659
Accumulated depreciation						
Balance at beginning of year	-	63,133,572	63,133,572	-	62,470,267	62,470,267
Depreciation	-	4,221,139	4,221,139	-	5,229,695	5,229,695
Disposals/others	-	-	-	-	(4,566,390)	(4,566,390)
Balance at end of year	-	67,354,711	67,354,711	-	63,133,572	63,133,572
Allowance for impairment losses (Note 14)	-	1,229,500	1,229,500	-	1,229,500	1,229,500
Net book value at end of year	₱736,491,815	₱69,643,246	₱806,135,061	₱791,807,202	₱73,864,385	₱865,671,587

	Parent Company					
	2009			2008		
	Land	Building/ condominium for sale/lease	Total	Land	Building/ condominium for sale/lease	Total
Cost						
Balance at beginning of year	₱731,807,202	₱138,227,457	₱870,034,659	₱740,927,705	₱131,577,172	₱872,504,877
Additions	-	-	-	10,748,198	-	10,748,198
Disposals	(22,500)	-	(22,500)	(1,717,500)	(11,500,916)	(13,218,416)
Reclassification	4,707,113	-	4,707,113	(18,151,201)	18,151,201	-
Balance at end of year	736,491,815	138,227,457	874,719,272	731,807,202	138,227,457	870,034,659
Accumulated depreciation						
Balance at beginning of year	-	63,133,572	63,133,572	-	62,470,267	62,470,267
Depreciation	-	4,221,139	4,221,139	-	5,229,695	5,229,695
Disposals/others	-	-	-	-	(4,566,390)	(4,566,390)
Balance at end of year	-	67,354,711	67,354,711	-	63,133,572	63,133,572
Allowance for impairment losses (Note 14)	-	1,229,500	1,229,500	-	1,229,500	1,229,500
Net book value at end of year	₱736,491,815	₱69,643,246	₱806,135,061	₱731,807,202	₱73,864,385	₱805,671,587

* SGVMC113832 *

The aggregate market value of investment properties as of December 31, 2009 and 2008 amounted to ₱1.5 billion and ₱1.6 billion, respectively, for the Group and the Parent Company. Fair value has been determined based on valuations made by independent appraisers. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

In 2009, the legal title to the investment property of the Group has been transferred to a third party through a legally executed deed of sale. The Group recognized a gain amounting to ₱10.00 million from the sale of the investment property.

In 2009, 2008 and 2007, rental income from leased properties (included under 'Miscellaneous income') amounted to ₱4.8 million, ₱4.7 million and ₱8.6 million, respectively, for the Group and the Parent Company.

Direct operating expenses on investment properties that generated rental income during the period and are included under 'Miscellaneous expenses' in the statements of income amounted to ₱1.5 million, ₱1.6 million and ₱1.1 million in 2009, 2008 and 2007, respectively. While direct operating expenses on investment properties that did not generate rental income during the period and are included under 'Miscellaneous expenses' in the statements of income amounted to ₱2.8 million, ₱4.7 million and ₱10.3 million in 2009, 2008 and 2007, respectively (see Note 24).

13. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Creditable withholding tax - net	₱184,222,570	₱142,941,686	₱174,122,165	₱139,432,859
Prepaid expenses	30,276,866	49,883,528	16,766,020	32,665,332
Miscellaneous - net	28,846,886	27,742,153	10,801,742	11,371,785
	₱243,346,322	₱220,567,367	₱201,689,927	₱183,469,976

14. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses follow:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Balance at beginning of year				
Loans and receivables (Note 9)	₱376,935,308	₱569,352,171	₱355,047,308	₱548,968,155
AFS investments (Note 8)	113,850,316	95,520,573	28,725,000	28,725,000
Investment in associates (Note 11)	8,741,999	1,229,500	108,848,520	1,229,500
Investment properties (Note 12)	1,229,500	4,045,999	1,229,500	22,776,998
Other assets	-	-	-	-
	500,757,123	670,148,243	493,850,328	601,699,653
Provision for (recovery from) impairment and credit losses	180,737,944	(167,321,593)	171,742,298	(106,501,800)
Write-offs and others	(9,711,863)	(2,069,527)	(141,314)	(1,347,525)
	171,026,081	(169,391,120)	171,600,984	(107,849,325)
Balance at end of year				
Loans and receivables (Note 9)	379,870,322	376,935,308	363,655,994	355,047,308
AFS investments (Note 8)	285,592,614	113,850,316	200,467,298	28,725,000
Investment in associate (Note 11)	-	8,741,999	100,098,520	108,848,520
Investment properties (Note 12)	1,229,500	1,229,500	1,229,500	1,229,500
Other assets	5,090,768	-	-	-
	₱671,783,204	₱500,757,123	₱665,451,312	₱493,850,328

* SGVMC113832 *

Below is the breakdown of provision for (reversal from) impairment and credit losses in 2009, 2008 and 2007.

	Consolidated			Parent Company		
	2009	2008	2007	2009	2008	2007
Loans and receivables	₱3,904,878	(₱187,834,021)	₱-	₱-	(₱187,877,322)	₱-
Investment in associate	-	2,234,601	-	-	81,375,522	-
AFS equity investments	171,742,298	18,277,827	67,084,558	171,742,298	-	-
Other assets	5,090,768	-	-	-	-	-
	₱180,737,944	(₱167,321,593)	₱67,084,558	₱171,742,298	(₱106,501,800)	₱-

With the foregoing level of allowance for impairment and credit losses, management believes that the Group and the Parent Company have sufficient allowance to take care of any losses that the Group and the Parent Company may incur from the noncollection or nonrealization of receivables and other risk assets.

