

Sarah Jane Canave

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SB Equities, Inc.
*(A Wholly-Owned Subsidiary of
SB Capital Investment Corporation)*

Financial Statements
December 31, 2023 and 2022

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
SB Equities, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SB Equities, Inc. (a wholly-owned subsidiary of SB Capital Investment Corporation) (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, 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.



Reports on the Supplementary Information Required Under Revenue Regulations 15-2010 and Section 134-N of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI)

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 and Section 134-N of the MORNBFI in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of SB Equities, 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.



Leslie Anne G. Huang

Partner

CPA Certificate No. 134290

Tax Identification No. 238-044-991

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

BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079947, January 5, 2024, Makati City

March 22, 2024



SB EQUITIES, INC.**(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)****STATEMENTS OF FINANCIAL POSITION**

	December 31, 2023			December 31, 2022		
	Security Valuation			Security Valuation		
	Money Balance	Long	Short	Money Balance	Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 6)	₱342,953,825			₱377,473,501		
Receivable from customers, clearing house and other brokers (Note 7)	491,295,685	₱7,217,866,586		1,437,636,872	₱16,994,343,001	
Other receivables (Note 8)	114,566			149,764		
Financial assets at fair value through profit or loss (Note 9)	2,178	2,178		1,622	1,622	
Other current assets (Note 10)	22,659,136			19,731,167		
	857,025,390			1,834,992,926		
Noncurrent Assets						
Financial assets at fair value through other comprehensive income (Note 9)	31,510,320	31,510,320		28,890,768	28,890,768	
Property and equipment (Note 11)	3,113,238			2,253,592		
Investment properties (Note 12)	774,900			774,900		
Exchange trading right (Note 13)	8,000,000			8,000,000		
Other receivables (Note 8)	23,799,113			22,782,545		
Deferred tax assets (Note 22)	18,863,221			11,911,617		
Software costs and other noncurrent assets (Note 14)	2,416,789			2,773,073		
	88,477,581			77,386,495		
	₱945,502,971			₱1,912,379,421		

(Forward)

	December 31, 2023			December 31, 2022		
	Security Valuation			Security Valuation		
	Money Balance	Long	Short	Money Balance	Long	Short
Securities in Box, Transfer Offices and Philippine Depository and Trust Corporation						
			₱51,143,604,462			₱54,542,120,522
Current Liabilities						
Payable to customers, clearing house and other brokers (Note 15)	₱603,515,130	₱43,894,225,378		₱1,560,363,591	₱37,519,364,681	
Accounts payable and accrued expenses (Notes 16 and 23)	34,995,599			33,192,912		
	638,510,729			1,593,556,503		
Noncurrent Liabilities						
Other liabilities (Note 17)	1,350,152			5,623,918		
	639,860,881			1,599,180,421		
EQUITY						
Capital Stock - ₱1 par value (Note 18)						
Authorized - 110,000,000 shares						
Issued and Outstanding - 110,000,000 shares in 2023 and 2022	110,000,000			110,000,000		
Additional paid-in capital	13,472,332			13,472,332		
Retained earnings (Note 18):						
Appropriated	39,644,397			39,644,397		
Unappropriated	139,921,683			149,491,257		
Net unrealized gain on financial assets at fair value through other comprehensive income (Note 9)	2,603,678			591,014		
	305,642,090			313,199,000		
	₱945,502,971	₱51,143,604,462	₱51,143,604,462	₱1,912,379,421	₱54,542,600,072	₱54,542,120,522

See accompanying Notes to Financial Statements.



SB EQUITIES, INC.**(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)****STATEMENTS OF INCOME**

	Years Ended December 31	
	2023	2022
REVENUE		
Commissions	₱217,452,824	₱193,447,881
Net trading loss	(11,125,680)	(46,585,152)
Interest (Notes 6, 7, and 23)	9,861,405	3,872,169
Dividends (Note 9)	1,782,960	1,961,256
Miscellaneous income	11,175,659	9,071,649
	229,147,168	161,767,803
COST OF SERVICES		
Research and consultation fees	101,093,605	41,455,320
Stock exchange fees and dues	25,752,592	20,423,451
Agents' commissions	19,197,506	25,124,167
Communication	16,263,345	17,804,422
	162,307,048	104,807,360
EXPENSES		
Compensation and employees' benefits (Notes 20 and 23)	40,816,692	34,308,405
Professional and other service fees (Note 23)	20,587,656	19,883,211
Rent and utilities (Notes 21 and 23)	5,284,647	5,477,970
Entertainment, amusement and recreation (Note 22)	3,690,058	4,265,631
Contracted services	1,998,136	2,200,739
Depreciation and amortization (Note 11 and 14)	1,493,482	1,651,520
Taxes and licenses	868,586	935,637
Repairs and maintenance	474,735	457,839
Fuel and oil	236,500	359,000
Transportation	187,466	154,345
Stationery and supplies	172,245	323,106
Reversal of credit losses (Note 6 and 7)	(496,738)	(88,899)
Miscellaneous (Note 20)	4,162,582	4,847,215
	79,476,047	74,775,719
LOSS BEFORE INCOME TAX	(12,635,927)	(17,815,276)
BENEFIT FROM INCOME TAX (Note 22)	(3,959,613)	(4,689,944)
NET LOSS	(₱8,676,314)	(₱13,125,332)

See accompanying Notes to Financial Statements.

SB EQUITIES, INC.**(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)****STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2023	2022
NET LOSS	(₱8,676,314)	(₱13,125,332)
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other Comprehensive Loss Not to be Reclassified to Profit or Loss in Subsequent Periods:</i>		
Net gain (loss) on financial assets at fair value through other comprehensive income, net of tax (Note 9)	2,012,664	(7,541,103)
Remeasurement loss on defined benefit liability, net of tax (Notes 17 and 20)	(893,260)	(1,518,207)
	1,119,404	(9,059,310)
TOTAL COMPREHENSIVE LOSS	(₱7,556,910)	(₱22,184,642)

See accompanying Notes to Financial Statements.

SB EQUITIES, INC.
(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Additional Paid-in Capital	Appropriated Retained Earnings (Note 18)	Unappropriated Retained Earnings (Note 18)	Net Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	Total
Balance at January 1, 2023	₱110,000,000	₱13,472,332	₱39,644,397	₱149,491,257	₱591,014	₱313,199,000
Total comprehensive income (loss) for the year	–	–	–	(9,569,574)	2,012,664	(7,556,910)
Balance at December 31, 2023	₱110,000,000	₱13,472,332	₱39,644,397	₱139,921,683	₱2,603,678	₱305,642,090
Balance at January 1, 2022	₱110,000,000	₱13,472,332	₱39,644,397	₱164,134,796	₱8,132,117	₱335,383,642
Total comprehensive income for the year	–	–	–	(14,643,539)	(7,541,103)	(22,184,642)
Balance at December 31, 2022	₱110,000,000	₱13,472,332	₱39,644,397	₱149,491,257	₱591,014	₱313,199,000

See accompanying Notes to Financial Statements.



SB EQUITIES, INC.**(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)****STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱12,635,927)	(₱17,815,276)
Adjustments for:		
Depreciation and amortization (Notes 11 and 14)	1,493,482	1,651,520
Impairment of exchange trading right	–	1,000,000
Unrealized trading (gain) loss on financial assets at fair value through profit or loss (Note 9)	(73,001)	(95)
Reversal of credit losses (Notes 6 and 7)	(486,165)	(88,899)
Gain on sale of investment properties (Note 12)	–	(1,545,893)
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Cash in bank	–	(13,324)
Receivable from customers, clearing house and other brokers	946,827,352	(371,067,883)
Financial assets at fair value through profit or loss	72,445	478,994
Other receivables	(981,370)	(1,255,242)
Other assets	(2,927,970)	(5,473,246)
Increase (decrease) in the amounts of:		
Payable to customers, clearing house and other brokers	(956,848,461)	418,544,868
Accounts payable and accrued expenses	1,802,687	(15,708,138)
Other liabilities	(5,167,026)	(5,039,442)
Net cash generated from (used in) operations	(28,923,954)	3,667,944
Income taxes paid	(3,598,878)	(1,696,497)
Net cash provided by (used in) operating activities	(32,522,832)	1,971,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 11)	(1,895,505)	(637,920)
Software costs (Note 10)	(101,339)	(14,733)
Proceeds from sale of investment properties (Note 12)	–	2,500,000
Net cash generated from (used in) investing activities	(1,996,844)	1,847,347
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,519,676)	3,818,794
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	377,473,501	373,654,707
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱342,953,825	₱377,473,501
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	₱9,868,556	₱3,872,169
Dividends received (Note 9)	1,782,960	1,961,256

See accompanying Notes to Financial Statements.



