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Company Name: DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
Industry Classification: J66930
Company Type: Stock Corporation

Document Information

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.

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

18th Floor, BDO Towers Valero, 8741 Paseo De Roxas, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
52AR	MSRD	BD

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
admin@dbpdaiwacm.com.ph	8737-3000	None

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
13	May 21	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Dorris Magtibay-Tuazon	dorris.tuazon@dbpdaiwacm.com.ph	8737-3002	0917-5286936

CONTACT PERSON's ADDRESS

18th Floor, BDO Towers Valero, 8741 Paseo de Roxas, Makati City

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

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

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
ANNUAL AUDITED FINANCIAL REPORT
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DECEMBER 31, 2021

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Metro Manila, Philippines

COVER PAGE

Information Required of Brokers and Dealers Pursuant to Rule 52.1-5 of the Securities Regulation Code.

Report for the Year Beginning January 1, 2021 and Ending December 31, 2021.

IDENTIFICATION OF BROKER OR DEALER	
Name of Broker/Dealer:	DBP-Daiwa Capital Markets Philippines, Inc.
Address of Principal Place of Business:	18th Floor, BDO Towers Valero 8741 Paseo de Roxas Makati City
Name and Phone Number of Person to Contact in Regard to this Report	
Name: Ms. Dorris Magtibay-Tuazon	Tel. No. 8737-3000 Fax No. 8848-0105

IDENTIFICATION OF ACCOUNTANT

Name of Independent Auditors whose opinion is contained in this report:

Name: SyCip Gorres Velayo & Co. — Tel. No.: 8891-0307
BOA/PRC Reg. No. 0001 — Fax No.: 8819-0872
SEC Accreditation No. 0012-FR-3 (Group A)

Address: 6760 Ayala Avenue, Makati City

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. 8853467, January 3, 2022, Makati City

DBP-Daiwa
Capital Markets Philippines

DBP-Daiwa Capital Markets Philippines, Inc.

18/F BDO TOWERS VALERO
8741 PASEO DE ROXAS, SALCEDO VILLAGE
MAKATI CITY 1226 PHILIPPINES

TEL: (632) 8737-3000
FAX: (632) 8848-0105

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of DBP-Daiwa Capital Markets Philippines, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Emmanuel G. Herbosa
Chairman of the Board

Tetsuji Hama
President & CEO

Dorris Magtibay-Tuazon
EVP & Treasurer

Signed this 23rd day of March 2022.

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
DBP-Daiwa Capital Markets Philippines, Inc.
18th Floor, BDO Towers Valero
8741 Paseo de Roxas, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DBP-Daiwa Capital Markets Philippines, Inc. (the Company), which comprise the statements of financial condition as at December 31, 2021 and 2020, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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 Revenue Regulations 15-2010 in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of DBP-Daiwa Capital Markets Philippines, Inc. 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.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

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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BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8853467, January 3, 2022, Makati City

March 23, 2022

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
STATEMENTS OF FINANCIAL CONDITION

	December 31					
	2021			2020		
		Security Valuation		Balance	Security Valuation	
	Balance	**Long**	**Short**		Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Notes 6 and 24)	**₱450,154,925**			₱346,255,467		
Short-term investments (Notes 7 and 24)	**–**			124,989,117		
Receivable from clearing house (Notes 8 and 10)	**247,309,936**			26,842,518		
Receivable from customers and other brokers (Notes 9, 10 and 24)	**512,705,832**	**₱397,446,028**		88,123,987	₱87,369,226	
Other receivables (Notes 11 and 24)	**8,404,955**			11,418,743		
Prepayments and other current assets	**25,718,862**			24,397,094		
	1,244,294,510			622,026,926		
Noncurrent Assets						
Other receivables (Notes 11 and 24)	**2,035,354**			1,604,862		
Investment securities at fair value through other comprehensive income (Note 12)	**2,200,000**			1,200,000		
Exchange trading right (Note 13)	**9,000,000**			8,069,200		
Property and equipment (Note 14)	**5,798,014**			11,984,644		
Deferred tax asset (Note 23)	**–**			111,355		
Pension assets (Note 22)	**7,324,292**			4,459,307		
Other assets (Note 15)	**20,861,031**			20,227,622		
	47,218,691			47,656,990		
	₱1,291,513,201			₱669,683,916		
Securities						
With Transfer Office and Philippine Depository and Trust Corporation			**₱44,703,518**			₱60,233,611

(Forward)

	December 31					
	2021			2020		
		Security Valuation		Balance	Security Valuation	
	Balance	**Long**	**Short**		Long	Short
LIABILITIES AND EQUITY						
Liabilities						
Current Liabilities						
Payable to clearing house (Notes 8 and 10)	**₱304,658,813**			₱33,596,778		
Payable to customers and other brokers (Notes 9, 10 and 24)	**450,203,199**	**₱388,847,621**	**₱741,590,131**	80,430,029	₱141,655,728	₱168,791,343
Lease liability (Note 18)	**–**			4,378,236		
Other liabilities (Note 16)	**20,267,780**			24,722,242		
	775,129,792			143,127,285		
Noncurrent Liabilities						
Deferred tax liability (Note 23)	**218,810**			–		
	775,348,602			143,127,285		
Equity						
Preference share capital - ₱1 par value (Notes 5 and 17) Authorized - 250,000,000 shares Issued and outstanding - 85,000,000 shares	**85,000,000**			85,000,000		
Common share capital - ₱1 par value (Note 5) Authorized - 250,000,000 shares Issued and outstanding- 170,000,000 shares	**170,000,000**			170,000,000		
Retained earnings (Note 5)						
Appropriated	**55,631,424**			55,631,424		
Unappropriated	**203,696,746**			216,710,293		
Remeasurement gain (loss) on defined benefit obligation (Note 22)	**206,429**			(1,565,086)		
Unrealized gain on financial assets at fair value through other comprehensive income	**1,630,000**			780,000		
	516,164,599			526,556,631		
	₱1,291,513,201	**₱786,293,649**	**₱786,293,649**	₱669,683,916	₱229,024,954	₱229,024,954

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31	
	2021	2020
REVENUES		
Commissions (Note 19)	**₱144,399,361**	₱152,516,859
Others		
Research fees (Notes 19 and 24)	**29,254,226**	30,201,858
Interest income (Notes 6, 20 and 24)	**3,849,200**	7,561,334
Service fees (Notes 19 and 24)	**3,172,320**	5,409,210
Foreign exchange gain (loss) - net	**25,340**	(181,904)
Others	**26,546**	220,046
	180,726,993	195,727,403
COST OF SERVICES		
Marketing and management fees (Note 24)	**78,376,062**	81,108,272
Research and IT costs (Note 24)	**41,058,581**	57,679,888
Salaries and benefits - operations (Note 21)	**19,058,797**	22,315,437
Stock exchange dues and central depository fees	**7,643,562**	8,074,887
Trading loss	**15,612**	17,705
	146,152,614	169,196,189
OPERATING EXPENSES		
Salaries and benefits - administrative (Note 21)	**22,105,983**	21,892,813
Depreciation and amortization (Notes 14 and 15)	**8,178,590**	7,639,474
Repairs and maintenance	**7,027,204**	6,845,161
Postage, telephone and communications	**3,110,127**	3,124,096
Professional fees	**2,243,719**	1,914,239
Directors' fees	**1,425,000**	1,738,103
Entertainment, amusement and recreation	**764,339**	1,034,207
Transportation and travel	**697,461**	1,043,040
Taxes and licenses	**595,068**	833,789
Rent (Note 18)	**117,857**	121,071
Reversal of impairment and credit losses - net (Notes 6, 7 and 13)	**(840,747)**	(414,433)
Miscellaneous	**1,613,777**	1,838,684
	47,038,378	47,610,244
LOSS BEFORE INCOME TAX	**(12,463,999)**	(21,079,030)
PROVISION FOR INCOME TAX (Note 23)	**549,548**	2,154,504
NET LOSS	**(13,013,547)**	(23,233,534)
OTHER COMPREHENSIVE GAIN (LOSS)		
Not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on defined benefit obligation (Note 22)	**2,362,020**	(867,023)
Unrealized gain on financial assets at fair value through other comprehensive income	**1,000,000**	–
Income tax effect (Note 22)	**(740,505)**	260,106
	2,621,515	(606,917)
TOTAL COMPREHENSIVE LOSS	**(₱10,392,032)**	(₱23,840,451)

See accompanying Notes to Financial Statements.

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY

	Preference Share Capital (Notes 5 and 17)	Common Share Capital (Note 5)	Retained Earnings - Appropriated (Note 5)	Retained Earnings Unappropriated (Notes 5 and 17)	Remeasurement gain (loss) on defined benefit obligation (Note 22)	Unrealized gain on financial assets at fair value through other comprehensive income	Total Equity
BALANCES AT JANUARY 1, 2021	**₱85,000,000**	**₱170,000,000**	**₱55,631,424**	**₱216,710,293**	**(₱1,565,086)**	**₱780,000**	**₱526,556,631**
Total comprehensive loss for the year	–	–	–	**(13,013,547)**	**1,771,515**	**850,000**	**(10,392,032)**
BALANCES AT DECEMBER 31, 2021	**₱85,000,000**	**₱170,000,000**	**₱55,631,424**	**₱203,696,746**	**₱206,429**	**₱1,630,000**	**₱516,164,599**
BALANCES AT JANUARY 1, 2020	₱85,000,000	₱170,000,000	₱55,631,424	₱239,943,827	(₱958,169)	₱780,000	₱550,397,082
Total comprehensive loss for the year	–	–	–	(23,233,534)	(606,917)	–	(23,840,451)
BALANCES AT DECEMBER 31, 2020	₱85,000,000	₱170,000,000	₱55,631,424	₱216,710,293	(₱1,565,086)	₱780,000	₱526,556,631

See accompanying Notes to Financial Statements.

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱12,463,999)**	(₱21,079,030)
Adjustments for:		
Interest income (Note 20)	**(3,849,200)**	(7,561,334)
Depreciation and amortization (Notes 14 and 15)	**8,178,590**	7,639,473
Retirement expense (Note 22)	**2,219,333**	2,010,436
Interest on lease liabilities (Note 18)	**122,394**	349,281
Unrealized foreign exchange gain - net	**(153,578)**	(210,717)
Reversal of impairment and credit losses – net (Notes 6, 7 and 13)	**(840,747)**	(414,433)
Changes in operating assets and liabilities		
Decrease (increase) in the amounts of:		
Receivable from:		
Customers and other brokers	**(424,581,845)**	260,218,765
Clearing house	**(220,467,418)**	93,878,513
Prepayments and other current assets	**1,321,768**	(4,148,555)
Other receivables	**(1,700,550)**	18,868
Increase (decrease) in the amounts of:		
Payable to:		
Customers and other brokers	**369,773,170**	(383,619,724)
Clearing house	**271,062,035**	33,596,778
Other liabilities	**(4,454,462)**	(1,884,402)
Net cash used in operations	**(15,834,509)**	(21,206,081)
Income taxes paid	**(982,186)**	(1,894,397)
Interest received	**4,351,353**	7,865,074
Contribution paid to the retirement fund	**(2,700,000)**	
Net cash used in operating activities	**(15,165,342)**	(15,235,404)
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of short-term investments	**124,989,117**	399,995,914.
Additions to short-term investments	**–**	(474,995,312)
Acquisitions of:		
Property and equipment (Note 14)	**(1,437,063)**	(3,543,784)
Software (Note 15)	**–**	(325,180)
Net cash generated from (used in) investing activities	**123,552,054**	(78,868,362)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of principal portion of lease liabilities (Note 18)	**(4,500,630)**	(4,206,196)
Net cash used in financing activities	**(4,500,630)**	(4,206,196)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	**(86,119)**	477,978
EFFECT OF EXPECTED CREDIT LOSSES ON CASH AND CASH EQUIVALENTS	**99,495**	(79,691)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**103,899,458**	(97,911,675)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**346,255,467**	444,167,142
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱450,154,925**	₱346,255,467

See accompanying Notes to Financial Statements.