A reconciliation of the allowance for credit losses on loans and receivables by class follows:

	Consolidated				
	2009				
	Corporate lending	Unquoted commercial papers	Accrued interest receivables	Accounts receivables	Total
At January 1, 2009	₱51,572,540	₱166,190,784	₱74,807,486	₱84,364,498	₱376,935,308
Provisions	-	-	-	3,904,878	3,904,878
Transfers/others	(2,516,672)	8,608,686	(2,234,600)	(4,827,278)	(969,864)
At December 31, 2009 (Note 9)	₱49,055,868	₱174,799,470	₱72,572,886	₱83,442,098	₱379,870,322
Individual impairment	₱40,356,798	₱174,799,470	₱70,234,741	₱82,094,041	₱367,485,050
Collective impairment	8,699,070	-	2,338,145	1,348,057	12,385,272
	₱49,055,868	₱174,799,470	₱72,572,886	₱83,442,098	₱379,870,322
Gross amount of loans and receivables individually determined to be impaired, before deducting any individually assessed credit losses	₱904,772,991	₱456,250,000	₱97,297,523	₱113,178,648	₱1,571,499,162

	Consolidated				
	2008				
	Corporate Lending	Unquoted commercial papers	Accrued interest receivables	Accounts receivables	Total
At January 1, 2008	₱169,083,863	₱293,550,104	₱20,275,564	₱86,442,640	₱569,352,171
Provisions (recoveries)	(117,511,323)	(70,365,999)	-	43,301	(187,834,021)
Accounts written off	-	-	-	(2,069,527)	(2,069,527)
Transfers/others	-	(56,993,321)	54,531,922	(51,916)	(2,513,315)
At December 31, 2008 (Note 9)	₱51,572,540	₱166,190,784	₱74,807,486	₱84,364,498	₱376,935,308
Individual impairment	₱51,572,540	₱166,190,784	₱74,807,486	₱84,364,498	₱376,935,308
Collective impairment	-	-	-	-	-
	₱51,572,540	₱166,190,784	₱74,807,486	₱84,364,498	₱376,935,308
Gross amount of loans and receivables individually determined to be impaired, before deducting any individually assessed credit losses	₱943,222,991	₱456,250,000	₱105,294,609	₱108,494,838	₱1,613,262,438

	Parent Company				
	2009				
	Corporate Lending	Unquoted commercial papers	Accrued interest receivables	Account Receivables	Total
At January 1, 2009	₱32,841,541	₱166,190,784	₱72,572,885	₱83,442,098	₱355,047,308
Transfers/others	-	8,608,686	-	-	8,608,686
At December 31, 2009 (Note 9)	₱32,841,541	₱174,799,470	₱72,572,885	₱83,442,098	₱363,655,994
Individual impairment	₱31,161,697	₱174,799,470	₱70,857,164	₱83,323,702	₱360,142,033
Collective impairment	1,679,844	-	1,715,721	118,396	3,513,961
	₱32,841,541	₱174,799,470	₱72,572,885	₱83,442,098	₱363,655,994
Gross amount of loans and receivables individually determined to be impaired, before deducting any individually assessed credit losses	₱904,772,991	₱456,250,000	₱97,297,523	₱83,528,794	₱1,541,849,308

	Parent Company				
	2008				
	Corporate Lending	Unquoted Commercial papers	Accrued interest receivables	Accounts receivables	Total
At January 1, 2008	₱150,084,378	₱293,550,105	₱20,275,564	₱85,058,108	₱548,968,155
Recoveries	(117,516,136)	(70,361,186)	-	-	(187,877,322)
Accounts written-off	-	-	-	(1,347,525)	(1,347,525)
Transfers/others	273,299	(56,998,135)	52,297,321	(268,485)	(4,696,000)
At December 31, 2008 (Note 9)	₱32,841,541	₱166,190,784	₱72,572,885	₱83,442,098	₱355,047,308
Individual impairment	₱32,841,541	₱166,190,784	₱72,572,885	₱83,442,098	₱355,047,308
Collective impairment	-	-	-	-	-
	₱32,841,541	₱166,190,784	₱72,572,885	₱83,442,098	₱355,047,308
Gross amount of loans and receivables individually determined to be impaired, before deducting any individually assessed credit losses	₱943,222,991	₱456,250,000	₱100,689,758	₱83,494,835	₱1,583,657,584

In 2009, the Group and the Parent Company recognized ₱171.7 million of provision for impairment losses on quoted equity securities classified under AFS investments (see Note 8).

15. Bills Payable

This account consists of:

	2009	2008
Deposit substitutes		
Promissory notes issued	₱38,946,458,315	₱35,026,748,961
Repurchase agreements	10,310,876,895	414,398,856
Borrowing with a local bank	500,000,000	500,000,000
Interbank call loans	290,000,000	2,000,000,000
	₱50,047,335,210	₱37,941,147,817

Deposit substitutes have maturities of 15-364 days and bear annual interest rates ranging from 2.3% to 8.0%, 2.0% to 8.0% and 1.5% to 8.0% in 2009, 2008 and 2007, respectively.

The carrying values of financial assets pledged as collateral to securities sold under agreement to repurchase and classified under AFS debt securities and unquoted commercial papers amounted to ₱7.7 billion and ₱2.6 billion, respectively, as of December 31, 2009 and nil and ₱414.4 million, respectively, as of December 31, 2008 (see Notes 8 and 9). The repurchase agreements are not negotiable and are not automatically renewed at maturity.

Borrowing with a local bank is a long-term borrowing that has a term of 7 years and bears an annual interest of 6.2%.

