

ANNUAL REPORT 2021



ORIX

ORIX METRO

Leasing and Finance Corporation
Metrobank Group

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
ORIX METRO Leasing and Finance Corporation
21st Floor, GT Tower International
Ayala Avenue corner H.V. dela Costa Street,
Makati City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of ORIX METRO Leasing and Finance Corporation and its subsidiaries (the Group) and the parent company financial statements of ORIX METRO Leasing and Finance Corporation (the Parent Company), which comprise the consolidated and parent company statements of financial position as at September 30, 2021 and 2020, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended September 30, 2021, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at September 30, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Applicable to the Audit of the Consolidated and Parent Company Financial Statements

Allowance for expected credit losses (ECL)

The Group's and Parent Company's ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and other loan restructuring; determining assumptions to be used in the ECL model such as the internal risk rating and the expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating the ECL.

Refer to Notes 3, 4 and 16 of the financial statements for the disclosures on the details of the allowance for credit losses using the ECL model.

Audit Response

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

We (a) assessed the new segmentation adopted by the Group and the Parent Company of its credit risk exposures based on homogeneity of credit risk characteristics; (b) verified the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, including overlay applied by management to consider impact of the coronavirus pandemic on the counterparties, (c) performed statistical testing on probability-of-default (PD) rates; (d) tested the Group's and the Parent Company's application of its internal rating model in assigning score and PD rates to credit exposures, by reviewing ratings of sample credit exposures; (e) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (f) tested loss given default by inspecting historical recoveries and related costs, write-offs, collateral valuations and the effects of any financial support and credit enhancements provided by any party; (g) tested exposure at default considering outstanding commitments and repayment scheme; (h) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (i) tested the effective interest rate used in discounting the expected loss.

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

We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the financial statements.

We involved our internal specialists in the performance of the above procedures.

Realizability of deferred tax assets

The recognition of deferred tax assets is significant to our audit because it requires significant judgment and is based on assumptions such as availability of future taxable income and the timing of the reversal of the temporary differences affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company.

The estimation uncertainty on the Group's and the Parent Company's expected performance has increased as a result of the uncertainties brought about by the coronavirus pandemic.

The disclosures in relation to deferred income taxes are included in Note 28 of the financial statements.

Audit Response

We tested the temporary differences identified by the Group and the Parent Company and the applicable tax rate. We also re-performed the calculation of the deferred tax assets. We reviewed management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the growths rates in loan portfolio and level of borrowings to the historical performance of the Group and the Parent Company and the industry, including future market circumstances taking into consideration the impact associated with the coronavirus pandemic.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A and Annual Report for the year ended September 30, 2021, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 17-A and Annual Report for the year ended September 30, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1075 in Note 35 and Revenue Regulations 15-2010 in Note 36 to the financial statements is presented for purposes of filing with the BSP and the Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of ORIX METRO Leasing and Finance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ray Francis C. Balagtas.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

Tax Identification No. 216-950-288

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 108795-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8534218, January 4, 2021, Makati City

December 17, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
ORIX METRO Leasing and Finance Corporation

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of ORIX METRO Leasing and Finance Corporation and its subsidiaries (the Group) and the parent company financial statements of ORIX METRO Leasing and Finance Corporation (the Parent Company), which comprise the consolidated and parent company statements of financial position as at September 30, 2021 and 2020, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended September 30, 2021, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at September 30, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

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Refer to Notes 3, 4 and 16 of the financial statements for the disclosures on the details of the allowance for credit losses using the ECL model.

Audit Response

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

We (a) assessed the new segmentation adopted by the Group and the Parent Company of its credit risk exposures based on homogeneity of credit risk characteristics; (b) verified the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, including overlay applied by management to consider impact of the coronavirus pandemic on the counterparties, (c) performed statistical testing on probability-of-default (PD) rates; (d) tested the Group's and the Parent Company's application of its internal rating model in assigning score and PD rates to credit exposures, by reviewing ratings of sample credit exposures; (e) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (f) tested loss given default by inspecting historical recoveries and related costs, write-offs, collateral valuations and the effects of any financial support and credit enhancements provided by any party; (g) tested exposure at default considering outstanding commitments and repayment scheme; (h) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (i) tested the effective interest rate used in discounting the expected loss.

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

We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the financial statements.

We involved our internal specialists in the performance of the above procedures.

Realizability of deferred tax assets

The recognition of deferred tax assets is significant to our audit because it requires significant judgment and is based on assumptions such as availability of future taxable income and the timing of the reversal of the temporary differences affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company.

The estimation uncertainty on the Group's and the Parent Company's expected performance has increased as a result of the uncertainties brought about by the coronavirus pandemic.

The disclosures in relation to deferred income taxes are included in Note 28 of the financial statements.

Audit Response

We tested the temporary differences identified by the Group and the Parent Company and the applicable tax rate. We also re-performed the calculation of the deferred tax assets. We reviewed management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the growth rates in loan portfolio and level of borrowings to the historical performance of the Group and the Parent Company and the industry, including future market circumstances taking into consideration the impact associated with the coronavirus pandemic.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A and Annual Report for the year ended September 30, 2021, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 17-A and Annual Report for the year ended September 30, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1075 in Note 35 and Revenue Regulations 15-2010 in Note 36 to the financial statements is presented for purposes of filing with the BSP and the Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of ORIX METRO Leasing and Finance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ray Francis C. Balagtas.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

Tax Identification No. 216-950-288

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 108795-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8534218, January 4, 2021, Makati City

December 17, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
ORIX METRO Leasing and Finance Corporation
21st Floor, GT Tower International
Ayala Avenue corner H.V. dela Costa Street,
Makati City

We have audited the accompanying financial statements of ORIX METRO Leasing and Finance Corporation as of and for the year ended September 30, 2021, on which we have rendered the attached report dated December 17, 2021.

In compliance with Securities Regulation Code Rule 68, we are stating that the above Company has three (3) stockholders owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 108795-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8534218, January 4, 2021, Makati City

December 17, 2021

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
ORIX METRO Leasing and Finance Corporation
21st Floor, GT Tower International
Ayala Avenue corner H.V. dela Costa Street,
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of ORIX METRO Leasing and Finance Corporation (the Parent Company) as at September 30, 2021 and 2020, and for each of the three years in the period ended September 30, 2021, included in this Form 17-A and have issued our report thereon dated December 17, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements are the responsibility of the Parent Company's management. These schedules are presented for the purpose of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 108795-SEC (Group A)
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SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8534218, January 4, 2021, Makati City

December 17, 2021

INDEPENDENT AUDITORS' REPORT COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
ORIX METRO Leasing and Finance Corporation
21st Floor, GT Tower International
Ayala Avenue corner H.V. dela Costa Street,
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of ORIX METRO Leasing and Finance Corporation (the Parent Company) as at September 30, 2021 and 2020, and for each of the three years in the period ended September 30, 2021 and have issued our report thereon dated December 17, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at September 30, 2021 and 2020 and for each of the three years in the period ended September 30, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 108795-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8534218, January 4, 2021, Makati City

December 17, 2021

**ORIX METRO LEASING AND FINANCE CORPORATION
AND SUBSIDIARIES**

STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	As of September 30			
	2021	2020	2021	2020
ASSETS				
Cash and Cash Equivalents (Notes 6 and 28)	₱705,457,969	₱661,138,070	₱513,394,855	₱410,037,354
Due from Bangko Sentral ng Pilipinas (Note 7)	9,871,410,225	7,572,771,492	9,871,410,225	7,572,771,492
Securities Purchased Under Repurchase Agreements (Note 7)	365,663,589	1,925,410,260	365,663,589	1,925,410,260
Financial Assets at Fair Value through Other Comprehensive Income (Note 8)	1,145,018	1,112,282	1,145,018	1,112,282
Loans and Receivables (Note 9)	21,247,639,996	31,227,249,574	20,814,087,559	30,858,051,999
Investments in Subsidiaries (Note 10)	–	–	2,116,372,223	1,817,170,848
Property and Equipment (Note 11)	298,408,986	352,543,503	73,400,228	122,182,033
Equipment for Lease (Note 12)	2,328,069,879	2,246,500,852	–	–
Right-of-Use Assets (Note 27)	228,227,300	217,328,415	247,380,884	247,210,119
Investment Properties (Note 13)	531,061,004	525,407,752	32,787,526	32,787,526
Prepaid Expenses (Note 14)	144,058,346	99,355,541	75,686,410	46,354,130
Deferred Tax Assets (Note 28)	424,411,895	350,307,194	372,242,799	291,821,382
Other Assets (Note 15)	987,146,698	618,377,671	642,318,521	265,529,318
	₱37,132,700,905	₱45,797,502,606	₱35,125,889,837	₱43,590,438,743
LIABILITIES AND EQUITY				
Liabilities				
Bills Payable (Notes 17 and 31)	₱19,839,663,394	₱27,423,038,492	₱18,439,209,504	₱25,905,373,327
Bonds Payable (Note 17)	4,156,532,025	4,135,518,440	4,156,532,025	4,135,518,440
Deposits on Lease Contracts (Note 20)	1,158,427,752	1,492,893,174	1,063,367,062	1,390,212,815
Accounts Payable and Other Liabilities (Note 18)	1,934,693,373	1,993,625,582	1,397,713,159	1,373,220,145
Lease Liability (Note 27)	239,691,488	232,688,856	262,499,468	266,252,347
Income Tax Payable (Note 28)	65,156,864	225,595,943	65,758,166	225,565,470
Derivative Liabilities (Note 19)	432,521,459	1,577,666,794	432,521,459	1,577,666,794
Deferred Tax Liabilities (Note 28)	196,643	500,964	–	–
	₱27,826,882,998	₱37,081,528,245	₱25,817,600,843	₱34,873,809,338
Equity				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock (Note 22)	₱7,143,891,700	₱7,143,891,700	₱7,143,891,700	₱7,143,891,700
Retained earnings (Note 22)	2,335,183,771	2,169,214,781	2,335,183,771	2,169,214,781
Net unrealized losses on equity financial assets at fair value through other comprehensive income (Note 8)	(257,303)	(290,039)	(257,303)	(290,039)
Cash flow hedge reserve (Note 19)	(120,521,813)	(427,879,157)	(120,521,813)	(427,879,157)
Remeasurement losses on retirement plan (Notes 10 and 26)	(50,007,361)	(168,307,880)	(50,007,361)	(168,307,880)
	9,308,288,994	8,716,629,405	9,308,288,994	8,716,629,405
Non-controlling interest	(2,471,087)	(655,044)	–	–
	9,305,817,907	8,715,974,361	9,308,288,994	8,716,629,405
	₱37,132,700,905	₱45,797,502,606	₱35,125,889,837	₱43,590,438,743

See accompanying Notes to Financial Statements.

**ORIX METRO LEASING AND FINANCE CORPORATION
AND SUBSIDIARIES**

STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended September 30					
	2021	2020	2019	2021	2020	2019
REVENUES						
Financing (Notes 9 and 29)	₱2,864,358,422	₱4,243,744,532	₱4,595,417,713	₱2,864,358,422	₱4,243,744,532	₱4,595,417,713
Leasing (Notes 9, 12, 13 and 27)	1,683,355,513	1,807,947,112	1,895,256,273	326,516,348	442,536,295	481,014,138
Services (Note 23)	378,981,450	395,799,236	504,210,059	33,910,333	53,210,802	122,753,715
	4,926,695,385	6,447,490,880	6,994,884,045	3,224,785,103	4,739,491,629	5,199,185,566
SHARE IN NET INCOME OF SUBSIDIARIES (Note 10)	—	—	—	350,524,048	265,358,236	312,600,905
OTHER INCOME (Note 24)	856,132,758	649,450,808	722,083,687	531,765,276	456,658,862	324,573,896
TOTAL INCOME	5,782,828,143	7,096,941,688	7,716,967,732	4,107,074,427	5,461,508,727	5,836,360,367
General and administrative expenses (Note 25)	3,272,483,721	3,151,284,773	3,271,389,608	1,774,235,382	1,720,190,011	1,690,220,506
Interest and financing charges (Notes 17, 19, 27 and 29)	1,621,831,387	2,245,469,396	2,575,004,340	1,556,639,753	2,144,510,628	2,416,665,010
Provision for credit and impairment losses (Note 16)	707,655,929	1,429,415,418	363,172,205	704,634,930	1,426,913,275	352,728,722
TOTAL EXPENSES	5,601,971,037	6,826,169,587	6,209,566,153	4,035,510,065	5,291,613,914	4,459,614,238
INCOME BEFORE INCOME TAX	180,857,106	270,772,101	1,507,401,579	71,564,362	169,894,813	1,376,746,129
PROVISION FOR (BENEFIT FROM)INCOME TAX (Note 28)	16,704,159	51,354,404	415,461,401	(94,404,628)	(50,869,826)	300,720,130
NET INCOME	₱164,152,947	₱219,417,697	₱1,091,940,178	₱165,968,990	₱220,764,639	₱1,076,025,999
Attributable to:						
Equity holders of the Parent Company	₱165,968,990	₱220,764,639	₱1,076,025,999			
Non-controlling interest	(1,816,043)	(1,346,942)	6,538,233			
	₱164,152,947	₱219,417,697	₱1,082,564,232			

See accompanying Notes to Financial Statements.

**ORIX METRO LEASING AND FINANCE CORPORATION
AND SUBSIDIARIES**

STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended September 30					
	2021	2020	2019	2021	2020	2019
NET INCOME	₱164,152,947	₱219,417,697	₱1,091,940,178	₱165,968,990	₱220,764,639	₱1,076,025,999
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Other comprehensive income</i>						
<i>(loss), net of income tax, to be reclassified in profit or loss in subsequent periods:</i>						
Changes in cash flow hedge reserve (Notes 19 and 28)	307,357,344	5,104,501	(421,042,804)	307,357,344	5,104,501	(421,042,804)
<i>Other comprehensive income (loss), net of income tax, not to be reclassified in profit or loss in subsequent periods:</i>						
Change in net unrealized loss on equity financial assets at fair value through other comprehensive income (Note 8)	32,736	19,872	(20,928)	32,736	19,872	(20,928)
Remeasurement gains (losses) on retirement plan (Notes 26 and 28)	118,300,519	(27,533,275)	(129,849,715)	100,623,192	(32,338,116)	(107,543,208)
Share in remeasurement gains (losses) on retirement plan of subsidiaries (Notes 10 and 26)	–	–	–	17,677,327	4,804,841	(22,306,507)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	425,690,599	(22,408,902)	(550,913,447)	425,690,599	(22,408,902)	(550,913,447)
TOTAL COMPREHENSIVE INCOME	₱589,843,546	₱197,008,795	₱541,026,731	₱591,659,589	₱198,355,737	₱525,112,552
Attributable to:						
Equity holders of the Parent Company	₱591,659,589	₱198,355,737	₱534,488,498			
Non-controlling interest	(1,816,043)	(1,346,942)	6,538,233			
	₱589,843,546	₱197,008,795	₱541,026,731			

See accompanying Notes to Financial Statements.

**ORIX METRO LEASING AND FINANCE CORPORATION
AND SUBSIDIARIES**

STATEMENTS OF CHANGES IN EQUITY

	Consolidated							
	Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 22)	Retained Earnings (Note 22)	Net Unrealized Losses on Fair Value through Other Comprehensive Income (Note 8)	Remeasure-ment Gains (Losses) on Retirement Plan (Note 26)	Cash Flow Hedge Reserve (Note 19)	Total	Non-controlling Interest	Total Equity
Balances at September 30, 2020	₱7,143,891,700	₱2,169,214,781	(₱290,039)	(₱168,307,880)	(₱427,879,157)	₱8,716,629,405	(₱655,044)	₱8,715,974,361
Net income	-	165,968,990	-	-	-	165,968,990	(1,816,043)	164,152,947
Other comprehensive income	-	-	32,736	118,300,519	307,357,344	425,690,599	-	425,690,599
Total comprehensive income (loss)	-	165,968,990	32,736	118,300,519	307,357,344	591,659,589	(1,816,043)	589,843,546
Balances at September 30, 2021	₱7,143,891,700	₱2,335,183,771	(₱257,303)	(₱50,007,361)	(₱120,521,813)	₱9,308,288,994	(2,471,087)	₱9,305,817,907
Balances at September 30, 2019	₱6,212,079,700	₱2,889,580,262	(₱309,911)	(₱140,774,605)	(₱432,983,658)	₱8,527,591,788	₱1,091,898	₱8,528,683,686
Net income	-	220,764,639	-	-	-	220,764,639	(1,346,942)	219,417,697
Other comprehensive income (loss)	-	-	19,872	(27,533,275)	5,104,501	(22,408,902)	-	(22,408,902)
Total comprehensive income (loss)	-	220,764,639	19,872	(27,533,275)	5,104,501	198,355,737	(1,346,942)	197,008,795
Stock dividends distributed (Note 22)	931,812,000	(931,812,000)	-	-	-	-	-	-
Share issuance costs paid	-	(9,318,120)	-	-	-	(9,318,120)	-	(9,318,120)
Cash dividends paid to the non-controlling interest	-	-	-	-	-	-	(400,000)	(400,000)
Balances at September 30, 2020	₱7,143,891,700	₱2,169,214,781	(290,039)	(₱168,307,880)	(₱427,879,157)	₱8,716,629,405	(₱655,044)	₱8,715,974,361
Balances at October 1, 2018	4,314,851,900	3,730,479,465	(288,983)	(10,924,890)	(11,940,854)	8,022,176,638	(₱5,446,335)	8,016,730,303
Net income	-	1,085,401,945	-	-	-	1,085,401,945	6,538,233	1,091,940,178
Other comprehensive (loss)	-	-	(20,928)	(129,849,715)	(421,042,804)	(550,913,447)	-	(550,913,447)
Total comprehensive income (loss)	-	1,085,401,945	(20,928)	(129,849,715)	(421,042,804)	534,488,498	6,538,233	541,026,731
Stock dividends distributed (Note 22)	1,897,227,800	(1,897,227,800)	-	-	-	-	-	-
Share issuance costs paid	-	(29,073,348)	-	-	-	(29,073,348)	-	(29,073,348)
Balances at September 30, 2019	₱6,212,079,700	₱2,889,580,262	(₱309,911)	(₱140,774,605)	(₱432,983,658)	₱8,527,591,788	₱1,091,898	₱8,528,683,686

Parent Company

	Capital Stock (Note 22)	Retained Earnings (Note 22)	Net Unrealized Gains (Losses) on Available-for-Sale Financial Assets (Note 8)	Remeasurement Gains (Losses) on Retirement Plan (Note 26)	Cash Flow Hedge Reserve (Note 19)	Total Equity
Balances at October 1, 2020	₱7,143,891,700	₱2,169,214,781	(₱290,039)	(₱168,307,880)	(₱427,879,157)	₱8,716,629,405
Net income	-	165,968,990	-	-	-	165,968,990
Other comprehensive income	-	-	32,736	118,300,519	307,357,344	425,690,599
Total comprehensive income	-	165,968,990	32,736	118,300,519	307,357,344	591,659,589
Balances at September 30, 2021	₱7,143,891,700	₱2,335,183,771	(₱257,303)	(₱50,007,361)	(₱120,521,813)	₱9,308,288,994
Balances at October 1, 2019	₱6,212,079,700	₱2,889,580,262	(₱309,911)	(₱140,774,605)	(₱432,983,658)	₱8,527,591,788
Net income	-	220,764,639	-	-	-	220,764,639
Other comprehensive loss	-	-	19,872	(27,533,275)	5,104,501	(22,408,902)
Total comprehensive income (loss)	-	220,764,639	19,872	(27,533,275)	5,104,501	198,355,737
Stock dividends distributed (Note 22)	931,812,000	(931,812,000)	-	-	-	-
Share issuance costs paid	-	(9,318,120)	-	-	-	(9,318,120)
Balances at September 30, 2020	₱7,143,891,700	₱2,169,214,781	(₱290,039)	(₱168,307,880)	(₱427,879,157)	₱8,716,629,405
Balances at October 1, 2018	4,314,851,900	3,739,855,411	(288,983)	(10,924,890)	(11,940,854)	8,031,552,584
Net income	-	1,076,025,999	-	-	-	1,076,025,999
Other comprehensive loss	-	-	(20,928)	(129,849,715)	(421,042,804)	(550,913,447)
Total comprehensive income (loss)	-	1,076,025,999	(20,928)	(129,849,715)	(421,042,804)	525,112,552
Stock dividends distributed (Note 22)	1,897,227,800	(1,897,227,800)	-	-	-	-
Share issuance costs paid	-	(29,073,348)	-	-	-	(29,073,348)
Balances at September 30, 2019	₱6,212,079,700	₱2,889,580,262	(₱309,911)	(₱140,774,605)	(₱432,983,658)	₱8,527,591,788

See accompanying Notes to Financial Statements.

**ORIX METRO LEASING AND FINANCE CORPORATION
AND SUBSIDIARIES**

STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended September 30					
	2021	2020	2019	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱180,857,106	₱270,772,101	₱1,507,401,579	₱71,564,362	₱169,894,813	₱1,376,746,129
Adjustments for:						
Share in net income of subsidiaries (Note 10)	–	–	–	(350,524,048)	(265,358,236)	(312,600,905)
Depreciation and amortization (Note 25)	1,435,384,878	1,374,354,115	1,356,842,266	457,115,191	365,990,710	339,357,587
Provision for credit and impairment losses (Note 25)	707,655,929	1,429,415,418	363,172,205	704,634,930	1,426,913,275	352,728,722
Net movement in retirement liability	(41,548,678)	(47,506,096)	(74,444,005)	(41,548,678)	(47,506,096)	(72,836,973)
Amortization of debt transaction costs (Note 17)	113,711,068	135,022,707	227,426,401	104,792,871	121,902,737	204,608,201
Interest accretion on lease liabilities	10,457,109	16,781,853	17,917,170	9,349,036	21,184,722	18,243,488
Unrealized foreign exchange loss – net of reclassification adjustment of cash flow hedge reserve	–	(324,207)	–	–	(324,207)	–
Gains on initial recognition of other assets- chattels (Note 24)	(41,874,826)	(23,156,822)	(14,356,251)	(41,874,826)	(23,156,822)	(14,356,251)
Net gains on sale of:						
Equipment for lease (Note 24)	(181,422,267)	(128,874,293)	(194,717,010)	–	–	–
Other assets - chattels (Note 24)	(14,991,081)	(17,674,791)	(30,360,931)	(14,991,081)	(17,599,423)	(30,360,931)
Property and equipment (Note 24)	(15,000)	(37,747)	(2,856,789)	(15,000)	(35,331)	(245,421)
Noncurrent asset held for sale	–	(2,941,223)	(114,138,564)	–	–	–
Investment Property (Note 24)	–	(75,368)	–	–	(75,368)	–
Dividend income	–	–	(6,912)	–	–	(6,912)
Changes in operating assets and liabilities:						
Decrease (increase) in:						
Loans and receivables	8,593,643,159	6,578,844,546	330,697,455	8,661,019,020	6,630,004,611	401,966,115
Prepaid expenses	(44,702,805)	(17,937,441)	16,666,405	(29,332,280)	(11,731,352)	17,104,695
Other assets	13,643,819	66,769,471	(13,138,540)	(5,747,367)	5,345,171	(15,832,061)

(Forward)

	Consolidated			Parent Company		
	Years Ended September 30					
	2021	2020	2019	2021	2020	2019
Increase (decrease) in:						
Bills payable - deposit substitutes	(P2,293,720,439)	(P4,103,815,180)	(P171,188,437)	(P2,303,284,512)	(P4,109,062,500)	(P265,425,264)
Deposits on lease contracts	(334,465,422)	(185,697,239)	114,510,650	(326,845,753)	(180,818,882)	107,618,449
Accounts payable and other liabilities	595,903	(759,138,443)	301,414,086	84,021,126	(747,073,017)	278,647,423
Net cash provided by operations	8,103,208,453	4,584,781,361	3,620,840,778	6,978,332,991	3,338,494,805	2,385,356,091
Income taxes paid	(448,145,134)	(391,699,111)	(509,247,308)	(336,524,525)	(290,477,295)	(391,859,793)
Net cash provided by operating activities	7,655,063,319	4,193,082,250	3,111,593,470	6,641,808,466	3,048,017,510	1,993,496,298
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Equipment for lease (Notes 12 and 31)	(1,130,121,907)	(577,038,458)	(1,099,296,917)	–	–	–
Software (Note 15)	(43,779,276)	(29,901,563)	(36,791,841)	(41,720,101)	(26,492,434)	(16,746,616)
Property and equipment (Notes 11 and 31)	(26,591,567)	(33,594,148)	(102,478,132)	(23,466,075)	(29,437,835)	(95,196,867)
Investment properties (Note 13 and 31)	(12,876,995)	(37,190,516)	(12,209,257)	–	–	(538,424)
Proceeds from sale of:						
Equipment for lease (Notes 12 and 31)	298,688,007	221,235,348	204,769,519	–	–	–
Other assets - chattels (Note 15)	273,499,079	240,003,585	148,138,564	273,499,079	239,928,217	204,769,519
Property and equipment (Note 11)	1,971,659	531,694	5,652,093	978,571	529,257	2,922,900
Non-current assets held for sale	–	5,567,883	310,055,449	–	–	–
Investment properties	–	650,000	–	–	650,000	–
Dividends received (Note 10)	–	–	6,912	69,000,000	100,400,000	168,806,912
Net cash provided by (used in) investing activities	(639,211,000)	(209,736,175)	(582,153,610)	278,291,474	285,577,205	264,017,424
CASH FLOWS FROM FINANCING ACTIVITIES						
Availments of bills payable – bank borrowings net of debt transaction costs	7,170,203,658	8,103,565,253	43,702,986,745	2,779,000,000	4,962,500,000	27,706,243,402
Proceeds from bond issuance net of transactions costs (Note 30)	–	4,116,158,992	–	–	4,116,158,992	–
Settlements of bills payable – bank borrowings	(13,011,185,892)	(14,815,470,362)	(43,730,383,088)	(8,484,288,688)	(11,048,750,000)	(27,478,371,811)
Settlement of derivative liability	(235,955,056)	–	–	(235,955,056)	–	–
Payments of lease liability	(155,703,068)	(129,334,643)	(122,612,214)	(136,606,633)	(144,632,165)	(138,969,661)
Cash dividends paid to non-controlling interest	–	(400,000)	–	–	–	–

(Forward)

	Consolidated			Parent Company		
	Years Ended September 30					
	2021	2020	2019	2021	2020	2019
Share issuance costs paid	₱-	(₱9,318,120)	(₱29,073,348)	₱-	(₱9,318,120)	(₱29,073,348)
Net cash used in financing activities	(6,232,640,358)	(2,734,798,880)	(179,081,905)	(6,077,850,377)	(2,124,041,293)	59,828,582
NET INCREASE IN CASH AND CASH EQUIVALENTS	783,211,961	1,248,547,195	2,350,357,955	842,249,563	1,209,553,422	2,317,342,304
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and cash equivalents	661,138,070	863,963,515	477,693,318	410,037,354	651,856,572	298,602,026
Due from Bangko Sentral ng Pilipinas (BSP)	7,572,771,492	4,136,809,112	6,082,721,354	7,572,771,492	4,136,809,112	6,082,721,354
Securities purchased under resale agreement	1,925,410,260	3,910,000,000	-	1,925,410,260	3,910,000,000	-
	10,159,319,822	8,910,772,627	6,560,414,672	9,908,219,106	8,698,665,684	6,381,323,380
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and cash equivalents	705,457,969	661,138,070	863,963,515	513,394,855	410,037,354	651,856,572
Due from BSP	9,871,410,225	7,572,771,492	4,136,809,112	9,871,410,225	7,572,771,492	4,136,809,112
Securities purchased under resale agreement	365,663,589	1,925,410,260	3,910,000,000	365,663,589	1,925,410,260	3,910,000,000
	₱10,942,531,783	₱10,159,319,822	₱8,910,772,627	₱10,750,468,669	₱9,908,219,106	₱8,698,665,684

OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS

	Consolidated			Parent Company		
	Years Ended September 30					
	2021	2020	2019	2021	2020	2019
Interest received	₱3,396,919,930	₱4,885,368,471	₱5,317,888,560	₱3,395,537,047	₱4,880,235,366	₱5,090,639,892
Interest paid	1,691,644,832	2,380,561,129	2,527,598,444	1,628,215,260	2,270,653,544	2,359,174,255

See accompanying Notes to Financial Statements.