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

DBP-Daiwa Capital Markets Philippines, Inc. (the Company) was incorporated on March 16, 1995 and is domiciled in the Philippines. The Company was licensed by the Philippine Securities and Exchange Commission (SEC) primarily to engage as a dealer in the business of offering, buying, selling, dealing or trading of securities of all kinds for its own account and as a broker in the purchases, sales or other transactions relating to all kinds of securities of any person, corporation or entity.

The Company is a joint venture of Daiwa Capital Markets Asia Holding B.V. (60%-owned), Development Bank of the Philippines (DBP, 35%-owned) and Pan Malayan Management and Investment Corporation (5%-owned) of the Yuchengco Group. In 2016, Daiwa Capital Markets Asia Holding B.V. transferred its 60% ownership in the Company to Daiwa International Holdings Inc. (the Parent Company). The Parent Company is a wholly-owned subsidiary of Daiwa Securities Group, Inc. (Ultimate Parent Company) of Tokyo, a company listed in the Tokyo, Osaka and Nagoya Stock Exchanges.

The registered office address of the Company is at 18th Floor of the BDO Towers Valero, 8741 Paseo de Roxas, Makati City.

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

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the country. As of March 23, 2022, different parts of the country remain to be under varying degree of community quarantine.

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

The accompanying financial statements of the Company were authorized for issue by its Board of Directors (BOD) on March 23, 2022.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (OCI) which have been measured at fair value. The financial statements are presented in Philippine pesos, the Company's functional currency. All amounts are recorded to the nearest peso unless otherwise indicated.

Statement of Compliance
The accompanying financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new, amendments and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2021. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Company:

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Significant Accounting Policies

Current and non-current classification
The Company presents assets and liabilities in statement of financial condition based on current and non-current classification.

An asset or liability is current when it is:
- expected to be realized or intended to be sold or consumed or settled in normal operating cycle;
- held primarily for the purpose of trading; or
- expected to be realized or due to be settled within twelve months after the reporting date.

An asset is also current when it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date. A liability is also current when there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

All other assets or liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

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

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

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. In an exchange market, closing prices are both readily available and generally representative of fair value.

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company 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.

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

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Short-term investment that have a term of more than three (3) months are not considered cash equivalents.

<u>Financial Instruments - Initial Recognition</u>
Date of recognition
Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial asset or financial liability in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the trade date.

Loans and receivables and amounts due to counterparties are recognized when cash is received by the Company or advanced to the counterparties.

Classification of Financial Instruments
All financial instruments are initially recognized at fair value of the consideration given (in case of an asset) or received (in case of liability). Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. Financial assets are measured at FVPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVPL 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 Company 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.

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).

As of December 31, 2021 and 2020, the Company does not have any financial assets at FVPL.

Business model test
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
- The risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company 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.

The solely payments of principal and interest (SPPI) test
As a second step of its classification process, the Company assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

'Principal' for the purpose of this test 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/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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 on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Investment Securities at FVOCI
Investment securities at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive loss as 'Change in net unrealized loss on investment securities at FVOCI'.

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

As of December 31, 2021 and 2020, the Company has no debt securities at FVOCI.

Equity securities designated at FVOCI are those that the Company 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 Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statement of comprehensive loss is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial Assets at Amortized Cost
Debt financial assets are measured at amortized cost of both of the following conditions are met:
- The asset is held within the Company's business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using effective interest method less any 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 comprehensive income. Gains and losses are recognized in statement of comprehensive income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statement of comprehensive income under 'Provision for credit losses'. The effects of revaluation on foreign currency-denominated investments are recognized in the statement of comprehensive income.

As of December 31, 2021 and 2020, the Company's financial assets measured at amortized cost include 'Cash and cash equivalents (except cash on hand)', 'Short-term investments', 'Receivable from clearing house', 'Receivable from customers and other brokers', 'Other Receivables' and security deposits under 'Other Assets'.

Financial Liabilities
Other financial liabilities are financial liabilities not classified or designated at FVPL and contains contractual obligations to deliver cash or another financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

This accounting policy applies primarily to the Company's 'Payable to clearing house', 'Payable to customers and other brokers' and 'Other liabilities'.

Derecognition of Financial Assets and Liabilities
Financial asset
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 Company 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 Company 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 substantially the risks and rewards of the asset but has transferred the control over the asset.

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

Write-offs
Financial assets are written off either partially or in their entirety when the Company no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to provision for credit losses.

Impairment of Financial Assets
The Company recognizes an ECL for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Assessment of Significant Increase in Credit Risk/Staging Assessment

For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:

- Financial instruments 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 from the financial instruments. The ECL model requires that lifetime ECL be recognized for these impaired financial instruments. The ECL model requires that lifetime ECL be recognized for these impaired financial assets.

Refer to Note 5 for the Company's ECL methodology.

Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial condition if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Income and expense are not offset in the statement of comprehensive loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

Creditable Withholding Taxes

Creditable withholding taxes (CWT) represent prepayments of income tax by the Company through its payors who withhold and pay the same to the Bureau of Internal Revenue (BIR). These are accounted for as assets deductible from income tax due on quarterly and annual income tax returns.

In accordance with Section 2.58(B) of Revenue Regulations No. 2-1998, as amended, the Company obtains from each payor the creditable withholding tax certificate or BIR Form No. 2307 which serves as proof of withholding and is required to be attached to the income tax return.

Intangible Assets

Intangible assets consist of software costs and exchange trading right.

Software costs

These are costs related to software purchased by the Company for use in its operations and is amortized on a straight-line basis over three years.

Exchange trading right

Exchange trading right was acquired, together with Philippine Stock Exchange (PSE) shares, in exchange for the PSE membership seat under the conversion program of PSE. The exchange trading right is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares), less allowance for impairment loss.

The exchange trading right is deemed to have an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows for the Company. It is tested annually for any impairment in value. Any impairment loss is charged directly to profit or loss.

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation and any allowance for impairment losses. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and if the recognition criteria are met, but excludes repairs and maintenance costs.

Depreciation is computed on the straight-line basis over the estimated useful lives of property and equipment. The estimated useful lives of the property and equipment are as follow:

Office equipment	3 - 5 years
Transportation equipment	5 years
Furniture, fixtures and equipment	3 - 5 years
Leasehold improvements	Shorter of 5 years or the related lease term

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

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

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

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

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the

estimated useful lives of the assets, which ranges from 2 to 3 years. Right-of-use assets are also subjected to the impairment policy on non-financial assets.

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payment resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 to be 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.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that property and equipment may be impaired. Exchange trading right is tested for impairment annually, irrespective of whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Company makes an estimate of the nonfinancial asset's recoverable amount. A nonfinancial asset's recoverable amount is the higher of a nonfinancial asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the nonfinancial asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or groups of nonfinancial assets. When the carrying amount of a nonfinancial asset exceeds its recoverable amount, the nonfinancial asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the nonfinancial asset.

An impairment loss is charged in profit or loss in the year in which it arises.

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

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in profit or loss. For property and equipment, after such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is the principal in all of its revenue arrangements except for its brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized:

Commissions
Commissions are recognized as income upon confirmation of trade deals. These are computed for every trade transaction based on a flat rate or a percentage of the amount of trading transaction, whichever is higher.

Service fees and research fees
These fees are recognized as revenue when related services have been rendered.

Interest income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield of the asset.

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

Expenses
Expenses encompass costs of administering the business and losses arising in the course of the ordinary activities of the Company. Expenses are recognized when incurred.

Retirement Benefits
Retirement benefits cost is actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Retirement benefits cost comprises the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

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

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 high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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.

Actuarial valuations are conducted with sufficient regularity, with the option to accelerate when significant changes to underlying assumptions occur. The present value of the defined benefit obligation is determined by discounting the estimated future cash inflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement liability.

Foreign Currency Transactions

Foreign currency-denominated monetary assets and liabilities of the Company are translated to Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate for 2020 and 2019 prevailing at end of the year and foreign currency-denominated revenue and expenses, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences arising from revaluation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Capital Stock

Capital stock is composed of common and preferred shares which are measured at par value for all shares issued and outstanding.

Dividends on Common and Preferred Shares

Dividends on common and preferred shares are recognized as a liability and deducted from equity when declared and approved by the BOD of the Company.

Dividends for the year that are declared and approved after the statement of financial condition date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Provisions

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

Contingent Liabilities and Contingent Assets

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

Income Taxes

Current taxes

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

Deferred taxes

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

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

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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 profit 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 profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply 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 substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to revenue for the period.

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

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT except:

- Where the VAT incurred on the purchase of an asset or service is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or part of the expense item as applicable; and

Receivables and payables that are stated with the amount of VAT included.

Events After the Reporting Date

Post-year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are non-adjusting events are disclosed in the notes to the financial statements when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to Philippine Accounting Standard (PAS) 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
    - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 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*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Company to make use of estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosures of contingent assets and liabilities at reporting date. Future events may occur which can cause the 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.

Judgment
As of December 31, 2021 and 2020, there are no significant judgments applied in preparing the financial statements.

Estimates
The key assumptions concerning the future and other sources of estimation at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) *Impairment of financial assets*
For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For deposits in banks, the Company uses market data provided by third-party rating agencies in measuring the probability of default and loss given default. Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on an agreed settlement date, or request for moratorium.

The carrying amount of cash and cash equivalents, short-term investments, receivable from clearing house, and customers, and other receivables as of December 31, 2021 and 2020 are disclosed in Notes 6, 7, 8, 9 and 11, respectively.

(b) *Impairment of exchange trading right*
Exchange trading right is carried at cost less allowance for impairment loss. It is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. It is deemed to have indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company.

The management's impairment test for the exchange trading rights is based on the higher of fair value less cost to sell and VIU. The Company used the latest transacted price in estimating the recoverable amount of the exchange trading right.

As of December 31, 2021 and 2020, the carrying value of intangibles is disclosed in Note 13.

(c) *Present value of defined benefit plan*
The cost of defined benefit retirement plans and other post-employment medical benefits as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates, seniority, promotion and other market factors.

As of December 31, 2021 and 2020, the carrying value of plan asset and details of retirement benefits are disclosed in Note 22.

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

The recognized and unrecognized deferred tax assets as of December 31, 2021 and 2020 are disclosed in Note 23.

4. Fair Value Measurement

As of December 31, 2021 and 2020, the carrying value of the Company's financial assets and liabilities, i.e., cash and cash equivalents, short-term investments, receivables from clearing house, customers, payables to clearing house, customers, other receivables - current, refundable deposits and other liabilities, as reflected in the statements of financial condition approximate their respective fair values since these instruments are liquid and have short-term maturities.