Interbank call loans are short-term borrowings that have terms of 1-5 days and bear annual interests ranging from 4.1% to 6.3%, 5.0% to 6.3% and 5.0% to 7.0% in 2009, 2008 and 2007, respectively.

Interest expense on bills payable of the Group and the Parent Company follow:

	2009	2008	2007
Deposit substitutes			
Promissory notes issued	₱1,782,967,227	₱1,562,453,327	₱971,803,762
Repurchase agreements	169,634,283	37,983,139	50,401,739
Interbank call loan	54,003,194	29,679,170	5,548,524
Borrowing with a local bank	33,040,572	32,209,723	62,132,981
Securities sold under agreement to repurchase	-	18,053,267	7,532,414
	₱2,039,645,276	₱1,680,378,626	₱1,097,419,420

Under BSP Circular No. 632, deposit substitutes are subject to liquidity and statutory reserves of 11.0% and 8%, respectively, starting November 6, 2008. As of December 31, 2009 and 2008, available reserves as reported to the BSP follow:

	2009	2008
Cash and other cash items	₱7,343,021,749	₱4,798,182,516
Due from BSP	1,965,000,000	1,916,100,000
	₱9,308,021,749	₱6,714,282,516

As of December 31, 2009 and 2008, the Parent Company was in compliance with the regulations on reserve requirements.

16. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Financial liabilities (Note 19)				
Accrued interest payable	₱161,431,476	₱208,503,873	₱161,762,068	₱209,530,368
Accrued other expenses payable	19,133,878	41,458,120	11,933,647	24,117,002
	180,565,354	249,961,993	173,695,715	233,647,370
Nonfinancial liabilities (Note 19)				
Accrued taxes and licenses	28,336,996	13,731,574	26,818,782	13,590,564
Retirement liability (Note 22)	10,173,481	4,676,817	8,424,840	3,003,929
	38,510,477	18,408,391	35,243,622	16,594,493
	₱219,075,831	₱268,370,384	₱208,939,337	₱250,241,863

17. Bonds Payable

Details of this account follow:

	2009	2008
Bonds payable	₱150,000,000	₱150,000,000
Less bonds held by a subsidiary	94,800,000	88,800,000
	₱55,200,000	₱61,200,000

On July 12, 2007, the Parent Company issued Floating Rate Bonds (FRB) amounting to ₱150.0 million which will mature on July 12, 2011. These were issued at face value with an initial coupon rate of 4.5% per annum. The FRBs are subject to quarterly repricing starting October 12, 2007 with the repricing rate pegged at the 3-month PDS Treasury Fixing Rate (“PDST-F”) as published in the Philippine Dealing and Exchange Corporation page, plus 0.25% margin. The interest is to be paid every quarter starting October 12, 2007.

FRBs are offered pursuant to Section 92 of the Securities Regulation Code (SRC) and Rule 9.2 of the SRC Rules as confirmed by a “Certification of Exemption” dated February 21, 2007, issued by the Philippine Securities and Exchange Commission (SEC). Under this rule, the SEC certificate of exemption may substitute for the SEC Approval required under Subsection 4217Q of the Manual of Regulations for Non-Bank Financial Institutions.

The FRBs are in scripless form, offered and sold in principal amounts of ₱500,000 and in integral amounts of ₱100,000 in excess of the first ₱500,000. The total principal amount of FRBs offered and sold to the bondholders are up to ₱2.0 billion.

The Parent Company, as issuer, is required to maintain at all times a required collateral value of at least 100% of the face value of the bond liability. As of December 31, 2009 and 2008, the Parent Company’s investment in government bonds (included under ‘AFS investments’) amounting to ₱172.2 million and ₱178.0 million, respectively, are used as collateral for the FRBs issued by the Parent Company (Note 8).

In 2009, 2008 and 2007, interest expense on bonds payable for the Group and the Parent Company amounted to ₱2.6 million, ₱8.3 million and ₱2.6 million, respectively, for the Group and ₱7.2 million, ₱8.3 million and ₱3.2 million, respectively, for the Parent Company.

18. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Financial liabilities (Note 19)				
Premiums payable	₱39,957,593	₱8,358,278	₱300,958	₱276,868
Dividends payable	20,287,932	20,332,765	20,287,932	20,332,765
Subscriptions payable (Notes 26)	9,187,500	15,750,000	18,562,500	25,125,000
Payables for securities purchased	1,784,302	–	86,025,766	–
	71,217,327	44,441,043	125,177,156	45,734,633
Nonfinancial liabilities (Note 19)				
Non-equity minority interest	110,800,553	114,159,455	–	–
Deferred income (Note 26)	44,597,514	44,597,514	44,597,514	44,597,514
Withholding taxes payable (Note 19)	38,943,210	43,369,718	38,192,549	42,403,068
Miscellaneous	12,452,653	7,511,204	556,044	1,174,437
	206,793,930	209,637,891	83,346,107	88,175,019
	₱278,011,257	₱254,078,934	₱208,523,263	₱133,909,652

Non-equity minority interests arise when funds are consolidated and where the Group holds less than 100% of the investment in those funds. When this occurs, the Group acquires a liability in respect of minority interests in the funds of which the Group has control. Such minority interests are distinguished from equity minority interests in that the Group does not hold an equity stake in such funds.