ORIX METRO LEASING AND FINANCE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

ORIX METRO Leasing and Finance Corporation (OMLFC or the Parent Company) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on June 28, 1977. Its primary purpose is to engage in financing by leasing all kinds of real and personal property; to extend credit facilities to consumers and enterprises by discounting commercial papers or accounts receivable, or by buying or selling evidence of indebtedness; and to underwrite securities.

The Parent Company and its subsidiaries' (the Group's) parent company is Metropolitan Bank and Trust Company (MBTC). As of September 30, 2021 and 2020, the Parent Company is owned by Orix Corporation, MBTC and First Metro Investment Corporation (FMIC), a subsidiary of MBTC, with shareholdings of 40%, 40% and 20%, respectively. MBTC is the Ultimate Parent Company of OMLFC.

On August 24, 2007, the Parent Company was authorized by the BSP to engage in quasi-banking functions. The Parent Company engaged in quasi-banking functions effective January 1, 2008 as agreed to by the BSP subject to certain conditions.

The Parent Company issued the first tranche of ₱4.16 billion from its ₱10.00 billion retail bond programme in October 2019. Subsequently, the Parent Company's retail bonds were listed in the Philippine Dealing and Exchange Corporation on November 15, 2019 (see note 17).

The registered office address of the Parent Company is at 21st Floor, GT Tower International, Ayala Avenue corner H.V. dela Costa Street, Makati City.

The accompanying financial statements of the Group and of the Parent Company were approved and authorized for issue by the BOD on December 17, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements include the consolidated financial statements of the Group and the separate financial statements of the Parent Company as of September 30, 2021 and 2020 and for each of the three years in the period ended September 30, 2021.

The financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income (FVOCI) and derivative instrument designated as hedges which are measured at fair value.

Each entity within the Group determines its own functional currency and items reported in their respective financial statements are measured using that functional currency. The functional currency of the Parent Company and all subsidiaries is Philippine Peso (₱). The accompanying financial statements are presented in Philippine peso. All values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

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

Presentation of Financial Statements

The Group and the Parent Company present its statement of financial position broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 21.

Basis of Consolidation

The consolidated financial statements include the financial statements of the following subsidiaries:

<u>Subsidiary</u>	<u>Effective Percentage of Ownership</u>	<u>Industry</u>	<u>Country of Incorporation</u>	<u>Date of Incorporation</u>
OMLF Insurance Agency, Inc. (OIAI)	100.0	Insurance Agency	Philippines	November 11, 1980
OMLF International Trading and Development Corporation (OITDC)	100.0	Real Estate Lease	Philippines	September 25, 1986
ORIX Auto Leasing Philippines Corporation (OALPC)	100.0	Car Lease and Repairs and Maintenance	Philippines	September 14, 1989
ORIX Rental Corporation (ORC)	100.0	Car and Equipment Lease	Philippines	January 28, 1999
OMLF Servicer Corporation (OSC)	60.0	Collection Service	Philippines	December 28, 2007

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company 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.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non-controlling Interests

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests 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 Parent Company's shareholders' equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that do not result in a loss of control are accounted for as equity transactions, whereby any difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new accounting pronouncements which became effective for the Group as of October 1, 2020. Except as otherwise indicated, these changes in the accounting policies did not have any impact on the financial position or performance of the Group.

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

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

The Parent Company has outstanding cross currency swaps (CCS) which were entered into to hedge the interest rate risk and foreign currency risk of its USD denominated floating rate bank borrowings. The Parent Company designated the CCS and the USD denominated floating rate bank borrowings under cash flow hedges. The interest rates of the receive leg of the CCS and the USD denominated floating rate bank borrowings are based on the London Interbank Offered Rates (LIBOR). These amendments to PFRS 7 and PFRS 9 allow continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reform.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

Significant Accounting Policies

Foreign Currency Translation

Transactions and balances

Foreign currency-denominated assets and liabilities are translated to Philippine peso using the Philippine Dealing System (PDS) closing rate prevailing at the reporting date while foreign currency-denominated income and expenses are translated using the PDS exchange rates as at the date of the transaction. Foreign exchange gains or losses arising from foreign currency transactions and

revaluation of foreign currency-denominated assets and liabilities are credited to or charged against profit or loss in the year in which the rates change.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- i. Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
- ii. Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly
- iii. Level 3 - inputs are unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External appraisers are involved for valuation of significant assets, such as investment properties and other assets-chattels.

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in banks, due from BSP and securities purchased under repurchase agreements that are convertible to known amounts of cash and with original maturities of three months or less from dates of placements and which are subject to an insignificant risk of changes in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

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

Initial recognition of financial instruments

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

'Day 1' difference

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

Classification and Subsequent Measurement

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed. As of September 30, 2021 and 2020, the Group has no financial liabilities at FVTPL.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.

Investment securities at FVOCI

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

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (1) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statement of financial position captions 'Cash and Cash Equivalents', 'Due from BSP', 'Interbank loans receivable and securities purchased under resale agreements (SPURA)', and 'Loans and receivables'.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL is recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency-denominated investments are recognized in the statement of income.

Financial liabilities at amortized cost

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

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated at FVTPL, 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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as cross currency interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, , derivatives can be designated either as cash flow hedges or fair value hedges depending on the type of risk exposure it hedges. As of September 30, 2021 and 2020, the Group's outstanding cross currency interest swaps were designated and accounted for as cash flow hedges of its exposure to foreign currency and interest rate risks arising from its dollar denominated borrowings. Refer to Note 19 for more details.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

Hedge effectiveness testing

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

To measure any ineffectiveness in the hedge, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk (e.g., changes in the forward exchange rates or interest rate risk) as represented by a hypothetical derivative. Any hedge ineffectiveness is recognized in the statement of income.

For prospective effectiveness, the hedge accounting shall continue if the effectiveness criteria as of inception are still met on an ongoing basis. The Group performs prospective effectiveness at each reporting date. Further, the Group assess whether the risk management objective for the hedging relationship has changed. When there is a change in risk management objective, the hedge accounting shall be discontinued.

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the statement of income. The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where

the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

Financial liabilities

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

Reverse repurchase agreements

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

Derecognition due to substantial modification of terms and conditions

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. The modification gain or loss is presented under “Financing income” in the statement of income.

For both financial assets and liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Offsetting Financial Instruments

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

Impairment of Financial Assets

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Group's credit exposure are loan receivables, treasury accounts, and other receivables. Loan receivables may be availed by specific individuals, corporations or organizations. Hence, these portfolios are further segmented to commercial and consumer portfolios. After segmentation, financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of "default" and "cure"

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes over 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Significant Increase in Credit Risk (SICR)

In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. If contractual payments are more than thirty (30) days past due, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the

financial asset improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

Staging assessment

For non-credit-impaired financial assets:

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

For credit-impaired financial assets:

- Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. The ECL model requires a lifetime ECL for impaired financial assets.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired (POCI) assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

Assessment of ECL on a collective basis

The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, asset size, type of borrowers) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure-at-default (EAD), and loss-given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual financial asset is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

For receivables under the operating lease arrangements, the Group applies a simplified approach in calculating ECL which does not require tracking of changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group establishes an impairment analysis using a provision matrix that considers historical loss experience, adjusted for forward-looking inputs and assumptions.

Forward-looking information

The Group incorporates forward-looking information in its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as macro-level balance of payments, crude oil prices and other BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Credit-Impaired (or Defaulted) Exposures (Stage 3)

Financial assets that are credit-impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest payments. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider;
- Pending or actual bankruptcy or other financial reorganization to avoid or delay discharge of the borrower's obligation/s;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower; and
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

Loss provisions against credit-impaired financial assets assessed as individually significant are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realization of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

Restructured loans

Where possible, the Group seeks to restructure loans by making concessions or modifications to the original terms of loans as a response to the borrowers' financial difficulties rather than to take possession of collateral. The Group considers a loan forborne or restructured when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy.

Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Restructuring may involve extending the payment arrangements and the agreement of new loan conditions. It is the Group's policy to monitor restructure loans to help ensure that future payments continue to be likely to occur.

If modifications to restructured loans are substantial, the loan is derecognized. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Group also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Once a non-performing loan has been classified as restructured, it will remain non-performing after a total of one year probation.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as 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, commodity 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.

Modified Financial Instruments

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

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered “solely payment for principal and interest”

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

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

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

ECL for modified financial assets that have not been derecognized and are not considered to be credit-impaired will be recognized on a 12-month basis, or a lifetime basis, if there is an SICR. These assets are assessed to determine whether there has been an SICR subsequent to the modification. Although loans may be modified for non-credit reasons, an SICR may occur. In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of ECL.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' in the statement of financial position.

Retained earnings represent all accumulated profits or losses of the Group less dividend distributions to stockholders and other capital adjustments.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the respective Board of Directors (BOD) of the Group. Stock dividends are deducted from retained earnings when approved by the respective BOD and stockholders of the Group. Dividends declared during the year but are approved after the reporting date are dealt with as an event after the reporting period.

Revenue Recognition

The Group is primarily engaged in the financing business and leases under both finance and operating lease arrangements. In addition, the Group also earns income from services such as repairs, maintenance, commissions in their agency transactions, among others. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

To account for the revenues arising from contracts with customers, the Group applies the following five step model.

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

The following are the specific recognition criteria for the Group's revenue:

Leasing income

a) Finance Lease

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed, using the effective interest method.

Unearned lease income ceases to be amortized when the lease contract receivables become past due for more than three months.

b) Operating Lease

Rent income from operating leases is recognized on a straight-line basis over the lease terms on ongoing leases.

Financing income

Finance charges are included in the face value of the notes receivable financed and with a corresponding credit to the unearned finance income account. This is amortized to income over the term of the financing agreement using the effective interest method.

Unearned finance income ceases to be amortized when the notes receivable financed become past due for more than three months.

Commission income

Commissions are recognized as income when the insurance premiums collected from the customers are remitted to the insurance company.

Income from sale of properties and repossessed chattels

Income is recognized upon completion of the earning process (i.e. when the control is transferred to the buyer) and the collectability of the sales price is reasonably assured.

Interest income

Interest income from deposits and interest-bearing derivative instruments is recognized as the interest accrues using effective interest method.

Dividend income

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

Service charges and other miscellaneous income

Service charges are recognized as revenue when the related services are rendered.

Service income on maintenance and fleet management services

Service income related to maintenance and fleet management services are recognized separately from the lease components in the Group's operating lease arrangements. They are stand ready obligations, where the Group is standing ready to provide the services available to the customers to use as and when it decides to do so. Revenue is recognized over-time, measured based on the passage of time (i.e. straight-line basis).

Expense Recognition

Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Group include among others the operating expenses on the Group's operations.

Property and Equipment and Equipment for Lease

Property and equipment and equipment for lease are measured under the cost model. Land and construction-in-progress are stated at cost less impairment in value. Depreciable properties such as building, furniture, fixtures and equipment, leasehold improvements and equipment for lease are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment and equipment for lease comprises their purchase price, including import duties and taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the equipment for lease and property and equipment have been put into operation, such as repairs and maintenance, are normally charged against current operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases or the estimated useful lives of the improvements. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

The estimated useful lives of the depreciable properties are as follows:

Building	30 years
Furniture, fixtures and equipment	3-5 years
Leasehold improvements	5 years or term of the lease, whichever is shorter
Equipment for lease	3-7 years

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

The carrying values of the property and equipment and equipment for lease are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized (see accounting policy on Impairment of Nonfinancial Assets).

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected in 'Net gain (loss) on sale of properties' under 'Other income' in the statement of income.

Investment Properties

Investment properties, which include land and building, are initially recognized at cost including transaction costs.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in 'Net gain (loss) on sale of properties' included under 'Other income' in the statement of income 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 charged against current operations in the year in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the useful life of thirty (30) years from the time of acquisition of the depreciable investment properties.

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

Other Assets - Chattels

Other assets - chattels comprise repossessed vehicles. Other assets – chattel acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such asset cannot be determined, in which case, it is measured at the fair value of the asset given up.

Subsequent to initial recognition, repossessed chattels are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the vehicles. The useful lives of repossessed chattels are estimated to be no longer than three (3) years.

Investments in Subsidiaries

Investments in subsidiaries in the Parent Company's separate financial statements are accounted for under the equity method.

Under the equity method, an investment in subsidiary is carried in the statement of financial position at cost plus post-acquisition changes in the Parent Company's share of the net assets of the subsidiary. Post-acquisition changes in the share of net assets of the subsidiaries include the share in the: (a) income or losses; and (b) other comprehensive income (i.e. remeasurement gains (losses) on retirement plan). Dividends received are treated as a reduction in the carrying amount of the investments.

The statement of income reflects the share of the results of operations of the subsidiary. Where there has been a change recognized directly in the equity of the subsidiary, the Parent Company recognizes its share of any changes and thus, when applicable, discloses in the statement of changes in equity. If the Parent Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Parent Company discontinues recognizing its share in further losses.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the estimated useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income consistent with the function of the intangible asset.

The Group's intangible assets with indefinite useful lives include local vehicle franchise for licensing agreements to operate a tourist rent-a-car service. Such intangible assets are tested for impairment annually either individually or at the CGU level and are not amortized.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Impairment of Nonfinancial Assets

Investments in subsidiaries, property and equipment, equipment for lease, investment properties, other assets – chattels and right-of-use assets

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 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 of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually at reporting date either individually or at the CGU level, as appropriate. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Leases – Lessee Accounting

ROU assets

The Group recognizes ROU assets at the commencement date of the lease. These are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment. See policy on Impairment of Non-financial Assets.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of branch premises (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Group assesses the low-value assets based on the value of the assets when it is new, regardless of the age of the asset being leased. The Group identifies the underlying asset as low value only if:

- the Group can benefit from the use of the underlying asset on its own or together with other resources that are readily available to the Group; and
- the underlying asset is not highly dependent on, or highly interrelated with, other assets.

Lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to renew the lease term. Should these options determined to be enforceable, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Leases – Lessor Accounting

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' account. A lease receivable is recognized at an amount equal to the net investment in the lease. All income resulting from the receivables is included in 'Leasing' 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. Contingent rents are recognized as revenue in the year in which they are earned.

Lease contract modification

This pertains to a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

The Group accounts for a modification to a finance lease as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

- a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group shall:
 - i. account for the lease modification as a new lease from the effective date of the modification; and
 - ii. measure the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification.

- b) otherwise, the Group shall apply the requirements of PFRS 9. The modification gain or loss is presented under “Leasing income” in the statement of income.

Residual Value of Leased Assets and Deposits on Lease Contracts

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of leased assets is generally applied against the guaranty deposit of the Parent Company’s lessee when the lessee decides to buy the leased asset.

Deposits on Operating Leases

Deposits on lease contracts are initially recognized at fair value. Fair values are estimated using the discounted cash flow methodology using applicable rates for similar types of instruments. The excess of the principal amount of the deposit over its fair value is accounted for as deferred lease income under ‘Accounts payable and other liabilities’ in the statement of financial position. This is amortized over the lease term on a straight-line basis and recognized as ‘Rent income’ in the statement of income. Interest accretion on the deposits on lease contracts is accounted for using the effective interest method.

Retirement Cost

Defined benefit plan

The Group has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group’s retirement cost is determined using the projected unit credit method. The retirement cost is generally funded through payments to a trustee-administered fund, determined by periodic actuarial calculations.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in the other comprehensive income account 'Remeasurement gains (losses) on retirement plan' are not reclassified to another equity account in subsequent periods. Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement

Employee entitlement to annual leave is recognized as a liability when the employees render the services that increases their annual leave entitlement. The cost of accumulating annual leave are measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of 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 tax

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

Deferred tax

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

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

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

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognized directly in OCI is also recognized in OCI and not in the statement of income.

Deferred tax assets and 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.

Events After the Reporting Period

Post year-end event that provide additional information about the Group's position at the reporting date (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of the Group's financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS to have significant impact on its financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*
- Annual Improvements to PFRS Standards 2018-2020 Cycle
 - Amendments to PFRS 1, *Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PFRS 16, *Lease Incentives*
 - Amendments to PAS 41, *Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PAS 12, *Deferred tax related to Assets and Liabilities Arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying 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 disclosures of contingent assets and contingent liabilities, if any. 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 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.

Judgments

(a) Determining the lease classification – Group as lessor

The Group has entered into lease arrangements and has determined that it has transferred all the significant risks and rewards of ownership of the properties to the lessees, that at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all the fair value of the leased asset. Accordingly, these are accounted for as finance leases.

The Group has also entered into lease arrangement and has determined that it retains all the significant risks and rewards of ownership of these properties. Accordingly, these are accounted for as operating leases. In determining whether or not the arrangement is an operating lease, 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 and bearer of executory costs, among others.

(b) Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group determined that generally, the options to extend or terminate the lease are not included in the determination of the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.

Estimates

(a) Assessing credit losses on loans and receivables

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows, including collectability, collateral values and other credit enhancements, when determining impairment losses. Additional judgments are also made in assessing whether there is significant increase in credit risk. These estimates are driven by a number of factors, changes of which can result in different levels of allowances.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgements and estimates include:

- the Group's criteria of defining default and for assessing if there has been a significant increase in credit risk;
- the segmentation of financial assets when impairment is assessed on a collective basis;
- development of impairment models, including the various formulas and the choice of inputs;
- determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs; and
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The level of estimation uncertainty has increased since September 30, 2019 as a result of the economic disruption and consequential impact of the Covid-19 pandemic.

For the year ended September 30, 2020, in view of the pandemic, the Group revisited the identification and assessment of significant increases in credit risk and impairment especially for customers who availed and/or requested of the grace periods and extension of payments, belonging to the economic sectors affected by the pandemic, among others.

For the year ended September 30, 2021, the Group re-developed new ECL models to capture changes in the credit risk profile of the Group’s loan exposures and reflect such in the estimation of the expected credit losses. This resulted in new segmentations of the loan exposures and the PD and LGD rates are updated to incorporate the most recent default experience and recovery expectations, respectively.

Furthermore, for both years, the Group revisited its inputs and assumptions in the estimation of the expected credit losses related to the following:

- The set of macro-economic variables affecting the default of its various loan segments;
- The selection and weighting of macro-economic scenarios;
- The uncertainty over the duration and severity of the effect of the pandemic as well as the timing and duration of the recovery; and.

The management also applied its expert credit judgments in evaluating the economic forecasts and reflect such significant uncertainties in the overlay and scenario weighting. Considerations included changes in potential severity and duration of the economic disruption and expectations of economic recovery based on available market and published data, possible medical developments, length of government-imposed lockdowns and the effectiveness of fiscal and monetary policies of the Philippine government.

In view of this, the Group’s macro-economic scenario weightings applied in the ECL estimation changed as follows:

ECL Scenario	Assigned Weightings	
	2021	2020
Base	50%	75%
Best	5%	15%
Worst	45%	10%

The Group’s scenarios are generated based on external consensus forecasts assembled from key sources. In 2021, higher probability weight was placed on worst case scenario as management considers that the pandemic will continue to evolve and not be fully contained by 2022, therefore, potentially derailing ongoing economic recoveries.

The carrying amount of loans and receivables amounted to ₱21.3 billion and ₱20.8 billion for the Group and the Parent Company, respectively, as of September 30, 2021 and ₱31.2 billion and ₱30.9 billion for the Group and the Parent Company, respectively, as of September 30, 2020 (see Note 9). The allowance for credit losses amounted to ₱2.8 billion and ₱2.7 billion for the Group and the Parent Company, respectively, as of September 30, 2021 and ₱2.2 billion for the Group and the Parent Company as of September 30, 2020 (see Note 16).

(b) *Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow with similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not denominated in the functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the credit spread for a stand-alone credit rating).

The carrying amount of the lease liability is ₱239.7 million and ₱262.5 million for the Group and the Parent Company, respectively, as of September 30, 2021 and ₱232.7 million and ₱266.3 million for the Group and the Parent Company, respectively, as of September 30, 2020 (see Note 27).

(c) *Defined benefit retirement plan*

The cost of the defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate single weighted average discount rate, management considers the interest rates of government securities, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

As of September 30, 2021, the net retirement asset and net retirement liability amounted to ₱140.7 million and ₱15.4 million for the Group, respectively, and the net retirement asset amounted to ₱130.1 million for the Parent Company. As of September 30, 2020, the net retirement asset and net retirement liability amounted to ₱13.2 million and ₱100.9 million, respectively, for the Group and the net retirement liability amounted to ₱59.5 million for the Parent Company (see Note 26).

d. *Recognition of deferred tax assets*

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences 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 income.

Management assessed that it is probable that future taxable income will be available to utilize the deferred tax assets, except for the tax benefits from NOLCO, accrued expenses and excess MCIT over RCIT of a subsidiary. As of September 30, 2021 and 2020, the Group did not recognize deferred tax asset amounting to ₱4.0 million and ₱5.3 million for the aforementioned temporary differences (see Note 28).

As of September 30, 2021, the Group's and Parent Company's deferred tax asset amounted to ₱424.4 million and ₱372.2 million, respectively. As of September 30, 2020, the Group's and Parent Company's deferred tax asset amounted to ₱350.3 million and ₱291.8 million, respectively (see Note 28).

4. Financial Risk Management

The Group's financial instruments primarily consists of loans and receivables, deposit balances with counterparty banks, financial liabilities at amortized cost and derivatives designated as part of hedging relationship. The main risks arising from the Group's financial instruments are credit risk, market risk and liquidity risk.

Risk Management Framework

The Group's risk management is a top-down process that starts with the BOD who is responsible for establishing and maintaining a sound risk management system and setting the overall institutional risk tolerance for the Group. The BOD, through the Risk Oversight Committee (ROC) and with the assistance of the Risk Management Department, is actively involved in planning, approving, reviewing, and assessing all risks involved within the Group and is responsible for setting its overall corporate governance strategy and risk appetite.

The Group reviews the policies for managing each risk which are summarized as follows:

(a) Credit Risk

The Group manages credit risk, i.e., the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, by setting limits for individual and group of borrowers and for geographical and industry segments. The Group maintains a general policy of avoiding excessive exposure in any particular sector of the economy.

While the Group actively seeks to increase its exposure in industries which it believes possess attractive growth opportunities, it also actively seeks to reduce its exposure in industries where growth potential is minimal. Although the Group's leasing and loans portfolio is composed of transactions with a wide variety of businesses, the results of operation and financial condition of the Group may be adversely affected by any downturn in these sectors as well as in the Philippine economy in general.

Maximum exposure to credit risk

As of September 30, 2021 and 2020, the maximum exposure to credit risk after taking into account collaterals held or other credit enhancements is shown below:

	2021			
	Consolidated/Parent			
	Maximum Exposure	Fair Value of Collaterals	Net Exposure to Credit Risk	Financial Effect of Collaterals
Receivables from customers:				
Lease contract receivables	P3,370,083,160	P5,558,874,634	P269,597,831	P3,100,485,329
Notes receivable financed:	17,345,861,844	40,059,309,205	2,396,518,752	14,949,343,092
	P20,715,945,004	P45,618,183,839	P2,666,116,583	P18,049,828,422
	2020			
	Consolidated/Parent			
	Maximum Exposure	Fair Value of Collaterals	Net Exposure to Credit Risk	Financial Effect of Collaterals
Receivables from customers:				
Lease contract receivables	P4,808,871,446	P7,394,622,717	P307,439,851	P4,501,431,595
Notes receivable financed:				
Commercial loans	25,182,445,163	55,346,420,941	798,576,563	24,383,868,600
Consumer loans	768,075,945	1,167,151,437	251,408,888	516,667,057
	P30,759,392,554	P63,908,195,095	P1,357,425,302	P29,401,967,252

Deposits on lease contracts are also considered as credit enhancements, as they are applied against any unpaid balances. The details of these deposits on lease are discussed in Note 20.

As of September 30, 2021 and 2020, the Group has no off-balance sheet items that entail credit risk.

Credit risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

An analysis of concentrations of credit risk at the reporting date based on carrying amount of the financial assets (cash and cash equivalents, excluding cash on hand, SPURA and loans and receivables) is shown below:

	Consolidated			
	2021		2020	
	Amount	%	Amount	%
Concentration by Industry				
Financial intermediaries	P10,964,899,128	31.37%	P10,212,891,593	23.4%
Transportation, storage and communication	8,560,416,391	24.49%	11,961,340,197	27.4%
Wholesale and retail trade	5,728,013,649	16.39%	8,092,158,241	18.6%
Construction	5,450,047,359	15.59%	7,591,195,739	17.4%
Agricultural, hunting and forestry	1,534,972,427	4.39%	2,269,862,953	5.2%
Manufacturing (various industries)	1,050,479,051	3.01%	1,461,575,491	3.4%
Other community, social and personal activities	837,146,202	2.40%	881,774,652	2.1%
Mining and quarrying	485,494,381	1.39%	656,883,709	1.5%
Real estate, renting and business activities	309,832,195	0.89%	415,135,892	0.9%
Electricity, gas and water	28,171,848	0.08%	47,412,663	0.1%
	P34,949,472,631	100.0%	P43,590,231,130	100.0%
Less allowance for credit losses (Note 16)	2,760,843,111		2,205,164,953	
	P32,188,629,520		P41,385,066,177	
Concentration by Location				
Metro Manila	P15,497,544,674	44.34%	P15,579,668,303	35.8%
Luzon (except Metro Manila)	11,373,809,394	32.54%	17,222,693,792	39.5%
Mindanao	3,870,066,178	11.07%	4,978,574,725	11.4%
Visayas	4,208,052,385	12.04%	5,809,294,310	13.3%
	P34,949,472,631	100.0%	P43,590,231,130	100.0%
Less allowance for credit losses (Note 16)	2,760,843,111		2,205,164,953	
	P32,188,629,520		P41,385,066,177	
Parent Company				
	2021		2020	
	Amount	%	Amount	%
Concentration by Industry				
Financial intermediaries	P10,773,071,015	31.41%	P9,961,935,878	23.2%
Transportation, storage and communication	8,560,416,391	24.96%	11,961,340,197	27.9%
Wholesale and retail trade	5,728,013,649	16.70%	8,092,158,241	18.8%
Construction	5,450,047,359	15.89%	7,591,195,739	17.7%
Agricultural, hunting and forestry	1,534,972,427	4.48%	2,269,862,953	5.3%
Manufacturing (various industries)	1,050,479,051	3.06%	1,461,575,491	3.4%
Other community, social and personal activities	485,494,380	1.42%	656,883,709	1.5%
Real estate and renting business activities	374,629,016	1.09%	485,939,252	1.1%
Mining and quarrying	309,832,195	0.90%	415,135,892	1.0%
Electricity, gas and water	28,171,848	0.08%	47,412,663	0.1%
	P34,295,127,331	100.0%	42,943,440,015	100.0%
Less allowance for credit losses (Note 16)	2,731,878,362		2,178,527,128	
	P31,563,248,969		P40,764,912,887	

	Parent Company			
	2021		2020	
Concentration by Location				
Metro Manila	₱14,843,199,374	43.28%	₱15,328,712,587	35.7%
Luzon (except Metro Manila)	11,373,809,394	33.16%	16,826,858,392	39.2%
Mindanao	3,870,066,178	11.28%	4,978,574,726	11.6%
Visayas	4,208,052,385	12.27%	5,809,294,310	13.5%
	₱34,295,127,331	100.0%	42,943,440,015	100.00%
Less allowance for credit losses (Note 16)	2,731,878,362		2,178,527,128	
	₱31,563,248,969		₱40,764,912,887	

Management of credit risk

The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, and guarantees the paying performance of its clients. The Group 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 collateral requirements, credit assessment, risk grading and reporting and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities; and
- Limiting concentrations of exposure to counterparties, geographies and industries for loans.