For certain receivables which are long term in nature, fair values are estimated using the discounted cash flow methodology, using current incremental lending rates of 2% in 2021 and 2020 for similar types of borrowings. Fair value of other receivables - non-current which are based on Level 3 inputs amounted to ₱2.0 million and ₱1.60 million as of December 31, 2021 and 2020, respectively.

In 2021 and 2020, the Company's FVOCI equity instrument is valued using observable inputs such as published quotation rates (Level 2).

There were no transfers between levels in the fair value hierarchy in 2021 and 2020.

5. Financial Risk Management Objectives and Policies

<u>Risk Management Framework</u>
The BOD has overall responsibility for the oversight of the Company's risk management process. The BOD, which is responsible for developing, managing and monitoring risk management policies in their specified areas, is assisted by the following in performing its functions:

- Executive Committee (EXCOM)
- Audit Committee (AC)

The EXCOM provides essential inputs and advice, particularly on credit and investment policy matters to the BOD. On the other hand, the AC, together with the Compliance Officer (CO) collaborates with the BOD. The AC monitors the Company's internal management control processes and provides an independent assessment of the Company's system to ensure system integrity is maintained while CO monitors and assesses the compliance of the Company's various units with the Company's rules and regulations. The BOD likewise evaluates all risk policy proposals and reports to be presented.

The Internal Audit of the Parent Company also plays a crucial role in adding value to and improving the Company's operations through systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.

The Company's principal financial instruments consist of cash and cash equivalents, short-term investments, due from related parties, interest receivable, receivables from customers and other brokers, refundable deposits, and financial assets at FVOCI. The main purpose of these financial instruments is to raise funds for the Company's operations.

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

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The nature of the business exposes the Company to potential risk of loss due to a counterparty defaulting on a contract. To a stockbroker, credit risk, such as counterparty risk, settlement risk, large exposure risk and margin financing risk, normally arises from unsettled customer purchases, undelivered securities, unsettled loans and advances, margin lending, default by bond issuer, undelivered services, among others. The Company mitigates its credit risk by transacting with recognized and creditworthy customers on cash basis purchases only.

The Company further limits its trading credit risk by its custody of the defaulting parties' shares of stock as collateral to the latter's purchases. In accordance with Risk-Based Capital Adequacy (RBCA)'s requirement, limit is imposed to avoid large exposure on single client/counterparty, single debt issue and single equity relative to a particular issuer company and its group of companies.

Maximum exposure to credit risk
Except for receivable from customers, the carrying values of the Company's financial assets as reflected in the statements of financial condition approximate the financial asset's maximum exposure to credit risk before and after taking into account collateral held or other credit enhancements.

The table below shows an analysis of the maximum exposure to credit risk from receivable from customers after taking into account any collateral held or other credit enhancements:

	Gross maximum exposure	Fair value of collateral	Net exposure	Financial effect of collateral
Receivable from customers:				
December 31, 2021	**₱512,705,832**	**₱397,446,028**	**₱115,962,076**	**₱396,743,756**
December 31, 2020	88,123,987	87,369,226	756,716	87,367,271

The Company does not have financial guarantees, loan commitments and other-credit related liabilities.

All other financial assets of the Company are unsecured. Hence, the maximum exposure to credit risk is limited to the carrying values as of December 31, 2021 and 2020.

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Company's financial strength and undermine public confidence.

The Company's policies and procedures include specific guidelines which focus on maintaining a diversified portfolio. In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed accordingly.

The distribution of financial assets by counterparty of the Company as of December 31, 2021 and 2020 follows:

	2021					
	Trade Receivables*		**Other Financial Assets****		**Total**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Banks and other financial institution	**₱760,015,768**	**100.00**	**₱456,228,616**	**94.83**	**₱1,216,244,384**	**98.00**
Individuals	**–**	**–**	**4,500,421**	**0.94**	**4,500,421**	**0.36**
Others	**–**	**–**	**20,365,358**	**4.23**	**20,365,358**	**1.64**
	₱760,015,768	**100.00**	**₱481,094,395**	**100.00**	**₱1,241,110,163**	**100.00**

**Trade receivables consist of receivable from clearing house and receivable from customers and other brokers*
***Other financial assets consist of cash and cash equivalents, short-term investments, other receivables and refundable deposit*

	2020					
	Trade Receivables*		Other Financial Assets**		Total	
	Amount	%	Amount	%	Amount	%
Banks and other financial institution	₱114,916,360	99.96	₱480,153,330	95.36	₱595,069,690	96.21
Individuals	50,145	0.04	4,158,609	0.83	4,208,754	0.68
Others	–	–	19,219,968	3.81	19,219,968	3.11
	₱114,966,505	100.00	₱503,531,907	100.00	₱618,498,412	100.00

**Trade receivables consist of receivable from clearing house and receivable from customers and other brokers*
***Other financial assets consist of cash and cash equivalents, short-term investments, other receivables and refundable deposit*

Credit quality per class of financial assets
The tables below show the information about the Company's credit risk exposures using a provision matrix as of December 31, 2021 and 2020:

	2021					
	Current	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**More than 90 days***	**Total**
Loans and receivables						
Cash and cash equivalents	**₱450,288,728**	**₱–**	**₱–**	**₱–**	**₱–**	**₱450,288,728**
Receivable from clearing house	**247,309,936**	**–**	**–**	**–**	**–**	**247,309,936**
Receivable from customers and other brokers	**512,705,832**	**–**	**–**	**–**	**–**	**512,705,832**
Other receivables	**8,404,955**	**–**	**–**	**–**	**–**	**8,404,955**
	₱1,218,709,451	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,218,709,451**

	2020					
	Current	1 - 30 days	31 - 60 days	61 - 90 days	More than 90 days*	Total
Loans and receivables						
Cash and cash equivalents	₱346,289,775	₱–	₱–	₱–	₱–	₱346,289,775
Receivable from clearing house	26,842,518	–	–	–	–	26,842,518
Short-term investments	124,998,559					124,998,559
Receivable from customers and other brokers	88,123,987	–	–	–	–	88,123,987
Other receivables	11,418,743	–	–	–	–	11,418,743
	₱597,673,582	₱–	₱–	₱–	₱–	₱597,673,582

Cash in banks and short-term investments
Credit risk associated with the Company's cash in banks and short-term investments are considered minimal as these placed with reputable banks with high external credit ratings.

Loans and receivables
The Company uses days past due to monitor its outstanding receivables. As of December 31, 2021 and 2020, all outstanding receivable from clearing house and from customers and other brokers are within the standard T+3 settlement period.

The Company has no past due or impaired receivables as of December 31, 2021 and 2020.

Impairment assessment
The Company measures a credit loss allowance on a financial asset based on whether it has had a significant increase in credit risk since initial recognition. Accordingly, the Bank categorizes its financial assets into three categories:

- stage 1 - financial asset that has not had a significant increase in credit risk;
- stage 2 - financial asset that has had a significant increase in credit risk; and
- stage 3 - financial asset in default.

The Company applies the low credit risk simplification provided under PFRS 9 in the staging assessment of its cash in bank. Under this operational simplification the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition (i.e. under 'Stage 1') if the financial instrument is determined to have a low credit risk at the reporting date. In this case, an external rating of 'investment grade' is considered as having in low credit risk. Otherwise, those financial instruments that are non-investment grade' are under 'Stage 2'.

The Company calculates ECL either on an individual or a collective basis. The Company performs collective impairment by grouping exposures into smaller homogeneous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculation provisions based on the ECL models.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows

- PD – The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

- EAD – The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments

- LGD – The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD

- *Economic Overlays*
  The Company incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to the expected future macroeconomic atmosphere. A broad range of economic indicators were considered for the economic inputs. 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 address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Individual staging assignment of each financial asset presented above are presented in Notes 6 and 7. Credit risk of cash and cash equivalents and short-term investment is assessed to be minimal since these are placed and recoverable from government and listed banks issuing debt securities with high external credit rating. Accordingly, these financial assets are considered to be low credit risk investments. The ECL allowance of these financial assets is measured using 12-month ECL (Stage 1) as of December 31, 2021 and 2020.

Refundable deposits and other receivables are all classified under stage 1.

<u>Liquidity Risk</u>
Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Company's inability to meet its obligations when they become due without incurring unacceptable losses or costs. The Company's liquidity risk is managed by holding sufficient liquid assets to ensure short-term funding requirements are met. Cash and cash equivalents amounting to ₱450.24 million and ₱346.26 million as of December 31, 2021 and 2020, respectively, are made on a short-term basis with almost all being available on demand. Liquidity is monitored by the Company on a regular basis.

Analysis of financial assets and liability by remaining contractual maturities
The tables below show the maturity profile of the financial instruments of the Company, based on its internal methodology that manages liquidity based on contractual undiscounted cash flows as of December 31, 2021 and 2020:

	2021					
	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	**₱165,288,728**	**₱285,229,721**	**₱–**	**₱–**	**₱–**	**₱450,518,449**
Short-term investments	–	–	–	–	–	–
Receivable from clearing house	**247,309,936**	–	–	–	–	**247,309,936**
Receivable from customers and other brokers	**512,705,832**	–	–	–	–	**512,705,832**
Other receivables	**148,002**	**7,864,120**	–	**392,833**	**2,035,354**	**10,440,309**
Refundable deposits	–	–	–	–	**20,365,358**	**20,365,358**
	925,452,498	**293,093,841**	–	**392,833**	**22,400,712**	**1,241,339,884**
Financial Liabilities						
Payable to clearing house	**304,658,813**	–	–	–	–	**304,658,813**
Payable to customers and other brokers	**450,203,199**	–	–	–	–	**450,203,199**
Other liabilities (Note 16)	**6,030,474**	**6,080,730**	–	–	–	**12,111,204**
	760,892,486	**6,080,730**	–	–	–	**766,973,216**
Net undiscounted financial assets	**₱164,560,012**	**₱287,013,111**	**₱–**	**₱392,833**	**₱22,400,712**	**₱474,366,668**

	2020					
	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	₱221,336,443	₱125,065,583	₱–	₱–	₱–	₱346,402,026
Short-term investments	–	–	125,187,619	–	–	125,187,619
Receivable from clearing house	26,842,518	–	–	–	–	26,842,518
Receivable from customers and other brokers	88,123,987	–	–	–	–	88,123,987
Other receivables	684,538	9,948,763	115,942	669,500	1,604,862	13,023,605
Refundable deposits	–	–	–	–	19,219,968	19,219,968
	336,987,486	135,014,346	125,303,561	669,500	20,824,830	618,799,723
Financial Liabilities						
Payable to clearing house	33,596,778	–	–	–	–	33,596,778
Payable to customers and other brokers	80,430,029	–	–	–	–	80,430,029
Other liabilities (Note 16)	7,584,431	10,357,416	–	–	–	17,941,847
	121,611,238	10,357,416	–	–	–	131,968,654
Net undiscounted financial assets	₱215,376,248	₱124,656,930	₱125,303,561	₱669,500	₱20,824,830	₱486,831,069

Market Risk
Market risk is the risk of loss to future earnings, fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, equity prices, foreign currency exchange rates and other market changes.

Interest rate risk
Interest rate risk is the risk that changes in the market interest rates will reduce the Company’s current or future earnings and/or economic value. The Company’s short-term investments and receivables from officers and employees are the only financial instruments affected by interest rate risk. The Company’s exposure to interest rate risk is minimal since the Company does not have financial instruments which are subject to floating interest rate risk.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the value of individual stocks.

In accordance with the RBCA requirement, limits are imposed for all equity, debt and foreign exchange positions of the Company.