19. Maturity Analysis of Financial and Nonfinancial Assets and Liabilities

The following tables present the assets and liabilities of the Group and of the Parent Company by contractual maturity and settlement dates as of December 31, 2009 and 2008:

	Consolidated					
	2009			2008		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets						
Cash and other cash items	P8,156,812,303	P-	P8,156,812,303	P5,597,441,874	P-	P5,597,441,874
Due from BSP	1,965,000,000	-	1,965,000,000	1,916,100,000	-	1,916,100,000
IBLR and SPURA	-	-	-	1,430,000,000	-	1,430,000,000
Financial assets FVPL (Note 8)	503,827,997	1,386,131,000	1,889,958,997	376,451,348	45,277,462	421,728,810
AFS - at market (Note 8)	-	21,127,812,669	21,127,812,669	387,105,990	8,759,112,112	9,146,218,102
HTM - at amortized cost (Note 8)	2,437,278,231	1,298,543,499	3,735,821,730	-	3,756,141,902	3,756,141,902
Loans and receivables - at gross (Note 9)	1,672,161,480	11,324,087,741	12,996,249,221	6,462,005,205	9,829,344,471	16,291,349,676
	14,735,080,011	35,136,574,909	49,871,654,920	16,169,104,417	22,389,875,947	38,558,980,364
Nonfinancial Assets						
Investments in subsidiaries, associates and joint venture (Note 11)	-	9,233,251,366	9,233,251,366	-	6,935,851,106	6,935,851,106
Investment properties (Note 12)	-	807,364,561	807,364,561	-	866,901,087	866,901,087
Property and equipment (Note 10)	-	78,901,361	78,901,361	-	80,264,354	80,264,354
Deferred tax assets (Note 25)	-	8,526,242	8,526,242	-	3,702,731	3,702,731
Other assets (Note 13)	-	248,437,090	248,437,090	-	220,567,367	220,567,367
	-	10,376,480,620	10,376,480,620	-	8,107,286,645	8,107,286,645
Allowance for impairment and credit losses (Note 14)	-	(671,783,204)	(671,783,204)	-	(500,757,123)	(500,757,123)
Unearned interest and discounts (Note 9)	-	(43,276)	(43,276)	-	(1,985,666)	(1,985,666)
	-	(671,826,480)	(671,826,480)	-	(502,742,789)	(502,742,789)
	P14,735,080,011	P44,841,229,049	P59,576,309,060	P16,169,104,417	P29,994,419,803	P46,163,524,220
Financial Liabilities						
Bills payable (Note 15)	P49,547,335,210	P500,000,000	P50,047,335,210	P37,441,147,817	P500,000,000	P37,941,147,817
Accrued interest and other expenses payable (Note 16)	180,565,354	-	180,565,354	249,961,993	-	249,961,993
Accounts payable	211,380,284	-	211,380,284	208,517,232	-	208,517,232
Bonds payable	-	55,200,000	55,200,000	-	61,200,000	61,200,000
Derivative Liability (Note 8)	-	138,729,241	138,729,241	5,816,243	110,694,812	116,511,055
Other liabilities (Note 18)	71,217,327	-	71,217,327	44,441,043	-	44,441,043
	50,010,498,175	693,929,241	50,704,427,416	37,949,884,328	671,894,812	38,621,779,140
Nonfinancial Liabilities						
Accrued taxes and other expenses payable (Note 16)	28,336,996	10,173,481	38,510,477	13,731,574	4,676,817	18,408,391
Income taxes payable	5,649,974	-	5,649,974	976,002	-	976,002
Deferred tax liability (Note 25)	-	7,003,924	7,003,924	-	1,728,326	1,728,326
Other liabilities (Note 18)	206,793,930	-	206,793,930	254,078,934	-	254,078,934
	240,780,900	17,177,405	257,958,305	224,345,467	6,405,143	230,750,610
	P50,251,279,075	P711,106,646	P50,962,385,721	P38,174,229,795	P678,299,955	P38,852,529,750

	Parent Company					
	2009			2008		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets						
Cash and other cash items	P7,711,939,172	P-	P7,711,939,172	P5,096,354,904	P-	P5,096,354,904
Due from BSP	1,965,000,000	-	1,965,000,000	1,916,100,000	-	1,916,100,000
IBLR and SPURA (Note 7)	-	-	-	1,430,000,000	-	1,430,000,000
Financial assets at FVPL (Note 8)	964,530	1,802,885,654	1,803,850,184	241,609,460	45,277,462	286,886,922
AFS investments (Note 8)	-	20,726,857,214	20,726,857,214	385,652,347	8,472,973,493	8,858,625,840
HTM investments (Note 8)	2,420,356,113	1,298,543,499	3,718,899,612	-	3,749,989,615	3,749,989,615
Loans and receivables - at gross (Note 9)	1,256,914,818	11,424,420,840	12,681,335,658	6,145,235,799	9,718,862,913	15,864,098,712
	13,355,174,633	35,252,707,207	48,607,881,840	15,214,952,510	21,987,103,483	37,202,055,993
Nonfinancial Assets						
Investments in subsidiaries, associates and joint venture (Note 11)	-	8,430,040,674	8,430,040,674	-	6,448,730,997	6,448,730,997
Investment properties (Note 12)	-	807,364,561	807,364,561	-	806,901,087	806,901,087
Property and equipment (Note 10)	-	67,484,514	67,484,514	-	64,667,753	64,667,753
Other assets (Note 13)	-	201,689,927	201,689,927	-	183,469,976	183,469,976
	-	9,506,579,676	9,506,579,676	-	7,503,769,813	7,503,769,813
Allowance for impairment and credit losses (Note 14)	-	(665,451,312)	(665,451,312)	-	(493,850,328)	(493,850,328)
Unearned interest and discounts (Note 9)	-	(43,276)	(43,276)	-	(133,254)	(133,254)
	-	(665,494,588)	(665,494,588)	-	(493,983,582)	(493,983,582)
	P13,355,174,633	P44,093,792,295	P57,448,966,928	P15,214,952,510	P28,996,889,714	P44,211,842,224
Financial Liabilities						
Bills payable (Note 15)	P49,547,335,210	P500,000,000	P50,047,335,210	P37,441,147,817	P500,000,000	P37,941,147,817
Accrued interest and other expenses payable (Note 16)	173,695,715	-	173,695,715	233,647,370	-	233,647,370
Accounts payable	54,204,967	-	54,204,967	21,386,691	-	21,386,691
Bonds payable (Note 17)	-	150,000,000	150,000,000	-	150,000,000	150,000,000
Derivative liability (Note 8)	-	138,729,241	138,729,241	5,816,243	110,694,812	116,511,055
Other liabilities (Note 18)	125,177,156	-	125,177,156	45,734,633	-	45,734,633
	49,900,413,048	788,729,241	50,689,142,289	37,747,732,754	760,694,812	38,508,427,566
Nonfinancial Liabilities						
Accrued taxes and other expenses payable (Note 16)	26,818,782	8,424,840	35,243,622	13,590,564	3,003,929	16,594,493
Deferred tax liability (Note 25)	-	-	-	-	420,447	420,447
Other liabilities (Note 18)	83,346,107	-	83,346,107	88,175,019	-	88,175,019
	110,164,889	8,424,840	118,589,729	101,765,583	3,424,376	105,189,959
	P50,010,577,937	P797,154,081	P50,807,732,018	P37,849,498,337	P764,119,188	P38,613,617,525