In 2020, the Group formally formed an ECL Steering Committee whose primary function is to act as the Group's governance body to review and approve judgmental matters affecting the ECL estimation.

Group's response to Covid-19 pandemic

Built against the backdrop of addressing potential and prospective losses due to the national government's declaration of enhanced community quarantine (ECQ) and the prolonged lockdown status, the Group's Branch Operations Group, in coordination with the Group's accounts officers under the Marketing Unit established the Business Survival Risk Test (BSRT) whereby the Group's borrowers were rated or given scores based on risk rating scales. The BSRT covers the scoring of the following borrowers' aspects: (1) Financial condition such as financial leverage, revenue/profitability outlook and operating cash flows, (2) Covid-19 industry-impact risk assessment and (3) Management quality which includes historical credit experience in the last 12 months and whether the borrower requested for the additional moratorium. After considering these factors, the borrowers are rated among low, slight, medium, high and very high-risk ratings.

The BSRT is a survey of the over-all financial health of the borrowers and is used to measure how the borrowers withstand the economic shocks as a result of the pandemic. Specifically, the BSRT was developed to determine, among others, the impact of Covid-19 crisis on their current operations and their medium- to long-term viability post Covid-19 crisis. This BSRT is reviewed by the Risk Unit and the results are presented for approval to the Board of Directors. This BSRT is used by the Group in assessing whether the borrower demonstrates significant increase in credit risk in 2020. Please refer to the discussion in Staging Assessment section for more details.

Furthermore, in 2021, the Group revisited its estimation methods to capture the changes in the risk profile and default experience of the credit exposures as a result of the Covid-19 pandemic. Accordingly, the Group has come up with new segmentations and developed new ECL models, which are discussed in the succeeding sections.

Credit quality and impairment assessment

The Group's Risk Management department has applied a credit scoring and overlay models for its loan exposures in assessing impairment. The models incorporate both qualitative and quantitative information specific to the borrower, and utilize market and macro-economic information that could affect the borrowers' expected default behavior ("overlay"). From these credit scoring and overlay models, the Group determines the PDs, which reflect the current and forward-looking information for ECL calculation.

For purposes of ECL calculation, the receivables from customers are disaggregated between commercial and consumer segments.

For the years ended September 30, 2020 and 2019, the commercial segment was further segmented among Large corporates, Medium corporates and Small and micro entities depending on the total asset size. Commercial segment also included the Individual Business customers. Meanwhile, consumer segment consisted of individual personal borrowers and other loans.

For the year ended September 30, 2021, the Group has come up with new loan segments. The commercial segment consists of corporate (i.e., corporations and partnerships) and enterprise (i.e., sole proprietorships) accounts. Based on their total asset size, the corporate accounts are segmented between Large and Medium Corporates, while the enterprise accounts are segmented among Large, Medium and Small and Micro enterprises. There are no changes in the composition of consumer loan segment.

As of September 30, 2021 and 2020, the details of the Parent Company's credit risk exposure, representing the outstanding balance less unearned lease/finance income, on its receivable from customers per loan segment are as follows:

Segment	2021	2020
Commercial*		
<i>Corporates</i>		
Large corporates	₱6,195,967,618	₱7,578,185,892
Medium corporates	2,162,044,729	4,136,855,240
<i>Enterprises</i>		
Large enterprises	1,956,423,774	—
Medium enterprises	3,922,238,004	—
Small and micro enterprises	8,220,680,952	3,620,884,305
<i>Individual business</i>		
Individual business (at least twelve months on books)*	—	9,755,474,545
Individual business (less than 12 months on books)	—	5,753,798,777
Subtotal commercial	22,457,355,077	30,845,198,759
Consumer		
Individual personal	175,927,310	602,265,640
Others	57,872,662	526,639,673
Subtotal consumer	233,799,972	1,128,905,313
Total	₱22,691,155,049	₱31,974,104,072

**As a result of ECL remodelling, the Parent Company placed noncorporate commercial borrowers under the enterprise segment and further grouped them to large, middle and small and micro enterprises.*

Commercial

For the year ended September 30, 2021, the Group employed a new credit scoring model in the credit risk assessment of the borrowers under the commercial segment. For Large and Medium corporate sub-segments, the model uses credit scoring factors that are primarily based on the borrower's financial information plus other qualitative factors. Meanwhile, for the Enterprise sub-segments, the models incorporate credit scoring factors that are primarily based on the borrower's behavioral payment patterns and other qualitative factors.

These relevant factors are collectively assessed, and using the quantitative models, the Group rates each credit exposure to the score bands, with each score band having equivalent PDs.

For the year ended September 30, 2020, the credit risk assessment for Large and Medium corporates were based on a credit scoring model, that utilized borrower's financial information, while behavioral payment factors were used for credit scoring model for Individual borrowers (at least 12 months on books) . For Small and micro entities and individual business (less than 12 months on books), the credit risk associated is based on days past due.

As a result of the re-modelling in 2021, there were also changes in the score-band ratings per loan segments.

Staging Assessment

The description of each groupings according to stage is explained as follows:

- Stage 1 - those that are considered current and up to 30 days past due, and based on delinquencies and payment history, do not demonstrate significant increase in credit risk;
- Stage 2 - those that are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date, classified in accordance with the BSP classification as especially mentioned and substandard, and based on delinquencies and payment history, demonstrate significant increase in credit risk; and
- Stage 3 - those that are considered more than 90 days past due or in default, or demonstrate objective evidence of impairment as of reporting date.

As of September 30, 2020, the Group utilized the results of the BSRT to classify accounts with BSRT risk rating of "high" and "very high risk" to be demonstrating a significant increase in credit risk.

Credit quality – Commercial

The table below shows the credit quality and the maximum exposure to credit risk of the Parent Company's commercial loans per segment based on the internal grades/score-bands and the stage classification as of September 30, 2021 and 2020.

As of September 30, 2021

Large corporates

Internal rating grade	2021			Total
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
1	P-	P-	P-	P-
2	47,862,345	-	-	47,862,345
3	166,134,462	-	-	166,134,462
4	496,395,918	28,775,581	52,875,011	578,046,510
5	3,033,722,403	1,463,656,452	906,545,446	5,403,924,301
Gross carrying amount	₱3,744,115,128	₱1,492,432,033	₱959,420,457	₱6,195,967,618

Medium corporates

2021				
Internal rating grade	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	P16,946,733	P12,680,721	P-	P29,627,454
2	94,521,229	57,707,915	-	152,229,144
3	216,183,093	75,252,063	44,530,120	335,965,276
4	1,106,028,718	249,418,150	288,775,987	1,644,222,855
Gross carrying amount	P1,433,679,773	P395,058,849	P333,306,107	P2,162,044,729

Large enterprises

2021				
Internal rating grade	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	P441,644,099	P75,876,099	P167,003,469	P684,523,667
2	1052,997,201	56,792,282	101,492,221	1,211,281,704
3	36,753,922	18,642,655	5,221,826	60,618,403
Gross carrying amount	P1,531,395,222	P151,311,036	P273,717,516	P1,956,423,774

Medium enterprises

2021				
Internal rating grade	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	P377,938,723	P90,083,490	P66,210,823	P534,233,036
2	1,838,440,460	322,001,219	263,422,180	2,423,863,859
3	673,069,171	114,989,697	66,465,035	854,523,903
4	99,023,912	1,470,211	9,123,083	109,617,206
Gross carrying amount	P2,988,472,266	P528,544,617	P405,221,121	P3,922,238,004

Small and micro enterprises

2021				
Internal rating grade	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	P6,932,371	P2,549,657	P-	P9,482,028
2	2,331,927,521	412,345,237	605,666,247	3,349,939,005
3	3,619,497,403	292,323,245	509,826,344	4,421,646,992
4	387,153,007	28,101,520	24,358,400	439,612,927
Gross carrying amount	P6,345,510,302	P735,319,659	P113,985,091	P8,220,680,952

Consumer portfolio

2021				
Loan Segement	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Individual personal	P 169,031,833	P 3,580,439	P3,315,038	P175,927,310
Others	27,768,771	-	30,103,891	57,872,662
Gross carrying amount	P196,800,604	P3,580,439	P33,418,929	P233,799,972

As of September 30, 2020

Large corporates

Internal rating grade	2020			Total
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
1	₱100,420,700	₱12,175,363	₱8,682,296	₱121,278,359
2	360,476,062	146,272,825	13,185,978	519,934,865
3	356,445,592	8,942,750	3,682,292	369,070,634
4	419,046,133	59,082,224	65,656,108	543,784,465
5	982,182,846	243,611,441	186,554,524	1,412,348,811
6	755,210,424	47,315,096	48,850,897	851,376,417
7	369,521,129	82,735,055	56,361,988	508,618,172
8	1,074,206,595	537,180,007	148,476,345	1,759,862,947
9	683,272,315	239,301,113	4,624,946	927,198,374
10	458,239,246	50,489,144	55,984,458	564,712,848
Gross carrying amount	₱5,559,021,042	₱1,427,105,018	₱592,059,832	₱7,578,185,892

Medium corporates

Internal rating grade	2020			Total
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
1	P-	P-	P-	P-
2	-	-	-	-
3	237,235,763	16,234,328	12,931,164	266,401,255
4	318,490,543	42,519,544	115,745,662	476,755,749
5	627,078,112	169,124,408	30,804,600	827,007,120
6	532,577,997	52,117,651	56,674,107	641,369,755
7	221,084,690	64,336,077	14,553,360	299,974,127
8	557,523,356	189,119,977	2,621,058	749,264,391
9	666,753,305	117,188,915	92,140,623	876,082,843
10	-	-	-	-
Gross carrying amount	₱3,160,743,766	₱650,640,900	₱325,470,574	₱4,136,855,240

Individual businesses (at least 12 months on books)

Internal rating grade	2020			Total
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
1	P-	P-	P-	P-
2	7,062,487	-	-	7,062,487
3	502,181,466	119,516,518	34,128,173	655,826,157
4	303,533,795	75,863,289	79,304,408	458,701,492
5	1,584,015,855	482,750,416	229,666,716	2,296,432,987
6	532,497,319	199,986,438	175,581,028	908,064,785
7	1,245,698,460	296,870,270	327,346,428	1,869,915,158
8	361,576,805	97,085,471	183,100,544	641,762,820
9	1,370,381,748	196,697,710	224,014,420	1,791,093,878
10	858,027,418	118,547,717	150,039,646	1,126,614,781
Gross carrying amount	₱6,764,975,353	₱1,587,317,829	₱1,403,181,363	₱9,755,474,545

The table below shows the credit quality and the maximum exposure to credit risk of the Parent Company's Small and micro entities and individual business (less than 12 months on books) and the stage classification as of September 30,2020:

Loan Segment	2020			Total
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Small and micro entities	₱3,092,531,138	₱340,782,603	₱187,570,564	₱3,620,884,305
Individual businesses	5,024,804,810	522,963,850	206,030,117	5,753,798,777
Gross carrying amount	₱8,117,335,948	₱863,746,453	₱393,600,681	₱9,374,683,082

Credit quality – consumer loans

The table below shows the credit quality and the maximum exposure to credit risk of the Parent Company's consumer loans per segment as of September 30, 2021 and 2020.

2021				
Loan Segment	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Individual personal	₱169,031,833	₱3,549,531	₱3,315,038	₱175,896,402
Others	26,979,370	–	30,120,793	57,100,163
Gross carrying amount	₱196,011,203	₱3,549,531	₱33,435,831	₱232,996,565

2020				
Loan Segment	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Individual personal	₱450,371,071	₱79,980,438	₱71,914,131	₱602,265,640
Others	296,217,665	190,885,215	39,536,793	526,639,673
Gross carrying amount	₱746,588,736	₱270,865,653	₱111,450,924	₱1,128,905,313

Assignment and calibration of PDs

As of September 30, 2021, the Parent Company developed new Through-the-Cycle (TTC) PDs for each commercial segment and per score band, which are scaled to their forward-looking point-in-time (PIT) PDs as of the reporting date. The Parent Company uses a scaling factor to calibrate the TTC PDs for each score band to the corresponding forward-looking PIT PDs that will match to the portfolio forward-looking PIT PD estimate.

As of September 30, 2020, for Large corporates, Medium enterprises and Individual Business (with at least 12 months on books), the Parent Company developed Through-the-Cycle (TTC) PDs for each internal grade, which were scaled to the observed default rate (ODR) as of the reporting date. For all other loans segments, the Parent Company used the historical loss rate approach, which are also scaled to the ODRs as of the reporting date.

Loss given default

The Parent Company estimates the LGD using four (4) workout methods: curing, restructuring, writing-off and liquidation. For each workout method, the Parent Company computed for the weighted average portfolio LGD. These LGD rates take into account the expected EAD in comparison to the cash flow amounts expected to be recovered or amounts realized from any collateral held. For 2021, the inputs for these LGD rates are re-calibrated based on recent experience and incorporated with forward-looking expectation of recoveries.

Individual assessment of credit-impaired financial assets

The Group calculates ECL on an individual basis for all accounts under Stage 3 with credit exposures greater than ₱50,000. Impairment assessment of the credit impaired accounts are performed by the account officers and reviewed by the Risk Department. The Stage 3 provision is the difference between the loan carrying amount and the probability-weighted present value of estimated future cash flows, reflecting a range of scenarios. Where expected cash flows include realizable collateral, the values incorporate the impact of forward-looking economic information.

Forward-looking information (Overlays)

To capture the effect of changes to the economic environment, the PDs and LGDs used to calculate ECL incorporate forward-looking information in the form of forecasts of the values of the economic variables that are likely to have an impact on the repayment ability of the Group's borrowers. As of September 30, 2021, the Group developed new overlay models using new set of macro-economic variables, which were approved by the ECL Steering Committee.

The economic environment remains uncertain and future credit losses may be subject to further volatility (including from changes to the macroeconomic forecasts) depending on the longevity of the Covid-19 pandemic and related containment measures, and the longer term measures of the BSP, the government and other support measures. In view of this, the Group updated its macro-economic scenarios and weightings applied in the ECL estimation, which are discussed in Note 3.

Economic indicators used in the forward looking assumptions

As of September 31, 2021, among the macroeconomic variables used by the Group in its overlay include gross domestic product, gross capital formation, crude oil prices, government expenditures, inflation rates, wholesale price index, Covid-19 cases, among others. As of September 30, 2020, among the macroeconomic variables used by the Group in its overlay include the balance of payments, banking industry NPL trends, crude oil prices, wholesale price index and purchasing power of peso.

ECL scenario and sensitivity analysis

As of September 30, 2021 and 2020, the estimate of the range of effect on ECL is as follows:

Sensitivity	2021	2020
	Impact on ECL allowance	
100% weight on best case	-21%	-26%
100% weight on worst case	+17%	+37%

Receivables under the operating lease arrangements

For these receivables, the Group uses days past due to monitor its outstanding customer receivables.

An impairment analysis of these receivables is performed at each reporting date using a provision matrix to measure ECL. The ECL calculation is based on provision rates which represent the historical loss experience based on days past due, adjusted for the current conditions and forecasts of future economic conditions. Based on the reasonable and supportable information that is available as of the reporting date, the Group considers relevant forward-looking inputs in developing the economic overlays in the ECL calculation.

The table below shows the information about the Group's credit risk exposures on these receivables as of September 20, 2021 and 2020, using a provision matrix.

		2021						
		Current	1 – 30 days	31 – 60 days	61 – 90 days	More than 90 days	Specific impairment	Total
Receivables								
Expected credit loss rate		3%	4%	7%	14%	22%	100%	13%
Total gross carrying amount		₱76,878,049	₱57,878,235	₱32,711,436	₱9,953,957	₱13,237,240	₱28,964,749	₱219,623,666
Expected credit losses		1,970,866	2,322,751	2,353,769	1,362,104	2,923,635	18,031,624	28,964,749

2020

	Current	1 – 30 days	31 – 60 days	61 – 90 days	More than 90 days	Specific impairment	Total
Receivables							
Expected credit loss rate	1%	3%	6%	11%	16%	100%	15%
Total gross carrying amount	P54,643,858	P42,790,010	P19,707,099	P5,821,327	P28,696,263	P18,107,399	P178,296,382
Expected credit losses	539,990	1,108,236	1,134,718	617,960	5,129,522	18,107,399	26,637,825

Collateral and other credit enhancements

The Parent Company holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Management monitors the fair value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained for its review of the adequacy of the allowance for impairment losses.

It is the Parent Company’s policy to dispose assets acquired in an orderly fashion. The proceeds of the sale of the foreclosed assets classified as ‘Investment properties’ and ‘Other assets - chattels’ are used to reduce or repay the outstanding claim.

Modifications of financial assets due to relief measures

In view of the Covid-19 pandemic, the Philippine government undertook programs for recovery and rehabilitation of the affected sectors of the economy. One of these programs was the mandatory grace period on the payments and amortizations of the borrowers. Under Republic Act (RA) No. 11469, otherwise known as the “Bayanihan to Heal as One Act”, effective March 17, 2020, the BSP Supervised Financial Institutions (BSFIs) were mandated to implement a 30-day grace period to all loans with principal and/or interest falling due within the Enhanced Community Quarantine (ECQ) period, without incurring interest on interest, penalties, fees and other charges. The accrued interest for the 30-day grace period may be paid by the borrower on a staggered basis over the remaining life of the loan. The initial 30-day grace period shall automatically be extended if the ECQ period is extended by the President. The modified ECQ period ended on May 31, 2020.

Effective September 15, 2020, RA No. 11494 “Bayanihan to Recover As One Act” required all covered BSFIs to implement mandatory one-time 60-day grace period to all loans that are existing, current and outstanding falling due, or any part therefor, on or before December 31, 2020. BSFIs should not charge or apply interest on interest, penalties, fees or other charges during the mandatory one-time 60-day grace period to all loans that are existing, current and outstanding falling due, or any part thereof, on or before December 31, 2020. The accrued interest for the one-time 60-day grace period may be paid by the borrower on staggered basis until December 31, 2020.

Furthermore, the Group also allowed certain borrowers to avail of additional moratorium (i.e. extension periods on top of the requirements of the Bayanihan Acts) on their amortizations. The moratoriums extended up to more than six months, subject to credit review and approval by the Group’s Executive Committee.

From an accounting point of view, these grace periods and moratoriums were not considered as substantial modifications of the contractual cash flows of the loans to which they were applied, and therefore, did not result in the derecognition of these loans. The application of the PFRS 9 requirements relating to the modification of financial assets due to grace period and moratoriums led in the recognition of “Modification loss” totaling P48.46 million presented in the “Leasing income” and “Financing income” in the 2020 statement of income.

Use of relief measures in determining SICR

As of September 30, 2020, with respect to the Bayanihan Acts, the Group did not consider the application of the mandatory grace period as an indicator of SICR and therefore, did not trigger the migration of the loan accounts to Stage 2 or Stage 3 provisioning. The Group considered other risk factors detailed in the BSRT as bases of migration to Stage 2 or 3.

With respect to relief measures extended by the Group, it has established sound criteria in differentiating borrowers with temporary cash flow pressures from those who were considered as credit impaired through the BSRT. The grant of relief measures in the form of payment holidays and loan payment deferrals that effectively moved the payment due date of the loan was not automatically considered as an indicator of significant increase in credit risk. Similarly, modifying the terms of the loan to match the changes in the cash flow of borrowers who continued to exhibit capacity to repay was not automatically considered as an indicator of significant increase in credit risk.

In contrast, modification of the terms of the loan in view of the significant financial difficulty of the borrowers casting doubts on their capacity to pay will warrant migration of the accounts to Stage 2 or Stage 3 provisioning.

Financial assets whose terms have been renegotiated

Restructured loans are defined as performing or non-performing loans whose principal terms and conditions have been modified in accordance with an agreement setting forth a new plan of payment or a schedule of payment on a periodic basis. When the loan account becomes past due and is being restructured or extended, the approval of the BOD is required before loan booking and is always governed by the BSP rules on restructuring. Restructuring of loans to directors, officers, stockholders, and related interests (DOSRI) also requires BOD approval.

As of September 30, 2021 and 2020, the carrying value of the Parent Company's restructured loans (before allowance) amounted to ₱1,355.47 million and ₱699.96 million, respectively.

(b) Market Risk

The Group's market risk (the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument) originates from its holdings of equities and foreign currency-denominated loans. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

The RMD performs monthly market risk analyses to ensure compliance with its policies and procedures. Assets and liabilities of the Group maybe mismatched and are vulnerable to movements in yields. Positive or negative gap is executed depending on the outlook on interest rates.

Interest rate risk

The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Parent Company's policy is to manage its interest cost using a mix of fixed and floating rate debt.

The Parent Company monitors its exposures to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Parent Company's interest-sensitive assets and liabilities.

In 2021 and 2020, the interest rate risk pertains to the Parent Company's receivables and payables with floating interest rates.

The Parent Company calculates Earnings-at-Risk (EaR), which measures how much the Parent Company's margin could have changed given a change in interest rates. It gauges the decline in accrual income as a result of adverse interest rate movements, given the current repricing profile. It is a tool that measures the short-term interest rate risk. The EaR helps the Parent Company to understand the impact that a change in the interest rates can make on its financial position and cash flows.

The EaR limit is set as the difference of the target net interest income for the year and actual net interest income booked in the prior year. The EaR limit will be reviewed based on attainment of target net interest income for the year. Triggers will be computed as annualized year-to-date net interest income less actual net interest income recorded in the prior year. The Parent Company uses observation period of year-on-year shift in interest rates for the past six years to obtain 5 years of 1,300 scenarios of interest rate movements. The year-on-year shifts in interest rates are selected from a single scenario or reference date that will cause the largest decline in net interest income and this takes into account correlation between the interest rate movements.

For 2021 and 2020, with the policy rate cuts implemented by the BSP in view of the Covid-19 pandemic, the Parent Company included additional sensitivity if further policy rate cuts were implemented by the BSP.

The following tables demonstrate the Parent Company's sensitivity of EaR to a reasonably possible change in interest rates:

		2021					
		Impact of Changes in Interest Rates on Pretax Income					
		Increase (Decrease) in Basis Points					
		-200	-100	-50	+50	+100	+200
		(In thousand pesos)					
PHP		(P302,382.9)	(P221,593.2)	(P181,198.3)	(P100,408.5)	(P60,013.6)	P20,776.2
USD		(159,190.7)	(106,175.1)	(79,667.3)	(26,651.7)	(143.9)	52,871.7
		2020					
		Impact of Changes in Interest Rates on Pretax Income					
		Increase (Decrease) in Basis Points					
		-200	-100	-50	+50	+100	+200
		(In thousand pesos)					
PHP		(P207,442.9)	(P127,986.7)	(P88,258.6)	(P8,802.4)	P30,925.7	P110,381.9
USD		(2,819.2)	(6,198.9)	(7,888.8)	(11,268.5)	(12,958.3)	(16,338.0)

Foreign currency risk

The Parent Company has a United States Dollar (USD) denominated bills payable amounting to US\$167.3 and US\$223.5 million and USD-denominated lease transactions with outstanding balance of US\$187,343 and US\$244,500 as at September 30, 2021 and 2020, respectively.

The Parent Company also has deposit in banks amounting to US\$623,305 and US\$481,136 as at September 30, 2021 and 2020, respectively. The Parent Company has no other financial instruments with exposure to foreign currency risk.

Hedge Accounting – Cash Flow Hedge of Interest Rate Risk and Foreign Currency Risk

As of September 30, 2021 and 2020, the Parent Company has outstanding cross currency swaps (CCS) which were entered into to hedge the interest rate risk and foreign currency risk (see discussion below) of the related USD denominated floating rate bank borrowings (“Hedged loans”), presented in “Bills payable”, aggregating to US\$167.3 million (or ₱8.5 billion) and US\$223.5 million (or ₱10.8 billion), respectively. These derivatives are accounted for as cash flow hedges. Effectively, the Parent Company converted the Hedged loans into Philippine Peso-denominated fixed rate borrowings using the CCS agreements. Accordingly, the gains or losses arising from foreign currency and interest rate risks on the outstanding Hedged loans are expected to be offset by the changes in the value of the CCS agreements.

As most of the critical terms of the Hedged Loans and the CCS agreements matched except for the prepayment option present in the Hedged Loans, the Parent Company assessed that there is economic relationship between the hedging instruments and Hedged loans on hedge designation dates and subsequently. Specifically, the defined notional amount of the Hedged loans is also the notional amount of the CCS agreements. The interest rates used to determine the floating coupon rate cash flows for the Hedged loans is also the rate on the receive leg of the CCS agreements. The Parent Company assessed that the hedge ratio of 1:1 remains to be aligned with risk management. The identified sources of ineffectiveness in the hedges are: (a) the effect of changes in counterparties’ credit risk on the fair values of hedging instruments; (b) the foreign currency basis spread present in the derivative instruments not accounted for as cost of hedging; and (c) the prepayment option present in the Hedged loans but not in the CCS. These sources of ineffectiveness were considered by the Parent Company in the assessment of hedge effectiveness and measurement of any ineffectiveness.

The net impact in the other comprehensive income due to changes in the fair value of the CCS should the LIBOR rate increase or decrease as follows:

	2021			
	Impact of Changes in Interest Rates on Other Comprehensive Income			
	Increase (Decrease) in Basis Points			
	-100	-50	+50	+100
	(In thousands pesos)			
Cross-currency swap	(₱19,080.71)	(₱899.86)	₱993.97	₱18,799.50
	2020			
	Impact of Changes in Interest Rates on Other Comprehensive Income			
	Increase (Decrease) in Basis Points			
	-100	-50	+50	+100
	(In thousands pesos)			
Cross-currency swap	(₱38,221.3)	(₱30,441.7)	(₱15,700.2)	(₱8,727.2)

There is no other impact on the Parent Company’s equity other than the effect of a reasonably possible change in the interest rates on financial assets and financial liabilities to pretax income and other comprehensive income.