As of December 31, 2021 and 2020, the Company has no significant trading securities and financial instruments that are exposed to equity price risks.

Foreign currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate.

The Company's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Company believes that its portfolio of foreign currency exposure on its assets is within conservative limits for an institution engaged in the type of business in which the Company is engaged in.

The Company's statements of financial condition can be affected significantly by movements in the United States dollar (USD) exchange rate. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2021		2020	
	USD	**PHP**	USD	PHP
Cash	**\$51,528**	**₱2,627,855**	\$151,311	₱7,266,404
Other receivables	**153,543**	**7,830,520**	204,547	9,822,983
Other liabilities	**(196,933)**	**(10,043,383)**	(318,575)	(15,298,910)
Net exposure	**\$8,138**	**₱414,992**	\$37,283	₱1,790,477

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Company's income before income tax and equity:

	Changes in foreign exchange rate			
	2021		2020	
Increase/decrease in Php rate	**+5%**	**-5%**	+5%	-5%
Effect on income before income tax	**₱20,750**	**(₱20,750)**	₱89,524	(₱89,524)

The exchange rate used to revalue the Company's dollar-denominated assets and liabilities is ₱50.999 to \$1.00 and ₱48.023 to \$1.00 as of December 31, 2021 and 2020, respectively.

There are no other impact on the Company's OCI other than those already affecting the income before income tax.

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

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory Qualifying Capital
The Amended Implementing Rules and Regulations of the SRC effective February 28, 2004, include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows: (a) to allow a net capital of ₱5.00 million or 5.00% of aggregate indebtedness, whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities, (b) to allow the SEC to set a different net capital requirement for those authorized to use the RBCA model, and (c) to require unimpaired paid-up capital of ₱100.00 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; ₱10.00 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.50 million for broker dealers dealing only in proprietary shares and not holding securities.

RBCA ratio of a broker dealer, computed by dividing the Net Liquid Capital (NLC) by the Total Risk Capital Requirement (TRCR), should not be less than 110.00%. NLC and TRCR are computed based on the existing SRC. NLC consists of total equity adjusted for allowance for market decline, subordinated liabilities, deferred tax assets, revaluation reserves, deposits for future stock subscription, minority interest, if any, contingencies and guarantees, and the total ineligible assets. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed 2,000.00% of its NLC and at all times shall have and maintain NLC of at least ₱5.00 million or 5.00% of the AI, whichever is higher.

Further, SEC Memorandum Circular No. 16 dated November 11, 2004 provides the guidelines on the adoption in the Philippines of the RBCA Framework for all registered brokers dealers in accordance with SRC. These guidelines cover the following risks: (a) position or market risk; (b) credit risks such as counterparty, settlement, large exposure and margin financing risks; and (c) operational risk.

On January 16, 2014, the Capital Markets Integrity Corporation (CMIC), the independent audit surveillance and compliance unit of PSE issued a memorandum circular informing trading participants to maintain the status quo for purposes of computing the RBCA ratio despite the change in the financial statements presentation of receivables and payables from trading operations as required by relevant accounting standards.

On May 28, 2009, the SEC approved the PSE's Rules Governing Trading Rights and Trading Participants, which superseded the Membership Rules of the PSE. Section 8(c) of Article III of the said rules requires trading participants to have a minimum unimpaired paid-up capital, as defined by the SEC, of ₱20.0 million effective December 31, 2009, and ₱30.0 million effective December 31, 2010 and onwards. As of December 31, 2021 and 2020, the Company is in compliance with the capital requirement.

As of December 31, 2021 and 2020, the Company is in compliance with the RBCA ratio. The RBCA ratio of the Company based on audited balances as of December 31, 2021 and 2020 is shown in the table below.

	2021	2020
Equity eligible for net liquid capital	**₱516,164,599**	₱526,445,276
Less ineligible assets	**85,244,737**	83,520,705
NLC	**₱430,919,862**	₱442,924,571
Position risk	**₱211,488**	₱581,582
Operational risk	**47,654,414**	49,792,953
TRCR	**₱47,865,902**	₱50,374,535

	2021	2020
AI	**₱563,134,059**	₱115,924,255
5% of AI	**₱28,156,703**	₱5,796,213
Net risk-based capital excess	**402,763,159**	437,128,358
Ratio of AI to NLC	**131%**	26%
RBCA ratio	**900%**	879%

When aggregate indebtedness exceeds 1,700.00% of NLC and when RBCA ratio is less than 120.00%, which are critical levels, the Company must notify the SEC in writing of such occurrence within twenty four (24) hours. The SEC may, after the receipt of the notice, direct the Company in the conduct of its operations and/or impose conditions, if necessary. The Company is given ten (10) days to effect its proposal and pending actual implementation and must notify the SEC of its daily NLC position.

Meanwhile, if operational risk becomes greater than core equity, the Company is allowed to continue operations provided a capital build up plan is submitted and realized within ninety (90) calendar days from the time of breach.

As of December 31, 2021 and 2020, the Company's core equity amounted to ₱514.56 million and ₱527.34 million, respectively.

The following are the definition of terms used in the RBCA ratio computation:

Ineligible assets
These pertain to fixed assets and assets which cannot be readily converted into cash.

Operational risk requirement
The amount required to cover a level of operational risk. Operational risk is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate or failed internal processes, people and systems, which include among others, risks of fraud, operational or settlement failure and shortage of liquid resources, or from external events.

Position risk requirement
The amount necessary to accommodate a given level of position risk. Position risk is a risk to which a broker dealer is exposed to and arising from securities held by the Company as a principal or in its proprietary or dealer account.

Aggregate indebtedness
Total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' account having short positions in securities, but subject to certain exclusions.

Reserves
In addition, SRC Rule 49.1 (B), *Reserve Fund*, of such Circular requires that every broker dealer shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to Appropriated Retained Earnings. Minimum appropriation shall be 30.00%, 20.00% and 10.00% of profit after tax for broker dealers with unimpaired paid up capital between ₱10.00 million to ₱30.00 million, between ₱30.00 million to ₱50.00 million and more than ₱50.00 million, respectively.

The amount appropriated shall not be available for payment of dividends. Where in any financial year, the Company's paid up capital is impaired, the Company is required to transfer from appropriated retained earnings to the capital account an amount equivalent to the impairment. Such amount so transferred out shall not be available for payment of dividend.

In compliance with the aforementioned SEC rule, the BOD approved the appropriation of retained earnings amounting to nil in 2021 and 2020. As of December 31, 2021 and 2021, the unappropriated surplus amounted to ₱203.60 million and ₱216.71 million, respectively.

Minimum Capital Requirements
For registration and subsequent renewal of license of brokers and dealers, SRC Rule 28.1, *Registration of Brokers and Dealers*, requires brokers and dealers to maintain a minimum capital requirement amounting to ₱100.00 million. Paid up capital of the Company amounted to ₱255.00 million as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Company has complied with all externally imposed capital requirements.

6. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱65,395**	₱65,111
Cash in banks	**165,223,333**	171,224,664
Short-term placements	**285,000,000**	175,000,000
	450,288,728	346,289,775
Allowance for credit losses	**(133,803)**	(34,308)
	₱450,154,925	₱346,255,467

Cash in banks earn interest at the respective bank deposit rates. Short-term placements bear annual interest rates ranging from 0.18% to 1.85% and from 0.18% to 3.88% in 2021 and 2020, respectively.

The Company subjected cash in banks and short-term placements to the ECL model within PFRS 9, for which a 12-month loss allowance has been provided.

	2021	2020
Balance at January 1	**₱34,308**	₱113,999
Changes in PD/LGD/EAD	**99,495**	(79,691)
Allowance for credit losses	**₱133,803**	₱34,308

In compliance with SRC Rule 49.2, Customer Protection Reserves and Custody of Securities, the Company maintains a special reserve bank account for the exclusive benefit of its customers amounting to ₱20.00 million as of December 31, 2021 and 2020. The Company's reserve requirement is determined weekly based on the SEC's prescribed computations. As of December 31, 2021 and 2020, the Company's reserve accounts, included under short-term placement and short-term investments (Note 7), respectively are adequate to cover its required reserve requirements.

These investments bear annual interest rates of 0.63% and 0.18% in 2021 and 2020, respectively.

7. Short-term Investments

As of December 31, 2021 and 2020, the Company's short-term investments amounted to:

	2021	2020
Short-term investments	**₱–**	₱124,998,559
Allowance for credit losses	**–**	(9,442)
	₱–	₱124,989,117

An analysis of the corresponding ECL allowances for the Company's short-term investments is as follows:

	2021	2020
Balance at January 1	**₱9,442**	₱344,184
Changes in PD/LGD/EAD	**(9,442)**	(334,742)
Allowance for credit losses	**₱–**	₱9,442

8. Receivable from and Payable to Clearing House

As of December 31, 2021 and 2020, the Company's receivable from clearing house amounted to ₱247.31 million and ₱26.84 million, respectively.

As of December 31, 2021 and 2020, the Company's payable to clearing house amounted to ₱304.66 million and ₱33.60 million, respectively.

Receivable from and payable to clearing house are settled three days after the transaction date at net. The outstanding balances with the clearing house have been collected or paid in January of the succeeding year.

9. Receivable from and Payable to Customers and Other Brokers

Receivable from customers and other brokers consist of the following:

	2021			2020		
	Balance	**Long**	**Short**	Balance	Long	Short
Cash and fully secured accounts:						
More than 250%	**₱–**	**₱–**	₱–	₱50,145	₱52,100	₱–
Between 200% and 250%	**–**	**–**	–	–	–	–
Between 150% and 200%	**–**	**–**	–	–	–	–
Between 100% and 150%	**69,000,728**	**69,703,000**	–	–	–	–
Partially secured accounts	**443,705,104**	**327,743,028**	–	88,073,842	87,817,126	–
	₱512,705,832	**₱397,446,028**	₱–	₱88,123,987	₱87,869,226	₱–

Receivable from customers and other brokers, which are settled three days after the transaction date as of December 31, 2021 and 2020 were collected in January 2022 and 2021, respectively.

As required by PFRS 9, the Company used the simplified approach in calculating trade receivables that are within the scope of PFRS 15 and did not contain a significant financing component. All receivables from customers are within T+0 to T+3. Considering the lack of historical default and level of collateral, the ECL calculated by the Company for receivable from customers and other brokers amounted to nil.

Payable to customers are due within one year. Details follow:

	2021			2020		
	Balance	**Long**	**Short**	Balance	Long	Short
With money balances	**₱450,203,199**	**₱347,317,256**	**₱741,590,131**	₱80,430,029	₱81,422,117	₱168,791,343
Without money balances	**–**	**41,530,365**	**–**	–	60,233,611	–
	₱450,203,199	**₱388,847,621**	**₱741,590,131**	₱80,430,029	₱141,655,728	₱168,791,343

Payable to customers and other brokers, which are settled three days after the transaction date, as of December 31, 2021 and 2020 were paid in January 2022 and 2021, respectively.