SB EQUITIES, INC.

(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

SB Equities, Inc. (the Company) is a domestic corporation incorporated in the Philippines on September 30, 1987 and is engaged in the business of buying and selling of stocks and securities of all forms and renders financial advisory services to any person, partnership, association, corporation or syndicate. The Company is both a stockholder and a holder of an exchange trading right in the Philippine Stock Exchange, Inc. (PSE).

The Company is a wholly-owned subsidiary of SB Capital Investment Corporation (SBCIC or the Intermediate Parent Company). The Company's ultimate parent is Security Bank Corporation (the Ultimate Parent Company).

The Company's principal place of business is located at the 18th Floor, Security Bank Centre, 6776 Ayala Avenue, Makati City.

2. Summary of Material Accounting Policy Information

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVTOCI) that have been measured at fair value. The financial statements are presented in Philippine Peso, the Company's functional currency, and all amounts are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

The Company's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

- Amendments to Philippine Financial Reporting Standard (PFRS) 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*



- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 percent' Test for Derecognition of Financial Liabilities*
- Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

Fair Value Measurement

For measurement and disclosure purposes, the Company determines the fair value of an asset or liability at initial measurement or at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). 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 by 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.

If the asset or liability measured at fair value has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

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

The 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.



External appraisers are involved for valuation of significant non-financial assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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 (see Note 5).

Financial Instruments - Initial Recognition

Date of recognition

Regular way purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market are recognized on trade date (i.e., the date that the Company commits to purchase or sell the asset). Securities transactions and related commission income and expense, amounts receivable from and payable to customers are also recognized on trade date basis. Other receivables and payables are recognized when cash is advanced to the borrowers or received by the Company.

Initial recognition of financial instruments

All financial assets and liabilities are recognized initially at fair value plus any directly attributable cost of acquisition or issue, except in the case of financial assets and financial liabilities at FVTPL.

'Day 1' difference

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

Classification and Measurement of Financial Assets

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a nonderivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*), except for certain nonderivative puttable instruments presented as equity by the issuer. All other nonderivative financial assets are 'debt instruments'.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within a 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 solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest as calculated recognized as 'Interest income' in the statement of income. This accounting policy applies to the Company's 'Cash and cash equivalents', 'Receivables from customers, clearing house and other brokers' and 'Other receivables'.



The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As of December 31, 2023 and 2022, the Company has not made such designation.

Financial assets at FVTPL

Debt financial instruments that do not meet the amortized cost criteria, or that meet the criteria but the Company has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Equity investments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at FVTOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

As of December 31, 2023 and 2022, the Company has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

Financial assets at FVTPL are carried at fair value, and gains and losses on these instruments are recognized as 'Net trading loss' in the statement of income. Interest earned on these investments is reported in the statement of income while dividend income is reported in the statement of income when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If a financial asset at FVTPL has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. If quoted market prices are not available, their fair values are estimated based on market observable inputs. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

Financial assets at FVTOCI

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Equity investments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income (OCI) and accumulated in 'Net unrealized gain on financial assets at FVTOCI' in the statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in 'Net



unrealized gain on financial assets at FVTOCI' is not reclassified to statement of income, but is reclassified to 'Retained earnings'. As of December 31, 2023 and 2022, financial assets at FVTOCI include investments in PSE shares and golf club shares.

Dividends earned on holding these equity investments are recognized in the statement of income when the Company's right to receive the dividends is established in accordance with PFRS 9, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income as 'Dividends'.

Reclassification of Financial Assets

The Company can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Company is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL or equity financial assets at initial recognition is not permitted.

A change in the objective of the entity's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Impairment of Financial Assets

The Company record the allowance for expected credit losses for all loans and receivables and other debt financial assets not held at FVTPL all referred to as 'financial instruments'. Equity instruments are not subject to impairment under PFRS 9.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Staging assessment

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follows: (i) current or past due up to 30 days; (ii) unclassified. The Company recognizes a 12-month ECL for Stage 1 financial instruments.



- Stage 2 is comprised of all financial instruments which have experienced a SICR as of reporting date compared to initial recognition. The Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Company's criteria for Stage 3 accounts are generally aligned with the definition of "default" which is explained in the next paragraph. The Company recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of "default" and "restored"

The Company classifies loans, investments, receivables, or any financial asset as in default when it is credit impaired, becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition

The Company uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Significant increase in credit risk

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. For cash in bank, the credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Company shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

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



The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stages 2 and 3. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It makes use of defaulted accounts that have either been identified as cured, restructured, or liquidated. The Company segmented its LGD based on homogenous risk characteristics and calculated the corresponding segment-level averages.

EAD 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, and expected drawdowns on committed facilities.

Forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are GDP growth, household expenditure, PSE all shares index, and interest rate benchmark for 3 months.

Write-offs

A write-off is made when all or part of a claim is deemed uncollectible. Write-offs are charged against previously established allowance for credit losses. Recoveries in part or in full amounts previously written-off are credited to 'Recovery on charged-off assets' in the statement of income. The Company has also not written off corporate outstanding loans and receivables that are still subject to enforcement activity as of December 31, 2023 and 2022.

Financial Liabilities

Financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities carried at amortized cost. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments are incurred and their characteristics.

As of December 31, 2023 and 2022, the Company has no financial liabilities at FVTPL.

Other financial liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at cost or amortized cost in the statement of financial position. Amortization is determined using the effective interest method.



Other financial liabilities include ‘Payable to customers, clearing house and other brokers’, and ‘Accounts payable and accrued expenses’.

Derecognition of Financial Assets and Liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the 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 over the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control over the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Company’s continuing involvement.

Financial liabilities

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

Offsetting Financial Instruments

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in value.

Foreign Currency Translations and Transactions

For financial reporting purposes, the foreign currency-denominated assets and liabilities are translated into their equivalents in Philippine pesos based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign-currency denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.



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

Property and Equipment

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

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

Depreciation is computed using the straight-line method based on the estimated useful life (EUL) of the depreciable assets.

The EUL of property and equipment follows:

Furniture, fixtures and office equipment	5 years
Transportation equipment	5 years
Leasehold improvements	5 years or the related lease term, whichever is shorter

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

Investment Properties

Investment properties include investments in real estate. Investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment in value.

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

An investment property is derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the derecognition of an investment property is recognized in the statement of income in the year of derecognition.



Intangible Assets

Intangible assets consist of 'Software costs' and 'Exchange trading right'.

Software costs

Costs related to software purchased by the Company for use in operations are amortized on a straight-line basis over 2 to 5 years. The amortization period and the amortization method are reviewed periodically to be consistent with the changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset. The amortization expense on software cost is recognized in the statement of income as 'Depreciation and amortization'.

Exchange trading right

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 as discussed in Note 13) less any impairment in value. The exchange trading right is an intangible asset to be regarded as having 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 the statement of income (see accounting policy on Impairment of Non-financial Assets).

Impairment of Non-financial Assets

At each statement of financial position date, the Company assesses whether there is any indication that its non-financial assets may be impaired. Non-financial assets include property and equipment, investment properties, software costs and exchange trading right. If any such indication exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against the statement of income in the period in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to 'Recovery of impairment losses' in the statement of income.

Income Taxes

Current income tax

Current income 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 statement of financial position date. Effective January 1, 2022, the Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.



Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 future taxable income will be available against which the deductible temporary differences and carryforward of unused MCIT and unused NOLCO can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference 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; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.



PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

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

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires the Company to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

Revenues within the scope of PFRS 15:

Commissions

Commissions and related clearing expenses are recorded on a trade date basis as securities transactions occur.

Revenues outside the scope of PFRS 15:

Net trading loss

Net trading loss represents results arising from trading activities including all gains and losses from changes in fair value of financial assets at FVTPL.

Interest

Interest on financial assets is recognized based on the effective interest method.

Dividends

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

Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses encompass losses as well as those expenses that arise in the normal course of business of the Company.

Cost of services

Cost that includes all expenses associated with the specific service income. Such costs are recognized when the related service income have been recognized.

Operating expenses

Operating expenses constitute costs incurred related to selling, advertising and administering the business and are recognized when incurred.



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.

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. 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 (included in 'Interest expense') 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 or a change in the lease payments.

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.

Retirement Benefits

The Company's defined benefit plan which entitles a participant to receive a lump sum benefit at a percentage of his final average monthly salary for every year of credited service upon retirement and upon voluntary or involuntary separation from the service under conditions provided for in the Company's retirement plan. The retirement cost of the Company is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement obligation in the future with respect to services rendered in the current year.

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.

Defined benefit costs comprise the following:

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

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

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



Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI under 'Retained earnings' in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and when 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. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense' in the statement of income.