Parent Company							
2021							
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents	P513,398,403	P-	P-	P-	P-	P-	P513,398,403
Due from BSP	51,410,225	9,824,327,222	-	-	-	-	9,875,737,447
Securities purchased under Repurchase agreements	-	365,683,904	-	-	-	-	365,683,904
Equity financial assets at FVOCI	-	-	-	-	-	1,145,018	1,145,018
Loans and receivables	3,642,359,630	326,843,403	503,104,681	1,114,450,938	3,665,212,448	17,024,965,941	26,276,937,041
	P4,207,168,258	P10,516,854,529	P503,104,681	P1,114,450,938	P3,665,212,448	P17,026,110,959	P37,032,901,815
Financial Liabilities							
Bills payable	P-	P1,068,658,609	P6,151,130,877	P74,273,276	P2,695,557,651	P9,088,417,596	P19,078,038,009
Bonds payable	-	15,773,333	4,170,432,518	-	-	-	4,186,205,851
Accounts payable and other liabilities	-	1,265,973,944	49,213,722	20,448	12,042	6,782,855	1,322,003,011
Deposits on lease contracts	-	98,386,822	63,569,699	120,309,224	185,333,574	595,767,743	1,063,367,062
	P-	P2,448,792,708	P10,434,346,816	P194,602,948	P2,880,903,267	P9,690,968,194	P25,649,613,933
Parent Company							
2020							
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents	P410,037,354	P-	P-	P-	P-	P-	P410,037,354
Due from BSP	782,771,492	6,790,264,056	-	-	-	-	7,573,035,548
Securities purchased under Repurchase agreements	-	1,925,506,531	-	-	-	-	1,925,506,531
Equity financial assets at FVOCI	-	-	-	-	-	1,112,282	1,112,282
Loans and receivables	3,261,165,863	312,902,134	585,902,885	1,636,814,763	5,131,904,937	26,047,507,200	36,976,197,782
	P4,453,974,709	P9,028,672,721	P585,902,885	P1,636,814,763	P5,131,904,937	P26,048,619,482	P46,885,889,497
Financial Liabilities							
Bills payable	P-	P3,141,681,119	P1,904,719,574	P678,207,564	P7,838,897,295	P13,451,747,827	P27,015,253,379
Bonds payable	-	15,773,333	31,546,667	47,320,000	97,268,889	4,185,868,267	4,377,777,156
Accounts payable and other liabilities	-	1,147,277,196	80,719,604	1,335,913	1,649,345	157,887	1,231,139,945
Deposits on lease contracts	-	118,580,069	64,866,489	136,162,351	252,555,526	818,048,380	1,390,212,815
	P-	P4,423,311,717	P2,081,852,334	P863,025,828	P8,190,371,055	P18,455,822,361	P34,014,383,295

5. Fair Value Measurement

The Group held the following assets that are measured at fair value at a recurring basis and assets and liabilities for which fair values are disclosed, at their corresponding level in the fair value hierarchy. The table below also summarizes the Group's and Parent Company's assets and liabilities for which carrying amounts do not approximate fair values.

Consolidated					
2021					
Fair Value					
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at OCI:					
Quoted equity securities	P1,145,018	P1,145,018	P1,145,018	P-	P-
Assets for which fair values are disclosed					
Financial assets					
Loans and receivables					
Receivable from customers:					
Lease contract receivables	3,370,083,160	3,298,531,290	-	-	3,298,531,290
Notes receivable finance:					
Commercial loans	16,906,625,349	19,098,793,220	-	-	19,098,793,220
Consumer loans	439,236,495	495,883,960	-	-	495,883,960
Non-financial assets					
Investment properties	531,061,004	609,581,325	-	-	609,581,325
Total assets	P21,248,151,026	P23,503,934,813	P1,145,018	P-	P23,502,789,795

	Consolidated				
	2021				
	Carrying Value	Fair Value			
Total		Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Liabilities for which fair values are disclosed					
Financial liabilities					
Bills payable	P19,839,663,394	P19,851,593,778	P-	P-	P19,851,593,778
Bonds payable	4,156,532,025	4,157,038,951	-	-	4,157,038,951
Deposits on lease contracts	1,158,427,752	1,033,823,883	-	-	1,033,823,883
Financial liabilities designated as hedge instrument:					
Cross-currency swap	432,551,459	432,551,459	-	432,551,459	-
Total liabilities	P25,587,174,630	P25,475,008,071	P-	P432,551,459	P25,042,456,612
	Consolidated				
	2020				
	Carrying Value	Fair Value			
Total		Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value					
Financial assets					
Financial assets at OCI:					
Quoted equity securities	P1,112,282	P1,112,282	P1,112,282	P-	P-
Assets for which fair values are disclosed					
Financial assets					
Loans and receivables					
Receivable from customers:					
Lease contract receivables	4,808,871,446	4,829,860,082	-	-	4,829,860,082
Notes receivable finance:					
Commercial loans	25,182,445,163	26,795,808,212	-	-	26,795,808,212
Consumer loans	768,075,945	904,727,345	-	-	904,727,345
Non-financial assets					
Investment properties	525,407,752	609,581,325	-	-	609,581,325
Total assets	P31,285,912,588	P33,141,089,246	P1,112,282	P-	P33,139,976,964
Liabilities for which fair values are disclosed					
Financial liabilities					
Bills payable	P27,423,038,492	P28,414,405,446	P-	P-	P28,414,405,446
Bonds payable	4,135,518,440	4,073,764,424	-	-	4,073,764,424
Deposits on lease contracts	1,492,893,174	1,296,033,100	-	-	1,296,033,100
Financial liabilities designated as hedge instrument:					
Cross-currency swap	1,577,666,794	1,577,666,794	-	1,577,666,794	-
Total liabilities	P34,629,116,900	P35,361,869,764	P-	P1,577,666,794	P33,784,202,970

Parent Company					
2021					
Fair Value					
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at OCI:					
Quoted equity securities	P1,145,018	P1,145,018	P1,145,018	P-	P-
Assets for which fair values are disclosed					
Financial assets					
Loans and receivables					
Receivable from customers:					
Lease contract receivables	3,370,083,160	3,298,531,290	-	-	3,298,531,290
Notes receivable finance:					
Commercial loans	16,906,625,349	19,098,793,220	-	-	19,098,793,220
Consumer loans	439,236,495	495,883,960	-	-	495,883,960
Non-financial assets					
Investment properties	32,787,526	59,598,903	-	-	59,598,903
Total assets	P20,749,877,548	P22,953,952,391	P1,145,018	P-	P22,952,807,373

Liabilities for which fair values are disclosed

Parent Company					
2020					
Fair Value					
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities					
Bills payable	P18,439,209,504	P18,314,013,154	P-	P-	P18,314,013,154
Bonds payable	4,156,532,025	4,157,038,951	-	-	4,157,038,951
Deposits on lease contracts	1,063,367,062	931,238,211	-	-	931,238,211
Financial liabilities designated as hedge instrument:					
Cross-currency swap	432,551,459	432,551,459	-	432,551,459	-
Total liabilities	P24,091,660,050	P23,834,841,775	P-	P432,551,459	P23,402,290,316

Parent Company					
2020					
Fair Value					
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at OCI:					
Quoted equity securities	P1,112,282	P1,112,282	P1,112,282	P-	P-
Assets for which fair values are disclosed					
Financial assets					
Loans and receivables					
Receivable from customers:					
Lease contract receivables	4,808,871,446	4,829,860,082	-	-	4,829,860,082
Notes receivable finance:					
Commercial loans	25,182,445,163	26,795,808,212	-	-	26,795,808,212
Consumer loans	768,075,945	904,727,345	-	-	904,727,345
Non-financial assets					
Investment properties	32,787,526	59,598,903	-	-	59,598,903
Total assets	P30,793,292,362	P32,591,106,824	P1,112,282	P-	P32,589,994,542

Liabilities for which fair values are disclosed

Parent Company					
2020					
Fair Value					
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities					
Bills payable	P25,905,373,327	P26,896,740,281	P-	P-	P26,896,740,281
Bonds payable	4,135,418,440	4,073,764,424	-	-	4,073,764,424
Deposits on lease contracts	1,390,212,815	1,193,447,428	-	-	1,193,447,428
Financial liabilities designated as hedge instrument:					
Cross-currency swap	1,577,666,794	1,577,666,794	-	1,577,666,794	-
Total liabilities	P33,008,671,376	P33,741,618,927	P-	P1,577,666,794	P32,163,952,133

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

Cash and cash equivalents (excluding cash on hand), due from BSP, other short-term receivables and accounts payable and other liabilities

Fair values approximate carrying amounts given the short-term nature of these instruments.

Financial assets at FVOCI

Fair values are based on quoted prices published in markets.

Derivative financial instrument

Fair value of the derivative instrument is determined using a valuation technique using market observable inputs including foreign exchange rates and interest rate curves prevailing at the reporting date. For the cross-currency swaps, discounted cash flow model is applied. This valuation model discounts each cash flow of the derivatives at a rate that is dependent on the tenor of the cash flow.

Loans and receivables (excluding other short-term receivables)

Fair values are estimated by discounted cash flow methodology, using the Group's current incremental lending rates for similar type of loans.

Bills payable and deposits on lease contracts

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.

Inputs used in estimating the fair values of loans and receivables, bills payable and deposits on lease contracts categorized under Level 3 include risk-free rates and applicable risk premium.

Investment properties and non-current asset held for sale

The fair value of the investment properties and the non-current asset held for sale, measured at Level 3, has been determined based on valuations made by accredited external and/or in-house appraisers on the basis of recent sales transactions 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. They make use of market data approach which involves correlation and analysis of comparable lots, either recently sold or offered for sale in the market, upon which the market value of subject property is estimated.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

Valuation Techniques

Market data approach A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

Significant Unobservable Inputs

Price per square meter The unit price assigned to the property

Size Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.

Valuation Techniques

Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.

In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

6. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks and short-term investments with maturities of less than three months.

Cash in banks include regular current and savings deposits in various banks. The savings deposits bear interest rates ranging from 0.1% to 0.5% and 0.1% to 0.5% per annum in 2021 and 2020, respectively, for both the Group and Parent Company.

7. Due from Bangko Sentral ng Pilipinas (BSP, Securities Purchased Under Repurchase Agreements (SPURA) and Interbank Call Loans Receivable (IBCL)

As of September 30, 2021 and 2020, the Parent Company's placements consist of deposits with the BSP's demand deposit account amounting to ₱51.4 million and ₱782.8 million, respectively.

Also, the Parent Company entered into placements with the overnight deposit and term deposit facilities of the BSP. As of September 30, 2021 and 2020, placements in the overnight deposit facility amounted to ₱820.0 million and ₱6.8 billion, respectively, and bears interest ranging from 1.5% to 1.8% per annum. As of September 30, 2021 and 2020, term deposit account amounted to ₱9.0 billion and nil, respectively, and bears interest ranging from 1.7% to 1.8%. Placements in the term deposit facility has a maturity period of seven (7) days.

In 2021 and 2020, the Parent Company entered into placements with the reverse repurchase facility of the BSP. As of September 30, 2021 and 2020, SPURA amounted to ₱365.7 million and ₱1.9 billion, respectively, and bears interest ranging from 2.0% to 2.3% per annum and has maturity period of ranging from one (1) to six (6) days. The SPURA as of September 30, 2021 and 2020 is collateralized by Philippine government securities amounting to ₱365.7 million and ₱1.9 billion, respectively. These SPURAs qualify as cash equivalents as of September 30, 2021 and 2020.

8. Financial Assets at Fair Value through Other Comprehensive Income

The Parent Company's financial assets at FVOCI as of September 30, 2021 and 2020 consist of investments in equity securities amounting to ₱1.2 million and ₱1.1 million, respectively.

Movements in net unrealized losses on financial assets at FVOCI in 2021 and 2020, respectively, follow:

	2021	2020
Balance at beginning of year	₱290,039	₱309,911
Fair value gains recognized in OCI	(32,736)	(19,872)
Balance at end of year	₱257,303	₱290,039

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Receivables from customers:				
Lease contract receivables:				
Lease contract receivables	₱3,208,204,881	₱4,558,821,082	₱3,208,204,881	₱4,558,821,082
Residual value of leased assets	756,668,318	963,815,610	756,668,318	963,815,610
	3,964,873,199	5,522,636,692	3,964,873,199	5,522,636,692
Unearned lease income	(320,190,613)	(498,344,330)	(320,190,613)	(498,344,330)
	3,644,682,586	5,024,292,362	3,644,682,586	5,024,292,362
Notes receivable financed:				
Commercial loans	21,633,835,494	30,341,109,525	21,633,835,494	30,341,109,525
Consumer loans	580,085,794	1,013,792,120	580,085,794	1,013,792,120
	22,213,921,288	31,354,901,645	22,213,921,288	31,354,901,645
Unearned finance income:				
Commercial loans	(2,348,594,119)	(3,340,411,244)	(2,348,594,119)	(3,340,411,244)
Consumer loans	(62,186,388)	(100,863,081)	(62,186,388)	(100,863,081)
	(2,410,780,507)	(3,441,274,325)	(2,410,780,507)	(3,441,274,325)
	19,803,140,781	27,913,627,320	19,803,140,781	27,913,627,320
Other receivables:				
Receivables – trade	392,905,669	319,660,402	28,741,220	27,331,072
Receivables from employees	16,645,549	13,904,469	14,885,640	11,697,013
Others (Note 29)	151,108,522	160,929,974	54,515,694	59,631,360
	560,659,741	494,494,845	98,142,554	98,659,445
Allowance for credit losses (Note 16)	(2,760,843,111)	(2,205,164,953)	(2,731,878,362)	(2,178,527,128)
	₱21,247,639,996	₱31,227,249,574	₱20,814,087,559	₱30,858,051,999

Lease contract receivables, which are solely accounts of the Parent Company, are due in monthly installments with terms ranging from one (1) to five (5) years. These are broken down as follows:

	2021	2020
Gross investment in lease contract receivables		
Lease contract receivables:		
Due within 1 year	₱712,511,275	₱873,412,474
Due beyond 1 year but not beyond 5 years	2,495,693,606	3,685,408,608
	3,208,204,881	4,558,821,082
Residual value of leased assets:		
Due within 1 year	339,869,495	398,333,879
Due beyond 1 year but not beyond 5 years	416,798,823	565,481,731
	756,668,318	963,815,610
	3,964,873,199	5,522,636,692
Unearned lease income		
Due within 1 year	54,938,519	56,816,660
Due beyond 1 year but not beyond 5 years	265,252,094	441,527,670
	320,190,613	498,344,330
Net investment in lease contract receivables	₱3,644,682,586	₱5,024,292,362

The net investment in lease contract receivables is analyzed as follows:

	2021	2020
Due within 1 year	₱997,442,251	₱1,214,929,693
Due beyond 1 year but not beyond 5 years	2,647,240,335	3,809,362,669
	₱3,644,682,586	₱5,024,292,362

The notes receivable financed by contractual maturity dates is analyzed as follows:

	2021	2020
Due within 1 year	₱7,422,804,418	₱8,921,595,405
Due beyond 1 year but not beyond 5 years	12,380,336,363	18,992,031,915
	₱19,803,140,781	₱27,913,627,320

The consumer loans under the notes receivables financed mainly consists of personal loans and employee loans collateralized by cars and appliances.

The effective interest rates of receivables from customers range from 5.8% to 24.0% and 6.0% to 20.1% in 2021 and 2020, respectively.

Of the total receivables from customers of the Group as of September 30, 2021 and 2020, 8.31% and 7.9%, respectively, are subject to periodic interest repricing. The remaining receivables in 2021 from customers earn annual fixed interest rates ranging from 6.2% to 23.1% and 5.8% to 24.0% for lease contracts receivable and notes receivable financed, respectively. The remaining receivables in 2020 from customers earn annual fixed interest rates ranging from 6.7% to 17% and 6.0% to 20.1% for lease contracts receivable and notes receivable financed, respectively.

Receivables - trade represents primarily the receivables of the subsidiaries from their clients under the operating lease arrangements and the reimbursable expenses of the Parent Company from its customers.

10. Investments in Subsidiaries

The movements in the investments in subsidiaries of the Parent Company follow:

	2021	2020
Acquisition costs		
OITDC*	₱244,000,000	₱244,000,000
ORC**	234,312,500	234,312,500
OALP***	100,000,000	100,000,000
OSC*	600,000	600,000
OIAI*	150,000	150,000
Balance at the end of the year	579,062,500	579,062,500
Accumulated share in net income		
Balance at the beginning of the year	1,259,872,724	1,094,914,488
Share in net income during the year	350,524,048	265,358,236
Cash dividends	(69,000,000)	(100,400,000)
Balance at the end of the year	1,541,396,772	1,259,872,724
Accumulated share in other comprehensive income (loss)		
Balance at the beginning of the year	(21,764,376)	(26,569,217)
Share in gain on remeasurement of retirement plan	17,677,327	4,804,841
Balance at the end of the year	(4,087,049)	(21,764,376)
	₱2,116,372,223	₱1,817,170,848

* The principal place of business of OITDC, OSC and OIAI is at 21st Floor, GT Tower International, Ayala Avenue corner H.V. dela Costa Street, Makati City.

** The principal place of business of ORC is at 2185 F.B. Harrison St. corner M. Santos St., Pasay City.

*** The principal place of business of OALP is at 2185 F.B. Harrison St. corner M. Santos St., Pasay City.

The percentage of ownership of the Parent Company in these subsidiaries and their principal activities are disclosed in Note 2.

Cash dividends on investment in subsidiaries

Details of cash dividend distributions of subsidiaries, approved by its respective BOD and recognized as reduction in the carrying amounts of investment in subsidiaries by the Parent Company follow:

Date of Declaration	Dividend per Share	Total Amount	Record Date	Payment Date
OIAI				
November 23, 2020	₱23,600	₱59,000,000	November 23, 2020	December 28, 2020
November 3, 2019	₱29,920	₱74,800,000	November 25, 2019	December 26, 2019
OALP				
December 11, 2020	₱0.10	₱10,000,000	December 9, 2020	December 31, 2020
November 25, 2019	₱1.00	₱25,000,000	November 25, 2019	December 31, 2019
OSC				
November 3, 2019	₱100	1,000,000	November 25, 2019	December 18, 2019

Stock dividends declared by ORC

On December 11, 2020, the BOD and shareholders of ORC approved the declaration of the 20% stock dividend equivalent to 1,553,175 shares at ₱100 par value per share to stockholders of record as of December 9, 2020. The stock dividends were distributed on December 20, 2020.

Share in Net Losses of OSC

The carrying amount of the Parent Company's investment in OSC amounted to nil as of September 30, 2021 and 2020, respectively. Share in net losses recognized by the Parent Company in ₱2.7 million, ₱2.0 million and ₱1.6 million for each of the three years ended September 30, 2021.

The Parent Company has no current commitment or intention to provide financial support to OSC. The Parent Company handles the administrative function of the subsidiary under a Contract of Sharing Agreement.

11. Property and Equipment

The composition of and movements in this account follow:

	Consolidated					Total
	2021					
	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	
Cost						
Balances at beginning of year	₱160,919,028	₱63,935,030	₱ 328,804,177	₱322,340,565	₱1,447,377	877,446,177
Additions	–	–	20,982,365	4,260,000	1,349,202	26,591,567
Disposals	–	–	(9,534,235)	–	–	(9,534,235)
Reclassification	–	–	(1,963,195)	385,143	(1,420,630)	(2,998,682)
Balances at end of year	160,919,028	63,935,030	338,289,112	326,985,708	1,375,949	891,504,827
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	7,948,894	280,039,525	236,914,255	–	524,902,674
Depreciation and amortization (Note 25)	–	2,121,369	29,718,554	46,929,502	–	78,769,425
Disposals	–	–	(8,613,063)	–	–	(8,613,063)
Reclassification	–	–	(1,963,195)	–	–	(1,963,195)
Balances at end of year	–	10,070,263	299,181,821	283,843,757	–	593,095,841
Net Book Values	₱160,919,028	₱53,864,767	₱39,107,291	₱43,141,951	₱1,375,949	₱298,408,986

	Consolidated					Total
	2020					
	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	
Cost						
Balances at beginning of year	₱160,919,028	₱62,209,282	₱323,314,684	₱307,944,735	₱772,322	₱855,160,051
Additions	–	–	16,722,789	13,564,306	3,307,053	33,594,148
Disposals	–	–	(10,146,428)	–	–	(10,146,428)
Reclassification	–	1,725,748	(1,086,868)	831,524	(2,631,998)	(1,161,594)
Balances at end of year	160,919,028	63,935,030	328,804,177	322,340,565	1,447,377	877,446,177
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	5,844,077	251,247,371	192,270,295	–	449,361,743
Depreciation and amortization (Note 25)	–	2,104,817	38,702,900	44,643,960	–	85,451,677
Disposals	–	–	(9,652,480)	–	–	(9,652,480)
Reclassification	–	–	(258,266)	–	–	(258,266)
Balances at end of year	–	7,948,894	280,039,525	236,914,255	–	524,902,674
Net Book Values	₱160,919,028	₱55,986,136	₱48,764,652	₱85,426,310	₱1,447,377	₱352,543,503

	Parent Company			
	2021			
	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost				
Balances at beginning of year	₱255,047,625	₱312,245,078	₱-	₱567,292,703
Additions	19,206,075	4,260,000	-	23,466,075
Disposals	(9,534,235)	-	-	(9,534,235)
Reclassification	(1,963,195)	(42,400)	-	(2,005,595)
Balances at end of year	262,756,270	316,462,678	-	579,218,948
Accumulated Depreciation and Amortization				
Balances at beginning of year	215,791,422	229,319,248	-	445,110,670
Depreciation and amortization (Note 25)	25,374,057	45,910,252	-	71,284,309
Disposals	(8,613,064)	-	-	(8,613,064)
Reclassification	(1,963,195)	-	-	(1,963,195)
Balances at end of year	230,589,220	275,229,500	-	505,818,720
Net Book Values	₱32,167,050	₱41,233,178	₱-	₱73,400,228

	Parent Company			
	2020			
	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost				
Balances at beginning of year	₱249,211,232	₱298,755,498	₱-	₱547,966,730
Additions	15,873,529	13,564,306	-	29,437,835
Disposals	(8,950,268)	-	-	(8,950,268)
Reclassification	(1,086,868)	(74,726)	-	(1,161,594)
Balances at end of year	255,047,625	312,245,078	-	567,292,703
Accumulated Depreciation and Amortization				
Balances at beginning of year	191,826,206	185,670,006	-	377,496,212
Depreciation and amortization (Note 25)	32,679,824	43,649,242	-	76,329,066
Disposals	(8,456,342)	-	-	(8,456,342)
Reclassification	(258,266)	-	-	(258,266)
Balances at end of year	215,791,422	229,319,248	-	445,110,670
Net Book Values	₱39,256,203	₱82,925,830	₱-	₱122,182,033

As of September 30, 2021 and 2020, the costs of the fully depreciated property and equipment still being used in operations amounted to ₱192.4 million and ₱144.1 million, respectively, for the Group and ₱134.3 million and ₱98.9 million, respectively, for the Parent Company.

12. Equipment for Lease

The movements in the Group's equipment for lease follow:

	2021	2020
Cost		
Balance at beginning of year	₱5,795,875,214	₱6,018,771,769
Additions	1,130,121,907	595,278,864
Disposals and reclassification	(1,618,675,588)	(818,175,419)
Balance at end of year	5,307,321,533	5,795,875,214
Accumulated Depreciation		
Balance at beginning of year	3,549,374,362	3,280,181,110
Depreciation (Note 25)	931,287,140	995,007,616
Disposals and reclassification	(1,501,409,848)	(725,814,364)
Balance at end of year	2,979,251,654	3,549,374,362
Net Book Value	₱2,328,069,879	₱2,246,500,852

Rental income on the lease of equipment included under 'Leasing' in the statements of income amounted to ₱1.3 billion, ₱1.4 billion and ₱1.6 billion in 2021, 2020 and 2019, respectively.

13. Investment Properties

The composition of and movements in this account follow:

	Consolidated		
	2021		
	Land and Land Improvements	Buildings	Total
Cost			
Balances at beginning of the year	P336,027,694	P215,795,651	P551,823,345
Additions	–	11,883,907	11,883,907
Reclassification (Note 11)	–	993,088	993,088
Balance at end of the year	336,027,694	228,672,646	564,700,340
Accumulated Depreciation			
Balances at beginning of the year	–	26,415,593	26,415,593
Depreciation (Note 25)	–	7,223,743	7,223,743
Balances at end of the year	–	33,639,336	33,639,336
Net Book Values	P336,027,694	P195,033,310	P531,061,004

	Consolidated		
	2020		
	Land and Land Improvements	Buildings	Total
Cost			
Balances at beginning of the year	P338,526,094	P178,605,135	P517,131,229
Additions	–	37,190,516	37,190,516
Disposal	(2,498,400)	–	(2,498,400)
Balance at end of the year	336,027,694	215,795,651	551,823,345
Accumulated Depreciation			
Balances at beginning of the year	–	20,256,850	20,256,850
Depreciation (Note 25)	–	6,158,743	6,158,743
Balances at end of the year	–	26,415,593	26,415,593
Net Book Values	P336,027,694	P189,380,058	P525,407,752

As of September 30, 2021 and 2020, the Parent Company's investment property, consisting of a land and a condominium unit, with details as follows:

	2021	2020
Cost		
Balance at beginning of year	P32,787,526	P35,285,926
Disposal	–	(2,498,400)
Cost/Net Book Value	P32,787,526	P32,787,526

Rental income on investment properties of the Group, included under "Leasing" in the statements of income, amounted to P28.7 million, P44.3 million and P50.8 million in 2021, 2020 and 2019, respectively. The Parent Company does not earn rental income on its investment properties.

14. Prepaid Expenses

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Prepaid expenses	₱64,720,913	₱23,084,376	₱21,478,236	₱3,989,861
Unused documentary stamps	53,578,184	41,573,407	53,578,184	41,573,407
Prepaid income tax	24,527,142	32,624,834	–	–
Unused stationeries and supplies	1,232,107	2,072,924	629,990	790,862
	₱144,058,346	₱99,355,541	₱75,686,410	₱46,354,130

Prepaid expenses include prepayments on insurance and rent. Prepaid insurance is recognized as expense on a straight-line basis over the twelve-month period.

Prepaid income tax represents excess income tax payments which are eligible as future tax credits.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Nonfinancial Assets				
Chattels – net	₱406,131,050	₱175,883,911	₱406,131,050	₱175,883,911
Input VAT	322,422,260	315,563,845	–	–
Retirement asset (Note 26)	140,692,002	13,203,205	130,141,347	–
Software – net	75,535,066	77,080,475	71,641,023	60,987,672
Miscellaneous	42,366,320	36,646,235	34,405,101	28,657,735
	₱987,146,698	₱618,377,671	₱642,318,521	₱265,529,318

Input VAT includes deferred input VAT paid on purchase of capital assets which is being amortized on a straight-line basis over 60 months.