20. Equity

Details of the Parent Company's capital stock as of December 31, 2009 and 2008 follow:

	Shares	Amount
Common stock - P10 par value		
Authorized - 800,000,000 shares		
Issued - 420,869,240 shares		
Issued and paid up capital	420,869,240	P4,208,692,400
Less treasury shares	43,813,090	2,256,151,891
Total issued and outstanding at end of year	377,056,150	P1,952,540,509

Details of the Parent Company's dividend distribution follow:

Date of Declaration	Dividend		Date of BSP Approval	Record Date	Payment Date
	Per Share	Total Amount			
March 22, 2007	1.32	497,714,118	April 13, 2007	April 30, 2007	May 18, 2007
July 31, 2007	1.30	490,172,995	September 23, 2007	October 22, 2007	November 8, 2007

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21. Interest Income

This account consists of interest income on:

	Consolidated			Parent Company		
	2009	2008	2007	2009	2008	2007
AFS investments	₱1,108,571,005	₱433,815,400	₱496,200,006	₱1,101,168,608	₱408,857,800	₱453,043,133
Loans and receivables	969,264,641	1,000,733,178	731,463,379	939,893,602	984,669,699	707,518,750
HTM investments	325,543,036	319,102,545	324,173,206	316,520,995	319,102,545	324,173,206
Deposits with banks	283,443,001	138,855,938	111,490,524	274,103,074	127,564,617	105,399,084
Due from BSP	56,431,744	69,311,079	123,021,612	56,431,744	69,311,079	123,021,612
IBLR and SPURA	44,244,521	161,677,541	281,394,742	44,124,318	161,677,541	281,394,742
Others	8,085	6,565,079	35,086,205	-	6,404,210	35,086,205
	₱2,787,506,033	₱2,130,060,760	₱2,102,829,674	₱2,732,242,341	₱2,077,587,491	₱2,029,636,732

Interest income on loans and receivables include interest income accrued on impaired loans and receivables amounting to ₱24.7 million, ₱32.1 million and ₱20.2 million in 2009, 2008 and 2007, respectively.

22. Retirement Plans

The Parent Company and FMSBC have funded noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The Parent Company's and FMSBC's annual contribution to the retirement plan consists of a payment covering the current service cost, amortization of the unfunded actuarial accrued liability and interest on such unfunded actuarial liability.

The following table shows the assumptions used in the actuarial valuation:

		January 1, 2009				
		Actuarial Assumptions				
	Date of Actuarial Valuation Report	Retirement Age	Average Remaining Working Life	Expected Return on Assets	Salary Rate Increase	Discount Rate
Parent Company	January 1, 2008	55	11	6.0%	10.0%	8.3%
FMSBC	January 1, 2009	55	9	5.0%	10.0%	14.0%

		January 1, 2008				
		Actuarial Assumptions				
	Date of Actuarial Valuation Report	Retirement Age	Average Remaining Working Life	Expected Return on Assets	Salary Rate Increase	Discount Rate
Parent Company	January 1, 2008	55	11	6.0%	10.0%	8.3%
FMSBC	January 1, 2008	55	17	5.0%	8.8%	14.0%

Discount rates used to arrive at the present value of the obligation of the Parent Company and FMSBC as of December 31, 2009 and 2008 follow:

	2009	2008
Parent Company	9.1%	8.3%
FMSBC	9.4%	14.0%

The net retirement liability recognized and shown under 'accrued taxes, interest and other expenses payable' in the Group and the Parent Company's statements of financial position follows:

	FMSBC		Parent Company	
	2009	2008	2009	2008
Present value of funded obligation	₱7,495,300	₱1,464,166	₱89,364,700	₱124,797,342
Fair value of plan assets	(2,507,841)	(2,172,189)	(65,493,526)	(83,678,134)
	4,987,459	(708,023)	23,871,174	41,119,208
Unrecognized actuarial gains (losses)	(3,238,818)	2,380,911	(14,237,635)	(36,416,514)
Unrecognized past service cost - nonvested benefits	-	-	(1,208,699)	(1,698,765)
Net retirement liability (Note 16)	₱1,748,641	₱1,672,888	₱8,424,840	₱3,003,929