Contingencies

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

Equity

'Capital stock' is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital'. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital'. If the 'Additional paid-in capital' is not sufficient, the excess is charged against 'Retained earnings'.

'Retained earnings' comprise appropriated and unappropriated earnings, which represents accumulated earnings of the Company less dividends declared.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the Board of Directors (BOD) of the Company. Dividends for the year that are approved after the statement of financial position date are dealt with as a non-adjusting event.

Events after the Reporting Period

Post-year-end events that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.



Effective beginning on or after January 1, 2024

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

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2022, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.



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*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income, and expenses and disclosure of contingent assets and contingent liabilities. The judgments and estimates used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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

Judgments

a. Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

b. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recognized or disclosed in the financial statements cannot be derived from active markets, they are determined using discounted cash flow methodology. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.



c. Cash flow characteristics test

In determining the classification of financial assets under PFRS 9, the Company assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

d. Business model test

The Company manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high quality liquid assets while maintaining a strategic portfolio of financial assets for trading activities.

The Company's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost and those sales are more than insignificant in value (either individually or in aggregate), the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

In making this judgment, the Company considers the circumstances surrounding the disposal.

Estimates

a. Impairment of financial assets

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

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

- Internal credit grading model, which assigns PDs to the individual grades
- Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time CL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The ECL models and all ECL-related policies are approved by the Risk Oversight Committee and the Board of Directors. The Credit Risk Management Unit calculates the ECL for all credit risk exposures. The total ECL that will be booked by the Financial Controllershship Division is approved by both the Chief Financial Officer and the Chief Risk Officer.



As of December 31, 2023 and 2022, the carrying amount of the Company's receivables and the related allowance for credit losses are disclosed in Note 7.

Financial assets at FVTOCI

The Company determines that financial assets at FVTOCI are impaired when there has been a significant and prolonged decline in the fair value below its cost. This determination of what is significant requires management judgment. Impairment may be appropriate when there is evidence of significant underperformance relative to expected historical or projected future operating results of the investee and significant negative industry or economic trends.

Details on the Company's financial assets at FVTOCI are disclosed in Note 9.

b. Recognition of deferred tax assets

The Company reviews the carrying amounts of deferred tax assets at each statements of financial position date and reduces it to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Company considered the impact of the COVID-19 pandemic and the Ukraine-Russia war on future taxable income and on the recognition of deferred tax assets. The recognized net deferred tax assets and unrecognized deferred tax assets of the Company are disclosed in Note 22.

4. Financial Risk Management Objectives and Policies and Capital Management

Introduction

The Company recognizes that risk management is an integral part of management. The underlying premise of risk management is that every entity exists to provide value for its stakeholders. Risk management enables the Company to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

The Company's risk management framework is managed through eight (8) interrelated components such as internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication and monitoring. Risk management encompasses aligning risk appetite and strategy, enhancing risk responsive decisions, reducing operational surprises and losses, seizing opportunities and improving deployment of capital.

Overall, risk management helps an entity get to where it wants to go and avoid pitfalls and surprises along the way.

The Company's principal financial instruments include cash and cash equivalents, receivables, financial assets at FVTPL, financial assets at FVTOCI, and other financial liabilities.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk



Risk Management Structure

The risk management structure of the Company is supported by the Company's BOD and other Management Committees as follows:

Board of Directors

The BOD directs the Company's over-all risk management strategy and performs an oversight function on the Company's implementation of its risk policies.

Audit Committee

The Audit Committee (AC), through the Ultimate Parent Company's Internal Audit Department, provides the independent assessment of the over-all effectiveness of, and compliance with the Company's risk management policies and processes. The AC reviews the financial reporting process, the system of internal control and management of risks, the audit process, and the process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the AC maintains effective working relationships with the BOD, management and internal and external auditors.

Corporate Governance Committee

The Corporate Governance Committee assists the Company's BOD in fulfilling its corporate governance responsibilities. The Corporate Governance Committee shall be responsible for ensuring the effectiveness of the Company's BOD and due observance of corporate governance principles and guidelines.

Risk Oversight Committee

The Parent Company's Risk Oversight Committee reviews, approves and ensures effective implementation of the risk management framework. It approves risk related policies, oversees limits to discretionary authority that the BOD delegates to management and evaluates the magnitude, distribution, and direction of risks in the Company.

The Parent Company's organizational structure includes the Risk Management Group, responsible for driving the risk management processes of the Ultimate Parent Company and its subsidiaries (collectively referred to as the Group) as follows:

- Independent assessment, measurement, monitoring and reporting of the Group's risk taking activities; and
- Formulation, review and recommendation of risk related policies.

Nevertheless, the Company's risk management framework adopts the basic tenet that risks are owned by the respective business and process owners. Everyone in the organization is therefore expected to proactively manage the risks inherent to their respective areas by complying with the Group's risk management framework, policies and standards.

Risk Measurement and Reporting System

Risks are being measured through a Risk-Based Capital Adequacy (RBCA) ratio as mandated by the SEC. The RBCA ratio refers to the minimum level of capital that has to be maintained taking into consideration the size, complexity and business risk. Such risks that are considered in determining the capital requirement include, among others, operational, position and counterparty risks.



Risk Mitigation

A key to risk mitigation is the identification of the risk factors, its impact and potential problems involved and coming up with risk management activities to address the risks and understanding the Company's level of risk tolerance. Risks are mitigated by doing the following:

- a. Review risk assessment and recommendations;
- b. Explore alternative strategies for mitigation of each risk; or
- c. Develop risk mitigation plan, including estimate of cost and effort for each recommended strategy.

An effective risk mitigation strategy should include roles and responsibilities for developing, implementing and monitoring the strategy timelines and conditions present in order for risk level to be acceptable and resources required to carry out the planned actions.

Excessive Risk Concentration

In order to avoid excessive concentrations of risk, the Company's policies and procedures include adequate risk management process in place. Where necessary, the management considers appropriate measures, such as reinforcing these processes with limits. Management also deals effectively and appropriately with material risk concentrations that are considered to have a detrimental effect to the Company.

The Company has established a robust system of internal control and risk management to detect and appropriately manage risk concentrations. These are supplemented by strict liquidity and credit requirements.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a customer or counterparty to perform its obligations during the life of the transaction. This includes risk of non-payment by a customer or issuer, failed settlement of transactions and default on contracts.

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 the RBCA requirement, limit is imposed to avoid large exposure on a 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 after collateral and other credit enhancements

Carrying values of all financial assets, except for 'Receivable from customers and other brokers', represents maximum exposure to credit risk as of December 31, 2023 and 2022.



The tables below show the gross maximum exposure to credit risk of the Company's 'Receivable from customers and other brokers' after taking into account any collateral held or other credit enhancements:

	Carrying Amount	Fair Value of Collateral/Credit Enhancement	Maximum Exposure to Credit Risk	Financial Effect of Collateral/Credit Enhancement
December 31, 2023				
Credit risk exposure relating to on-balance sheet assets				
Receivable from customers:				
Corporate	₱253,808,585	₱6,108,035,313	9,809,889	₱243,998,696
Individual	84,097,513	1,109,831,273	3,553,469	80,544,044
	337,906,098	7,217,866,586	13,363,358	324,542,740
Receivable from other brokers	—	—	—	—
Receivable from customers and brokers	₱337,906,098	₱7,217,866,586	₱13,363,358	₱324,542,740
	Carrying Amount	Fair Value of Collateral/Credit Enhancement	Maximum Exposure to Credit Risk	Financial Effect of Collateral/Credit Enhancement
December 31, 2022				
Credit risk exposure relating to on-balance sheet assets				
Receivable from customers:				
Corporate	₱751,726,905	₱14,792,084,101	₱72,297,696	₱679,429,209
Individual	277,778,181	2,203,366,597	15,584,764	262,193,417
	1,029,505,086	16,995,450,698	87,882,460	941,622,626
Receivable from other brokers	76	—	—	—
Receivables from customers and brokers	₱1,029,505,162	₱16,995,450,698	₱87,882,460	₱941,622,626

The Company does not have financial guarantees and loan commitments as of December 31, 2023 and 2022.