10. Offsetting of Financial Assets and Financial Liabilities

The tables below present the details of recognized amounts due from and to customers, brokers and clearing house that are offset and presented at net amount in the statements of financial position, and the effect of other rights of offset but do not meet the offsetting criteria under PAS 32, *Financial Instruments: Presentation*:

2021					
Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial condition [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**	**[e]**
Financial assets					
Receivable from clearing house	**₱247,309,936**	**₱–**	**₱247,309,936**	**₱247,309,936**	**₱–**
Receivable from customers and other brokers	**512,705,832**	**–**	**512,705,832**	**(211,995,733)**	**300,710,099**
Financial liabilities					
Payable to clearing house	**₱304,658,813**	**₱–**	**₱304,658,813**	**₱247,309,936**	**₱57,348,877**
Payable to customers and other brokers	**450,203,199**	**–**	**450,203,199**	**(211,995,733)**	**238,207,466**

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial condition	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria	Net exposure
	2020				
	[a]	[b]	[c] [a-b]	[d]	[e] [c-d]
Financial assets					
Receivable from clearing house	₱26,842,518	₱–	₱26,842,518	₱26,842,518	₱–
Receivable from customers and other brokers	88,123,987	–	88,123,987	19,662,220	68,461,767
Financial liabilities					
Payable to clearing house	₱33,596,778	₱–	₱33,596,778	₱26,842,518	₱6,754,260
Payable to customers and other brokers	80,430,029	–	80,430,029	7,540,810	72,889,219

11. Other Receivables

This account consists of:

	2021	2020
Due from related parties (Note 24)	**₱7,830,520**	₱9,822,983
Advances to officers and employees	**2,465,067**	2,553,747
Interest receivable (Note 24)	**144,722**	646,875
	₱10,440,309	₱13,023,605

Advances to officers and employees represent interest-bearing receivables with contractual maturity of over one year from the reporting date and earn an annual fixed interest rate of 2.00% in 2021 and 2020.

Total other receivables shown in the statements of financial condition follow:

	2021	2020
Current portion	**₱8,404,955**	₱11,418,743
Non-current portion	**2,035,354**	1,604,862
	₱10,440,309	₱13,023,605

12. Financial Assets at Fair Value through OCI

The Company has designated its investment in proprietary membership golf share previously classified as available-for-sale as equity investments at FVOCI on the basis that these are not held for trading.

13. Exchange Trading Right

Details of the exchange trading right as of December 31, 2021 and 2020 follows:

	2021	2020
Cost at beginning and end of the year	**₱19,400,000**	₱19,400,000
Less allowance for impairment losses		
Balance at beginning of the year	**11,330,800**	11,330,800
Reversals	**(930,800)**	–
Balance at end of the year	**10,400,000**	11,330,800
	₱9,000,000	₱8,069,200

As of December 31, 2021 and 2020, the latest transacted price of exchange trading right (as provided by the PSE and used for determining the assets' fair value) amounted to ₱9.00 million and ₱8.50 million, respectively.

Reversal of impairment amounting to ₱0.93 million was recognized in 2021. No impairment loss was recognized to this account in 2020.

14. Property and Equipment

The composition of and movements in this account follow:

	2021					
	Office Equipment	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-Use Asset - Office Premise**	**Total**
Cost						
Balances at beginning of year	**₱39,319,094**	**₱2,787,500**	**₱3,518,535**	**₱5,377,321**	**₱11,942,222**	**₱62,944,672**
Additions	**1,423,670**	**–**	**13,393**	**–**	**–**	**1,437,063**
Disposal	**(6,470,266)**	**–**	**–**	**–**	**–**	**(6,470,266)**
Balances at end of the year	**34,272,498**	**2,787,500**	**3,531,928**	**5,377,321**	**11,942,222**	**57,911,469**
Accumulated depreciation						
Balances at beginning of year	**32,982,339**	**2,787,498**	**3,510,035**	**5,377,317**	**6,302,839**	**50,960,028**
Depreciation	**3,632,835**	**–**	**10,117**	**–**	**3,980,741**	**7,623,693**
Disposal	**(6,470,266)**	**–**	**–**	**–**	**–**	**(6,470,266)**
Balances at end of the year	**30,144,908**	**2,787,498**	**3,520,152**	**5,377,317**	**10,283,580**	**52,113,455**
Net book values	**₱4,127,590**	**₱2**	**₱11,776**	**₱4**	**₱1,658,642**	**₱5,798,014**

	2020					
	Office Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Asset - Office Premise	Total
Cost						
Balances at beginning of year	₱35,775,310	₱2,787,500	₱3,518,535	₱5,377,321	₱11,942,222	₱59,400,888
Additions	3,543,784	–	–	–	–	3,543,784
Balances at end of the year	39,319,094	2,787,500	3,518,535	5,377,321	11,942,222	62,944,672
Accumulated depreciation						
Balances at beginning of year	29,865,779	2,787,498	3,478,849	5,359,769	2,322,099	43,813,994
Depreciation	3,116,560	–	31,186	17,548	3,980,740	7,146,034
Balances at end of the year	32,982,339	2,787,498	3,510,035	5,377,317	6,302,839	50,960,028
Net book values	₱6,336,755	₱2	₱8,500	₱4	₱5,639,383	₱11,984,644

As of December 31, 2021 and 2020, the cost of fully depreciated property and equipment still in use by the Company amounted to ₱37.64 million and ₱39.70 million, respectively.

15. **Other Assets**

This account consists of:

	2021	2020
Refundable deposits	**₱20,365,358**	₱19,219,968
Software costs - net	**308,754**	863,651
Deferred input tax	**186,919**	144,003
	₱20,861,031	₱20,227,622

On 13 March 2018, the SEC resolved to approve the SCCP's proposed amendment to make the contributions to the Clearing and Trade Gratuity Fund (CTGF) refundable to clearing members upon cessation of their business and/or termination of their membership with SCCP. The Company's contributions to the CTGF, presented under refundable deposits amounted to ₱19.12 million and ₱18.05 million as of December 31, 2021 and 2020.

The movements of software costs follow:

	2021	2020
Balance at beginning of year	**₱863,651**	₱1,031,910
Additions	**–**	325,180
Amortization	**(554,897)**	(493,439)
Balance at end of year	**₱308,754**	₱863,651

16. **Other Liabilities**

This account consists of:

	2021	2020
Financial:		
Due to related parties (Note 24)	**₱10,043,383**	₱15,298,910
Accrued expenses	**1,542,842**	1,270,217
Accounts payable	**524,979**	1,372,720
	12,111,204	17,941,847
Nonfinancial:		
Withholding taxes payable	**2,071,946**	3,109,885
Accrued expenses	**2,695,292**	2,477,677
Other payables	**3,389,338**	1,192,833
	8,156,576	6,780,395
	₱20,267,780	₱24,722,242

Accrued expenses include the accrual for transfer fees, exchange fees, unused vacation leave credits and administrative expenses. Other payables include payables to various regulatory agencies.

17. **Equity**

Preference Share Capital
The Parent Company owns 100.00% of the Company's preferred stocks. The preferred stockholder has, among others, the following rights, privileges and preferences:

a. Preference as to liquidation before any distribution shall be made to common stockholders;
b. Entitlement to cumulative dividends at the rate of two percent per annum to be paid out of current earnings and or retained earnings and to participate with the holders of common stock in the remaining profits; and
c. Non-voting except for certain cases indicated on the amended articles of incorporation.

18. **Lease**

Company as a lessee
The Company leases its office space premises, located at 18th floor Citibank Tower, Paseo de Roxas, Makati City, consisting of 327.10 square meters (sqm), that are renewable upon mutual agreement of both parties. On July 5, 2019, the Company renewed its lease agreement for three (3) years.

The carrying amount of right-of-use assets recognized and the movements during the period are presented in Note 14.

The following are the amounts recognized in the statement of income:

	2021	2020
Depreciation expense of right-of-use assets included in property and equipment (Note 14)	**₱3,980,741**	₱3,980,740
Interest expense on lease liabilities	**122,394**	349,281
Total amount recognized in statement of income	**₱4,103,135**	₱4,330,021

The rollforward analysis of lease liabilities follow:

	2021	2020
As at January 1	**₱4,378,236**	₱8,235,151
Interest expense	**122,394**	349,281
Payments	**(4,500,630)**	(4,206,196)
As at December 31	**₱–**	₱4,378,236

Future minimum rentals payable under non-cancellable leases are as follows:

	2021	2020
Within one year	**₱–**	₱4,378,236
After one year but not more than five years	**–**	–
	₱–	₱4,378,236

19. Revenues from Contracts with Customers

This account consists of:

	2021	2020
Commissions	**₱144,399,361**	₱152,516,859
Others	**32,426,546**	35,611,068
	₱176,825,907	₱188,127,927

Others pertain to research fees and services fees earned from contracts with related parties (Note 24).

Disaggregation of the Company's commission is set out below:

	2021	2020
Primary geographical markets		
Foreign	**₱129,366,340**	₱132,948,841
Local	**15,033,021**	19,568,018
	₱144,399,361	₱152,516,859

20. Interest Income

This account consists of interest on:

	2021	2020
Bank and short-term deposits (Note 24)	**₱3,818,060**	₱7,532,934
Receivables from officers and employees (Note 24)	**31,140**	28,400
	₱3,849,200	₱7,561,334

21. Salaries and Benefits

This account consists of:

	2021	2020
Salaries and wages	**₱38,161,298**	₱41,514,901
Retirement benefit expense (Note 22)	**2,219,333**	2,010,436
Other employees' benefits	**784,149**	682,913
	₱41,164,780	₱44,208,250

Salaries and wages include basic, overtime pay, bonuses and termination benefits.

Total salaries and benefits recognized in profit or loss follow:

	2021	2020
Cost of services	**₱19,058,797**	₱22,315,437
Operating expenses	**22,105,983**	21,892,813
	₱41,164,780	₱44,208,250

22. Retirement Plan

The Company has a funded defined benefit retirement plan covering substantially all of its qualified employees. On January 1, 2019, the Company initiated a defined contribution (DC) plan covering qualified employees hired after January 1, 2019. The Company shall contribute 8% of the employees' regular monthly salary. The latest actuarial valuation study of the retirement plan was made on December 31, 2021.

DBP-Daiwa's Employees' Retirement Funds are administered by its Trustee, Development Bank of the Philippines. The Trustee has full and complete management and control of the funds and its investment strategy. The Trustee has the absolute and sole right to sell, convert, invest, reinvest, commingle with other accounts, exchange, transfer, assign, endorse or otherwise dispose the moneys, assets or securities comprising the Trust Fund without necessity of prior approval or authority from the Trustor.