The movements in the net retirement liability recognized in FMSBC and the Parent Company's statements of financial position are as follows:

	FMSBC		Parent Company	
	2009	2008	2009	2008
Balance at beginning of year	₱1,672,888	₱763,686	₱3,003,929	(₱604,562)
Retirement expense	332,462	909,202	21,420,911	20,457,787
Contribution paid	(256,709)	-	(16,000,000)	(16,849,296)
Balance at end of year	₱1,748,641	₱1,672,888	₱8,424,840	₱3,003,929

Changes in the present value of the defined benefit obligation are as follows:

	FMSBC		Parent Company	
	2009	2008	2009	2008
Balance at beginning of year	₱1,464,166	₱5,183,630	₱124,797,342	₱102,141,300
Current service cost	476,500	678,958	13,404,800	14,168,100
Interest cost	204,983	453,568	10,370,659	8,487,942
Benefits paid	(256,709)	-	(50,004,293)	-
Actuarial loss (gain)	5,606,360	(4,851,990)	(9,203,808)	-
Balance at end of year	₱7,495,300	₱1,464,166	₱89,364,700	₱124,797,342

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

	FMSBC		Parent Company	
	2009	2008	2009	2008
Balance at beginning of year	₱2,172,189	₱2,363,999	₱83,678,134	₱71,280,345
Expected return on plan assets	108,609	280,868	5,020,688	4,276,821
Contribution paid	256,709	-	16,000,000	16,849,296
Benefits paid	(256,709)	-	(50,004,293)	-
Actuarial gains (loss)	227,043	(472,678)	10,798,997	(8,728,328)
Balance at end of year	₱2,507,841	₱2,172,189	₱65,493,526	₱83,678,134

* SGVMC113832 *

The Parent Company expects to contribute ₱26.8 million to its defined benefit pension plan in 2010.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	FMSBC		Parent Company	
	2009	2008	2009	2008
Fixed-income securities	64.13%	–	34.97%	68.84%
Cash	9.11%	100%	2.35%	6.74%
Equities	26.76%	–	53.10%	22.87%
Others	–	–	9.58%	1.55%
	100.00%	100%	100.00%	100.00%

Equity securities included in the plan assets do not include shares of the Parent Company.

The amounts included in ‘Compensation and fringe benefits’ in the statements of income are as follows:

	FMSBC		Parent Company	
	2009	2008	2009	2008
Current service cost	₱476,500	₱678,958	₱13,404,800	₱14,168,100
Interest cost	204,983	453,568	10,370,659	8,487,942
Expected return on plan assets	(108,609)	(280,868)	(5,020,688)	(4,276,821)
Net actuarial loss (gain) recognized during the year	(240,412)	57,544	2,176,074	1,588,500
Amortization of past service cost	–	–	490,066	490,066
	₱332,462	₱909,202	₱21,420,911	₱20,457,787
Actual return (loss) on plan assets	₱335,652	₱191,810	₱15,819,685	(₱4,451,507)

Amounts for the current and previous years are as follows:

	FMSBC				Parent Company			
	2009	2008	2007	2006	2009	2008	2007	2006
Present value of funded obligation	₱7,495,300	₱1,464,166	₱5,183,630	₱4,242,012	₱89,364,700	₱124,797,342	₱102,141,300	₱60,251,148
Fair value of plan assets	(2,507,841)	(2,172,189)	(2,363,999)	–	(65,493,526)	(83,678,134)	(71,280,345)	(62,544,775)
Funded status	4,987,459	(708,023)	2,819,631	4,242,012	26,208,263	41,119,208	30,860,955	(2,293,627)
Experience adjustment on plan assets	227,043	(472,678)	–	–	10,798,997	(8,728,328)	2,922,679	(11,031,570)
Experience adjustment on plan liabilities	5,606,360	(4,851,990)	146,804	1,652,066	(9,203,808)	–	22,860,652	17,013,165

23. Leases

The Group and the Parent Company lease the premises they occupy. The lease contracts are for periods ranging from two to five years and are renewable upon mutual agreement of parties. Annual lease payments are generally fixed. In 2009, 2008 and 2007, rent expense recognized under ‘Rent, light and water expenses’ in the statements of income amounted to ₱33.1 million, ₱33.0 million and ₱27.5 million, respectively, for the Group, and ₱28.9 million, ₱25.6 million and ₱18.7 million, respectively, for the Parent Company.

Future minimum rentals payable under non-cancellable operating leases of the Group and of the Parent Company as of December 31, 2009 and 2008 are as follows:

	2009	2008
Within one year	₱15,555,078	₱15,837,898
After one year but not more than five years	45,791,187	68,707,817
	₱61,346,265	₱84,545,715

24. Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2009	2008	2007	2009	2008	2007
Professional fees	₱32,426,870	₱28,757,308	₱19,220,885	₱24,920,464	₱16,879,815	₱13,877,996
Broker's commission	19,694,227	1,658,505	-	19,694,227	1,658,505	-
Communication	15,583,004	15,468,971	13,294,650	13,265,428	12,426,110	9,723,488
Security, messengerial and janitorial	11,363,711	11,952,014	10,977,173	9,879,497	8,839,064	7,502,587
Supervision fees	10,627,490	11,914,288	10,653,739	10,627,490	11,914,288	10,653,739
Donations	10,229,750	25,589,700	10,157,500	10,209,750	25,589,700	10,157,500
Insurance	8,407,627	5,853,191	2,897,654	7,556,320	5,285,481	2,602,616
Litigation/asset acquired expenses (Note 12)	7,794,525	4,068,521	9,679,995	7,794,525	4,068,521	9,679,995
Membership dues	6,988,239	6,963,027	4,838,313	6,472,163	6,866,975	4,814,313
Transportation and travel	5,896,127	9,664,262	13,290,764	4,527,827	8,329,051	9,221,168
Stationery and supplies used	4,278,673	5,021,051	6,275,724	3,120,603	3,645,772	3,600,042
Advertising	3,734,368	6,424,860	10,630,580	2,926,993	5,340,693	8,094,136
Repairs and maintenance	1,173,665	1,929,721	1,903,335	725,003	1,427,341	1,307,778
Commission	-	3,250,633	9,664,379	-	-	-
Others	26,561,034	48,960,145	45,610,046	15,593,470	36,487,407	28,236,613
	₱164,759,310	₱187,476,197	₱169,094,737	₱137,313,760	₱148,758,723	₱119,471,971

Miscellaneous expenses - others consists of transfer and exchange fees, fuel and lubricants, fines, penalties and other charges, periodicals and magazines and information technology expenses.

25. Income and Other Taxes

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes.

Income taxes include corporate income tax, as discussed below, and final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

Republic Act (RA) No. 9337, an Act Amending National Internal Revenue Code, provides that effective November 1, 2005, the Regular Corporate Income Tax (RCIT) rate shall be 35% until December 31, 2008. Starting January 1, 2009, the RCIT rate shall be 30%. Interest allowed as a deductible expense is reduced by amount equivalent to 42%, starting November 1, 2005 to December 31, 2008, and 33%, starting January 1, 2009, of interest income subject to final tax.

Starting July 1, 2008, the OSD equivalent to 40% of gross income maybe claimed as an alternative deduction in computing for the RCIT. The Parent Company has elected to claim itemized deductions instead of OSD for its 2009 and 2008 RCIT computations.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1% of net revenue. The regulations also provide for MCIT of 2% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group and Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

The provision for income tax consists of:

	Consolidated			Parent Company		
	2009	2008	2007	2009	2008	2007
Current						
Final tax	P328,803,664	P161,917,853	P300,220,739	P322,495,876	P152,322,945	P282,409,922
Corporate	11,289,694	1,474,155	24,965,254	-	-	-
	340,093,358	163,392,008	325,185,993	322,495,876	152,322,945	282,409,922
Deferred	376,295	1,301,610	11,130,033	-	-	-
	P340,469,653	P164,693,618	P336,316,026	P322,495,876	P152,322,945	P282,409,922

As of December 31, 2009 and 2008, deferred tax assets of the Group represents the tax effect of the allowance for impairment and credit losses and NOLCO of subsidiaries amounting to P8.5 million and P3.7 million, respectively.

The components of deferred tax liabilities - net follows:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Deferred tax liability on:				
Unrealized gain on AFS investments	P7,875,000	P2,975,697	P-	P420,447
Unrealized gain on HFT investments	149,956	-	-	-
	8,024,956	2,975,697	-	420,447
Less deferred tax asset on accrued retirement expense and trading loss on FVPL	1,021,032	1,247,371	-	-
	P7,003,924	P1,728,326	P-	P420,447

As of December 31, 2009 and 2008, the Group and the Parent Company recognized deferred tax liability directly against equity (as a reduction of other comprehensive income) amounting to P7.9 million and P3.0 million, respectively, for the Group and nil and P0.4 million, respectively, for the Parent Company.

The Parent Company and certain subsidiaries did not set up deferred tax assets on the following:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Temporary differences on:				
NOLCO	P1,935,395,841	P1,589,081,915	P1,932,474,316	P1,576,925,544
Allowance for impairment losses	381,099,822	378,164,808	364,885,494	356,276,808
Accumulated depreciation on investment properties	105,378,191	101,157,052	105,378,191	101,157,052
Unrealized loss on AFS investments	4,953	544,819	-	501,247
Carryforward benefits of MCIT	966,497	14,132	-	-
Unamortized past service cost	4,163,587	4,653,653	5,734,872	6,224,938
	P2,427,008,891	P2,073,616,379	P2,408,472,873	P2,041,085,589

The Group believes that it is not reasonably probable that these temporary differences will be realized in the future.

As of December 31, 2009 and 2008, deferred tax liabilities have not been recognized on the undistributed earnings of certain subsidiaries and associates, and the related equity in translation adjustment since such amounts are not taxable.

Details of the Parent Company's NOLCO follow:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2006	₱615,402,015	₱615,402,015	₱-	2009
2007	278,139,865	-	278,139,865	2010
2008	683,383,664	-	683,383,664	2011
2009	970,950,787	-	970,950,787	2012
	₱2,547,876,331	₱615,402,015	₱1,932,474,316	

A reconciliation between the statutory income tax and effective income tax follows:

	Consolidated			Parent Company		
	2009	2008	2007	2009	2008	2007
Statutory income tax rate	30.00%	35.00%	35.00%	30.00%	35.00%	35.00%
Tax effects of:						
Tax-exempt and tax-paid income	(29.79)	(79.01)	(44.03)	(41.86)	(50.88)	(50.07)
Equity in earnings of investees	(9.37)	(9.75)	(2.19)	-	-	-
Nondeductible expenses	10.90	16.22	6.81	12.44	7.88	8.40
Unrecognized deferred tax assets	25.62	69.54	21.96	26.76	21.61	26.03
Others	(2.51)	(2.78)	1.72	-	-	-
Effective income tax rate	24.85%	29.22%	19.27%	27.34%	13.61%	19.36%

26. Related Party Transactions

In the ordinary course of business, the Group and the Parent Company have transactions with its subsidiaries, associated companies, affiliates, and with certain related interests collectively referred to as directors, officers, stockholders and other related interests (DOSRI). These transactions consist primarily of loan transactions, management contracts, outright purchases and sales of trading and investment securities and other regular banking transactions.