Risk concentrations of the maximum credit exposure to credit risk

The distribution of the Company's financial assets by industry sector, before taking into account collateral held or other credit enhancements, follows:

	Advances to Banks*	Financial Investments**	Receivables***	Total
December 31, 2023				
Financial and insurance activities	₱342,965,259	₱31,512,498	₱430,862,825	₱805,340,582
Wholesale and retail trade; repair of motor vehicles and motorcycles	—	—	1,308	1,308
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	—	—	84,097,513	84,097,513
Public administrative and defense; compulsory social security	—	—	—	—
Real estate activities	—	—	133,152	133,152
Others	—	—	1,706,130	1,706,130
	₱342,965,259	₱31,512,498	516,800,928	₱891,278,685

* Consists of cash and cash equivalents, excluding cash on hand

** Consists of financial assets at FVTPL and at FVTOCI

*** Consists of receivable from customers, clearing house and other brokers, other receivables, refundable deposits, financial investments and receivables from holding, service, and construction companies



	Advances to Banks*	Financial Investments**	Receivables***	Total
December 31, 2022				
Financial and insurance activities	₱377,495,508	₱28,892,390	₱1,079,234,171	₱1,485,622,069
Wholesale and retail trade; repair of motor vehicles and motorcycles	—	—	1,271,009	1,271,009
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use	—	—	278,289,302	278,289,302
Public administration and defense; compulsory social security	—	—	94,051,655	94,051,655
Real estate activities	—	—	7,573,281	7,573,281
Others	—	—	1,741,327	1,741,327
	₱377,495,508	₱28,892,390	₱1,462,160,745	₱1,868,548,643

Credit quality per class of financial assets

The credit quality of financial asset is managed and identified by the Company based on the following:

a. Individually impaired receivables

Impaired receivables are receivables for which the Company determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms and securities agreements.

b. Past due but not individually impaired receivables

Past due but not impaired receivables are receivables where contractual payments are past due but the Company believes that impairment is not appropriate on the basis of the level of collateral available and/or status of collection of amounts owed to the Company.

c. Neither past due nor individually impaired

The Company's bases in grading its financial assets which are neither past due nor impaired follow:

Cash and cash equivalents

Cash and cash equivalents are considered high grade if invested or deposited in foreign and local banks belonging to the top banks in terms of resources and profitability.

Receivables and refundable deposits

1. High grade - Receivables from counterparties with no history of default and with apparent ability to settle the obligation. In case of receivables from customers, the outstanding amount must be more than 200.00% secured by collateral and are not past due as of the statement of financial position date.
2. Standard grade - Receivables from counterparties with no history of default, with apparent ability to settle the obligation and the outstanding amount is about 100.00% - 200.00% secured by collateral and are not past due as of the statement of financial position date.
3. Substandard grade - Receivables from counterparties with history of default or partially secured or unsecured accounts and are not past due as of the statement of financial position date.
4. Unrated - Receivables from employees and refundable deposits.



Financial assets at FVTPL and at FVTOCI

1. High grade - Shares of stock issued by well-established companies having stable earnings and no extensive liabilities.
2. Standard grade - Shares of stocks which are actively traded.
3. Substandard grade - Shares of stock issued by companies suspended by the PSE.
4. Unrated - Club shares.

The table below shows the credit quality of the Company's financial assets (gross of allowance for credit losses):

	Neither Past Due nor Individually Impaired				Past Due but Not Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade	Unrated		
December 31, 2023						
Financial assets at amortized cost:						
Cash and cash equivalents*	₱342,965,259	₱—	₱—	₱—	₱—	₱342,965,259
Receivable from customers, clearing house and other brokers	74,664,483	201,533,042	204,886,886	—	10,547,404	491,631,815
Other receivables	—	—	—	23,913,679	—	23,913,679
Refundable deposits	—	—	—	1,591,563	—	1,591,563
Total financial assets at amortized cost	417,629,742	201,533,042	204,886,886	25,505,242	10,547,404	860,102,316
Financial assets at FVTOCI:						
PSE shares	—	30,310,320	—	—	—	30,310,320
Club shares	—	—	—	1,200,000	—	1,200,000
Total financial assets at FVTOCI	—	30,310,320	—	1,200,000	—	31,510,320
	₱417,629,742	₱231,843,362	₱204,886,886	₱26,705,242	₱10,547,404	₱891,612,636

*Carried at Stage 1

	Neither Past Due nor Individually Impaired				Past Due but Not Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade	Unrated		
December 31, 2022						
Financial assets at amortized cost:						
Cash and cash equivalents*	₱377,495,508	₱—	₱—	₱—	₱—	₱377,495,508
Receivable from customers, clearing house and other brokers	121,719,440	612,732,772	700,874,981	—	3,131,973	1,438,459,166
Other receivables	—	—	—	22,932,309	—	22,932,309
Refundable deposits	—	—	—	1,591,563	—	1,591,563
Total financial assets at amortized cost	499,214,948	612,732,772	700,874,981	24,523,872	3,131,973	1,840,478,546
Financial assets at FVTOCI:						
PSE shares	—	28,170,768	—	—	—	28,170,768
Club shares	—	—	—	720,000	—	720,000
Total financial assets at FVTOCI	—	28,170,768	—	720,000	—	28,890,768
	₱499,214,948	₱640,903,540	₱700,874,981	₱25,243,872	₱3,131,973	₱1,869,369,314

*Carried at Stage 1

As of December 31, 2023 and 2022, the Company has no receivables classified as 'Individually impaired'.



The table below shows the aging analysis of past due but not impaired receivables from customers per class. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	Less than 31 Days	31 to 60 Days	More than 60 Days	Total
December 31, 2023				
Corporate	6,638	P–	P165,550	P172,188
Individual	1,711,578	–	8,663,638	10,375,216
	P1,718,216	P–	P8,829,188	P10,547,404
	Less than 31 Days	31 to 60 Days	More than 60 Days	Total
December 31, 2022				
Corporate	P493,402	P–	P472,732	P966,134
Individual	2,332,990	–	29,672,911	32,005,901
	P2,826,392	P–	P30,145,643	P32,972,035

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment of asset purchases. The Company's liquidity risk is managed by holding sufficient liquid assets to ensure short-term funding requirements are met. Deposits with banks are made on a short-term basis with almost all being available on demand or within three months. Liquidity is monitored by the Company on a regular basis.

Financial assets

Maturity profile of financial assets held for liquidity purposes is shown below. Analysis of equity securities at FVTPL and FVTOCI into maturity groupings is based on the expected date on which these assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date.

Aging of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the financial assets and liabilities of the Company based on contractual undiscounted payments (except for equity securities as disclosed above) as of December 31, 2023 and 2022 (amounts in thousands):

	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
December 31, 2023							
Financial Assets							
Cash and cash equivalents	P76,085	P266,880	P–	P–	P–	P–	P342,965
Receivable from customers, clearing house and other brokers	491,632	–	–	–	–	–	491,632
Other Receivables	115	–	–	–	–	23,799	23,914
Financial assets at FVTPL	2	–	–	–	–	–	2
Financial assets at FVTOCI	–	–	–	–	–	31,510	31,510
Refundable deposits	–	–	–	–	–	1,592	1,592
Total financial assets	P567,834	P266,880	P–	P–	P–	P56,901	P891,615
Financial Liabilities							
Payable to customers, clearing house and other brokers	P603,515	P–	P–	P–	P–	P–	P603,515
Accounts payable and accrued expenses	–	25,332	–	–	–	–	25,332
Total financial liabilities	P603,515	P25,332	P–	P–	P–	P–	P628,847



	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
December 31, 2022							
Financial Assets							
Cash and cash equivalents	P96,058	P281,576	P—	P—	P—	P—	P377,634
Receivable from customers, clearing house and other brokers	1,438,459	—	—	—	—	—	1,438,459
Other receivables	140	—	—	—	—	22,783	22,923
Financial assets at FVTPL	2	—	—	—	—	—	2
Financial assets at FVTOCI	—	—	—	—	—	28,891	28,891
Refundable deposits	—	—	—	—	—	1,592	1,592
Total financial assets	P1,534,659	P281,576	P—	P—	P—	P53,266	P1,869,501
Financial Liabilities							
Payable to customers, clearing house and other brokers	P1,560,364	P—	P—	P—	P—	P—	P1,560,364
Accounts payable and accrued expenses	—	26,874	—	—	—	—	26,874
Total financial liabilities	P1,560,364	P26,874	P—	P—	P—	P—	P1,587,238

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 has no significant interest rate risk as it does not have floating rate financial assets and liabilities.

Equity price risk

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

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

Financial assets at FVTPL

	2023		2022	
Changes in PSEi	6.98%	(6.98%)	13.19%	(13.19%)
Change in trading income of equity portfolio under:				
Holding firms	P42	(P42)	P71	(P71)
Industrial companies	2	(2)	8	(8)
Services	0	(0)	0	(0)
Financial intermediaries	16	(16)	0	(0)
Property	0	(0)	0	(0)
	P60	(P60)	P79	(P79)
As a percentage of the Company's net unrealized gain (loss) for the year	0.08%	(0.08%)	83.16%	(83.16%)



Financial assets at FVTOCI

	2023		2022	
Changes in PSEi	6.98%	(6.98%)	13.19%	(13.19%)
Change in net unrealized loss of PSE shares	₱839,595	(₱839,595)	₱1,668,906	(₱1,668,906)
As a percentage of net unrealized gain (loss) for the year	(42.00%)	42.0%	(22.00%)	22.0%

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to foreign currency risk is minimal. As of December 31, 2023 and 2022, the Company's cash in bank denominated in United States dollar amounted to USD 24,971 (₱1.38 million) and USD 24,991 (₱1.39 million), respectively.