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

The retirement expense (included in 'Salaries and benefits') recognized in profit or loss follows (see Note 20):

	2021	2020
Current service cost	**₱2,461,246**	₱2,386,507
Net interest on the defined benefit asset*	**(241,913)**	(376,071)
	₱2,219,333	₱2,010,436

**Net interest cost is net of the interest on the effect of asset ceiling amounting to ₱12,822 and ₱48,709 in 2021 and 2020, respectively.*

Net retirement asset recognized in the statements of financial condition follows:

	2021	2020
Fair value of plan assets	**₱36,600,629**	₱34,394,036
Defined benefit obligation	**(28,371,583)**	(29,642,656)
Surplus	**8,229,046**	4,751,380
Effect of the asset ceiling	**904,754**	292,073
Net retirement asset	**₱7,324,292**	₱4,459,307

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

	2021	2020
Balance at beginning of year	**₱29,642,656**	₱26,698,137
Current service cost	**2,461,246**	2,386,507
Past service cost - plan amendment	**–**	–
Interest cost	**1,301,313**	1,455,048
Benefits paid	**(597,500)**	(872,800)

(Forward)

	2021	2020
Remeasurement loss (gain):		
Changes in financial assumptions	**(₱1,466,689)**	₱179,848
Changes in demographic assumptions	**(3,889)**	–
Experience adjustment	**(2,965,554)**	(204,084)
Balance at end of year	**₱28,371,583**	₱29,642,656

Changes in the fair value of plan assets are as follows:

	2021	2020
Balance at beginning of year	**₱34,394,036**	₱34,928,648
Contributions	**2,700,000**	–
Interest income	**1,556,048**	1,879,828
Remeasurement loss on return on plan assets	**(1,451,955)**	(1,541,640)
Benefits paid	**(597,500)**	(872,800)
Balance at end of year	**₱36,600,629**	₱34,394,036

The cumulative amount of remeasurement gain (loss) as of December 31 follows:

	2021	2020
Beginning balance	**(₱1,565,087)**	(₱958,171)
Remeasurement gains (losses):		
Changes in the effect of the asset ceiling	**(599,859)**	650,381
Defined plan asset	**(1,451,955)**	(1,541,640)
Defined benefit obligation	**4,413,835**	24,236
	2,362,021	(867,023)
Income tax effect	**(590,505)**	260,107
	1,771,516	(606,916)
Cumulative remeasurement gain (loss), net of tax	**₱206,429**	(₱1,565,087)

The fair value of plan assets by each class as of December 31 follow:

	2021	2020
Cash and cash equivalents	**₱36,596,930**	₱34,391,332
Accrued interest receivable	**9,250**	5,816
Accrued expense payable	**(5,551)**	(3,112)
Fair value of plan assets	**₱36,600,629**	₱34,394,036

The Company has no specific matching strategy between the plan assets and the plan liabilities.

The principal assumptions used to determine the retirement obligation are shown below:

	2021	2020
Discount rate	**5.02%**	4.39%
Future salary increase	**5.00%**	5.00%

Since there is no deep market in high-quality corporate bonds in the Philippines, the Company's discount rate for the defined benefit obligation was determined by considering the yields on long-term government securities. A lower discount rate would increase the present value of benefit obligations. The expected rate of salary increase was determined by considering the inflation, seniority, promotion and other market factors. The Company evaluates these assumptions on a periodic basis taking into consideration current market conditions and historical market data.

Management believes that as of the reporting date, it is the discount rate and salary rate that could significantly affect the retirement obligation.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2021 and 2020, assuming all other assumptions were held constant.

		Increase (decrease) in defined benefit obligation	
Assumption	Increase (decrease)	**2021**	2020
Discount rate	1.00%	**(₱2,008,933)**	(₱2,420,960)
	(1.00%)	**2,408,594**	2,922,942
Salary rate	1.00%	**2,380,784**	2,868,318
	(1.00%)	**(2,027,278)**	(2,428,962)

As of December 31, 2021, the Company does not have any transactions, either directly or indirectly, with the retirement benefit fund.

As of December 31, 2021 and 2020, there are no reimbursement rights recognized as a separate asset in the Company's statements of financial condition.

The Company does not intend to contribute in 2021 to its defined benefit retirement plan.

The average duration of the defined benefit obligation is 7.8 and 9.0 years in 2021 and 2020, respectively.

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

	2021	2020
Less than one year	**₱302,243**	₱269,186
More than 1 year up to 5 years	**12,146,051**	13,284,396
More than 5 years up to 10 years	**23,586,863**	16,972,285

23. Income Taxes

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 criteria 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 its 33.0% prior to the CREATE Act. Provision for income tax pertains to the 20.00% final withholding tax on gross interest income from cash in bank and short-term placements.

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 Company'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 provision for income tax consists of:

	2021	2020
Current:		
Final tax	**₱763,612**	₱1,506,586
MCIT	**315,528**	387,811
Deferred	**(432,637)**	260,107
	₱646,503	₱2,154,504

Details of the Company's NOLCO, which is available for offset against future taxable income, follow:

Year incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2018	2019-2021	₱25,738,799	₱–	₱25,738,799	₱–	₱–
2019	2020-2022	10,592,291	–	–	–	10,592,291
2020	2021-2025	28,557,173	–	–	–	28,557,173
2021	2022-2026	16,748,587	–	–	–	16,748,587
		₱81,636,850	₱–	₱25,738,799	₱–	₱55,898,051

Details of the Company's MCIT follow:

Date incurred	Amount	Applied	Expired	Balance	Expiry Year
2018	₱424,847	₱–	₱424,847	₱–	2021
2019	704,772	–	–	704,772	2022
2020	290,857	–	–	290,857	2023
2021	315,528	–	–	315,528	2024
	₱1,736,004	₱–	₱424,847	₱1,311,157	

*The excess MCIT over RCIT amount in 2020 is reduced by ₱96,954 due to CREATE.

Provision for deferred tax charged directly to OCI amounted to ₱0.74 million and ₱0.26 million in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the components of the Company's net deferred tax asset (liability) follow:

	2021	2020
Plan asset	**(₱1,087,263)**	(₱1,337,792)
Unamortized past service cost	**800,559**	1,443,008
Accrual of unused VL credits	**253,253**	–
Provision for expected credit losses	**33,451**	6,139
Cumulative gain in other comprehensive income	**(68,810)**	–
Unrealized gain on financial asset at fair value through other comprehensive income	**(150,000)**	–
	(₱218,810)	₱111,355

The Company did not recognize deferred tax assets on the following temporary differences since based on the Company's assessment, future taxable profit will not allow the recoverability of these temporary differences.

	2021	2020
NOLCO	**₱55,898,049**	₱64,888,263
Provision for leave credits	**1,682,278**	2,477,677
Excess MCIT over RCIT	**1,311,157**	1,517,430
Allowance for expected credit losses	**–**	23,287
Unrealized foreign exchange loss	**153,578**	210,717
	₱59,045,062	₱69,117,374

The reconciliation of income tax expense computed at the statutory tax rate of 25% in 2021 and 30% in 2020 to provision for income tax follows:

	2021	2020
Income tax at statutory income tax	**(₱3,116,000)**	(₱6,323,709)
Changes in unrecognized net deferred tax	**3,856,451**	9,231,609
Tax effect of tax exempt and tax-paid income	**(190,903)**	(753,396)
	₱549,548	₱2,154,504

24. **Related Party Disclosures**

The Company, in the normal course of business, provides and receives advances to and from its Parent Company and other related parties. The Company also acts as a stockbroker to the Parent Company and other related parties. The other related parties are entities under common control of Daiwa Securities Group, Inc. Under the Company's policy, these transactions are made substantially on the same terms as transactions with other individuals and businesses of comparable risks and are settled in cash.

The Company entered into a master service agreement with some related parties. Each party is entitled to receive from the other party, fees and other payments from time to time in relation to:

a. the relevant securities transactions effected with or from time to time by or through the first-named party as broker, agent or intermediary for the other party or for client introduce by the first-named party in respect of all the specified client account;
b. the introduction of the relevant issuer or the provision of relevant services in or incidental to primary or secondary market issues by relevant issuers in respect of which the other party has been appointed as manager, underwriter or participant in any other capacity;
c. the provision of relevant services for or incidental to the securities or securities related business of the other party; and
d. the technical services in relation to the acquisition and/or provision of all necessary office system, internal audit services, technical infrastructure, environment and expertise, including servers and database facility related to marketing research and trading transactions.

Summarized below are the transactions and account balances with related parties:

	2021		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Condition**
Stockholders			
Cash and cash equivalents	**₱–**	**₱274,394,055**	Regular current account and short-term placements with tenor of not more than 90 days, interest rates range from 0.90% to 1.25%
Other receivables	–	**134,722**	Accrued interest on short-term time deposit account, 31 to 182 days tenor, not impaired
Interest income	**3,360,537**	–	Interest income on short-term investments and time deposit account
Other Related Parties			
Daiwa CM Co Ltd (Affiliate)			
Other Receivables	–	**907,718**	Receivable arising from assignee's living expenses subject to reimbursement; 3 to 12 months; non-interest bearing
Daiwa CM Hong Kong Ltd. (Affiliate)			
Receivable from customers and other brokers	–	**427,574,977**	Receivables arising from buy of equity securities, 3 days term, secured, not impaired
Other Receivables	–	**6,892,968**	Receivable arising from Research-relate costs; 3 to 12 months; payable on demand
Payable to customers and other brokers	–	**409,591,989**	Payables arising from sell of equity securities, 3 days term, unsecured
Other liabilities	–	**10,043,383**	Payables arising from internal audit costs, marketing and management fees, research and IT costs and directors' fees; 3 to 12 months; payable on demand
Commissions	**129,301,812**	–	Brokerage commission
Research fees	**29,254,226**	–	Research income with quarterly billings.
Research and IT costs	**29,117,099**	–	Allocated research and IT costs and internal audit costs from regional offices with monthly billings

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Condition
			2021
Management and marketing fees	**₱78,376,062**	**₱–**	Provision of management in the entire research report production, provision of technical assistance between customers and the Company and promotion of the Philippine equity market to increase the clientele base of the Company
Daiwa CM Singapore Ltd. (Affiliate)			
Other Receivables	**–**	**29,834**	Receivables from other service fee income; 3 to 12 months; non-interest bearing
Service fees	**3,120,103**	**–**	Other service income in facilitating the promotion of products and services of Daiwa Singapore with monthly billings
Commissions	**64,527**	**–**	Brokerage commission
Daiwa CM Europe Ltd. (Affiliate)			
Service fees	**52,217**	**–**	Other service income in facilitating the promotion of products and services of Daiwa Europe with monthly billings

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Condition
			2020
Stockholders			
Cash and cash equivalents	₱–	₱157,825,799	Regular current account and short-term placements with tenor of not more than 90 days, interest rates range from 0.38% to 1.80%
Short-term investments	–	94,999,497	Regular time deposit with 91 to 182 days tenor
Other receivables	–	646,642	Accrued interest on short-term time deposit account, 31 to 182 days tenor, not impaired
Interest income	5,912,583	–	Interest income on short-term investments and time deposit account

(Forward)

Category	2020 Amount/ Volume	Outstanding Balance	Nature, Terms and Condition
Other Related Parties			
Daiwa CM Co Ltd. (Affiliate)			
Other Receivables	₱–	₱896,892	Receivable arising from assignee's living expenses subject to reimbursement; 3 to 12 months; non-interest bearing
Daiwa CM Hong Kong Ltd. (Affiliate)			
Receivable from customers and other brokers	–	58,133,559	Receivables arising from buy of equity securities, 3 days term, secured, not impaired
Other Receivables	–	7,431,793	Receivable arising from Research related costs; 3 to 12 months; payable on demand
Payable to customers and other brokers	–	68,969,328	Payables arising from sell of equity securities, 3 days term, unsecured
Other liabilities	–	15,298,910	Payables arising from internal audit costs, marketing and management fees, research and IT costs and directors' fees; 3 to 12 months; payable on demand
Commissions	132,570,366	–	Brokerage commission
Research fees	30,201,858	–	Research income with quarterly billings.
Research and IT costs	45,044,409	–	Allocated research and IT costs and internal audit costs from regional offices with monthly billings
Management and marketing fees	81,108,272	–	Provision of management in the entire research report production, provision of technical assistance between customers and the Company and promotion of the Philippine equity market to increase the clientele base of the Company
Daiwa CM Singapore Ltd. (Affiliate)			
Other Receivables	–	1,494,298	Receivables from other service fee income; 3 to 12 months; non-interest bearing

(Forward)

Category	2020 Amount/ Volume	Outstanding Balance	Nature, Terms and Condition
Service fees	₱5,361,728	₱–	Other service income in facilitating the promotion of products and services of Daiwa Singapore with monthly billings
Commissions	378,475	–	Brokerage commission

Volume of trading transactions brokered by the Company on behalf of its related parties in 2021 and 2020 follows:

	2021		2020	
	Buy	**Sell**	Buy	Sell
Daiwa Group - *Other related party*	**₱25,070,128,910**	**₱28,210,387,047**	₱28,168,115,444	₱26,030,180,220
DBP - *Stockholder*	**–**	**–**	–	–
	₱25,070,128,910	**₱28,210,387,047**	₱28,168,115,444	₱26,030,180,220

Remuneration of key management personnel
Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company considers the managers, executive vice president and the president to constitute key management personnel. Total remunerations of key management personnel are as follows:

	2021	2020
Salaries and wages	**₱35,606,907**	₱27,652,277
Retirement expense	**1,762,522**	1,536,466
Employees' benefits	**1,180,724**	777,627
	₱38,550,153	₱29,966,370

25. **Supplementary Information Required Under Revenue Regulations 15-2010**

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

Value-Added Tax (VAT)
The NIRC of 1997 also provides for the imposition of 12.00% VAT on sales of goods and services. Accordingly, the Company's commission revenues are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT.