Chattels - net represent the net book value of vehicles and equipment for lease foreclosed by the Parent Company due to the default in payment of its loan borrowers. The movements of the account follow:

	2021	2020
Cost		
Balance at beginning of year	₱266,970,258	₱281,146,743
Additions	720,185,316	357,217,533
Disposals	(395,450,910)	(371,394,018)
Balance at end of year	591,704,664	266,970,258
Accumulated Depreciation		
Balance at beginning of year	85,506,348	89,023,212
Depreciation (Note 25)	231,430,179	144,928,360
Disposals	(136,942,912)	(148,445,224)
Balance at end of year	179,993,615	85,506,348
Allowance for Impairment Losses (Note 16)	5,579,999	5,579,999
Net Book Value	₱406,131,050	₱175,883,911

Gains and losses on the sale of chattels included in ‘Gain on sale of properties – net’ under ‘Other income’ in the statements of income amounted to ₱15.0 million, ₱17.6 million and ₱30.4 million in 2021, 2020 and 2019 respectively, for the Group and for the Parent Company (Note 24).

The local vehicle franchises represent the payment made by OALPC to Bel Air Transit Services Corp. (BATCO) for the three (3) Certificates of Public Convenience granted to BATCO by the Department of Transportation and Communications - Land Transportation Franchising and Regulatory Board (LTFRB) to operate a tourist rent-a-car service and tourist chartered service for 300 units. As of September 30, 2021 and 2020, the local vehicle franchises are provided with full allowance for impairment losses amounting to ₱15.0 million (Note 16).

The movements in ‘Software’ of the Group follow:

	2021	2020
Cost		
Balance at beginning of year	₱115,725,059	₱85,823,496
Additions	43,779,276	29,901,563
Balance at end of year	159,504,335	115,725,059
Accumulated Amortization		
Balance at beginning of year	38,644,584	17,849,417
Amortization (Note 25)	45,324,685	20,795,167
Balance at end of year	83,969,269	38,644,584
Net Book Value	₱75,535,066	₱77,080,475

The movements in ‘Software’ of the Parent Company follow:

	2021	2020
Cost		
Balance at beginning of year	₱71,113,076	₱44,620,642
Additions	41,720,101	26,492,434
Balance at end of year	112,833,177	71,113,076
Accumulated Amortization		
Balance at beginning of year	10,125,404	1,866,230
Amortization (Note 25)	31,066,750	8,259,174
Balance at end of year	41,192,154	10,125,404
Net Book Value	₱71,641,023	₱60,987,672

Miscellaneous assets include security and advance deposits on rent, spare parts and supplies inventory. As of September 30, 2021 and 2020, miscellaneous assets also include receivable from BIR which is provided with full allowance for impairment of ₱10.2 million.

16. Allowance for Credit and Impairment Losses

Changes and breakdown of allowance for credit and impairment losses follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balances at beginning of year				
Loans and receivables (Note 9):				
Lease contract receivables	₱215,420,916	₱131,591,655	₱215,420,916	₱131,591,655
Notes receivable financed	1,963,106,212	733,577,663	1,963,106,212	733,577,663
Other receivables	26,637,825	24,138,957	–	–
	2,205,164,953	889,308,275	2,178,527,128	865,169,318
Local vehicle franchise (Note 15)	15,000,000	15,000,000	–	–
Investment properties (Note 13)	–	1,923,768	–	1,923,768
Other assets (Note 15)	15,812,898	16,432,898	5,579,999	6,199,999
	2,235,977,851	922,664,941	2,184,107,127	873,293,085
Provision for credit and impairment losses (Note 25)	707,655,929	1,429,415,418	704,634,930	1,426,913,275
Accounts written-off and others	(151,283,696)	(113,558,740)	(151,283,696)	(113,555,465)
Reversal of allowance on disposals of chattels, equipment for lease, investment properties and other assets	–	(2,543,768)	–	(2,543,768)
	556,372,233	1,313,312,910	553,351,234	1,310,814,042
Balances at end of year:				
Loans and receivables (Note 9):				
Lease contract receivables	274,599,426	215,420,916	274,599,426	215,420,916
Notes receivable financed	2,457,278,936	1,963,106,212	2,457,278,936	1,963,106,212
Other receivables	28,964,749	26,637,825	–	–
	2,760,843,111	2,205,164,953	2,731,878,362	2,178,527,128
Local vehicle franchise (Note 15)	15,000,000	15,000,000	–	–
Other assets (Note 15)	16,506,973	15,812,898	5,579,999	5,579,999
	₱2,792,350,084	₱2,235,977,851	₱2,737,458,361	₱2,184,107,127

A reconciliation of the allowance for credit and impairment losses by class of receivables from customers follows:

	2021			
	Consolidated			
	Lease contract Receivables	Notes Receivables Financed	Other receivables	Total
Balances at beginning year	₱215,420,916	₱1,963,106,212	₱26,637,825	₱2,205,164,953
Provision during the year	80,773,399	623,861,531	3,020,999	707,655,929
Accounts written-off	(21,594,889)	(129,688,807)	–	(151,283,696)
Balances at end of year	₱274,599,426	₱2,457,278,936	₱ 29,658,824	₱2,761,537,186
	Parent Company			
	Lease contract Receivables	Notes Receivables Financed	Other receivables	Total
	Balances at beginning of year	₱215,420,916	₱1,963,106,212	₱–
Provision during the year	80,773,399	623,861,531	–	704,634,930
Accounts written-off	(21,594,889)	(129,688,807)	–	(151,283,696)
Balances at end of year	₱ 274,599,426	₱2,457,278,936	₱–	₱2,731,878,362
	2020			
	Consolidated			
	Lease contract Receivables	Notes Receivables Financed	Other receivables	Total
Balances at beginning of year	₱131,591,655	₱733,577,663	₱24,138,957	₱889,308,275
Provision during the year	105,245,881	1,321,667,394	2,502,143	1,429,415,418
Accounts written-off	(21,416,620)	(92,138,845)	(3,275)	(113,558,740)
Balances at end of year	₱215,420,916	₱1,963,106,212	₱26,637,825	₱2,205,164,953

	Parent Company			Total
	Lease contract Receivables	Notes Receivables Financed	Other receivables	
Balances at beginning of year	₱131,591,655	₱733,577,663	₱–	₱865,169,318
Provision during the year	105,245,881	1,321,667,394	–	1,426,913,275
Accounts written-off	(21,416,620)	(92,138,845)	–	(113,555,465)
Balances at end of year	₱215,420,916	₱1,963,106,212	₱–	₱2,178,527,128

The analysis of changes in the gross carrying amounts and expected credit loss allowance of receivable from customers per segment for September 30, 2021 and September 30, 2020 is as follows:

For the year ended September 30, 2021

Large and Medium corporates

	Gross Carrying Amount			Total
	Stage 1	Stage 2	Stage 3	
October 1, 2020*	₱8,719,764,806	₱2,077,745,918	₱917,530,407	₱11,715,041,131
New loans**	4,404,981,193	1,449,147,038	859,057,301	6,713,185,532
Assets derecognized or repaid***	(7,552,087,830)	(1,843,843,391)	(674,186,824)	(10,070,118,045)
Write-off	–	–	(96,271)	(96,271)
Transfer to Stage 1***	33,767,847	(32,852,663)	(915,184)	–
Transfer to Stage 2***	(220,355,356)	249,959,758	(29,604,402)	–
Transfer to Stage 3***	(208,275,759)	(12,665,778)	220,941,537	–
September 30, 2021	₱5,177,794,901	₱1,887,490,882	₱1,292,726,564	₱8,358,012,347

* Large and Medium Corporates' gross carrying amounts and staging as of September 30, 2020

**Receivables originated beginning October 1, 2020; their gross carrying amounts and staging as of September 30, 2021

***Receivables originated prior to October 1, 2020; their gross carrying amounts as of September 30, 2021

	ECL			Total
	Stage 1	Stage 2	Stage 3	
October 1, 2020*	₱179,014,716	₱385,316,984	₱266,345,892	₱830,677,592
New loans**	335,860,554	119,801,953	326,719,249	782,381,756
Assets derecognized, repaid and written-off***	(136,967,630)	(346,983,737)	(172,817,533)	(656,768,900)
Write-off	–	–	(96,271)	(96,271)
Transfer to Stage 1	5,761,857	(5,106,281)	(655,576)	–
Transfer to Stage 2	(4,901,191)	24,393,874	(19,492,683)	–
Transfer to Stage 3	(6,225,251)	(2,077,726)	8,302,977	–
Impact on yearend ECL of exposures transferred between stages during the year and changes to models and inputs used for ECL calculations	15,403,808	(24,582,917)	83,400,441	74,221,332
September 30, 2021	₱387,946,863	₱150,762,150	₱491,706,496	₱1,030,415,509

* Large and Medium Corporates' ECL amounts and staging as of September 30, 2020

**ECL amounts and staging as of September 30, 2021 of receivables originated beginning October 1, 2020

***Receivables originated prior to October 1, 2020 and fully derecognized in 2021; their ECL amounts as of October 1, 2020

Large, Medium, and Small and Micro enterprises

	Gross Carrying Amount			Total
	Stage 1	Stage 2	Stage 3	
October 1, 2020*	₱14,882,311,299	₱2,451,064,284	₱1,796,782,044	₱19,130,157,627
New loans**	10,667,598,443	1,397,256,615	1,949,031,525	14,013,886,583
Write-off	–	–	(148,493,779)	(148,493,779)
Assets derecognized or repaid***	(14,680,724,046)	(2,431,172,932)	(1,784,310,723)	(18,896,207,701)
Transfer to Stage 1***	8,172,399	(8,172,399)	–	–
Transfer to Stage 2***	(11,857,736)	11,857,736	–	–
Transfer to Stage 3***	(122,569)	(5,657,992)	5,780,561	–
September 30, 2021	₱10,865,377,790	₱1,415,175,312	₱1,818,789,628	₱14,099,342,730

*Small and micro enterprises and Individual Business gross carrying amounts and staging as of September 30, 2020

**Receivables originated beginning October 1, 2020; their gross carrying amounts and staging as of September 30, 2021

***Receivables originated prior to October 1, 2020; their gross carrying amounts as of September 30, 2021

	ECL			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2020*	P336,286,579	P353,486,389	P503,935,896	P1,193,708,864
New loans**	862,604,253	103,982,028	689,123,601	1,655,709,882
Assets derecognized, repaid and written-off***	(326,839,622)	(347,360,222)	(346,468,488)	(1,020,668,332)
Write-off	-	-	(148,493,779)	(148,493,779)
Transfer to Stage 1	2,430,935	(2,430,935)	-	-
Transfer to Stage 2	(508,239)	508,239	-	-
Transfer to Stage 3	(41,883)	(1,472,083)	1,513,966	-
Impact on yearend ECL of exposures transferred between stages during the year and changes to models and inputs used for ECL calculations	2,817,557	(1,137,954)	(1,957,343)	(277,740)
September 30, 2021	P876,749,580	P105,575,462	P697,653,853	P1,679,978,895

* Small and micro enterprises and Individual Business ECL amounts and staging as of September 30, 2020

**ECL amounts and staging as of September 30, 2021 of receivables originated beginning October 1, 2020

***Receivables originated prior to October 1, 2020 and fully derecognized in 2021; their ECL amounts as of October 1, 2020

Consumer

	Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2020*	P746,588,736	P270,865,653	P111,450,924	P1,128,905,313
New loans**	136,308,587	3,004,159	32,319,531	171,632,277
Assets derecognized or repaid***	(685,563,475)	(270,256,782)	(108,223,715)	(1,064,043,972)
Write-off	-	-	(2,693,646)	(2,693,646)
Transfer to Stage 1***	229,232	(229,232)	-	-
Transfer to Stage 2***	(489,952)	489,952	-	-
Transfer to Stage 3***	(272,524)	(293,311)	565,835	-
September 30, 2021	P196,800,604	P3,580,439	P33,418,929	P233,799,972

* Individual-Personal and others' gross carrying amounts and staging as of September 30, 2020

**Receivables originated beginning October 1, 2020; their gross carrying amounts and staging as of September 30, 2021

***Receivables originated prior to October 1, 2020; their gross carrying amounts as of September 30, 2021

	ECL			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2020*	P27,756,544	P96,319,653	P30,064,476	P154,140,672
New loans**	4,302,206	157,046	14,887,809	19,347,061
Assets derecognized, repaid ***	(25,074,787)	(96,202,076)	(27,197,013)	(148,473,876)
Write-off	-	-	(2,693,646)	(2,693,646)
Transfer to Stage 1	76,232	(76,232)	-	-
Transfer to Stage 2	(43,600)	43,600	-	-
Transfer to Stage 3	(26,236)	(11,825)	37,521	-
Impact on yearend ECL of exposures transferred between stages during the year and changes to models and inputs used for ECL calculations	(1,180,664)	99,539	244,872	(836,253)
September 30, 2021	P5,809,695	P330,245	P15,344,018	P21,483,958

* Individual-Personal and others' ECL amounts and staging as of September 30, 2020

**ECL amounts and staging as of September 30, 2021 of receivables originated beginning October 1, 2020

***Receivables originated prior to October 1, 2020 and fully derecognized in 2021; their ECL amounts as of October 1, 2020

For the year ended September 30, 2020

Large corporates

	Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱7,042,964,732	₱1,314,003,245	₱362,799,934	₱8,719,767,911
New loans*	2,227,768,792	543,002,020	203,725,126	2,974,495,938
Assets derecognized or repaid**	(3,385,855,680)	(512,166,163)	(218,056,114)	(4,116,077,957)
Transfer to Stage 1**	349,044,344	(339,891,586)	(9,152,758)	–
Transfer to Stage 2**	(577,121,016)	583,706,016	(6,585,000)	–
Transfer to Stage 3**	(97,780,130)	(161,548,514)	259,328,644	–
September 30, 2020	₱5,559,021,042	₱1,427,105,018	₱592,059,832	₱7,578,185,892

*Receivables originated beginning October 1, 2019; their gross carrying amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019; their gross carrying amounts as of September 30, 2020

	ECL			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱90,035,471	₱105,512,060	₱80,797,872	₱276,345,403
New loans*	62,713,449	167,336,632	63,623,470	293,673,551
Assets derecognized, repaid and written-off**	(10,407,048)	(23,323,397)	(29,798,310)	(63,528,755)
Transfer to Stage 1**	44,979,020	(41,844,205)	(3,134,815)	–
Transfer to Stage 2**	(12,368,391)	15,280,653	(2,912,262)	–
Transfer to Stage 3**	(1,552,844)	(10,541,438)	12,094,282	–
Impact on yearend ECL of exposures transferred between stages during the year and changes to models and inputs used for ECL calculations	(47,775,963)	91,966,591	31,873,047	76,063,675
September 30, 2020	₱125,623,694	₱304,386,896	₱152,543,284	₱582,553,874

*Receivables originated beginning October 1, 2019; their ECL amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019 and fully derecognized in 2020; their ECL amounts as of October 1, 2019

Medium enterprises

	Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱3,685,621,318	₱169,357,933	₱51,375,121	₱3,906,354,372
New loans*	1,778,286,784	365,865,208	126,010,284	2,270,162,276
Assets derecognized or repaid**	(1,902,359,526)	(105,852,310)	(31,449,572)	(2,039,661,408)
Transfer to Stage 1**	25,001,957	(24,151,050)	(850,907)	–
Transfer to Stage 2**	(264,940,513)	265,594,980	(654,467)	–
Transfer to Stage 3**	(160,866,254)	(20,173,861)	181,040,115	–
September 30, 2020	₱3,160,743,766	₱650,640,900	₱325,470,574	₱4,136,855,240

*Receivables originated beginning October 1, 2019; their gross carrying amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019; their gross carrying amounts as of September 30, 2020

	ECL			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱18,612,407	₱4,597,381	₱9,830,481	₱33,040,269
New loans*	44,817,545	59,768,445	40,346,797	144,932,787
Assets derecognized, repaid and written-off**	(3,724,729)	(1,073,070)	(4,614,037)	(9,411,836)
Transfer to Stage 1**	2,486,589	(2,005,442)	(481,147)	–
Transfer to Stage 2**	(2,097,260)	2,305,184	(207,924)	–
Transfer to Stage 3**	(446,893)	(705,745)	1,152,638	–
Impact on yearend ECL of exposures transferred between stages during the year and changes to models and inputs used for ECL calculations	(6,256,636)	18,043,336	67,775,800	79,562,500
September 30, 2020	₱53,391,023	₱80,930,089	₱113,802,608	₱248,123,720

*Receivables originated beginning October 1, 2019; their ECL amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019 and fully derecognized in 2020; their ECL amounts as of October 1, 2019

Small and micro enterprises

	Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱1,940,550,708	₱119,953,427	₱58,020,256	₱2,118,524,391
New loans*	2,396,513,354	200,492,957	70,774,551	2,667,780,862
Assets derecognized or repaid**	(1,071,383,708)	(64,437,806)	(29,599,434)	(1,165,420,948)
Transfer to Stage 1**	23,051,070	(23,028,093)	(22,977)	–
Transfer to Stage 2**	(136,740,107)	136,740,107	–	–
Transfer to Stage 3**	(59,460,179)	(28,937,989)	88,398,168	–
September 30, 2020	₱3,092,531,138	₱340,782,603	₱187,570,564	₱3,620,884,305

*Receivables originated beginning October 1, 2019; their gross carrying amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019; their gross carrying amounts as of September 30, 2020

	ECL			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱18,788,303	₱7,323,689	₱12,641,514	₱38,753,506
New loans*	53,536,991	38,718,571	20,015,001	112,270,563
Assets derecognized, repaid and written-off**	(4,720,207)	(2,248,931)	(4,418,924)	(11,388,062)
Transfer to Stage 1**	2,739,485	(2,675,072)	(64,413)	–
Transfer to Stage 2**	(1,810,133)	1,810,133	–	–
Transfer to Stage 3**	(811,404)	(1,948,820)	2,760,224	–
Impact on yearend ECL of exposures transferred between stages during the year and changes to models and inputs used for ECL calculations	(344,844)	17,564,816	18,413,598	35,633,570
September 30, 2020	₱67,378,191	₱58,544,386	₱49,347,000	₱175,269,577

*Receivables originated beginning October 1, 2019; their ECL amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019 and fully derecognized in 2020; their ECL amounts as of October 1, 2019

Individual businesses

	Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱20,437,631,619	₱1,072,182,246	₱796,219,449	₱22,306,033,314
New loans*	5,154,933,641	544,139,699	226,953,950	5,926,027,290
Assets derecognized or repaid**	(11,748,553,322)	(616,118,468)	(358,115,492)	(12,722,787,282)
Transfer to Stage 1**	105,809,240	(104,043,077)	(1,766,163)	–
Transfer to Stage 2**	(1,448,689,149)	1,453,386,525	(4,697,376)	–
Transfer to Stage 3**	(711,351,866)	(239,265,246)	950,617,112	–
September 30, 2020	₱11,789,780,163	₱2,110,281,679	₱1,609,211,480	₱15,509,273,322

*Receivables originated beginning October 1, 2019; their gross carrying amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019; their gross carrying amounts as of September 30, 2020

	ECL			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱195,734,673	₱38,671,349	₱179,642,645	₱414,048,667
New loans*	144,535,135	89,893,628	62,617,178	297,045,941
Assets derecognized, repaid and written-off**	(51,505,215)	(17,104,628)	(52,925,714)	(121,535,557)
Transfer to Stage 1**	8,674,230	(8,371,858)	(302,372)	–
Transfer to Stage 2**	(17,892,662)	20,212,384	(2,319,722)	–
Transfer to Stage 3**	(31,047,241)	(6,949,661)	37,996,902	–
Impact on yearend ECL of exposures transferred between stages during the year and changes to models and inputs used for ECL calculations	20,409,469	178,590,787	229,879,976	428,880,232
September 30, 2020	₱268,908,389	₱294,942,001	₱454,588,893	₱1,018,439,283

*Receivables originated beginning October 1, 2019; their ECL amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019 and fully derecognized in 2020; their ECL amounts as of October 1, 2019

Individual – Personal

	Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱844,027,091	₱50,815,871	₱38,313,620	₱933,156,582
New loans*	161,451,250	14,257,949	3,790,641	179,499,840
Assets derecognized or repaid**	(461,140,028)	(29,236,420)	(20,014,334)	(510,390,782)
Transfer to Stage 1**	2,347,845	(2,059,188)	(288,657)	–
Transfer to Stage 2**	(59,414,375)	59,414,375	–	–
Transfer to Stage 3**	(36,900,712)	(13,212,149)	50,112,861	–
September 30, 2020	₱450,371,071	₱79,980,438	₱71,914,131	₱602,265,640

*Receivables originated beginning October 1, 2019; their gross carrying amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019; their gross carrying amounts as of September 30, 2020

	ECL			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱1,869,573	₱1,115,524	₱14,148,993	₱17,134,090
New loans*	2,718,681	1,786,670	654,555	5,159,906
Assets derecognized, repaid and written-off**	(499,455)	(511,076)	(7,366,432)	(8,376,963)
Transfer to Stage 1**	130,615	(82,175)	(48,440)	–
Transfer to Stage 2**	(168,646)	168,646	–	–
Transfer to Stage 3**	(85,523)	(362,019)	447,542	–
Impact on yearend ECL of exposures transferred between stages during the year and changes to models and inputs used for ECL calculations	2,099,832	5,342,924	9,611,414	17,054,170
September 30, 2020	₱6,065,077	₱7,458,494	₱17,447,632	₱30,971,203

*Receivables originated beginning October 1, 2019; their ECL amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019 and fully derecognized in 2020; their ECL amounts as of October 1, 2019

Others

	Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱803,672,308	₱34,122,781	₱113,071,908	₱950,866,997
New loans*	136,819,300	114,197,211	21,066,812	272,083,323
Assets derecognized or repaid**	(566,930,140)	(25,759,612)	(103,620,895)	(696,310,647)
Transfer to Stage 1**	4,730,704	(4,714,776)	(15,928)	–
Transfer to Stage 2**	(72,584,832)	73,120,017	(535,185)	–
Transfer to Stage 3**	(9,489,675)	(80,406)	9,570,081	–
September 30, 2020	₱296,217,665	₱190,885,215	₱39,536,793	₱526,639,673

*Receivables originated beginning October 1, 2019; their gross carrying amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019; their gross carrying amounts as of September 30, 2020

	ECL			
	Stage 1	Stage 2	Stage 3	Total
October 1, 2019	₱14,423,435	₱5,866,813	₱60,312,822	₱80,603,070
New loans*	10,305,766	66,780,654	4,315,102	81,401,522
Assets derecognized, repaid and written-off**	(7,787,080)	(4,447,529)	(55,535,221)	(67,769,830)
Transfer to Stage 1**	1,336,931	(1,336,931)	–	–
Transfer to Stage 2**	(2,320,903)	2,320,903	–	–
Transfer to Stage 3**	(287,825)	(8,542)	296,367	–
Impact on yearend ECL of exposures transferred between stages during the year and changes to models and inputs used for ECL calculations	6,021,144	19,685,791	3,227,774	28,934,709
September 30, 2020	₱21,691,468	₱88,861,159	₱12,616,844	₱123,169,471

*Receivables originated beginning October 1, 2019; their ECL amounts and staging as of September 30, 2020

**Receivables originated prior to October 1, 2019 and fully derecognized in 2020; their ECL amounts as of October 1, 2019

17. Bills Payable and Bonds Payable

Bills payable

This account consists of deposit substitutes and bank borrowings with amortized costs (net of debt transaction costs), as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Bank borrowings (Note 31)	₱16,820,081,780	₱22,109,736,440	₱15,380,085,095	₱20,542,964,406
Deposit substitutes	3,019,581,614	5,313,302,052	3,059,124,409	5,362,408,921
	₱19,839,663,394	₱27,423,038,492	₱18,439,209,504	₱25,905,373,327

The details of the unamortized debt transaction costs follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Bank borrowings (Note 31)	₱58,713,006	₱113,442,704	₱50,929,196	₱112,214,738
Deposit substitutes	9,975,770	5,677,274	9,975,770	5,677,274
	₱68,688,776	₱119,119,978	₱60,904,966	₱117,892,012

Bills payable includes also unsecured loans payable to various banks and lenders with annual interest rates ranging from 3.8% to 4.0%, 2.8% to 7.3% and 4.2% to 7.2% in 2021, 2020 and 2019, respectively, for peso-denominated bills payable and from 0.1% to 1.2%, 0.3% to 1.4% and 2.6% to 3.5% in 2021, 2020 and 2019, respectively, for USD-denominated bills payable. These bank borrowings generally have tenors of 2 to 3 years.

Deposit substitutes have annual interest rates ranging from 0.3% to 6.9%, 0.5% to 7.5% and 2.2% to 7.4% in 2021, 2020 and 2019, respectively. They generally have tenor of 4 days to 2 years.

Bonds payable

On September 6, 2019, the BOD of the Parent Company approved the issuance of Philippine Peso Bond or Debt Securities Programme amounting up to ₱10.0 billion, in one or more tranches, with tenors of at least 1.5 years. In October 2019, the Parent Company offered the first tranche bonds of ₱4.2 billion from its ₱10.00 billion retail bond programme. Subsequently, the Parent Company's retail bonds were listed in the Philippine Dealing and Exchange Corporation on November 15, 2019. The bonds bear interest rate of 4.55% per annum, which is payable on a quarterly basis. In addition, the bonds have maturity terms of two (2) years from the issue date or until November 15, 2021. As of September 30, 2021 and 2020, the bonds payable is carried at amortized cost, net of debt transaction costs amounting to ₱3.5 million and ₱24.4 million, respectively.

Interest expense (including amortization of debt transaction costs)

Interest expense on bills and bonds payable (including amortization of debt transaction costs) follows:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Bank borrowings	₱638,928,438	₱1,155,960,817	₱640,715,645	₱574,844,877	₱1,054,079,219	₱640,715,645
Deposit substitutes	96,292,683	320,076,876	1,617,529,068	96,292,683	321,543,421	1,458,851,109
Bonds payable	211,261,551	184,830,923	–	211,261,551	184,830,923	–
	₱946,482,672	₱1,660,868,616	₱2,258,244,713	₱882,399,111	₱1,560,453,563	₱2,099,566,754

18. Accounts Payable and Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Financial liabilities				
Accounts payable (Note 29)	₱1,475,380,223	₱1,322,750,643	₱1,219,101,627	₱1,026,478,187
Accrued expenses	113,462,229	109,707,216	25,704,213	47,180,193
Accrued interest payable (Notes 19 and 29)	75,722,951	155,993,504	72,942,492	153,867,036
Others	34,507,450	30,297,758	4,254,678	3,614,529
	1,699,072,853	1,618,749,121	1,322,003,010	1,231,139,945
Nonfinancial liabilities				
Deferred income	57,378,040	110,389,180	1,227,527	1,785,851
Donation payable	57,225,135	57,225,135	–	–
Gross receipts tax payable	50,882,618	59,517,921	50,865,445	59,517,921
Advance rental	30,213,683	16,351,674	9,040,749	5,657,270
Retirement liability (Note 26)	15,387,370	100,906,058	–	59,528,112
Withholding tax payable and other liabilities to BIR	14,794,520	18,382,428	14,576,428	15,591,046
Value-added tax payable	9,739,154	12,104,065	–	–
	235,620,520	374,876,461	75,710,149	142,080,200
	₱1,934,693,373	₱1,993,625,582	₱1,397,713,159	₱1,373,220,145

Accounts payable represents unpaid liabilities to the suppliers for the equipment to be leased out and financed to the lessees and the borrowers, respectively.