5. Fair Value Measurement

The table below presents a comparison by category of carrying amounts and estimated fair values of the Company's financial instruments whose carrying values do not approximate fair values as of December 31, 2023 and 2022:

	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2023					
Assets measured at fair value					
Financial Assets					
Financial assets at FVTOCI:					
PSE shares	₱30,310,320	₱30,310,320	30,310,320	₱-	₱-
Club shares	1,200,000	1,200,000	-	1,200,000	-
Total financial assets at FVTOCI	₱31,510,320	31,510,320	₱30,310,320	₱1,200,000	₱-
Assets for which fair values are disclosed					
Financial assets at amortized cost:					
Refundable deposits*	₱1,591,563	₱1,582,696	₱-	₱-	₱1,582,696
Non-financial Assets					
Investment properties	774,900	1,467,698	-	-	1,467,698
	₱2,366,463	₱3,050,394	₱-	₱-	₱3,050,394

*Included under 'Software costs and other noncurrent assets'

	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2022					
Assets measured at fair value					
Financial Assets					
Financial assets at FVTOCI:					
PSE shares	₱28,170,768	₱28,170,768	28,170,768	₱-	₱-
Club shares	720,000	720,000	-	720,000	-
Total financial assets at FVTOCI	₱28,890,768	₱28,890,768	₱28,170,768	₱720,000	₱-
Assets for which fair values are disclosed					
Financial Assets					
Financial assets at amortized cost:					
Refundable deposits*	₱1,591,563	₱1,583,959	₱-	₱-	₱1,583,959
Non-financial Assets					
Investment properties	774,900	1,467,698	-	-	1,467,698
	₱2,366,463	₱3,051,657	₱-	₱-	₱3,051,657

*Included under 'Software costs and other noncurrent assets'



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

Cash and cash equivalents

Carrying values approximate fair values considering that these accounts consist of demand deposits and short-term placements.

Equity securities, PSE shares and club shares

Fair values are based on quoted market prices.

Receivables and refundable deposits

Fair values of receivables (other than those with short-term maturity) and refundable deposits are estimated using the discounted cash flow methodology by applying the Company's current incremental lending rates for similar types of receivables.

Investment properties

Fair value of investment properties are determined by independent or in-house appraisers using the market data approach. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining fair values include the following:

Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Time element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current data is superior to historic data.
Discount	Generally, asking prices in advertisements posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Liabilities

Carrying amounts approximate fair values considering that these are short-term in nature.

In 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.



6. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	₱10,000	₱10,000
Cash in banks (Note 23)	76,166,488	96,058,120
Short-term placements (Note 23)	266,798,771	281,437,388
	342,975,259	377,505,508
ECL allowance at beginning of year	32,007	18,683
Provision for (reversal of) credit losses (Note 7)	(10,573)	13,324
	21,434	32,007
	₱342,953,825	₱377,473,501

Cash in banks earn annual interest rate of 1.25% in 2023 and 2022. Short-term placements earn annual interest rates ranging from 0.000% to 4.2000% and 0.000% to 0.3% in 2023 and 2022 respectively. Interest income from cash in banks and short-term placements amounted to ₱8.64 million and ₱1.79 million in 2023 and 2022, respectively.

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Company maintains special reserve bank accounts for the exclusive benefit of its customers (included under 'Cash in banks' and 'Short-term placements') amounting to ₱165.47 million and ₱155.54 million as of December 31, 2023 and 2022, respectively. The Company's reserve requirement is determined weekly based on the prescribed computation of the SEC.

As of December 31, 2023 and 2022, the Company is in compliance with the above reserve requirement.

In 2023 and 2022, the gross carrying amount and the corresponding ECL of 'Cash and cash equivalents' to banks were carried at Stage 1 and there were no transfers into and out of Stage 1.

7. Receivable from Customers, Clearing House and Other Brokers

Receivable from customers, clearing house and other brokers are further classified as follows:

	2023	2022
Receivable from customers:		
Corporate	₱253,809,305	₱751,736,763
Individual	84,432,923	278,590,618
	338,242,228	1,030,327,381
Clearing house	153,389,587	408,131,710
Other brokers	–	76
	491,631,816	1,438,459,167
Less: allowance for credit losses	336,130	822,295
	₱491,295,685	₱1,437,636,872



The balance of 'Receivable from clearing house and other brokers' as of December 31, 2023 and 2022 was subsequently collected in January 2024 and 2023, respectively. Receivables from customers also include margin accounts amounting to ₱8.77 million and ₱30.03 million as of December 31, 2023 and 2022, respectively. Margin account has no specific credit terms, but customers are required to maintain the value of their collateral within a specific level. As of December 31, 2023 and 2022, these accounts are fully covered with collateral.

The composition of and movements in allowance for credit losses follow:

	2023			2022		
	Corporate	Individual	Total	Corporate	Individual	Total
ECL allowance as at January 1	₱9,859	₱812,436	₱822,295	₱6,646	₱917,872	₱924,518
Provision for (reversal of) credit losses	(9,139)	(477,027)	(486,165)	3,213	(105,436)	(102,223)
Balance at end of year	₱720	₱335,409	₱336,130	₱9,859	₱812,436	₱822,295

Interest income from overdue accounts amounted to ₱1.22 million and ₱2.08 million in 2023 and 2022, respectively.

Reversal of credit losses on financial assets in the statements of income are as follows:

	2023	2022
Cash in banks (Note 6)	(₱10,573)	₱13,324
Receivables from customers and other brokers	(486,165)	(102,223)
	(₱496,738)	(₱88,899)

Below is the breakdown of receivable from customers and other brokers as to secured and unsecured:

	2023			2022		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
Cash and fully secured accounts:						
More than 250%	₱276,628,421	₱7,147,053,455	₱-	₱720,370,930	₱16,668,847,248	₱-
Between 200% and 250%	26,230	53,083	-	3,427,578	8,044,825	-
Between 150% and 200%	5,595,127	9,725,680	-	-	-	-
Between 100% and 150%	52,523,856	60,771,167	-	161,588,322	177,648,640	-
Partially secured accounts	264,852	263,200	-	144,729,240	140,909,985	-
Unsecured accounts	3,203,742	-	-	211,387	(1,107,697)	-
	338,242,228	7,217,866,586	-	1,030,327,457	16,994,343,001	-
Less: allowance for credit losses	336,130	-	-	822,295	-	-
	₱337,906,098	₱7,217,866,586	₱-	₱1,029,505,162	₱16,994,343,001	₱-

8. Other Receivables

This account consists of:

	2023	2022
Current Assets		
Interest receivables	₱-	₱7,151
Other receivables	114,566	142,613
	114,566	149,764
Non-current Assets		
Receivable from Securities Clearing Corporation of the Philippines (SCCP)	23,799,113	22,782,545
	₱23,913,679	₱22,932,309



In relation to the Company's receivables from SCCP, the Securities and Exchange Commission (SEC) approved the proposed amendments to SCCP Rule 5.2 and Operating Procedure 4.3.1.3 on March 13, 2018, making the Clearing Members' contributions to the Clearing and Trade Guaranty Fund (CTGF) refundable to Clearing Members upon cessation of their business and/or termination of their membership with SCCP, under certain conditions. The revised rule took effect on August 1, 2018.

9. Investment Securities

Financial assets at FVTPL

This account consists of investments in equity securities of financial institutions and private corporations which are held for trading. As of December 31, 2023 and 2022, financial assets at FVTPL amounted to ₱2,178 and ₱1,622, respectively. The Company incurred realized gain from its trading activities amounting to ₱0.25 million and ₱ 0.06 million in 2023 and 2022 (included under 'Net trading gain (loss)' in the statements of income). Dividends earned on these investments amounted to nil in 2023 and 2022.

As of December 31, 2023, and 2022, financial assets at FVTPL include net unrealized gain (loss) amounting to ₱73,001 and (₱95) respectively.

Financial assets at FVTOCI

This account consists of investments in:

	2023	2022
PSE shares	₱30,310,320	₱28,170,768
Club shares	1,200,000	720,000
	₱31,510,320	₱28,890,768

PSE shares were obtained by the Company in 2001 as a result of the demutualization of its membership shares in the stock exchange (see Note 13).

The Company did not sell any of its PSE shares during 2023 and 2022.