Details of the Company's net sales/receipts and output VAT accounts are as follows:

Net sales/receipts and output VAT declared in the Company's VAT returns filed for 2021:

	Net Sales/Receipts	Output VAT
Taxable sales		
Commissions and other vatable fees	₱142,186,219	₱17,062,346
Sale to Government	2,264,828	271,779
Zero-rated sales		
Service fees	3,172,319	–
Research fees	29,254,226	–
	₱176,877,592	₱17,334,125

Zero-rated sales of services consist of earned from services rendered to Daiwa Capital Markets Singapore Co. Ltd., an affiliate and research fees earned from services rendered to Daiwa Capital Markets Hong Kong Limited, an affiliate. These are foreign-currency denominated sales, therefore, qualify as VAT zero-rated sales of services under section 108(B) of the National Internal Revenue Code (“NIRC”).

The amount of VAT input taxes claimed are broken down as follows:

Balance at January 1	₱144,003
Current year’s domestic purchases/payments for:	
Purchase of capital goods exceeding P1 million	154,160
Domestic purchases of goods other than capital goods	26,741
Domestic purchases of services	2,716,073
	3,040,977
Claims for tax credit/refund and other adjustments	2,854,108
Balance at December 31	₱186,869

Information on the Company’s Importation
The Company does not have any importations in 2021.

Other Taxes and Licenses
This includes all other taxes, documentary stamp tax, fringe benefit tax and local taxes including licenses and permit fees. Details in 2021 consist of the following:

Local taxes	₱410,509
Fringe benefit tax	57,716
Annual BIR registration	1,000
Others	125,843
	₱595,068

Withholding Taxes
Details of total remittances in 2021 and outstanding balance as of December 31, 2021 of withholding taxes are as follows:

	Total Remittances	Balance
Withholding taxes on compensation	₱6,068,843	₱1,723,885
Final withholding taxes on income payments subject to final tax	6,518,410	269,471
Expanded withholding taxes	842,067	63,617
Final withholding taxes on fringe benefits	42,743	14,973
	₱13,472,063	₱2,071,946

Tax assessments and cases
As of December 31, 2021, the Company has no tax assessments which are covered by a Final Assessment Notice issued by BIR.

SGV
Building a better working world

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1226 Makati City
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
DBP-Daiwa Capital Markets Philippines, Inc.
18th Floor, Citibank Tower
8741 Paseo de Roxas, Makati City

We have audited the accompanying financial statements of DBP-Daiwa Capital Markets Philippines, Inc. (the Company), as at December 31, 2021 and for the year then ended, on which we have rendered the attached report dated March 23, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has a total number of four (4) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

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. 8853467, January 3, 2022, Makati City

March 23, 2022

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
DBP-Daiwa Capital Markets Philippines, Inc.
18th Floor, Citibank Tower
8741 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of DBP-Daiwa Capital Markets Philippines, Inc. (the Company) as at December 31, 2021 and 2020, and have issued our report thereon dated March 23, 2022. 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 the Supplementary Schedules[1] are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68 and SRC Rule 52.1, 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 information 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

Ray Francis C. Balagtas
Partner
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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
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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. 8853467, January 3, 2022, Makati City

March 23, 2022

[1] This includes:

- Statement of changes in liabilities subordinated to claims of general creditors
- Computation of risk-based capital adequacy requirement pursuant to SEC Memorandum Circular No. 16
- Information relating to the possession or control requirements under SRC Rule 49.2 - Annex 49.2-A
- Computation for determination of reserve requirements under SRC Rule 49.2 - Annex 49.2-B
- A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit
- Results of monthly securities count conducted pursuant to SRC Rule 52.1.10 as of balance sheet date

SCHEDULE I

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
DECEMBER 31, 2021

There are no liabilities subordinated to claims of general creditors.

SCHEDULE II

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
RISK-BASED CAPITAL ADEQUACY WORKSHEET PURSUANT TO SECURITIES AND EXCHANGE COMMISSION CIRCULAR NO. 16
DECEMBER 31, 2021

Assets	**₱1,079,517,467**
Liabilities	**563,352,869**
Equity as per books	**516,164,599**
Adjustments to Equity per books	
Add (Deduct):	
– Allowance for market decline	
– Subordinated Liabilities	
– Unrealized Gain / (Loss) in proprietary accounts	
– Deferred Income Tax	
– Revaluation Reserves	
– Deposit for Future Stock Subscription (No application with SEC)	
– Minority Interest	
Total Adjustments to Equity per books	
Equity Eligible For Net Liquid Capital	**516,164,599**
Contingencies and Guarantees	
Deduct: Contingent Liability	
Guarantees or indemnities	
Ineligible Assets	
a. Trading Right and all Other Intangible Assets (net)	**9,000,000**
b. Intercompany Receivables	**7,830,520**
c. Fixed Assets, net of accumulated and excluding those used as collateral	**6,106,768**
d. All Other Current Assets	**5,520,411**
e. Securities Not Readily Marketable	
f. Negative Exposure (SCCP)	**4,047,032**
g. Notes Receivable (non-trade related)	
h. Interest and Dividends Receivables outstanding for more than 30 days	
i. Ineligible Insurance claims	
j. Ineligible Deposits	
k. Short Security Differences	
l. Long Security Differences not resolved prior to sale	
m. Other Assets including Equity Investment in PSE	**52,740,007**
Total ineligible assets	**85,244,737**

Net Liquid Capital (NLC)	**430,919,862**
Less:	
– Operational Risk Reqt (Schedule ORR-1)	**47,654,414**
– Position Risk Reqt (Schedule PRR-1)	**211,488**
– Counterparty Risk (Schedule CRR-1 and detailed schedules)	
– **Large Exposure Risk (Schedule LERR-1, LERR-2, LERR-3)**	
– LERR to a single client (LERR-1)	
– LERR to a single debt (LERR-2)	
– LERR to a single issuer and group of companies (LERR-3)	
Total Risk Capital Requirement (TRCR)	**47,865,902**
Net RBCA Margin (NLC-TRCR)	**383,053,958**
Liabilities	**563,352,869**
Add: Deposit for Future Stock Subscription (No application with SEC)	
Less: Exclusions from Aggregate Indebtedness	
– Subordinated Liabilities	
– Loans secured by securities	
– Loans secured by fixed assets	
– Others	**218,810**
Total adjustments to AI	**(218,810)**
Aggregate Indebtedness	**563,134,059**
5% of Aggregate Indebtedness	**28,156,703**
Required Net Liquid Capital (> of 5% of AI or P5M)	**28,156,703**
Net Risk-based Capital Excess / (Deficiency)	**402,763,159**
Ratio of AI to Net Liquid Capital	**131%**
RBCA Ratio (NLC / TRCR)	**900%**

SCHEDULE III

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS UNDER SRC RULE 49.2
DECEMBER 31, 2021

Customers' fully paid securities and excess margin securities not in the broker's or dealer's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frame specified under SRC Rule 49.2):

Market Valuation:	NIL
Number of Items:	NIL

Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under SRC Rule 49.2:

Market Valuation:	NIL
Number of Items:	NIL

SCHEDULE IV

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
COMPUTATION FOR DETERMINATION OF
RESERVE REQUIREMENTS UNDER SRC RULE 49.2
DECEMBER 31, 2021

Particulars	**Credit**	**Debit**
1. Free credit balance and other credit balance in customers' security accounts.	₱295,556,344	
2. Monies borrowed collateralized by securities carried for the account of customers.		
3. Monies payable against customers' securities loaned.		
4. Customers' securities failed to receive.		
5. Credit balances in firm accounts which are attributable to principal sales to customer.		
6. Market value of stock dividends stock splits and similar distributions receivable outstanding over 30 calendar days old.		
7. Market value of the short security count differences over 30 calendar days old.		
8. Market value of short securities and credits (not to be offset by long or by debits) in all suspense accounts over 30 calendar days.		
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days.		
10. Debit balances in customers' cash or margin accounts excluding unsecured accounts and accounts doubtful of collection.		₱539,934,721
11. Securities borrowed to effectuate short sales by customer and securities borrowed to make delivery on customers' securities failed to delivery.		
12. Failed to deliver customers' securities not older than 30 calendar days.		
13. Others		
Total	₱295,556,344	₱539,934,721
Net Credit (Debit)		(₱244,378,377)
Required Reserve (100% of net credit if making a weekly computation and 105% if monthly)	₱–	

SCHEDULE V

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
A REPORT DESCRIBING ANY MATERIAL INADEQUACIES
FOUND TO EXIST OR FOUND TO HAVE EXISTED
SINCE THE DATE OF THE PREVIOUS AUDIT
DECEMBER 31, 2021

There were no matters involving the Company’s internal control structure and its operations that were considered to be material weaknesses.

SCHEDULE VI

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
RESULTS OF MONTHLY SECURITIES COUNT
CONDUCTED PURSUANT TO SRC RULE 52.1-10, AS AMENDED
DECEMBER 31, 2021

The Company's securities are lodged in Philippine Depository Trust Corp. Refer to attached summary.