19. Derivatives Designated as Hedge Instruments in a Cash Flow Hedge

As of September 30, 2021 and 2020, the Parent Company's derivative liabilities amount to ₱432.5 million and ₱1.6 billion, respectively.

The fair value changes of the derivative liabilities follow:

	Consolidated/Parent Company	
	2021	2020
Beginning balance	(₱1,577,666,794)	(₱839,737,964)
Net changes in fair value of derivatives under a cash flow hedge recognized in other comprehensive	480,223,729	(1,301,288,915)
Net interest settlements	664,891,606	563,360,085
	(₱432,551,459)	(₱1,577,666,794)

Cross currency swap agreements

In 2019 and 2018, the Group entered into CCS agreements with various counterparties to hedge the foreign currency and interest rate risks arising from its US\$-denominated floating rate loans (presented in "Bills payable") aggregating to US\$223.5 million. The CCS are non-amortizing and there were no initial and final exchanges of the notional amounts. Effectively under the CCS agreements, the Group swaps its US\$-denominated floating rate loans into peso-denominated fixed-rate loans. On the same dates as the trade dates of CCS agreements, the Group designated the CCSs as effective hedging instruments under a cash flow hedge relationship.

The details of the CCS agreements are as follows:

Counterparty	Trade Date	Term	Floating Receive Leg		Swap Rate	Fixed Pay Leg	
			Notional Amount	Interest Rate		Notional Amount	Interest Rate
Metrobank	July 11, 2018	July 11, 2018 to July 5, 2021	US\$56.2 million	3-months LIBOR plus 0.9% credit spread, quarterly	₱53.40: US\$1	₱3.0 billion	6.8% per annum, quarterly
Metrobank	Nov 29, 2018	Nov 29, 2018 to Nov 26, 2021	US\$46.7 million	3-months LIBOR plus 1.1% credit spread, quarterly	₱52.50: US\$1	₱2.5 billion	7.8% per annum, quarterly
Mizuho Bank Ltd. Manila Branch	Dec 27, 2018	Dec 27, 2018 to Dec 27, 2021	US\$37.61 million	3-months LIBOR plus 0.8% credit spread, quarterly	₱53.18: US\$1	₱2.00 billion	8.0% per annum, quarterly
Sumitomo Mitsui Banking Corporation Manila Branch	Dec 27, 2018	Dec 27, 2018 to Dec 27, 2021	US\$33.0 million	3-months LIBOR plus 0.5% credit spread, quarterly	₱52.98: US\$1	₱1.8 billion	7.0% per annum, quarterly
Sumitomo Mitsui Banking Corporation Manila Branch	Sept 30, 2019	Sept 30, 2019 to Sept 30, 2022	US\$50.00 million	3-months LIBOR plus 0.5% credit spread, quarterly	₱52.09: US\$1	₱2.6 billion	5.0% per annum, quarterly

The movements in cash flow hedge reserve follow:

	Consolidated/Parent Company		
	2021	2020	2019
Beginning balance, before tax	(₱611,255,938)	(₱618,548,083)	(₱17,058,362)
Net unrealized gains (losses) from mark-to-market of derivative liabilities designated as hedging instruments in a cash flow hedge	244,298,673	(1,301,288,915)	(1,156,334,860)
Net gains (losses) on cash flow hedges reclassified to "Foreign exchange gains/losses" in the profit or loss	(458,630,092)	745,220,975	256,021,341
Net losses on cash flow hedges reclassified "Interest and finance charges" in the profit or loss	664,891,606	563,360,085	298,823,798
Net movement in other comprehensive income for the year	450,560,187	7,292,145	(601,489,721)
Ending balance, before tax	(160,695,751)	(611,255,938)	(618,548,083)
Deferred tax effect	40,173,938	183,376,781	185,564,425
	(₱120,521,813)	(₱427,879,157)	(₱432,983,658)

In 2021 and 2020, ineffective portion in the cash flow hedge relationship is assessed as not material.

In 2021, the deferred tax effect includes the reduction in DTA of ₱30.6 million resulting from the reduction in regular corporate income tax rate from 30.00% to 25.00% under the CREATE Act (Note 28).

As of September 30, 2021, interest receivable and payable on the receive and pay legs of the CCSs amounted to ₱2.9 million and ₱19.9 million, respectively. As of September 30, 2020, interest receivable and payable on the receive and pay legs of the CCSs amounted to ₱17.8 million and ₱70.5 million, respectively.

20. Deposits on Lease Contracts

Deposits on lease contracts consist of deposits from lessees under operating leases and customers of finance lease receivables to serve as security for the prompt and faithful performance of the terms and conditions of the contracts. For finance lease, such deposits are applied as lease payments at the end of the lease term subject to the terms and conditions of the contract. For operating leases, the deposit shall be refunded to the lessee at the termination of the lease without any interest, net of amounts which may be due to the subsidiaries under the terms of the lease of the contract.

The breakdown of deposits on finance and operating leases by contractual settlement dates follows:

	Consolidated/Parent Company	
	2021	2020
Finance Leases		
Due within one year	₱467,599,319	₱587,291,968
Due beyond one year	595,767,743	802,920,847
	1,063,367,062	1,390,212,815
Operating Leases		
Due within one year	65,331,780	56,954,371
Due beyond one year	29,728,910	45,725,988
	95,060,690	102,680,359
Total	₱1,158,427,752	₱1,492,893,174

21. Maturity Profile of Assets and Liabilities

The following tables show the assets and liabilities as of September 30, 2021 and 2020 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	Consolidated					
	2021			2020		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	₱705,457,969	₱-	₱705,457,969	₱661,138,070	₱-	₱661,138,070
Due from BSP	9,871,410,225	-	9,871,410,225	7,572,771,492	-	7,572,771,492
Securities Purchased Under Resale Agreements	365,663,589	-	365,663,589	1,925,410,260	-	1,925,410,260
Financial assets at fair value through other comprehensive income	-	1,145,018	1,145,018	-	1,112,282	1,112,282
Loans and receivables	8,980,906,409	15,027,576,698	24,008,483,107	10,634,495,973	22,797,918,554	33,432,414,527
	19,923,438,192	15,028,721,716	34,952,159,908	20,793,815,795	22,799,030,836	43,592,846,631
Nonfinancial Assets						
Property and equipment	-	298,408,986	298,408,986	-	352,543,503	352,543,503
Equipment for lease	-	2,328,069,879	2,328,069,879	-	2,246,500,852	2,246,500,852
ROU assets	-	228,227,300	228,227,300	-	217,328,415	217,328,415
Investment properties	-	531,061,004	531,061,004	-	525,407,752	525,407,752

(Forward)

Consolidated						
	2021			2020		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Prepaid expenses	P144,058,346	P-	P144,058,346	P99,355,541	P-	P99,355,541
Deferred tax assets	-	424,411,895	424,411,895	-	-	-
Other assets	41,761,015	976,892,656	1,018,653,671	43,685,081	955,812,682	999,497,763
	185,819,361	4,787,071,720	4,972,891,081	143,040,622	4,297,593,204	4,440,633,826
Less: Allowance for credit and impairment losses			2,792,350,084			2,235,977,851
	P20,109,257,553	P19,815,793,436	P37,132,700,905	P20,936,856,417	P27,096,624,040	P45,797,502,606
Financial Liabilities						
Bills payable	P9,985,176,235	P9,854,487,159	P19,839,663,394	P14,270,505,802	P13,152,532,690	P27,423,038,492
Bonds payable	4,156,532,025	-	4,156,532,025	-	4,135,518,440	4,135,518,440
Deposits on lease contracts	532,931,099	625,496,653	1,158,427,752	644,246,339	848,646,835	1,492,893,174
Accounts payable and other liabilities	1,692,289,998	6,782,855	1,699,072,853	1,618,749,121	-	1,618,749,121
Derivative liability	432,521,459	-	432,521,459	403,671,892	1,173,994,902	1,577,666,794
Lease liability	84,582,468	155,109,020	239,691,488	131,838,663	130,660,805	262,499,468
	16,884,033,284	10,641,875,687	27,525,908,971	17,069,011,817	19,441,353,672	36,510,365,489
Nonfinancial Liabilities						
Accounts payable and other liabilities	220,233,150	15,387,370	235,620,520	273,970,403	100,906,058	374,876,461
Income tax payable	65,156,864	-	65,156,864	225,595,943	-	225,595,943
Deferred tax liabilities	-	196,643	196,643	-	500,964	500,964
	285,390,014	15,584,013	300,974,027	499,566,346	101,407,022	600,973,368
	P17,169,423,298	P10,657,459,700	P27,826,882,998	P17,568,578,163	P19,542,760,694	P37,111,338,857
Parent Company						
	2021			2020		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	P513,394,855	P-	P513,394,855	P410,037,354	P-	P410,037,354
Due from BSP	9,871,410,225	-	9,871,410,225	7,572,771,492	-	7,572,771,492
Securities Purchased Under Resale Agreements	365,663,589	-	365,663,589	1,925,410,260	-	1,925,410,260
Financial assets at fair value through other comprehensive income	-	1,145,018	1,145,018	-	1,112,282	1,112,282
Loans and receivables	8,518,389,223	15,027,576,698	23,545,965,921	10,238,660,573	22,797,918,554	33,036,579,127
	19,268,857,892	15,028,721,716	34,297,579,608	20,146,879,679	22,799,030,836	42,945,910,515
Nonfinancial Assets						
Investments in subsidiaries	-	2,116,372,223	2,116,372,223	-	1,817,170,848	1,817,170,848
Property and equipment	-	73,400,228	73,400,228	-	122,182,033	122,182,033
ROU assets	-	247,380,884	247,380,884	-	247,210,119	247,210,119
Investment properties	-	32,787,526	32,787,526	-	32,787,526	32,787,526
Prepaid expenses	75,686,410	-	75,686,410	46,354,130	-	46,354,130
Deferred tax assets	-	372,242,799	372,242,799	-	265,529,318	265,529,318
Other assets	-	647,898,520	647,898,520	-	297,401,381	297,401,381
	75,686,410	3,490,082,180	3,565,768,590	46,354,130	2,782,281,225	2,828,635,355
Less: Allowance for credit and impairment losses			2,737,458,361			2,184,107,127
	P19,344,544,302	P18,518,803,896	P35,125,889,837	P20,193,233,809	P25,581,312,061	P43,590,438,743
Financial Liabilities						
Bills payable	P9,676,994,468	P8,762,215,036	P18,439,209,504	P12,852,178,606	P13,053,194,721	P25,905,373,327
Bonds payable	4,156,532,025	-	4,156,532,025	-	4,135,518,440	4,135,518,440
Deposits on lease contracts	467,599,319	595,767,743	1,063,367,062	587,291,968	802,920,847	1,390,212,815
Accounts payable and other liabilities	1,315,220,155	6,782,855	1,322,003,010	1,231,139,945	-	1,231,139,945
Lease liability	117,404,799	145,094,669	262,499,468	92,946,282	173,306,065	266,252,347
Derivative liability	432,521,459	-	432,521,459	-	1,577,666,794	1,577,666,794
	16,166,272,225	9,509,860,303	25,676,132,528	14,763,556,801	19,742,606,867	34,506,163,668
Nonfinancial Liabilities						
Accounts payable and other liabilities	75,710,149	-	75,710,149	82,552,088	59,528,112	142,080,200
Income tax payable	65,758,166	-	65,758,166	225,565,470	-	225,565,470
Deferred tax liabilities	-	-	-	-	-	-
	141,468,315	-	141,468,315	308,117,558	59,528,112	367,645,670
	P16,307,740,540	P9,509,860,303	P25,817,600,843	P15,071,674,359	P19,802,134,979	P34,873,809,338

22. Equity

Capital Stock

Capital stock as of September 30, 2021 and 2020 consists of:

	2021		2020	
	Shares	Amount	Shares	Amount
Common - P100 par value:				
Authorized	100,000,000	₱10,000,000,000	100,000,000	₱10,000,000,000
Issued and outstanding:				
Balance at beginning of year	71,438,917	7,143,891,700	62,120,797	6,212,079,700
Stock dividends	–	–	9,318,120	931,812,000
Balance at end of year	71,438,917	₱7,143,891,700	71,438,917	₱7,143,891,700

On November 28, 2018, the BOD and the stockholders approved the increase in authorized capital stock from 5.0 billion divided into 50.0 million shares with par value of 100.0 per share to 10.0 billion divided into 100.0 million shares with par value of 100.0 per share.

On April 30, 2019, the Securities and Exchange Commission (SEC) approved the increase in authorized capital stock.

Retained Earnings

Details of the Parent Company's stock dividend distributed follow:

Date of Declaration	Total Amount	Record Date	Distribution Date
November 27, 2019	₱931,812,000	November 27, 2019	January 31, 2020
October 28, 2018	1,250,000,000	May 20, 2019	May 31, 2019
October 28, 2018	647,227,800	October 28, 2018	January 31, 2019

Capital Management

The primary objective of the Group's capital management is 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 and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

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

23. Revenue from Contracts with Customers

The Group's revenues for services rendered to customers are as follows:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Fleet management and maintenance services (See Note 2)	₱221,504,717	₱255,113,264	₱272,995,281	₱-	₱-	-
Commissions	119,671,205	82,919,645	98,467,301	-	-	-
Service charges and fees	37,805,528	57,766,327	132,747,477	33,910,333	53,210,802	122,753,715
	₱378,981,450	₱395,799,236	₱504,210,059	₱33,910,333	₱53,210,802	₱122,753,715

Service charges and fees include loan-related fees. They also include billable charges such as fuels and repairs to the lessees under the Group's operating lease agreements.

24. Other Income

This account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Interest income from deposits and money market placements (Notes 6, 7 and 29)	₱198,238,865	₱183,590,147	₱52,092,902	₱196,855,982	₱179,926,023	₱45,678,368
Gain on sale of properties – net (Note 15)	196,428,348	149,603,422	342,073,294	15,006,081	17,710,122	30,606,352
Penalty charges	188,300,796	144,149,577	144,031,025	188,300,796	144,099,482	143,491,476
Gains on initial recognition of other assets - chattels (Note 15)	41,874,826	23,156,822	14,356,251	41,874,826	23,156,822	14,356,251
Recovery on written-off receivables and charged-off assets	23,803,173	8,268,101	18,561,917	23,803,173	8,268,101	18,561,917
Miscellaneous	207,486,750	140,682,739	150,968,298	65,924,418	83,498,312	71,879,532
	₱856,132,758	₱649,450,808	₱722,083,687	₱531,765,276	₱456,658,862	₱324,573,896

Gain on sale of properties – net of the Group mostly comprised of gain from disposal of equipment for lease amounting to ₱181.42 million, ₱128.87 million and ₱194.72 million in 2021, 2020 and 2019, respectively. In 2019, gain on sale of properties also included gain of ₱114.14 million on properties classified as non-current asset held for sale.

Miscellaneous includes the Parent Company's management fees charged to the subsidiaries (see Note 29), reimbursements from borrowers of the litigation costs incurred, chattel fees charged to borrowers and forfeited guaranty deposits.

25. General and Administrative Expenses

This account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Depreciation and amortization	₱1,435,384,878	₱1,374,354,115	₱1,356,842,266	₱457,115,191	₱365,990,710	₱339,357,587
Compensation and employees' benefits (Note 26 and Note 29)	815,548,306	906,050,912	817,499,553	708,410,834	778,869,873	718,915,361
Taxes and licenses	287,541,752	353,942,336	396,111,636	238,768,375	319,464,364	338,227,096
Repairs	212,013,841	155,030,662	185,296,236	25,205,767	18,636,143	20,081,466
Insurance	71,876,947	69,045,809	87,075,944	3,288,266	3,535,554	3,553,714
Outside Services	57,156,142	62,790,043	65,675,738	35,613,277	40,474,188	41,495,754
Rent, light and water	69,253,455	39,474,544	55,389,034	49,208,800	26,879,381	38,752,744
Litigation	69,506,732	34,033,725	44,658,846	69,506,732	33,557,925	44,658,846
Communication	28,888,597	27,492,243	38,343,908	28,851,795	27,488,514	32,650,937
Stationery and supplies	25,221,204	20,357,608	26,763,448	20,446,074	18,250,320	22,227,186
Management and other professional fees	38,519,036	19,639,290	16,743,895	31,361,150	17,053,921	15,633,962
Fuel and lubricants	15,813,573	14,913,064	31,913,026	15,831,938	14,908,692	19,220,136
Travelling	6,989,603	8,574,488	13,751,072	5,094,975	6,728,970	10,824,206
Meetings and conferences	613,088	4,642,909	4,504,608	544,319	4,517,749	4,310,931
Entertainment, amusement and recreation	415,555	3,032,254	8,915,477	405,918	2,982,088	4,957,981
Advertising	504,345	1,237,112	1,614,776	448,095	832,112	1,183,592
Commission	720	1,488,611	608,434	720	1,488,611	605,556
Membership fees and dues	581,160	519,724	630,795	560,760	513,224	615,875
Miscellaneous	136,654,787	54,665,324	119,050,916	83,572,396	38,017,672	32,947,576
	₱3,272,483,721	₱3,151,284,773	₱3,271,389,608	₱1,774,235,382	₱1,720,190,011	₱1,690,220,506

The details of depreciation and amortization follow:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Equipment for lease (Note 12)	₱931,287,140	₱995,007,616	₱1,005,768,856	₱-	₱-	₱-
Other assets - chattels (Note 15)	231,430,179	144,928,360	129,240,594	231,430,179	144,928,360	129,240,594
ROU assets (Note 27)	141,349,706	122,012,552	110,919,929	123,333,953	136,474,110	127,065,941
Property and equipment (Note 11)	78,769,425	85,451,677	91,001,500	71,284,309	76,329,066	81,184,822
Software (Note 15)	45,324,685	20,795,167	13,972,679	31,066,750	8,259,174	1,866,230
Investment properties (Note 13)	7,223,743	6,158,743	5,938,708	-	-	-
	₱1,435,384,878	₱1,374,354,115	₱1,356,842,266	₱457,115,191	₱365,990,710	₱339,357,587

Miscellaneous expense includes cost of donations and charitable contributions, periodicals and magazines, bank charges, fines, penalties and other charges.

26. Retirement Plan

The Parent Company, OALPC and ORC have funded and noncontributory defined benefit retirement plan providing for retirement, death or disability benefits (administered by a retirement committee with a local bank as trustee) covering all regular employees. Under the respective retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. Actuarial valuations are made annually.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used are shown below:

	Parent Company			OALPC			ORC		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Discount rate									
At October 1	3.9%	5.2%	7.8%	3.5%	5.2%	6.8%	3.8%	5.1%	7.7%
At September 30	5.6%	3.9%	5.2%	5.0%	3.5%	5.2%	5.4%	3.8%	5.1%
Future salary increases	6.0%	7.0%	7.0%	6.0%	7.0%	8.0%	6.0%	7.0%	8.0%
Average remaining working life	25	26	27	12	13	14	19	20	20

The average duration of the retirement liability in 2021 for the Parent Company, OALP and ORC are 11.0, 9.4 and 10.2 years, respectively. The average duration of the retirement liability in 2020 for the Parent Company, OALP and ORC are 13.1, 10.9 and 11.6 years, respectively.

The details of the Group's and the Parent Company's net retirement asset and net retirement liability included under 'Other assets' and 'Accounts payable and other liabilities', respectively, as of September 30, 2021 and 2020 are as follows:

	Consolidated	
	2021	2020
Present value of the defined benefit obligation	₱620,482,347	₱746,180,906
Fair value of plan assets	(782,031,633)	(664,719,566)
Deficit	(161,549,286)	81,461,340
Effect of asset ceiling	36,244,654	6,241,513
	(₱125,304,632)	₱87,702,853

As of September 30, 2021, net retirement asset of OALP and the Parent Company amounted to ₱10.5 million and ₱130.1 million, respectively, while net retirement liability of ORC amounted to ₱15.3 million.

As of September 30, 2020, net retirement asset of OALP amounted to ₱13.2 million, while net retirement liability of the Parent Company and ORC amounted to ₱59.5 million and ₱41.4 million, respectively.

	Parent Company	
	2021	2020
Present value of the defined benefit obligation	₱534,636,684	₱643,837,430
Fair value of plan assets	(691,423,087)	(584,309,318)
Deficit (Funded)	(156,786,403)	59,528,112
Effect of asset ceiling	26,645,056	—
	(₱130,141,347)	₱59,528,112

Changes in the present value of the defined benefit obligation as of September 30, 2021, 2020 and 2019 recognized in the statements of financial position follow:

	Consolidated		
	2021	2020	2019
Balance at beginning of year	₱746,180,906	₱594,164,134	₱328,058,974
Current service cost	93,214,195	79,424,012	42,456,181
Interest cost	29,400,124	30,792,348	25,478,552
Remeasurement (gains) losses:			
Actuarial losses (gains) arising from:			
changes in financial assumptions	(221,459,891)	96,423,345	155,473,351
demographic assumptions	(36,517)	-	-
experience adjustment	(2,505,076)	(52,382,878)	44,461,191
Benefits paid	(24,311,394)	(2,240,055)	(1,764,115)
Balance at end of year	₱620,482,347	₱746,180,906	₱594,164,134

	Parent Company		
	2021	2020	2019
Balance at beginning of year	₱643,837,430	₱503,578,252	₱275,464,966
Current service cost	81,367,660	68,057,838	35,909,873
Interest cost	25,495,962	26,186,069	21,568,907
Remeasurement (gains) losses:			
Actuarial losses (gains) arising from:			
changes in financial assumptions	(194,600,260)	93,025,095	133,182,023
experience adjustment	875,669	(45,658,845)	38,889,156
Benefits paid	(22,339,777)	(1,350,979)	(1,436,673)
Balance at end of year	₱534,636,684	₱643,837,430	₱503,578,252

Changes in fair value of plan assets are as follows:

	Consolidated		
	2021	2020	2019
Balance at beginning of year	₱664,719,566	₱506,581,676	₱346,354,245
Contributions	135,997,856	127,903,000	111,408,000
Interest income	28,151,227	29,543,524	31,155,832
Remeasurement gain (loss)	(22,525,622)	2,931,421	19,427,714
Benefits paid	(24,311,394)	(2,240,055)	(1,764,115)
Balance at end of year	₱782,031,633	₱664,719,566	₱506,581,676

	Parent Company		
	2021	2020	2019
Balance at beginning of year	₱584,309,318	₱442,741,353	₱297,241,055
Contributions	123,457,856	115,753,000	103,200,000
Interest income	24,954,444	25,997,003	27,258,009
Remeasurement gain (loss)	(18,958,754)	1,168,941	16,478,962
Benefits paid	(22,339,777)	(1,350,979)	(1,436,673)
Balance at end of year	₱691,423,087	₱584,309,318	₱442,741,353

The effect of the asset ceiling in 2021 amounting to ₱29.8 million and ₱26.6 million for the Group and Parent Company, respectively, is recognized under “Remeasurement gains (losses) on retirement plan“ in other comprehensive income. The effect of the asset ceiling in 2020 amounting to ₱6.2 million and nil for the Group and Parent Company, respectively.

The fair value of plan assets by each class is as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Cash and cash equivalents	₱17,072,499	₱45,099,949	₱5,452,956	₱38,924,475
Accrued interest and other receivables	6,138,921	4,465,820	5,459,557	3,952,214
Debt instruments				
Government securities	646,750,374	535,698,190	568,227,048	463,810,284
Private securities	39,854,013	29,510,813	39,854,013	29,510,813
Equity instruments				
Financial intermediaries	45,750,464	31,070,476	45,750,464	29,046,476
Transportation, storage and communication	11,891,950	8,521,600	11,891,950	8,521,600
Real estate, renting and business activities	7,852,125	5,188,180	7,852,125	5,188,180
Food and beverage	5,956,041	2,913,720	5,956,041	2,913,720
Electricity, gas and water	4,093,280	1,822,022	4,093,280	1,822,022
Wholesale and Retail	1,441,723	2,557,810	1,441,723	2,557,810
Holding Firms	907,990	-	907,990	-
Casinos and Gaming	4,752	-	4,752	-
Accrued and Other payables	(5,682,499)	(2,129,014)	(5,468,812)	(1,938,276)
Fair value of plan assets	₱782,031,633	₱664,719,566	₱691,423,087	₱584,309,318

The Group's plan assets are carried at fair value. All equity and debt instruments held have quoted prices in active market. The fair value of cash and cash equivalents, accrued interest and other receivables approximates carrying amount due to the short-term nature of these accounts.

As of September 30, 2021 and 2020, the Group's plan assets include investments in shares of MBTC, the ultimate Parent Company, with fair values amounting to ₱3.06 million (70,041 shares) and ₱1.43 million (37,511 shares), respectively, and investments in shares of GT Capital Holdings, Inc., the company having significant influence over MBTC, with fair values amounting to ₱1.21 million (2,390 shares) and ₱0.6 million (1,600 shares), respectively.

The retirement expense included in 'Compensation and employees' benefits' under 'General and administrative expenses' of the Group and the Parent Company follow:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Current service cost	₱93,214,195	₱79,424,012	₱42,456,181	₱81,367,660	₱68,057,838	₱35,909,873
Net interest cost (income)	1,248,897	1,248,824	(5,677,280)	541,518	189,066	(5,689,102)
Interest on the effect the asset ceiling	217,829	-	185,094	-	-	142,256
Retirement expense	₱94,680,921	₱80,672,836	₱36,963,995	₱81,909,178	₱68,246,904	₱30,363,027

The amounts of defined benefit costs that are included in other comprehensive income related to remeasurement of retirement plan follow:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Balance at beginning of the year	₱168,307,880	₱140,774,605	₱10,924,890	₱168,307,880	₱140,774,605	₱10,924,890
Remeasurement loss (gain) during the year	(171,690,550)	39,333,250	185,499,594	(148,120,781)	46,197,309	153,633,155
Income tax effect (Note 28)	53,390,031	(11,799,975)	(55,649,879)	47,497,589	(13,859,193)	(46,089,947)
	(118,300,519)	27,533,275	129,849,715	(100,623,192)	32,338,116	107,543,208
Share in retirement losses (gains) on remeasurement of retirement plan of subsidiaries during the year (Note 10)	-	-	-	(17,677,327)	(4,804,841)	22,306,507
Balance at end of the year	₱50,007,361	₱168,307,880	₱140,774,605	₱50,007,361	₱168,307,880	₱140,774,605

In 2021, the income tax effect recognized in other comprehensive income includes the reduction in the deferred tax asset amounting to P10.5 million for both the Group and the Parent Company, respectively, as a result of the reduction in regular corporate income tax rate due to CREATE Act (see Note 28).

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of defined benefit obligation (PBO) as of September 30, 2021 and 2020 assuming all other assumptions were held constant.

	2021 Increase (Decrease) in PBO			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
	+100 basis points			
Discount rates	(bps)	(P62,084,202)	+100 bps	(P54,008,512)
	-100 bps	73,429,714	-100 bps	64,067,130
Salary increase rate	+100 bps	72,364,738	+100 bps	63,154,562
	-100 bps	(62,394,829)	-100 bps	(54,291,967)
	2020 Increase (Decrease) in PBO			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
	+100 basis points			
Discount rates	(bps)	(P87,523,470)	+100 bps	(P76,627,714)
	-100 bps	105,243,215	-100 bps	92,433,664
Salary increase rate	+100 bps	100,920,948	+100 bps	88,647,949
	-100 bps	(85,821,929)	-100 bps	(75,281,716)

27. Lease Contracts

As Lessee

The Group and Parent Company lease its office premises and parking spaces for a period ranging from one (1) to ten (10) years renewable by mutual agreement of the parties at the end of the term of the lease. The Parent Company also leases vehicles with its subsidiary for a period ranging from one (1) to three (3) years.