In 2023 and 2022, the Company received and recognized dividend income of ₱1.78 million and ₱1.96 million, respectively from its PSE shares. The movements in 'Net unrealized gain on financial assets at FVTOCI', net of tax, follow:

	2023	2022
Balance at beginning of year	₱591,014	₱8,132,117
Unrealized gain (loss) for the year	2,012,664	(7,541,103)
Balance at end of year	₱2,603,678	₱591,014



10. Other Current Assets

This account consists of:

	2023	2022
Creditable withholding tax	₱18,336,452	₱16,218,316
Prepaid expenses	3,360,761	3,120,138
Input value added tax (VAT)	961,923	392,713
	₱22,659,136	₱19,731,167

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. This will be applied against the Company's output VAT liabilities.

11. Property and Equipment

The composition of and movements in this account follow:

	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
December 31, 2023				
Cost				
Balance at beginning of year	₱3,135,549	₱14,497,019	₱2,433,928	₱20,066,496
Additions	—	57,523	1,837,982	1,895,505
Disposals	—	—	(1,150,000)	(1,150,000)
Balance at end of year	3,135,549	14,554,542	3,121,910	20,812,001
Accumulated Depreciation and Amortization				
Balance at beginning of year	3,135,549	13,040,957	1,636,398	17,812,904
Depreciation	—	506,641	529,218	1,035,859
Disposals	—	—	1,150,000	1,150,000
Balance at end of year	3,135,549	13,547,598	1,015,616	17,698,763
Net Book Value at End of Year	₱—	₱1,006,944	₱2,106,294	₱3,113,238

	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
December 31, 2022				
Cost				
Balance at beginning of year	₱3,135,549	₱13,859,099	₱3,505,357	₱20,500,005
Additions	—	637,920	—	637,920
Disposals	—	—	(1,071,429)	(1,071,429)
Balance at end of year	3,135,549	14,497,019	2,433,928	20,066,496
Accumulated Depreciation and Amortization				
Balance at beginning of year	3,135,549	12,445,359	2,221,041	17,801,949
Depreciation	—	595,598	486,786	1,082,384
Disposals	—	—	(1,071,429)	(1,071,429)
Balance at end of year	3,135,549	13,040,957	1,636,398	17,812,904
Net Book Value at End of Year	₱—	₱1,456,062	₱797,530	₱2,253,592



As of December 31, 2023 and 2022, the cost of fully depreciated property and equipment still in use by the Company amounted to ₱2.56 million and ₱1.48 million.

The details of depreciation and amortization recognized in the statements of income follow:

	2023	2022
Property and equipment	₱1,035,859	₱1,082,384
Software costs (Note 14)	457,623	569,136
	₱1,493,482	₱1,651,520

12. Investment Properties

This account is composed of investments in land. The movements are as follows:

	2023	2022
Cost		
Balance at beginning of year	₱774,900	₱1,543,500
Disposals	–	768,600
Net Book Value at End of Year	₱774,900	₱774,900

As of December 31, 2023 and 2022, accumulated impairment losses amounted to nil.

No investment properties were rented out in 2023 and 2022. Direct operating expenses incurred on investment properties pertain to real property tax amounting to ₱3,293 and ₱3,510 in 2023 and 2022, respectively, which is included under ‘Real Estate Taxes’ in the statements of income.

13. Exchange Trading Right

Under the PSE rules, all exchange trading rights are pledged at their full value to the PSE to secure the payment of all debts to other members of the exchange arising out of or in connection with the present or future members’ contracts.

Republic Act No. 8799, *Securities Regulation Code*, prescribed the conversion of the PSE into a stock corporation effective August 8, 2001, pursuant to a conversion plan approved by the SEC.

In August 2001, the SEC approved the conversion plan with the following salient features, among others:

- Existing 184 member-brokers as of August 8, 2001, are eligible to subscribe to the shares and to retain access to the trading facilities of the PSE;
-
- Each member shall subscribe to 50,000 shares at a par value of ₱1.00;
- The balance of the members’ contribution amounting to ₱13.472 million shall be treated as additional paid-in capital;
- Separation of ownership of the PSE from access to trading;
- Issuance of certificate of trading rights;
- Policy of imposing a moratorium on the issuance of new trading rights; and
- Transferability of trading rights.



The PSE, however, did not issue shares of stock for the value of its donated assets. As of that date, the donated assets consisting of two pieces of real property located in Makati City and Pasig City, where its trading floors are located, are subject to restrictions on their transferability.

As a result of the conversion plan and on the basis of the relative fair values of the PSE shares and the exchange trading right as of the time of the demutualization, the Company's membership in the stock exchange, originally amounting to ₱75.00 million, has been allocated into (a) investment in PSE shares and (b) exchange trading right.

As of December 31, 2023 and 2022, the carrying values of the investment in PSE shares (included under 'Financial Assets at FVTOCI' in the statements of financial position) and the exchange trading right follow:

	2023	2022
PSE shares (Note 9)	₱30,310,320	₱28,170,768
Exchange trading right	8,000,000	8,000,000
	₱38,310,320	₱36,170,768

As of December 31, 2023 and 2022, the latest transacted price of the exchange trading right amounted to ₱8.00 million. As of the same dates, the market value per share of the PSE shares based on quoted price is ₱170.00 and ₱158.00, respectively. The Company holds 178,296 PSE shares as of December 31, 2023 and 2022.

14. Software Costs and Other Noncurrent Assets

This account consists of:

	2023	2022
Refundable deposits	₱1,591,563	₱1,591,563
Software costs	780,726	1,137,010
Miscellaneous	44,500	44,500
	₱2,416,789	₱2,773,073

Refundable deposits are deposits for parking and office spaces being rented by the Company. Miscellaneous pertains to prepaid employee benefits under the car plan program.

The movements in 'Software costs' follow:

	2023	2022
Cost		
Balance at beginning of year	₱6,945,746	₱6,931,013
Additions	101,339	14,733
Balance at end of year	7,047,085	6,945,746
Accumulated amortization		
Balance at beginning of year	5,808,736	5,239,600
Amortization (Note 11)	457,623	569,136
Balance at end of year	6,266,359	5,808,736
Net Book Value at End of Year	₱780,726	₱1,137,010



15. Payable to Customers, Clearing House and Other Brokers

This account has details as follows:

	2023			2022		
	Money Balance	Security Valuation Long	Short	Money Balance	Security Valuation Long	Short
Payable to customers & brokers						
With money balances	₱416,290,236	₱11,644,972,994	₱-	₱877,182,057	₱5,348,240,749	₱-
No money balances	-	32,249,252,384	-	-	32,171,123,932	-
	416,290,236	43,894,225,378	-	877,182,057	37,519,364,681	-
Payable to clearing house	187,224,894	-	-	683,181,534	-	-
	₱603,515,130	₱43,894,225,378	₱-	₱1,560,363,591	₱37,519,364,681	₱-

Payable to customers arises from the Company's trading transactions.

The balance of amounts payable to clearing house and other brokers as of December 31, 2023 and 2022 were settled in January 2024 and 2023, respectively.

16. Accounts Payable and Accrued Expenses

This account consists of:

	2023	2022
VAT payable	₱7,744,236	₱2,160,621
Accounts payable	7,358,623	9,002,294
Accrued expenses	5,981,355	7,076,779
Due to Ultimate parent company (Note 23)	2,318,280	2,334,655
Accrued research and consultation fees	2,083,810	711,459
Stock exchange fees and dues	1,333,174	1,443,394
Agent's commission payable	1,092,229	2,554,978
Withholding tax payable	991,450	1,218,493
Transaction tax payable	896,411	2,374,426
Fringe benefit tax payable	31,337	32,764
Customer's subscription	3,125	3,125
Others	5,161,569	4,279,924
	₱34,995,599	₱33,192,912

Others include amounts to be remitted to PhilHealth, Social Security System and Home Development Mutual Fund.

17. Other Liabilities

This account consists of:

	2023	2022
Net retirement liability (Note 20)	₱893,260	₱5,167,026
Others	456,892	456,892
	₱1,350,152	₱5,623,918

Others refer to the Company's payable to DBS Securities.



18. Equity

Capital Management

The Company considers its total equity as its capital. The primary objective of the Company's capital management is to ensure that it complies with externally imposed capital requirements and maximize shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to its shareholder, return capital, or issue capital securities. 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 ₱2.50 million or 2.50% 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, based on SEC Memorandum Circular No.16 dated November 11, 2004, starting December 1, 2005, every broker dealer is expected to comply with all the requirements of the RBCA rules. As of December 31, 2005, the RBCA report is prepared based on the guidelines which 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.

As of December 31, 2023 and 2022, the Company is in compliance with the RBCA ratio. The RBCA ratio of the Company are shown below.