Existing BSP regulations limit the amount of individual loans to DOSRI, of which 70.0% must be secured, to the total amount of their respective deposits and book value of their respective investments in the Parent Company. In the aggregate, loans to DOSRI generally should not exceed the Parent Company's total regulatory capital or 15.0% of the Parent Company's total loan portfolio, whichever is lower.

The following table shows information on loans to DOSRI as of December 31, 2009 and 2008:

	2009	2008	2007
Total outstanding DOSRI loans	₱41,637,429	₱30,748,000	₱29,549,435
Percent of DOSRI loans to total loans	2.6%	0.6%	0.5%
Percent of unsecured DOSRI loans to total DOSRI	17.9%	9.7%	7.9%

Total interest income on DOSRI loans amounted to ₱3.2 million, ₱2.6 million and ₱2.3 million in 2009, 2008 and 2007, respectively.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the Parent Company's net worth, the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.0% of the net worth of the Parent Company. BSP Circular No. 560 is effective February 15, 2007.

In addition to the related party information disclosed elsewhere in the financial statements, these were the following significant related party transactions which were carried out in the normal course of business on terms that prevail in arm's length transactions during the financial year (amounts in thousands):

Related Party	Relationship		Elements of Transactions				
			Statement of Financial Position		Statement of Income		
			2009	2008	2009	2008	2007
Metrobank	Parent Company	Cash and other cash items	₱806,635	₱718,955			
		Bills payable	290,000	2,000,000			
		Accrued interest payable	103	2,500			
		Interest income			₱5,811	₱14,429	₱1,514
		Interest expense			49,751	16,886	-
Global Business Holdings, Inc.	Affiliate	Interest income			-	-	1,662
Toledo Power Corporation	Affiliate	Loans and receivables	186,650	363,500			
		Accrued interest receivable	1,901	3,833			
		Interest income			19,328	18,126	20,196
Panay Power Corporation	Affiliate	Loans and receivables	805,387	838,337			
		Accrued interest receivable	22,772	30,075			
		Interest income			69,083	74,283	70,123
Philippine Savings Bank	Affiliate	Cash and other cash items	2,931,146	2,195,005			
		Interest income			89,805	-	-
Toyota Cubao, Inc. (TCI)	Affiliate	Loans and receivables	200,000	533,200			
		Accrued interest receivable	1,160	3,372			
		Interest income			36,454	72,764	73,386
Toyota Manila Bay Corporation	Affiliate	Subscription payable	9,187	9,187			
		Interest income			-	20,059	47,236
Aurora Towers, Incorporated	Associate	Accounts receivable	44,066	44,032			
PALIC Claredon Tower Holdings Corporation (CTHC)	Affiliate	Management fees			5	5	5
		Accounts payable	1,968	1,967			
CTHC	Affiliate	Loans and receivable	96,929	102,429			
		Accrued interest receivable	1,953	2,646			
		Interest Income			8,654	9,024	-

As of December 31, 2009 and 2008, deferred income of the Group the Parent Company includes gain on sale of its interest in Avon River Holdings to CTHC in 2003 amounting to ₱17.8 million. CTHC is a 100% owned subsidiary of GBPC, a 30% owned company of the Parent Company. The amount of income deferred is up to the extent of Parent Company's effective ownership in CTHC. In 2008, deferred income amounting to ₱50.7 million was reversed due to disposal of 26% of ownership in TCI (see Note 11).

The loans granted are secured by properties of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

No impairment losses have been recorded against outstanding balances with related party during the period.

As of December 31, 2009, investment securities transactions with subsidiaries, affiliates and other related parties of the Group and Parent Company follow:

	Consolidated	Parent Company
Purchase of securities	P10,537,160,934	P9,516,413,263
Sale of securities	14,502,139,540	13,828,780,915

Compensation of key management personnel

The compensation of key management personnel are as follows:

	Consolidated			Parent Company		
	2009	2008	2007	2009	2008	2007
Short-term employee benefits	P80,514,521	P73,687,889	P57,224,146	P77,811,715	P68,249,640	P54,708,844
Post employment benefits	11,031,599	11,445,002	7,424,622	10,884,866	11,431,400	7,412,260
	P91,546,120	P85,132,891	P64,648,768	P88,696,581	P79,681,040	P62,121,104

27. Commitments and Contingent Accounts

The Group, specifically associates, are defendants in legal actions arising from normal business activities. Management believes that the ultimate liability, if any, resulting from these cases will not materially affect the Group's financial position and performance.

28. Financial Performance

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

	2009	2008	2007
Return on average equity	14.38%	20.55%	20.93%
Return on average assets	1.63	2.47	3.33
Net interest margin over average earning assets	1.67	1.42	4.15

29. Earnings Per Share

EPS were computed as follows:

	Consolidated		
	2009	2008	2007
a. Net income attributable to equity holdings of the Parent Company	P1,022,612,919	P399,707,120	P1,407,383,719
b. Weighted average number of common shares (Note 20)	377,056,150	377,056,150	377,056,150
c. Basic/Diluted EPS (a/b)	P2.71	P1.06	P3.73

As of December 31, 2009, 2008 and 2007, there are no shares that have a dilutive effect on the basic EPS of the Parent Company.

30. Approval for the Release of the Financial Statements

The accompanying financial statements were authorized for issue by the Parent Company's BOD on February 18, 2010.