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
SECURITY POSITION BY LOCATION
As of December 31, 2021

STOCK CODE	MV AS OF 12/31/2021	TOTAL		IN VAULT		IN TRANSFER		PCD		DUE FROM CLEARING HOUSE		DUE TO CLEARING HOUSE	
		SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
ABS	12.6	1,000	12,600	-	-	-	-	1,000	12,600	-	-	-	-
AC	831	(32,540)	(27,040,740)	-	-	-	-	-	-	7,790	6,473,490	(40,330)	(33,514,230)
ACEN	11	(738,900)	(8,127,900)	-	-	-	-	250,000	2,750,000	213,600	2,349,600	(1,202,500)	(13,227,500)
AEV	54.45	(110,890)	(6,037,961)	-	-	-	-	-	-	55,070	2,998,562	(165,960)	(9,036,522)
AGI	11.8	4,149,600	48,965,280	-	-	-	-	-	-	4,739,600	55,927,280	(590,000)	(6,962,000)
ALCO	0.64	28,275	18,096	-	-	-	-	28,275	18,096	-	-	-	-
ALI	36.7	(658,200)	(24,155,940)	-	-	-	-	3,600	132,120	226,100	8,297,870	(887,900)	(32,585,930)
ALLHC	6.73	6,783,100	45,650,263	-	-	-	-	-	-	6,783,100	45,650,263	-	-
AP	29.7	(726,800)	(21,585,960)	-	-	-	-	4,000	118,800	-	-	(730,800)	(21,704,760)
APC	0.22	1,000,000	220,000	-	-	-	-	1,000,000	220,000	-	-	-	-
APX	1.61	20,000	32,200	-	-	-	-	20,000	32,200	-	-	-	-
AT	6.17	108,100	666,977	-	-	-	-	108,100	666,977	-	-	-	-
BDO	120.7	(119,253)	(14,393,837)	-	-	-	-	12,237	1,477,006	55,150	6,656,605	(186,640)	(22,527,448)
BEL	1.35	100,000	135,000	-	-	-	-	100,000	135,000	-	-	-	-
BPI	92.15	(207,502)	(19,121,309)	-	-	-	-	288	26,539	50,450	4,648,968	(258,240)	(23,796,816)
BSC	0.63	183	115	-	-	-	-	183	115	-	-	-	-
C	1.66	30,000	49,800	-	-	-	-	30,000	49,800	-	-	-	-
CHP	1.05	290,006	304,506	-	-	-	-	290,006	304,506	-	-	-	-
CNPF	29.25	855,300	25,017,525	-	-	-	-	-	-	855,300	25,017,525	-	-
CNVRG	31.9	435,800	13,902,020	-	-	-	-	-	-	435,800	13,902,020	-	-
CYBR	0.33	50,000	16,500	-	-	-	-	50,000	16,500	-	-	-	-
DD	7.26	(100)	(726)	-	-	-	-	75,000	544,500	-	-	(75,100)	(545,226)
DDMPR	1.79	322,000	576,380	-	-	-	-	322,000	576,380	-	-	-	-
DMC	7.71	(96,200)	(741,702)	-	-	-	-	-	-	-	-	(96,200)	(741,702)
DNL	9.45	2,626,400	24,819,480	-	-	-	-	-	-	2,626,400	24,819,480	-	-
EAGLE	14.6	1,266,100	18,485,060	-	-	-	-	-	-	1,266,100	18,485,060	-	-
EDC	0	613	-	-	-	613	-	-	-	-	-	-	-
EEI	6.5	300,000	1,950,000	-	-	-	-	-	-	300,000	1,950,000	-	-
ELI	0.255	392,605	100,114	-	-	-	-	392,605	100,114	-	-	-	-
EMP	20.8	1,750,000	36,400,000	-	-	-	-	-	-	1,750,000	36,400,000	-	-
EVER	0.33	20,000	6,600	-	-	-	-	20,000	6,600	-	-	-	-
FDC	7.97	1,849	14,737	-	-	-	-	1,849	14,737	-	-	-	-
FGENG	103	41,500	4,274,500	-	-	-	-	41,500	4,274,500	-	-	-	-

STOCK	MV AS OF	TOTAL		IN VAULT		IN TRANSFER		PCD		DUE FROM CLEARING HOUSE		DUE TO CLEARING HOUSE	
CODE	12/31/2021	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
FLI	1.1	82,517	90,769	-	-	-	-	82,517	90,769	-	-	-	-
FPH	70.05	9	630	-	-	-	-	9	630	-	-	-	-
GERI	1.01	4,044	4,084	-	-	-	-	4,044	4,084	-	-	-	-
GLO	3322	(1,380)	(4,584,360)	-	-	-	-	-	-	2,935	9,750,070	(4,315)	(14,334,430)
GMA7	13.84	12,000	166,080	-	-	-	-	12,000	166,080	-	-	-	-
GREEN	2.28	2,324	5,299	-	-	-	-	2,324	5,299	-	-	-	-
GTCAP	540	47,290	25,536,600	-	-	-	-	-	-	79,660	43,016,400	(32,370)	(17,479,800)
HOME	8.39	3,000	25,170	-	-	-	-	3,000	25,170	-	-	-	-
ICT	200	(65,720)	(13,144,000)	-	-	-	-	-	-	43,570	8,714,000	(109,290)	(21,858,000)
ION	0.72	2,000	1,440	-	-	-	-	2,000	1,440	-	-	-	-
IS	0.144	380,000	54,720	-	-	-	-	380,000	54,720	-	-	-	-
JFC	216.4	(57,247)	(12,388,251)	-	-	-	-	1,253	271,149	12,400	2,683,360	(70,900)	(15,342,760)
JGS	53	(340,450)	(18,043,850)	-	-	-	-	-	-	84,080	4,456,240	(424,530)	(22,500,090)
LC	0.14	1,003,852	140,539	-	-	-	-	1,003,852	140,539	-	-	-	-
LR	1.49	11,827	17,622	-	-	-	-	11,827	17,622	-	-	-	-
MB	0.415	7,837	3,252	-	-	-	-	7,837	3,252	-	-	-	-
MBT	55.7	1,340,035	74,639,950	-	-	-	-	125,035	6,964,450	1,472,650	82,026,605	(257,650)	(14,351,105)
MEG	3.15	5,844,176	18,409,154	-	-	-	-	828,176	2,608,754	10,000,000	31,500,000	(4,984,000)	(15,699,600)
MER	295.2	(23,576)	(6,959,635)	-	-	-	-	1,724	508,925	6,300	1,859,760	(31,600)	(9,328,320)
MM	2.51	300,000	753,000	-	-	-	-	300,000	753,000	-	-	-	-
MON	0	100,000	-	-	-	-	-	100,000	-	-	-	-	-
MONDE	16.2	(506,700)	(8,208,540)	-	-	-	-	-	-	1,125,500	18,233,100	(1,632,200)	(26,441,640)
MPI	3.9	(1,333,500)	(5,200,650)	-	-	-	-	30,500	118,950	339,000	1,322,100	(1,703,000)	(6,641,700)
MREIT	19.7	600,000	11,820,000	-	-	-	-	-	-	600,000	11,820,000	-	-
MVC	4.28	1,200	5,136	-	-	-	-	1,200	5,136	-	-	-	-
MWC	24.75	115,000	2,846,250	-	-	-	-	115,000	2,846,250	-	-	-	-
MWIDE	5.18	(157,400)	(815,332)	-	-	-	-	-	-	-	-	(157,400)	(815,332)
NRCP	0.6	100,000	60,000	-	-	-	-	100,000	60,000	-	-	-	-
OPMB	0.011	100,000,000	1,100,000	-	-	-	-	100,000,000	1,100,000	-	-	-	-
PA	3.2	500	1,600	-	-	-	-	500	1,600	-	-	-	-
PBB	10	1,874	18,740	-	-	-	-	1,874	18,740	-	-	-	-
PCOR	3.17	188,598	597,856	-	-	-	-	188,598	597,856	-	-	-	-
PIZZA	10.1	15,000	151,500	-	-	-	-	15,000	151,500	-	-	-	-
PMT	0.37	23,213,000	8,588,810	-	-	-	-	23,213,000	8,588,810	-	-	-	-
PNB	20.1	11,518	231,512	-	-	-	-	11,518	231,512	-	-	-	-
PNC	4.9	700	3,430	-	-	-	-	700	3,430	-	-	-	-
PPI	0	223	-	-	-	223	-	-	-	-	-	-	-
PTC	118	60	7,080	-	-	-	-	60	7,080	-	-	-	-
PX	5.45	8,325	45,371	-	-	-	-	8,325	45,371	-	-	-	-

STOCK	MV AS OF	TOTAL		IN VAULT		IN TRANSFER		PCD		DUE FROM CLEARING HOUSE		DUE TO CLEARING HOUSE	
CODE	12/31/2021	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
PXP	6.15	1,415	8,702	-	-	-	-	1,415	8,702	-	-	-	-
RCR	7.61	300,000	2,283,000	-	-	-	-	-	-	300,000	2,283,000	-	-
RLC	19.2	(100,000)	(1,920,000)	-	-	-	-	-	-	-	-	(100,000)	(1,920,000)
ROCK	1.48	4,858	7,190	-	-	-	-	4,858	7,190	-	-	-	-
RPC	0	99,347,991	-	-	-	-	-	99,347,991	-	-	-	-	-
SECB	119	4,700	559,300	-	-	-	-	4,700	559,300	-	-	-	-
SFI	0.104	124	13	-	-	-	-	124	13	-	-	-	-
SFIP	1.5	21	32	-	-	-	-	21	32	-	-	-	-
SHLPH	19.88	9,004	179,000	-	-	-	-	9,004	179,000	-	-	-	-
SHNG	2.61	23	60	-	-	-	-	23	60	-	-	-	-
SM	943	(25,470)	(24,018,210)	-	-	-	-	2,000	1,886,000	6,730	6,346,390	(34,200)	(32,250,600)
SMC	114.9	5,000	574,500	-	-	-	-	5,000	574,500	-	-	-	-
SMPH	33.9	(801,756)	(27,179,528)	-	-	-	-	74,744	2,533,822	392,100	13,292,190	(1,268,600)	(43,005,540)
T	0.78	20,000	15,600	-	-	-	-	20,000	15,600	-	-	-	-
TEL	1812	(17,650)	(31,981,800)	-	-	-	-	-	-	2,110	3,823,320	(19,760)	(35,805,120)
TFHI	127.7	500	63,850	-	-	-	-	500	63,850	-	-	-	-
URC	128	43,670	5,589,760	-	-	-	-	-	-	86,170	11,029,760	(42,500)	(5,440,000)
UW	0	1,000	-	-	-	-	-	1,000	-	-	-	-	-
VLL	3.53	200,000	706,000	-	-	-	-	200,000	706,000	-	-	-	-
VMC	2.5	514,047	1,285,118	-	-	-	-	514,047	1,285,118	-	-	-	-
WEB	1.96	7,200	14,112	-	-	-	-	7,200	14,112	-	-	-	-
WLCON	30.5	(150,000)	(4,575,000)	-	-	-	-	-	-	-	-	(150,000)	(4,575,000)
WPI	0.46	2,200	1,012	-	-	-	-	2,200	1,012	-	-	-	-
TOTALS:		**248,159,859**	**98,005,364**	**-**	**-**	**836**	**-**	**229,497,343**	**44,703,518**	**33,917,665**	**505,733,017**	**(15,255,985)**	**(452,431,171)**

Net due from Clearing House	**53,301,846**
Reconciling item:	
Clearing House (In Transit)	**(8,598,328)**
	44,703,518

SCHEDULE VII

DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS IN TWO COMPARATIVE PERIODS UNDER SRC RULE 68, AS AMENDED
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
Current ratio (1)	**160.53%**	434.60%
Asset-to-equity ratio (2)	**250.21%**	127.18%
Return on average capital (3)	**-5.10%**	-9.11%
Return on average equity (4)	**-2.50%**	-4.31%
Return on average assets (5)	**-1.33%**	-2.70%

(1)Total current assets/Total current liabilities
(2)Total assets/Total equity
(3)Net income/ (Preference share capital + Common share capital) [as at December 31, 2020]) + (Preference shore capital + common share capital [as at December 31, 2021]/2)
(4) Net income/ ((Total equity [as at December 31, 2020] + Total equity [as at December 31, 2021])/2)
(5)Net income/ ((Total assets [as at December 31, 2020] + Total assets [as at December 31, 2021])/2)