	2023	2022
Equity eligible for net liquid capital	₱286,778,869	₱301,287,383
Others	92,388,062	85,355,809
Net Liquid Capital	₱194,390,807	₱215,931,574
Operational risk	₱48,671,067	₱54,829,217
Position risk	111,461	(55,806)
<i>(Forward)</i>		



	2023	2022
Counterparty risk	₱40,681	₱3,087
Large exposure risk – single issuer and group of companies	–	–
Total Risk Capital Requirements	₱48,823,209	₱54,776,497
Aggregate Indebtedness	₱639,860,881	₱1,599,180,421
5% of Aggregate Indebtedness	₱31,993,044	₱79,959,021
Required net liquid capital	31,993,044	79,959,021
Net risk-based capital excess	162,397,763	135,972,553
Ratio of aggregate indebtedness to net liquid capital	329%	741%
RBCA ratio	398%	394%

The following are the definition of terms used in the above computation:

Ineligible assets

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

Operational risk requirement

This amount is 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

This amount is 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 it as a principal or in its proprietary or dealer account.

Counterparty risk requirement

This amount is necessary to accommodate a given level of counterparty risk. Counterparty risk is the risk of a counterparty defaulting on its financial obligation to a broker dealer.

Large exposure risk (LER) requirements

These amounts are necessary to accommodate a given level of the broker dealer LER which is in excess of the LER limit. LER limit is the maximum permissible large exposure and calculated as percentage of Core Equity.

Aggregate indebtedness

This is the 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.

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.

In 2023 and 2022, the Company has appropriated retained earnings amounting to nil, in compliance with such requirement. As of December 31, 2023 and 2022, the Company's appropriated retained earnings amounted to ₱39.64 million and the unappropriated retained earnings amounted to ₱139.92 million and ₱149.87 million, respectively.

As of December 31, 2023 and 2022, the Company has complied with all externally imposed capital requirements.

Declaration of Dividends

The Company's retained earnings available for dividend declaration is computed in accordance with SEC Memorandum Circular No. 11 issued in December 2008. No dividend was declared in 2023 and 2022.

The following table shows the components of comprehensive income closed to 'Retained earnings':

	2023	2022
Net loss	(₱8,676,314)	(₱13,125,332)
Remeasurement loss (Note 20)	(893,260)	(1,518,207)
	(₱9,569,574)	(₱14,643,539)

19. Donations and Contributions

As part of the Company's continued support for worthwhile education and livelihood projects, it donated nil in 2023 and 2022, respectively, to SB Foundation, Inc., a non-stock, non-profit organization registered with the SEC and accredited by the Philippine Council for Non-Governmental Organization.

20. Retirement Costs

The Company has funded non-contributory defined benefit retirement plan covering its employees. Under the retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The latest actuarial valuation study of the retirement plan was made on December 31, 2023. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit method.

The principal actuarial assumptions used in determining the retirement liability of the Company as of January 1, 2023 and 2022 are shown below:

	2023	2022
Discount rate	7.07%	4.84%
Salary rate increase	6.00%	6.00%

Discount rates used in computing for the present value of the obligation of the Company as of December 31, 2023 and 2022 are 6.07% and 7.07%, respectively.



Changes in defined benefit obligation and fair value of plan assets of the Company in 2023 and 2022 are as follows:

	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Note 17)
December 31, 2023			
Balance at beginning of year	₱25,990,924	₱20,823,898	₱5,167,026
Net Benefit Cost in Statement of Income			
Current service cost*	1,541,974	–	1,541,974
Net interest**	1,837,558	1,472,250	365,308
	3,379,532	1,472,250	1,907,282
Benefits paid	(3,600,948)	(3,600,948)	–
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	–	(408,333)	408,333
Actuarial changes arising from experience adjustments	(582,711)	–	(582,711)
Actuarial changes arising from changes in financial assumptions	1,067,638	–	1,067,638
	484,927	(408,333)	893,260
Contributions Paid	–	7,074,308	(7,074,308)
Balance at end of year	₱26,254,435	₱25,361,175	₱893,260

*Included under compensation and employees' benefits

**Included under miscellaneous expenses

	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Note 17)
December 31, 2022			
Balance at beginning of year	₱27,578,007	₱19,087,253	₱8,490,754
Net Benefit Cost in Statement of Income			
Current service cost*	1,574,126	–	1,574,126
Net interest**	1,334,776	923,823	410,953
	2,908,902	923,823	1,985,079
Benefits paid	(4,980,000)	(4,980,000)	–
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	–	(1,540,261)	1,540,261
Actuarial changes arising from experience adjustments	1,764,671	–	1,764,671
Actuarial changes arising from changes in financial assumptions	(1,280,656)	–	(1,280,656)
	484,015	(1,540,261)	2,024,276
Contributions Paid	–	7,333,083	(7,333,083)
Balance at end of year	₱25,990,924	₱20,823,898	₱5,167,026

*Included under compensation and employees' benefits

**Included under miscellaneous expenses



The fair value of plan assets (by classes) at the end of the reporting period are as follows:

	2023		2022	
	Amount	%	Amount	%
Deposit in Banks	₱8,475,002	33.32	₱621,645	2.3
Equity instruments:				
Financial institutions	612,223	8.25	4,517,831	7.7
Debt instruments:				
Government securities	8,897,520		7,567,045	
High grade	3,378,624		3,220,382	
Standard grade	1,486,019		995,220	
	22,849,388	89.8	16,922,123	75.8
Investments in Unit Investment				
Trust Funds	2,458,309	9.7	3,826,385	23.7
Loans and other receivables:				
Government Securities	94,403		33,499	
High grade	21,357		33,645	
Standard grade	6,657		11,250	
Unrated	1,418		27,293	
	123,835	0.49	105,687	0.5
Total fund asset	25,431,532	100.0	20,854,195	100.0
Total fund liability	(70,357)		(30,297)	
Net fund asset	₱25,361,175		₱20,823,898	

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have a quoted market prices in an active market. The plan assets consist of diverse investment and is not exposed to any concentration risk.

The sensitivity analysis as of December 31, 2023 and 2022 shown below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2023		2022	
	Increase (decrease)	Amount	Increase (decrease)	Amount
Discount rates	1.00% (1.00%)	(₱1,067,638) 1,354,351	1.00% (1.00%)	(₱953,434) 1,141,535
Turnover rate	10.00% (10.00%)	(141,133) 141,133	10.00% (10.00%)	(97,039) 97,039
Future salary increases	1.00% (1.00%)	1,315,554 (1,108,355)	1.00% (1.00%)	1,143,710 (1,012,734)



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

	2023	2022
Less than 1 year	₱11,920,703	₱12,035,746
More than 1 year to 5 years	11,602,359	14,886,318
More than 5 years to 10 years	7,667,626	5,169,948
More than 10 years to 15 years	16,242,769	20,555,980
More than 15 years to 20 years	18,725,780	19,654,540
More than 20 years	54,290,464	63,750,262
Total	₱120,449,701	₱136,052,794

The Company does not expect to contribute to its defined benefit plans in 2024.

21. Leases

The Company leases its office premises from its Ultimate Parent Company for a period of one (1) year, which commenced on March 1, 2023 and will expire on February 28, 2024. Rent expense included in 'Rent and utilities' in the statements of income amounted to ₱4.97 million and ₱5.16 million in 2023 and 2022, respectively.

Future minimum rent payable under the lease as of December 31, 2023 and 2022 follows:

	2023	2022
Within one year	₱835,177	₱795,406
After one year	—	—
Total minimum lease payments	₱835,177	₱795,406

22. Income Taxes

Provision for (Benefit from) income tax consists of:

	2023	2022
Current:		
MCIT	₱1,870,868	₱1,188,701
Final	1,728,010	507,796
	3,598,878	1,696,497
Deferred	(7,558,491)	(6,386,441)
	(₱3,959,613)	(₱4,689,944)

Income taxes include the corporate income tax, as discussed below, and final taxes paid at the rate of 20.00% for gross interest income from government securities and other deposit substitutes, and 7.50% for interest income on foreign currency denominated deposits.

Current tax regulations provide that the RCIT rate shall be 25.00%. Interest allowed as a deductible expense is reduced by 20.00% of interest income subjected to final tax.

The regulations also provide for MCIT of 2.00% 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.



In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense are limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR expenses amounted to ₱3.69 million and ₱4.27 million in 2023 and 2022, respectively.