For the years ended September 30, 2021 and 2020, the movements of the ROU assets of the Group and Parent Company are as follows:

	2021		
	Consolidated		Total
	Office Space	Car Rentals	
Cost			
Balance at beginning of year	P449,666,446	P-	P449,666,446
Executed new contracts	152,248,591	-	152,248,591
	601,915,037	-	601,915,037
Accumulated Amortization and Depreciation			
Balance at beginning of year	(232,338,031)	-	(232,338,031)
Amortization (included under 'Depreciation and amortization') (Note 25)	(141,349,706)	-	(141,349,706)
	(373,687,737)	-	(373,687,737)
Balance at end of year	P228,227,300	P-	P228,227,300

	2020		
	Consolidated		
	Office Space	Car Rentals	Total
Cost			
Balance at beginning of year	P319,675,436	P-	P319,675,436
Executed new contracts	132,858,940	-	132,858,940
Lease contracts pre-terminated	(2,867,930)	-	(2,867,930)
	449,666,446	-	449,666,446
Accumulated Amortization and Depreciation			
Balance at beginning of year	(110,633,849)	-	(110,633,849)
Amortization (included under 'Depreciation and amortization') (Note 25)	(122,012,552)	-	(122,012,552)
Lease contracts pre-terminated	308,370	-	308,370
	(232,338,031)	-	(232,338,031)
Balance at end of year	P217,328,415	P-	P217,328,415

	2021		
	Parent Company		
	Office Space	Car Rentals	Total
Cost			
Balance at beginning of year	P406,238,219	P103,917,502	P510,155,721
Executed new contracts	113,497,894	10,006,824	123,504,718
	519,736,113	113,924,326	633,660,439
Accumulated Amortization and Depreciation			
Balance at beginning of year	(205,733,659)	(57,211,943)	(262,945,602)
Amortization (included under 'Depreciation and amortization') (Note 25)	(106,275,403)	(17,058,550)	(123,333,953)
Lease contracts pre-terminated	(312,009,062)	(74,270,493)	(386,279,555)
Balance at end of year	P207,727,051	P39,653,833	P247,380,884

	2020		
	Parent Company		
	Office Space	Car Rentals	Total
Cost			
Balance at beginning of year	P292,387,274	P48,376,778	P340,764,052
Executed new contracts	116,718,875	55,540,724	172,259,599
Lease contracts pre-terminated	(2,867,930)	-	(2,867,930)
	406,238,219	103,917,502	510,155,721
Accumulated Amortization and Depreciation			
Balance at beginning of year	(100,996,809)	(25,783,053)	(126,779,862)
Amortization (included under 'Depreciation and amortization') (Note 25)	(105,045,220)	(31,428,890)	(136,474,110)
Lease contracts pre-terminated	308,370	-	308,370
	(205,733,659)	(57,211,943)	(262,945,602)
Balance at end of year	P200,504,560	P46,705,559	P247,210,119

For the years ended September 30, 2021 and 2020, the movements in the lease liability of the Group and Parent Company are as follows:

	2021	
	Consolidated	Parent Company
Balance at beginning of year	P232,688,856	P266,252,347
Executed new contracts	152,248,591	123,504,718
Interest expense (included under 'Interest and finance charges')	10,457,109	9,349,036
Lease payments	(155,703,068)	(136,606,633)
Balance at end of year	P239,691,488	P262,499,468

	2020	
	Consolidated	Parent Company
Balance at beginning of year	₱215,266,473	₱220,323,958
Executed new contracts	132,858,939	172,259,599
Interest expense (included under 'Interest and finance charges')	16,873,775	21,276,643
Lease payments	(129,334,643)	(144,632,165)
Lease contracts pre-terminated	(2,641,481)	(2,651,481)
Foreign exchange differences	(324,207)	(324,207)
Balance at end of year	₱232,698,856	₱266,252,347

The total expense related to these lease transactions for the years ended September 30, 2021 and 2020 amounted to ₱151.8 million and ₱138.9 million, respectively, for the Group and ₱132.7 million and ₱157.8 million, respectively, for the Parent Company.

As of September 30, 2021 and 2020, future minimum rental payments under non-cancelable leases are as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Up to one month	₱4,563,876	₱19,250,225	₱3,799,576	₱18,544,606
More than one month to three months	23,935,201	22,022,557	20,816,557	20,601,753
More than three months to six months	37,317,487	36,707,282	32,709,672	34,538,621
More than six months to one year	70,083,248	62,814,430	60,078,994	58,387,913
More than one year to two years	80,306,848	99,594,368	70,292,496	90,850,081
More than two years to three years	44,328,317	32,298,989	44,328,317	32,011,019
More than three years to four years	15,622,338	14,453,535	15,622,338	14,453,535
More than four years to five years	7,620,784	8,484,907	7,620,784	8,484,907
More than five years	7,230,734	13,446,377	7,230,734	13,446,377
	₱291,008,833	₱309,072,670	₱262,499,468	₱291,318,812

As Lessor

The Group's operating lease contracts generally have lease terms ranging from one (1) to five (5) years. Operating lease income included under 'Leasing' in 2021, 2020 and 2019 amounted to ₱1.4 billion, ₱1.4 billion and ₱1.6 billion, respectively.

The future aggregate minimum rentals receivable under operating lease follows:

	ORC		OITDC	
	2021	2020	2021	2020
Within one year	₱1,074,350,424	₱948,172,004	₱14,948,373	₱12,207,948
After one year but not more than five years	923,119,888	687,684,531	1,734,939	2,053,383
	₱	₱1,635,856,535	₱16,683,312	₱14,261,331

28. Income Taxes

Provision for income tax consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Current:						
RCIT	₱248,198,557	₱404,005,802	₱363,319,786	₱137,486,293	₱304,830,871	₱250,144,431
Final tax	39,507,498	34,665,877	7,548,674	39,230,928	33,891,041	5,952,621
	287,706,055	438,671,679	370,868,460	176,717,221	338,721,912	256,097,052
Deferred	(271,001,896)	(387,317,275)	44,592,941	(271,121,849)	(389,591,738)	44,623,078
	₱16,704,159	₱51,354,404	₱415,461,401	(₱94,404,628)	(₱50,869,826)	₱300,720,130

Provision for deferred tax credited (charged) directly to OCI during the year for the Group and Parent Company follows:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Remeasurement losses (gains) on retirement plan	(₱53,390,031)	₱11,799,975	₱55,649,879	(₱47,497,589)	₱13,859,193	₱46,089,947
Changes in cash flow hedge reserve	(143,202,843)	(2,187,644)	180,446,917	(143,202,843)	(2,187,644)	180,446,917
	(₱196,592,874)	₱9,612,331	₱236,096,796	(₱190,700,432)	₱11,671,549	₱226,536,864

Under Philippine tax laws, the Parent Company is subject to percentage and other taxes (presented as 'Taxes and licenses' under 'General and administrative expense' in the statement 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 20.0% final taxes paid, which is a final withholding tax on gross interest income from deposit substitutes.

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) was signed into law. CREATE reduced the regular corporate income tax (RCIT) rate from 30% to 20% to 25% depending on the criterias set by the law effective July 1, 2020. Interest expense allowed as a deductible expense shall be reduced by 20.0% of interest income subjected to final tax under the CREATE Act, while by 33.0% prior to the CREATE Act. It also provides that income from lending activities shall be taxed on the basis of the remaining maturities of the instruments at gross receipts tax rates ranging from 0.0% to 5.0% while income from non-lending activities is at 7.0%.

RA No. 9504, An Act Amending National Internal Revenue Code, provides that, the optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. In 2021 and 2020, the Parent Company, OALPC and ORC elected to claim itemized expense deductions. OIA, OITDC and OSC opted to claim OSD instead of itemized expense deductions.

Current tax regulations also provide for the ceiling on the amount of EAR expense (see Note 25) that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and most of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

The regulations also provide for MCIT of 2.0% (prior to CREATE) and 1.0% (from July 1, 2020 to June 30, 2023, before reverting to 2.0%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's income tax liability and taxable income, respectively, over a three-year period from the year of inception. Pursuant to the provisions of Section 244 of National Internal Revenue Code (NIRC), as amended, the regulations are further amended to implement Section 4 of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act", which allows the business or enterprise to carry over NOLCO for taxable years 2020 and 2021 for the next 5 years. In addition, any excess of the MCIT over RCIT incurred in 2020 and 2021 can be used as a tax credit against future income tax liability for the next five years from the period of inception.

The deferred tax assets and deferred tax liabilities as presented in the statements of financial position follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Deferred tax assets	₱424,411,895	₱350,307,194	₱372,242,800	₱291,821,382
Deferred tax liabilities	(196,643)	(500,964)	–	–
	₱424,215,252	₱349,806,230	₱372,242,800	₱291,821,382

The components of the deferred tax assets and deferred tax liabilities follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Deferred tax assets on:				
Allowance for credit losses on lease contract receivables, notes receivable financed and other receivables	₱690,205,005	₱660,746,559	₱682,969,591	₱653,558,138
Mark to market and net accrued interest expense on cross currency swap designated as hedge instrument	112,384,638	489,094,312	112,384,638	489,094,312
Net retirement liability	9,303,327	26,310,857	–	17,858,434
Accumulated depreciation on other assets – chattels	44,758,039	25,239,716	44,758,039	25,239,716
Accrued expenses	12,479,481	19,591,425	1,066,618	6,544,507
Advance rent received	15,854,176	18,897,403	–	–
Loss on modification of loans and receivables	7,134,999	13,504,361	7,134,999	13,504,361
Unamortized past service cost	18,194,787	12,388,725	15,449,280	8,683,450
Unrealized intercompany profit sale of equipment for lease	7,563,761	7,563,761	–	–
Allowance for impairment losses on chattels, investment property and equipment for lease	1,395,000	1,674,000	1,395,000	1,674,000
Unrealized forex loss	–	956,001	–	956,001
	919,273,213	1,275,967,120	865,158,165	1,217,112,919
Less deferred tax liabilities on:				
Leasing income differential between finance and operating lease method	369,309,728	585,536,429	369,309,728	585,536,429
Unrealized forex gains on bills payable designated as hedged item	67,956,427	289,923,257	67,956,427	289,923,257
Unamortized transaction costs on bills and bonds payable	18,011,510	43,047,249	16,065,558	42,678,859
Net retirement asset	32,535,337	–	32,535,337	–
Unrealized gains on foreclosure of assets	6,646,447	7,152,991	6,646,447	7,152,992
Accrued income	196,643	500,964	–	–
Unrealized forex gain	401,869	–	401,869	–
	495,057,961	926,160,890	492,915,366	925,291,537
	₱424,215,252	₱349,806,230	₱372,242,799	₱291,821,382

As of September 30, 2021 and 2020, the Group did not recognize deferred tax asset amounting to ₱4.0 million and ₱5.3 million, respectively, on the following temporary differences since the management believes that the benefits may not be realized in the foreseeable future:

	2021	2020
NOLCO	₱13,157,554	₱14,628,773
Accrued expenses	2,821,587	2,775,415
Excess MCIT over RCIT*	33,241	33,241
	₱16,012,382	₱17,437,429

*Will expire in taxable year 2022

Details of the Group's NOLCO follow:

Year Incurred	Amount	Expired	Balances	Availment period
2018	₱7,029,340	₱7,029,340	₱-	2019-2021
2019	2,266,704	-	2,266,704	2020-2022
2020	5,332,729	-	5,332,729	2021-2025*
2021	5,558,121	-	5,558,121	2022-2026*
	₱20,186,894	₱7,029,340	₱13,157,554	

*Pursuant to the Bayanihan to Recover As One Act, the NOLCO can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years

A reconciliation of the statutory income tax and the effective income tax follow:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Statutory income tax	₱45,214,277	₱81,231,630	₱452,220,474	₱17,891,090	₱50,968,445	₱413,023,839
Additions to (deductions from):						
Income tax adjustments resulting from change in income tax rates	(11,065,559)	-	-	(6,680,768)	-	-
Nondeductible expenses and others	22,425,929	20,893,563	33,126,170	17,774,679	20,725,973	8,215,529
Net unrecognized deferred tax assets	1,120,859	1,623,819	4,656,835	-	-	-
Tax paid and tax exempt income	(9,805,598)	(17,549,835)	(8,546,215)	(9,807,851)	(17,036,763)	(7,752,963)
Nontaxable income	(22,477,627)	(26,569,115)	(55,780,039)	(113,581,778)	(105,527,481)	(112,766,275)
Excess of OSD over itemized deductions	(8,708,122)	(8,275,658)	(10,215,824)	-	-	-
Effective income tax	₱16,704,159	₱51,354,404	₱415,461,401	₱(94,404,628)	(₱50,869,826)	₱300,720,130

Impact of CREATE Act

Applying the provisions of the CREATE Act, the Group and the Parent Company is subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. The following are the impact of CREATE in the 2021 financial statements of the Group and the Parent Company:

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory CIT and MCIT rates applicable to the Group and the Parent Company for the taxable year 2020 is 28.75% and 1.73%, respectively. This resulted in reduction in the current income tax due for the taxable year 2020 amounting to ₱18.5 million and ₱14.3 million for the Group and the Parent Company, respectively. The reduced amounts were reflected in the 2020 amended annual income tax returns filed in 2021. For financial reporting purposes, such reductions in the 2020 current income taxes were recognized in the 2021 financial statements as reduction to 2021 income tax expense.

- The deferred tax assets as of September 30, 2021 were also remeasured using the lower RCIT rate of 25.00%. The decrease in the deferred tax asset amounting to ₱57.0 million and ₱48.6 million for the Group and the Parent Company, respectively, reduced the benefit from deferred tax assets credited to profit or loss by ₱15.7 million and ₱7.6 million for the Group and the Parent Company, respectively, and other comprehensive income by ₱41.3 million and ₱41.0 million for the Group and the Parent Company, respectively.

29. Related Party Transactions

Under PFRS, parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

In the ordinary conduct of business, the Parent Company has transactions with its ultimate parent, MBTC, and with its subsidiaries. These transactions are done in the normal conduct of operations and are recorded in the same manner as transactions entered into with other third parties.

The Parent Company's significant related party transactions follow:

Category	September 30, 2021		Terms and Conditions/Nature
	Amount/Volume	Outstanding Balances	
Parent Company			
MBTC			
Cash and cash equivalents		₱449,427,716	These are savings and current deposit accounts with an annual interest rates ranging from 0.1% to 0.5%.
<i>Deposits</i>	₱117,916,626,519		
<i>Withdrawals</i>	(117,823,969,899)		
Interest income	122,696		This represents interest earned on the above savings deposit accounts.
Derivative liability		104,272,475	This represents negative mark-to-market valuation result of the hedging instrument.
Bills payable – bank borrowings		2,380,000,000	These are dollar-denominated long-term borrowing with floating interest rate at 3 months USD-LIBOR + 0.8% to 1.0% designated as hedged item.
<i>Availments</i>	900,000,000		
<i>Settlements</i>	(3,351,031,460)		
<i>Foreign exchange loss (gain) - net</i>	(156,506,742)		
<i>(Forward)</i>			

Category	September 30, 2021		
	Amount/Volume	Outstanding Balances	Terms and Conditions/Nature
Interest expense on bank borrowings	₱354,193,317		This represents interest expense incurred on the above borrowings and cross-currency swap.
Accrued interest payable		₱2,192,371	Accrued interest on the above bills payable
Interest expense on lease liability	2,380,317		This represents interest expense on lease liability related to office space leased.
Entities under common control			
Philippine Savings Bank (PS Bank)			
Cash and cash equivalents		17,192,505	These are savings and current deposit accounts with an annual interest rates 0.25%.
<i>Deposits</i>	1,164,844,336		
<i>Withdrawals</i>	(1,171,458,119)		
Interest income	1,020		This represents interest earned on the above savings deposit accounts.
Affiliates			
Federal Land, Inc.*			
Interest expense on lease liability	2,720,636		This represents interest expense on lease liability related to office space leased.
Lease liability		81,456,108	Outstanding lease obligation
OGS, OPE, ORP, ORP II, CPAIC			
Receivables from affiliates		1,419,911	This represents advances for reimbursable expenses by OMLF. This is non interest bearing, unsecured and due on demand receivable from CPAIC.
Management fee income	5,280,000		This pertains to management fees for the office and administrative services rendered to OGS, OPE, ORP AND ORP II.
Bills payable – deposit substitutes		165,999,106	Placements of deposit substitutes with interest ranging from 1% to 1.5% per annum and with tenor of 90 to 97 days; unsecured; payable to OGS and ORP.
<i>Additions</i>	1,457,055,038		
<i>Settlements</i>	(1,457,939,377)		
Interest expense	896,026		This represents interest expense incurred on the above bills payable.
Accrued interest payable		3,017	Accrued interest on the above bills payable
Subsidiaries			
OALPC, ORC, OIAI, OITDC, OSC			
Receivables from subsidiaries **		1,629,814	This refers to various advances for repairs and maintenance made by branches of OALP and ORC's share in office rentals and share in salaries of employees. This also refers to advances made by OSC to
<i>Additions</i>	48,184,098		
<i>Collections</i>	(46,887,968)		

Category	September 30, 2021		
	Amount/Volume	Outstanding Balances	Terms and Conditions/Nature
			the Parent Company. Non-interest bearing, unsecured and due on demand. No impairment provided.
Payables to subsidiaries***		₱304,050	Insurance premiums received on behalf of OIA. Non-interest bearing and due on demand.
<i>Additions</i>	₱91,524,957		
<i>Settlements</i>	(91,966,524)		
Interest expense on lease liability	73,432		This represents interest expense on lease liability related to the lease OMLFC-Calamba with ORC.
Bills payable – deposit substitutes		39,562,520	Placements of deposit substitutes with interest ranging from 1% to 1.5% per annum and with tenor of 90 to 97 days; unsecured
<i>Additions</i>	270,921,244		
<i>Settlements</i>	(280,465,598)		
Interest expense	303,831		This represents interest expense incurred on the above bills payable.
Accrued interest payable		1,599	Accrued interest on the above bills payable
Rental expense	3,651,077		This represents warehouse rental expenses to OITDC.
Interest expense on lease liability	2,200,759		This represents interest expense on lease liability related to car rentals to ORC.
Lease liability		31,120,279	Outstanding lease obligation to ORC.
Management fee income	12,706,800		This pertains to management fees for the office and administrative services rendered to ORC, OIAI, OITDC and OSC

Category	September 30, 2020		
	Amount/Volume	Outstanding Balances	Terms and Conditions/Nature
Parent Company			
MBTC			
Cash and cash equivalents		₱356,771,096	These are savings and current deposit accounts with an annual interest rates ranging from 0.1% to 0.5%.
<i>Deposits</i>	₱171,117,106,956		
<i>Withdrawals</i>	(171,362,668,103)		
Interest income	7,138,659		This represents interest earned on the above savings deposit accounts.
Derivative liability		737,095,997	This represents negative mark-to-market valuation result of the hedging instrument.

(Forward)

Category	September 30, 2020		
	Amount/Volume	Outstanding Balances	Terms and Conditions/Nature
Bills payable – bank borrowings		₱4,987,538,202	These are dollar-denominated long-term borrowing with floating interest rate at 3 months USD-LIBOR + 0.8% to 1.0% designated as hedged item.
<i> Availments</i>	₱–		
<i> Settlements</i>	–		
<i>Foreign exchange loss (gain) - net</i>	(342,992,884)		
Interest expense on bank borrowings	130,203,979		This represents interest expense incurred on the above borrowings and cross-currency swap.
Accrued interest payable		8,974,824	Accrued interest on the above bills payable
Interest expense on lease liability	701,279		This represents interest expense on lease liability related to office space leased.
Entities under common control			
Philippine Savings Bank (PS Bank)			
Cash and cash equivalents		23,806,288	These are savings and current deposit accounts with an annual interest rates 0.25%.
<i> Deposits</i>	1,647,714,780		
<i> Withdrawals</i>	(1,655,079,617)		
Interest income	695,024		This represents interest earned on the above savings deposit accounts.
Affiliates			
Federal Land, Inc.*			
Interest expense on lease liability	3,209,966		This represents interest expense on lease liability related to office space leased.
Lease liability		52,870,874	Outstanding lease obligation
CPAIC			
Receivables from affiliates		1,419,911	This represents advances for reimbursable expenses by OMLF. This is non interest bearing, unsecured and due on demand receivable from CPAIC.
Subsidiaries			
OALPC, ORC, OIAI, OITDC, OSC			
Receivables from subsidiaries **		333,683	This refers to various advances for repairs and maintenance made by branches of OALP and ORC's share in office rentals and share in salaries of employees. This also refers to advances made by OSC to the Parent Company. Non-interest bearing, unsecured and due on demand. No impairment provided.
<i> Additions</i>	64,267,915		
<i> Collections</i>	(63,988,212)		
Payables to subsidiaries***		745,616	Insurance premiums received on behalf of OIA. Non-interest bearing and due on demand.
<i> Additions</i>	68,996,958		
<i> Settlements</i>	(70,229,258)		
<i>(Forward)</i>			

Category	September 30, 2020		
	Amount/Volume	Outstanding Balances	Terms and Conditions/Nature
Interest expense on lease liability	₱33,911		This represents interest expense on lease liability related to the lease OMLFC-Calamba with ORC.
Bills payable – deposit substitutes		₱49,106,874	Placements of deposit substitutes with interest ranging from 1% to 1.5% per annum and with tenor of 90 to 97 days; unsecured
<i>Additions</i>	244,183,080		
<i>Settlements</i>	(249,349,995)		
Interest expense	1,456,690		This represents interest expense incurred on the above bills payable.
Accrued interest payable		68,729	Accrued interest on the above bills payable
Rental expense	5,679,407		This represents warehouse rental expenses to OITDC.
Interest expense on lease liability	5,831,042		This represents interest expense on lease liability related to car rentals to ORC.
Lease liability		51,317,345	Outstanding lease obligation to ORC.
Management fee income	10,968,000		This pertains to management fees for the office and administrative services rendered to ORC, OIAI, OITDC and OSC

*Federal Land Inc. is a subsidiary of GT Capital Holdings, Inc., which has significant influence over MBTC.

**Receivables from subsidiaries are presented in 'Others' under 'Other receivables'.

***Payables to subsidiaries are presented in 'Accounts payable' under "Accounts payable and other liabilities".

The Group's significant related party transactions follow:

Category	September 30, 2021		
	Amount/Volume	Outstanding Balances	Terms and Conditions/Nature
Parent Company			
MBTC			
Cash and cash equivalents		₱707,743,601	These are savings and current deposit accounts with an annual interest rates ranging from 0.1% to 0.5%.
<i>Deposits</i>	₱126,685,770,325		
<i>Withdrawals</i>	(126,549,495,215)		
Interest income	182,478		This represents interest earned on the above savings deposit accounts.
Derivative liability		104,272,475	This represents negative mark-to-market valuation result of the hedging instrument.
Bills payable – bank borrowings		2,380,000,000	These are dollar-denominated long-term borrowing with floating interest rate at 3 months USD-LIBOR + 0.8% to 1.0% designated as hedged item.
<i>Availments</i>	900,000,000		
<i>Settlements</i>	(3,351,031,460)		
<i>Foreign exchange loss (gain) - net</i>	(156,506,742)		
Interest expense on bank borrowings	354,193,317		This represents interest expense incurred on the above borrowings and cross-currency swap.

Category	September 30, 2021		
	Amount/Volume	Outstanding Balances	Terms and Conditions/Nature
Accrued interest payable		₱2,192,371	Accrued interest on the above bills payable
Interest expense on lease liability	₱2,380,317		This represents interest expense on lease liability related to office space leased.
Entities under common control			
Philippine Savings Bank (PS Bank)			
Cash and cash equivalents		17,412,855	These are savings and current deposit accounts with an annual interest rates 0.25%.
<i>Deposits</i>	1,164,855,102		
<i>Withdrawals</i>	(1,171,458,119)		
Interest income	1,354		This represents interest earned on the above savings deposit accounts.
Rent income/Accrued rent receivable	6,501,600		– Accrued rent income of OITDC on investment property being leased.
Other income/Others	82,840		– Uncollected recoveries of OITDC from utilities expense charged to customers.
Affiliates			
Federal Land, Inc.*			
Interest expense on lease liability	2,720,636		This represents interest expense on lease liability related to office space leased.
Lease liability		81,456,108	Outstanding lease obligation
Rent income/Accrued rent receivable	373,478	240,726	Accrued rent income of OITDC on investment property being leased.
Deposit on lease contract	–		–Deposit on lease contract of OITDC
ORIX Glorious Stars - (SPV-AMC), Inc.			
Service fees	97,493		–These represent collection fees charged to OGS by OSC equivalent to 7% of total collections of non-performing loans of OGS.
Due from affiliates			–These represent monthly accrual of service fees from the collections on the non-performing loans of OGS from OSC. These are non-interest bearing, unsecured, and are payable in cash within 30 days after the end of each month.
<i>Additions</i>	97,493		
<i>Settlements</i>	(97,493)		
Accounts payable		25,363,204	This includes the unpaid balance for advances made by OGS for OSC's acquisition of investment property and payments by OGS to third parties on behalf of OSC for the Company's utilities, security services and other maintenance services. These are non-interest bearing, unsecured, and are due and demandable.
<i>Additions</i>	–		
<i>Settlements</i>	(144,000)		

Category	September 30, 2021		
	Amount/Volume	Outstanding Balances	Terms and Conditions/Nature
Donation payable	P-	₱57,225,137	In 2019, OSC and OGS entered into a deed of donation. Donation payable is included under 'Accounts payable and other liabilities'. No fixed payment term.

Category	September 30, 2020		
	Amount/Volume	Outstanding Balances	Terms and Conditions/Nature
Parent Company			
MBTC			
Cash and cash equivalents		₱571,468,491	These are savings and current deposit accounts with an annual interest rates ranging from 0.1% to 0.5%.
<i>Deposits</i>	₱192,415,038,605		
<i>Withdrawals</i>	(192,647,319,050)		
Interest income	7,767,532		This represents interest earned on the above savings deposit accounts.
Derivative liability		737,095,997	This represents negative mark-to-market valuation result of the hedging instrument.
Bills payable – bank borrowings		4,987,538,202	These are dollar-denominated long-term borrowing with floating interest rate at 3 months USD-LIBOR + 0.8% to 1.0% designated as hedged item.
<i>Availments</i>	–		
<i>Settlements</i>	–		
<i>Foreign exchange loss (gain) - net</i>	(342,992,884)		
Interest expense on bank borrowings	130,203,979		This represents interest expense incurred on the above borrowings and cross-currency swap.
Accrued interest payable		8,974,824	Accrued interest on the above bills payable
Interest expense on lease liability	701,279		This represents interest expense on lease liability related to office space leased.
Bills payable – bank borrowings		4,987,538,202	These are dollar-denominated long-term borrowing with floating interest rate at 3 months USD-LIBOR + 0.8% to 1.0% designated as hedged item.
Entities under common control			
Philippine Savings Bank (PS Bank)			
Cash and cash equivalents		24,015,872	These are savings and current deposit accounts with an annual interest rates 0.25%.
<i>Deposits</i>	1,647,716,688		
<i>Withdrawals</i>	(1,655,079,617)		
Interest income	696,932		This represents interest earned on the above savings deposit accounts.
Rent income/Accrued rent receivable	1,300,320	1,391,342	Accrued rent income of OITDC on investment property being leased.
Other income/Others	515	567	Uncollected recoveries of OITDC from utilities expense charged to customers.

Category	September 30, 2020		Terms and Conditions/Nature
	Amount/Volume	Outstanding Balances	
Affiliates			
Federal Land, Inc.*			
Interest expense on lease liability	₱3,209,966		This represents interest expense on lease liability related to office space leased.
Lease liability		₱52,870,874	Outstanding lease obligation
Rent income/Accrued rent receivable	1,332,000	231,120	Accrued rent income of OITDC on investment property being leased.
Deposit on lease contract	297,000	585,000	Deposit on lease contract of OITDC
ORIX Glorious Stars - (SPV-AMC), Inc.			
Service fees	199,963		– These represent collection fees charged to OGS by OSC equivalent to 7% of total collections of non-performing loans of OGS.
Due from affiliates			
<i>Additions</i>	193,963		– These represent monthly accrual of service fees from the collections on the non-performing loans of OGS from OSC. These are non-interest bearing, unsecured, and are payable in cash within 30 days after the end of each month.
<i>Settlements</i>	(193,963)		
Accounts payable		25,507,204	This includes the unpaid balance for advances made by OGS for OSC's acquisition of investment property and payments by OGS to third parties on behalf of OSC for the Company's utilities, security services and other maintenance services. These are non-interest bearing, unsecured, and are due and demandable.
<i>Additions</i>	–		
<i>Settlements</i>	(144,000)		
Donation payable	–	57,225,137	In 2019, OSC and OGS entered into a deed of donation. Donation payable is included under 'Accounts payable and other liabilities'. No fixed payment term.

Affiliates are companies indirectly connected to the Parent Company by reason of interlocking directors and/or officers and those that are under common control or common significant influence.

The accounting and administrative functions of the subsidiaries, except for OALPC and ORC, are being handled by the Parent Company at a cost under a Contract of Sharing Agreement.

Transactions with subsidiaries have been eliminated in the consolidated financial statements. Transactions with related parties are settled in cash.

In the ordinary course of business, the Parent Company has loan transactions with investees and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.0% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Parent Company. Such limit does not apply to loans secured by assets considered as non-risk as defined in the regulations. In the aggregate, loans to DOSRI generally should not

exceed the respective total regulatory capital or 15.0% of total loan portfolio, whichever is lower. As of September 30, 2021 and 2020, the Parent Company was in compliance with such regulations.

Compensation of key management personnel of the Group and the Parent Company (covering officer positions starting from Assistant Vice President and up) included under 'Compensation and employees' benefits' under 'General and administrative expenses' in the statements of income follows:

	2021	2020
Short-term employee benefits	₱128,465,219	₱137,904,753
Post-employment pension and medical benefits	27,223,177	14,521,459
	₱155,688,396	₱152,426,212

Short-term employee benefits include salaries, paid annual leave and paid sick leave, profit sharing and bonuses and non-monetary benefits.

30. Notes to Statements of Cash Flows

The following is the summary of noncash activities:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Noncash investing activities						
Additions to other assets						
- chattels in settlement of loans*	₱678,310,490	₱334,060,711	₱395,546,224	₱678,310,490	₱334,060,711	₱395,546,224
Acquisitions of equipment for lease	-	18,240,406	-	-	-	-

*The amounts represent the net carrying amounts of the loans

Noncash financing activity include distribution of stock dividends and is discussed in Note 10.

The following show the reconciliations of the beginning and closing balances of liabilities arising from financing activities In 2021 and 2020:

	2021				
	Consolidated				
	October 1, 2020	Net cash flows	Foreign exchange gain	Amortization of debt transaction costs and others	September 30, 2021
Bills payable –					
Bank borrowings	₱22,109,736,440	(₱5,839,488,490)	₱458,630,091	₱91,203,739	₱16,820,081,780
Bonds payable	4,135,518,440	(1,493,744)	-	22,507,329	4,156,532,025
	₱26,245,254,880	(₱5,840,982,234)	₱458,630,091	₱113,711,068	₱20,976,613,805

2021					
Parent Company					
	October 1, 2020	Net cash flows	Foreign exchange gain	Amortization of debt transaction costs	September 30, 2021
Bills payable –					
Bank borrowings	P20,542,964,406	(P5,703,794,944)	P458,630,091	P82,285,542	P15,380,085,095
Bonds payable	4,135,518,440	(1,493,744)	-	22,507,329	4,156,532,025
	P24,678,482,846	(P5,705,288,688)	P458,630,091	P104,792,871	P19,536,617,120

2020					
Consolidated					
	October 1, 2019	Net cash flows	Foreign exchange gain	Amortization of debt transaction costs and others	September 30, 2020
Bills payable –					
Bank borrowings	P29,451,199,265	(P6,711,905,109)	(P745,220,975)	P115,663,259	P22,109,736,440
Bonds payable	-	4,116,158,992	-	19,359,448	4,135,518,440
	P29,451,199,265	(P2,595,746,117)	(P745,220,975)	P135,022,707	P26,245,254,880

2020					
Parent Company					
	October 1, 2019	Net cash flows	Foreign exchange gain	Amortization of debt transaction costs	September 30, 2020
Bills payable –					
Bank borrowings	P27,271,892,092	(P6,086,250,000)	(P745,220,975)	P102,543,289	P20,542,964,406
Bonds payable	-	4,116,158,992	-	19,359,448	4,135,518,440
	P27,271,892,092	(P1,970,091,008)	(P745,220,975)	P121,902,737	P24,678,482,846

The movements in the lease liability are disclosed in Note 27.

31. Segment Information

The Group's operating businesses are organized and managed separately according to the different markets served, with each segment representing a strategic business unit.

The Group's operating segments are as follows:

- Countryside Branches**
 Countryside branches comprised of 90% of the Parent Company's branch network throughout the country, this business segment gives the advantage of capturing the high yielding mortgage loans business to small and medium enterprises (SMEs) in the provinces. Branches in key cities in the countryside also target medium and large corporates offering them leasing and financing services.
- Head Office and Metro Manila Branches**
 Head Office and Metro Manila Branches segment caters to both multinational and other big local companies for their leasing and financing requirements as well as SMEs in building their businesses in Metro Manila.

- Subsidiaries

This segment consists of four (4) wholly owned subsidiaries engaged in businesses that provide synergy to the Parent Company, that is, operating leases of motor vehicles, computers and other equipment, factory and warehouse leasing, an insurance agency and one (1) 60% owned subsidiary engaged in the general servicing business providing credit and collection functions.

For common expenses, the Group allocates them among operating segments based on loan portfolio balances.

The following tables present revenue and income information of the Group's operating segments measured in accordance with PFRS as of and for the years ended September 30, 2021 and 2020:

	Countryside Branches	Head Office and Metro Manila Branches	Subsidiaries	Total
For the year ended September 30, 2021				
Results of Operations:				
<i>Revenues – leasing and financing</i>	₱2,789,670,564	₱401,204,205	₱1,356,839,165	₱4,547,713,934
<i>Revenues – services</i>	29,940,729	3,969,603	345,071,118	378,981,450
<i>Other income</i>	268,101,699	263,663,579	324,367,481	856,132,759
<i>Total income</i>	3,087,712,992	668,837,387	2,026,277,764	5,782,828,143
<i>Total expenses</i>	2,552,492,929	1,483,017,136	1,566,460,972	5,601,971,037
<i>Income (loss) before income tax</i>	535,220,063	(814,179,749)	459,816,792	180,857,106
<i>Provision for (benefit from) income tax</i>	186,235,155	(280,639,783)	111,108,787	16,704,159
<i>Net income</i>	₱348,984,908	(₱533,539,966)	₱348,708,005	₱164,152,947

**Statement of Financial Position as of
September 30, 2021**

<i>Total assets</i>	₱16,589,432,038	₱16,199,555,961	₱4,343,712,906	₱37,132,700,905
<i>Total liabilities</i>	1,510,137,211	24,099,719,733	2,217,026,054	27,826,882,998

Other Segment Information:

<i>Capital expenditures</i>	₱320,269,601	₱71,701,340	₱1,060,139,255	₱1,452,110,196
<i>Depreciation and amortization (Note 25)</i>	326,963,466	130,151,725	978,269,6887	1,435,384,878
<i>Provision for credit losses – net (Notes 16 and 25)</i>	208,284,760	496,350,170	3,020,999	707,655,929

	Countryside Branches	Head Office and Metro Manila Branches	Subsidiaries	Total
For the year ended September 30, 2020				
Results of Operations:				
<i>Revenues – leasing and financing</i>	₱4,055,325,182	₱630,955,645	₱1,365,410,817	₱6,051,691,644
<i>Revenues – services</i>	34,803,230	18,407,572	342,588,434	395,799,236
<i>Other income</i>	241,476,621	215,182,241	192,791,946	649,450,808
<i>Total income</i>	4,331,605,033	864,545,458	1,900,791,197	7,096,941,688
<i>Total expenses</i>	4,306,011,031	985,608,883	1,534,555,673	6,826,175,587
<i>Income before income tax</i>	25,594,002	(121,063,425)	366,235,524	270,766,101
<i>Provision for income tax</i>	1,044,614	(51,914,440)	102,224,230	51,354,404
<i>Net income</i>	₱24,549,388	(₱69,148,985)	₱264,011,294	₱219,411,697

**Statement of Financial Position as of
September 30, 2020**

<i>Total assets</i>	₱27,047,538,711	₱16,542,900,032	₱2,207,063,863	₱45,797,502,606
<i>Total liabilities</i>	1,940,148,405	32,933,660,933	2,207,718,907	37,081,528,245

Other Segment Information:

<i>Capital expenditures</i>	₱235,583,425	₱47,075,393	₱571,141,280	₱853,800,098
<i>Depreciation and amortization (Note 25)</i>	241,312,045	124,678,665	1,008,363,405	1,374,354,115
<i>Provision for credit losses – net (Notes 16 and 25)</i>	1,151,826,856	275,086,419	2,502,143	1,429,415,418

	Countryside Branches	Head Office and Metro Manila Branches	Subsidiaries	Total
For the year ended September 30, 2019				
Results of Operations:				
<i>Revenues – leasing and financing</i>	₱4,353,460,381	₱722,971,470	₱1,414,242,135	₱6,490,673,986
<i>Revenues – services</i>	58,967,606	31,287,496	413,954,957	504,210,059
<i>Other income</i>	262,569,669	94,502,840	365,011,178	722,083,687
<i>Total income</i>	4,674,997,656	848,761,806	2,193,208,270	7,716,967,732
<i>Total expenses</i>	3,901,556,546	558,057,690	1,749,951,917	6,209,566,153
<i>Income before income tax</i>	773,441,110	290,704,116	443,256,353	1,507,401,579
<i>Provision for income tax</i>	218,569,144	82,150,986	114,741,271	415,461,401
<i>Net income</i>	₱554,871,966	₱208,553,130	₱328,515,082	₱1,091,940,178
Other Segment Information:				
<i>Capital expenditures</i>	₱101,042,269	₱20,700,819	₱1,121,949,012	₱1,243,692,100
<i>Depreciation and amortization (Note 25)</i>	226,276,605	113,080,983	1,017,484,677	1,356,842,265
<i>Provision for credit losses – net (Note 16 and 25)</i>	284,720,040	68,008,682	10,443,483	363,172,205

32. Subsequent Events

Cash dividend declarations

On November 24, 2021, the BOD of OIA approved the declaration of cash dividends amounting to ₱82.85 million to stockholders of record as of November 24, 2021, payable on or before December 31, 2021.

33. Covid-19 outbreak

Effective March 16, 2020, the Group has put in place several precautionary measures to in response to the growing threat of Covid-19 in the Philippines. The Business Continuity Plan/Disaster Recovery site in Calamba office has been activated. Nine of the critical business units have been deployed in Calamba office. These are the Treasury Marketing, Treasury Support, Accounting, Marketing/Account Management Group, Information and Communications Technology Division, Cash Operations and Human Resources Department. This group of employees deployed to Calamba office has been expected to perform their usual job responsibilities and ensure that in the unlikely event the Head Office in Makati has to temporarily discontinue due to the effect of Covid-19, the Group can operate in a business-as-usual mode. Some employees based in the Head Office in Makati have been re-assigned to the nearest branches where they reside. The Group has also ensured that safety protocols are observed such as observance of social distancing in common areas, elevators, meeting rooms. Account officers were advised to minimize their personal interaction with clients and transact their business online. Disinfection and sanitation of employees and in all work areas are in place.

The Covid-19 outbreak has had a material impact on the Group's 2021 and 2020 financial results, which include lower volume of loan releases and increase in the loan loss provisioning due to the deterioration in the credit risk of its customers. Changes in managing credit quality of its loans, including expert credit judgments applied in measuring ECL were discussed in Note 4.

Considering the evolving nature of this outbreak, the Group will continue to monitor the situation.

34. Regulatory Capital, Leverage and Liquidity Reporting

Regulatory Capital

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

On January 15, 2013, BSP issued Circular No. 781 for the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for the Philippine banking system in accordance with the Basel III standards.

These guidelines apply to all Universal Banks (UBs) and Commercial Banks (KBs), as well as their subsidiary banks and QBs. The risk-based capital ratio of a bank, expressed as a percentage of a qualifying capital to risk weighted assets, shall not be less than ten percent (10%) for both solo basis (head office plus branches) and consolidated basis (parent bank plus subsidiary financial allied undertakings, but excluding insurance companies). Other minimum capital ratios include Common Equity Tier 1 and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, shall likewise be imposed. This circular became effective beginning on January 1, 2014.

The Group has taken into consideration the impact of this new circular to ensure compliance with the regulatory requirements and capital ratios.

The following table sets the regulatory capital of the Group and Parent Company as at September 30, 2021 and 2020:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Tier 1 Capital	₱9,163,987,193	₱8,716,629,405	₱7,069,338,007	₱6,903,820,159
<i>Common Equity Tier 1 Capital</i>	9,163,987,193	8,716,629,405	7,069,338,007	6,903,820,159
<i>Additional Tier 1 Capital</i>	—	—	—	—
Tier 2 Capital	320,884,709	426,070,359	277,609,696	387,076,381
Total qualifying capital	₱9,484,871,902	₱9,142,699,764	₱7,346,947,703	₱7,290,896,540
Credit risk - weighted assets	₱31,345,971,646	₱41,898,462,855	₱26,975,195,308	₱37,960,071,082
Operational risk - weighted assets	9,146,193,193	9,446,900,865	5,650,799,613	5,843,151,650
Total risk-weighted assets	₱40,492,164,839	₱51,345,363,720	₱32,625,994,921	₱43,803,222,732
Common equity tier 1 ratio	22.63%	17.0%	21.67%	15.8%
Tier 1 capital ratio	22.63%	17.0%	21.67%	15.8%
Total capital adequacy ratio	23.42%	17.8%	22.52%	16.6%

The CAR as of September 30, 2021 are based on the amounts reported to the BSP, which does not have material difference in the amounts after reflecting certain adjustments. The CAR as of September 30, 2020 are based on balances reported to the BSP and after reflecting certain adjustmentsbalances.

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings including current year profit, less deferred income tax. Certain adjustments are made in PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 capital, which includes general loan loss provision (limited to 1.0% of credit risk weighted assets).

Under Republic Act (RA) No. 8556, Financing Company Act, the Parent Company is required to maintain the following capital requirements:

- (a) Minimum paid-up capital of ₱10.0 million; and
- (b) Additional capital requirements for each branch of ₱1.0 million for branches established in Metro Manila, ₱0.5 million for branches established in other classes of cities and ₱0.3 million for branches established in municipalities.

In 2021 and 2020, the Parent Company was in compliance with this minimum paid-up capital.

Leverage Ratio and Total Exposure Measure

On June 9, 2015, BSP issued Circular No. 881 covering the implementing guidelines on the Leverage Ratio Framework for the Philippine banking system in accordance with the Basel III standards. The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and economy.

These guidelines apply to all Universal Banks and Commercial Banks, as well as their subsidiary banks and quasi-banks. The leverage ratio shall not be less than 5%.

The following table sets the leverage ratio of the Group and Parent Company as at September 30, 2021 and 2020:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Total on-balance sheet exposures	₱41,265,628,641	₱50,871,764,652	₱36,853,160,122	₱46,851,891,545
Total derivative exposures	88,028,400	590,142,000	88,028,400	590,142,000
Securities Financing Transaction (SFT) exposures	365,663,589	1,925,410,260	365,663,589	1,925,410,260
Total off-balance sheet exposures	-	-	-	-
Total Exposure Measures (a)	₱41,719,320,630	₱53,387,316,912	₱37,306,852,111	₱49,367,443,805
Tier 1 capital (b)	₱9,163,987,193	₱8,716,629,405	₱7,069,338,007	₱6,903,820,159
Basel III Leverage Ratio (b/a)	21.97%	16.3%	18.95%	14.0%

The leverage ratios as of September 30, 2021 are based on balances reported to the BSP and are not materially different after reflecting certain adjustments. The leverage ratios as of September 30, 2020 are based on amounts reported to the BSP and after reflecting certain adjustments.

Liquidity Requirements

Liquidity Coverage Ratio (LCR)

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%.

As of September 30, 2021 and 2020, the LCR in single currency was at 2,195.23% and 253.69% for the Group and 2,849.67% and 416.36% for the Parent Company, respectively.

Net Stable Funding Ratio (NSFR)

BSP Circular No.1007 covers the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a nonbank financial institution's liquidity profile. Universal and commercial banks, their subsidiary banks and quasi-banks shall maintain an NSFR of at least 100 percent (100%) at all times.

As of September 30, 2021 and 2020, the NSFR was at 98.61% and 105.67% for the Group and 96.91% and 109.62% for the Parent Company, respectively.

Regulatory relief

On June 17, 2021, the Parent Company received the approval of the Monetary Board of the BSP, via Resolution No. 767, on its request for regulatory relief from compliance with LCR and NSFR for a period of one year or until June 30, 2022. As of September 30, 2021, the Group's and Parent Company's NSFR is below the regulatory requirement before considering the regulatory relief. As required by the BSP, the Parent Company submitted its liquidity build-up plan that is duly approved by its BOD and the BOD of MBTC on July 28, 2021. Further, following Subsection 145-Q of the MORNBF (Supervisory framework for the minimum prudential liquidity requirements), the Parent Company continues to report its liquidity positions to the BSP and is required to inform the BSP when shortfalls in LCR and NSFR occur.

Moreover, by obtaining regulatory relief, the Parent Company will be able to deploy available funds against high-cost borrowings, therefore improving margins which continuously being affected by the pandemic.

35. Supplementary Information Required Under BSP Circular 1075

Financial Performance

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

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Return on average equity ⁽¹⁾	1.8%	2.5%	13.2%	1.8%	2.6%	13.0%
Return on average assets ⁽²⁾	0.4%	0.4%	2.1%	0.4%	0.5%	2.2%
Net interest margin on average interest earning assets ⁽³⁾	6.5%	7.0%	6.3%	5.9%	6.7%	6.1%

(1) Net income divided by average total assets for the period indicated. Average total assets is based on outstanding balances at the beginning and end of the period divided by two.

(2) Net income divided by average total equity for the period indicated. Average total equity is based on outstanding balances at the beginning and end of the period divided by two.

(3) Net interest income (including leasing income) divided by average interest-earning assets for the period indicated. Average interest earning assets are based on outstanding balances at the beginning and end of the period divided by two. The Group's earning assets are comprised of cash and cash equivalents, lease contracts receivable, notes receivable financed, and equipment for lease.

Capital Instruments Issued

The Group's capital instrument is capital stock. As of September 30, 2021 and 2020, it consists of:

	2021		2020	
	Shares	Amount	Shares	Amount
Common - P100 par value:				
Authorized	100,000,000	₱10,000,000,000	100,000,000	₱10,000,000,000
Issued and outstanding:				
Balance at beginning of year	71,438,917	7,143,891,700	62,120,797	6,212,079,700
Stock dividends			9,318,120	931,812,000
Balance at end of year	71,438,917	₱7,143,891,700	71,438,917	₱7,143,891,700

Breakdown of total loan portfolio

The following table shows information relating to receivables from customers (excluding residual value of leased assets, unearned lease and finance income) by collateral of the Group and the Parent Company:

	2021		2020	
	Amount	%	Amount	%
Secured by:				
Chattels	₱21,701,231,866	85.4	₱30,711,017,367	85.5
Title to leased properties	3,208,161,929	12.6	4,556,484,430	12.7
Securities	269,139,998	1.1	299,867,469	0.8
Real estate	169,859,906	0.7	283,043,673	0.8
	25,348,393,699	99.8	35,850,412,939	99.8
Unsecured	73,732,470	0.2	64,433,799	0.2
	₱25,422,126,169	100.0	₱35,914,846,738	100.0

As of September 30, 2021 and 2020, information on concentration of receivables from customers as to economic activity of the Group and the Parent Company follows:

	2021		2020	
	Amount	%	Amount	%
Transportation, storage and communication	₱9,292,512,233	36.6	₱13,139,071,403	36.6
Wholesale and retail trade	6,320,131,123	24.9	8,911,950,154	24.8
Construction	5,870,480,726	23.1	8,186,146,601	22.8
Agricultural, forestry and fishing	1,661,590,013	6.5	2,448,000,756	6.8
Manufacturing (various industries)	1,090,900,988	4.3	1,516,380,875	4.2
Mining and quarrying	519,179,141	2.0	717,744,815	2.0
Real estate, renting and business activities	339,935,505	1.3	468,375,460	1.3
Other community, social and personal activities	268,216,635	1.1	410,168,729	1.1
Electricity, gas and water	30,926,818	0.1	53,833,531	0.2
Financial intermediaries	28,252,988	0.1	62,050,403	0.2
	₱25,422,126,170	100.0	₱35,913,722,727	100.0

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio. In order to avoid excessive concentrations of risk, the Group's and Parent Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

As of September 30, 2021 and 2020, the net nonperforming loans (NPLs) of the Group and the Parent Company follow:

	2021	2020
Total NPLs	₱3,144,935,121	₱3,113,707,213
Less Specific allowance for credit losses on NPLs	1,204,704,367	616,486,896
	₱1,940,230,754	₱2,497,220,317

The above amounts of gross and net NPLs are based on balances after reflecting certain audit adjustments; hence, they are not the same with the amounts previously reported to the BSP. As of September 30, 2021 and 2020, all NPLs of the Parent Company are secured with collaterals.

Under BSP Circular No. 941, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full payment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not classified 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. Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs.

Under BSP Circular No. 1011, BSP issued guidelines on impairment of financial instruments to align with the requirements of PFRS 9 including classification of credit exposures into three stages in measuring ECL.

Related Party and Directors, Officers, Stockholders and their related interest (DOSRI)

Section 131-Q of the Manual of Regulations for Non-Bank Financial Institutions, related parties shall cover the BSP supervised financial institution's (BSFI) subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the BSFI exerts direct/indirect control over or that exerts direct/indirect control over the BSFI; the BSFI's DOSRI, and their close family members, as well as corresponding persons in affiliated companies. This shall also include other person/juridical entity whose interest may pose potential conflict of interest of the BFSI, hence, is identified as a related party.

BSP Circular No. 423 dated March 15, 2004 amended the definition of Directors, Officers, Stockholders and their related interest (DOSRI) accounts. The following table shows information relating to the Parent Company loans, other credit accommodations and new guarantees classified as DOSRI accounts under regulations existing prior to said circular and new DOSRI loans, other credit accommodations granted under said circular as of September 30, 2021 and 2020:

	2021	2020
DOSRI		
Total outstanding loans	₱32,494,748	₱32,998,343
Percent of DOSRI accounts to total loans	0.13%	0.09%
Percent of unsecured DOSRI accounts to total DOSRI accounts	72.86%	58.84%
Percent of past due DOSRI accounts to total DOSRI accounts	—	—
Percent of non-performing DOSRI accounts to total DOSRI accounts	—	—

	2021	2020
Related party loans		
Total outstanding loans	P—	P—
Percent of related party loans to total loans	—	—
Percent of unsecured related party loans to total related party loans	—	—
Percent of passy due related party loans to total related party loans	—	—
Percent of non-performing related party loans to total related party loans	—	—

BSP Circular No. 560 which became effective on February 22, 2007 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of the banks/quasi-banks. Under the said Circular, the total outstanding exposures to each of the said subsidiaries and affiliates shall not exceed 10.0% of the lending bank's/quasi-bank'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 lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

As of September 30, 2021 and 2020, the Group has no outstanding DOSRI accounts granted prior to the approval of BSP Circular No. 423.

Total interest income on DOSRI loans amounted to P1.4 million and P1.7 million in 2021 and 2020, respectively, is included under 'Financing' in the statements of income.

As of September 30, 2021 and 2020, the retirement fund of employees amounting to P782.0 million and P664.7 million, respectively, for the Group and P691.4 million and P584.3 million, respectively, for the Parent Company is being managed by the Trust and Banking Group of MBTC.

Other Disclosures

As of September 30, 2021, the Group and the Parent Company has no secured liabilities and assets pledged as security.

The Group and the Parent Company has no contingencies and commitments arising from off-balance sheet items, transaction-related contingencies, short-term self-liquidating trade-related contingencies arising from the movement of goods, sale and repurchase agreements not recognized in the balance sheet and commitments, except for the derivative instruments (i.e. cross currency interest rate swaps) used to hedge the foreign currency and interest rate risks on dollar denominated floating rate bank borrowings.

36. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR No. 15-2010, hereunder is the information on taxes and licenses paid or accrued for the year ended September 30, 2021:

The Parent Company reported and/or paid the following types of taxes for the year:

Percentage Taxes

	Revenues	Percentage tax
Income from operations		
Less than 60 months remaining term	₱3,198,353,316	₱159,917,666
Greater than 60 months remaining term	2,433,857	24,339
Other sources	608,132,399	42,569,267
	<u>₱3,808,919,572</u>	<u>₱202,511,272</u>

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and licenses' under 'General and administrative expenses' of the Parent Company's statement of income:

Gross receipts tax	₱202,511,272
Local tax	31,940,294
Fringe benefits	3,681,016
Documentary stamp tax (DST)*	487,090
Other taxes	148,703
	<u>₱238,768,375</u>

**Excludes DST which are deferred and amortized as part of interest expense for financial reporting purposes*

The DST paid/accrued on the following transactions are:

Transaction	Amount	DST thereon
Loan instruments	₱2,600,000,000	₱19,500,000
Others	69,950,641	311,950
	<u>₱2,669,950,641</u>	<u>₱19,811,950</u>

Withholding Taxes

Details of withholding taxes for the year are as follows:

	Total remittances	Balance
Expanded withholding taxes	₱42,155,096	₱4,475,107
Withholding taxes on compensation and benefits	56,367,704	4,721,420
Final withholding taxes	54,429,469	4,419,057
Fringe benefit	2,719,519	961,496
	<u>₱155,671,788</u>	<u>₱14,577,080</u>

Tax Assessments and Cases

There are no other outstanding tax cases under investigation, litigation nor prosecution in courts or bodies outside-the BIR.



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