Components of the Company's deferred tax assets (liabilities) follow:

	2023	2022
Deferred tax assets on:		
Retirement liability	₱223,315	₱1,291,757
Unamortized pension contribution	3,289,790	2,635,601
Accumulated impairment loss on exchange trading right	850,000	850,000
Accrued sick leave and vacation leave	344,351	371,609
Allowance for credit losses	89,392	213,576
NOLCO	11,754,696	5,501,378
MCIT	3,059,570	1,188,701
	19,611,114	12,052,622
Deferred tax liability on:		
Net unrealized gain on financial assets at FVTOCI and FVTPL	747,893	141,005
	747,893	141,005
	₱18,863,221	₱11,911,617

Reconciliation between the statutory income tax rate and the effective income tax rate follows:

	2023	2022
Statutory income tax rate	(25.00%)	(25.00%)
Tax effect of:		
Nontaxable income	(3.53)	4.92
Interest income subjected to final tax	(3.42)	(0.34)
Changes in deferred tax asset	(2.49)	0.48
Nondeductible expenses	3.10	(3.73)
Effective income tax rate	(31.34%)	(26.33%)

Details of the Company's NOLCO are as follows:

Date incurred	Amount	Applied	Expired	Balance	Expiry Year
2020	₱7,445,922	₱7,445,922	₱-	₱-	2025
2022	22,005,513	-	-	22,005,513	2025
2023	25,013,271	-	-	25,013,271	2026
	₱54,464,706	₱7,445,922	₱-	₱47,018,784	

Details of the Company's excess MCIT over RCIT credits are as follows:

Date incurred	Amount	Applied	Expired	Balance	Expiry Year
2020	₱1,115,709	₱1,115,709	₱-	₱-	2024
2022	1,188,702	-	-	1,188,702	2025
2023	1,870,868	-	-	1,870,868	2026
	₱4,175,279	₱1,115,709	₱-	₱3,059,570	



23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company's related parties include:

- Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members; and
- Immediate Parent Company, Ultimate Parent Company and affiliates.

In the ordinary course of business, the Company has transactions with its Ultimate and Intermediate Parent Company. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

In addition to the related information disclosed elsewhere in the financial statements, the following are the Company's related party transactions:

December 31, 2023			
Nature	Amount/ Volume	Outstanding Balance	Terms and Conditions
Ultimate Parent Company			
Cash and cash equivalents:		₱291,957,218	Earns interest ranging from 1.00% to 2.00%
Deposits	₱74,930,433,215		
Withdrawals	(74,972,691,962)		
Interest income	8,614,517		—
			Fees charged by the Ultimate Parent Company and receivable, which is on demand, unsecured, non-interest bearing
Due to Ultimate Parent Company	26,699,415	2,318,280	
Rent	4,971,290	—	Rent expense and rent payable
Commitments - credit facility	10,000,000,000		Unsecured
December 31, 2022			
Nature	Amount/ Volume	Outstanding Balance	Terms and Conditions
Ultimate Parent Company			
Cash and cash equivalents:		₱325,601,448	Earns interest ranging from 1.00% to 2.00%
Deposits	₱50,847,901,870		
Withdrawals	(50,840,880,367)		
Interest income	1,757,075		—
			Fees charged by the Ultimate Parent Company and receivable, which is on demand, unsecured, non-interest bearing
Due to Ultimate Parent Company	26,055,238	2,397,902	
Rent	5,164,241	—	Rent expense and rent payable
Commitments - credit facility	10,000,000,000		Unsecured

There are no agreements between the Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Company's retirement plan.

Short-term investments placed by the Company with the Ultimate Parent Company are made at terms equivalent to those that prevail in arm's length transactions. Total short-term investments placed by the Company with the Ultimate Parent Company amounted to ₱266.80 million and ₱281.48 million in 2023 and 2022, respectively.



In 2023 and 2022, the Company recognized commission income of nil, from trading of equity securities of SBCIC, its Intermediate Parent Company.

On September 19, 2005, the Company entered into a Memorandum of Agreement (MOA) with the Ultimate Parent Company whereby the latter will provide a range of services to the Company which, in the absence of the related party relationship, the Company needs to separately acquire.

The services that the Ultimate Parent Company will provide include the following (collectively referred to as “the Services”):

- Human resource-related services
- Finance/accounting functions including audit
- Collection services (for legal action)
- Preparation of reports
- Processing of credit application (for property appraisal and credit information)
- General services
- Legal documentation
- Information technology related services

Total fees charged by the Ultimate Parent Company pertaining to the above services amounted to ₱16.65 million and ₱16.72 million in 2023 and 2022, respectively (included under ‘Professional and other service fees’ in the statements of income).

Transactions with Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company considers senior officers to constitute key management personnel.

The compensation of key management personnel (included in Compensation and employees’ benefits in the statements of income) by benefit type follows:

	2023	2022
Salaries and short-term benefits	₱13,051,900	₱9,357,200
Post-employment benefits	—	—
	₱13,051,900	₱9,357,200

Transactions with retirement plan

Under PFRS, certain post-employment benefit plans are considered as related parties. The Ultimate Parent Company has business relationships with the Company’s retirement plan pursuant to which the Ultimate Parent Company provides trust and management services.

As of December 31, 2023 and 2022 the fair values of the plan assets of the retirement fund amounted to ₱25.36 million and ₱20.82 million, respectively (see Note 20).

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Relevant information in the statements of financial position pertaining to the carrying values of the Company's retirement fund follows:

	2023	2022
Debt instruments	₱13,762,163	₱11,782,647
Deposits in banks	8,475,002	621,645
Investments in Unit Investment Trust Funds	2,458,309	3,826,385
Equity instruments	612,223	4,517,831
Loans and other receivables	123,835	105,687
Total Fund Assets	₱25,431,532	₱20,854,195
Total Fund Liability	₱70,357	₱30,297

Debt instruments include government and private debt securities.

Income earned by the Ultimate Parent Company from such services amounted to ₱84,073.71 and ₱57,973.55 in 2023 and 2022, respectively. The Company's retirement fund may hold or trade the Ultimate Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Trust Investment Committee.

24. Approval of the Release of the Financial Statements

The accompanying financial statements of the Company were authorized for issue by the BOD on March 22, 2024.

25. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued Revenue Regulations (RR) 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010, the notes to financial statements shall include information on taxes and licenses paid or accrued during the taxable year.

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the calendar year 2023:

Value Added Tax (VAT)

The Company's receipts are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.00%.

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

- a. Net receipts and Output VAT declared in the Company's VAT returns filed for 2023 follows:

	Net Receipts	Output VAT
Taxable receipts:		
Commissions	₱217,452,824	₱26,094,339
Interest income - overdue accounts	1,221,353	146,562
Others	10,356,064	1,242,728
	₱229,030,241	₱27,483,629



b. Input VAT for 2023 follows:

	Amount
Services lodged under expenses	₱3,409,471
Credited against Output VAT	(2,447,548)
Balance at December 31	₱961,923

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees incurred in 2023 lodged under the Taxes and licenses in the statement of income, as follows:

	Amount
License and permit fees	₱712,780
Fringe benefits taxes	142,482
Documentary stamp tax	10,031
Real estate taxes	3,293
	₱868,586

Withholding Taxes

Details of the outstanding balance and total remittances as of and for the year ended December 31, 2023 are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱8,633,215	₱683,055
Expanded withholding taxes	2,390,689	308,395
Final withholding taxes	243,786	—
	₱11,267,690	₱991,450

Percentage Tax

This pertains to transactions tax paid and outstanding as of December 31, 2023 related to sale or exchange of stocks listed and traded through PSE.

	Total Remittances	Balance
Transaction tax	₱284,174,773	₱896,411

Tax Assessments and Cases

As of December 31, 2023, the Company has no pending deficiency tax assessments and has no tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

26. Supplemental Information required under Section 134-N of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI)

The Circular provides for new and amended disclosure requirements to the audited financial statements, which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. This supplementary information is not a required disclosure under PFRS.



In compliance with the requirements set forth by Section 134-N of the MORNBF, hereunder are the supplementary information applicable for the Company:

Financial performance indicators

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

	2023	2022
Return on average equity	(2.80%)	(4.05%)
Return on average assets	(0.61%)	(0.76%)

The following formulas were used to compute the indicators:

Performance Indicator	BSP Prescribed Formula
Return on Average Equity	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Capital Accounts}}$ <p>Where: Average Total Capital Accounts = $\frac{\text{Current calendar/fiscal year-end Total capital accounts balance} + \text{previous calendar /fiscal year-end Total capital accounts balance}}{2}$</p>
Return on Average Assets	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Assets}}$ <p>Where: Average Total Assets = $\frac{\text{Current calendar/fiscal year-end Total assets balance} + \text{previous calendar /fiscal year-end Total assets balance}}{2}$</p>

Information on related party loans

In the normal course of business, the Company has transactions with related parties. These transactions are made on an arm's length basis and generally paid in cash.

Aggregate amount of secured liabilities and assets pledged as security

The Company has no secured liabilities and assets pledged as security as of December 31, 2023 and 2022.

Commitments and contingent liabilities

The Company has no commitments and contingent liabilities as of December 31, 2023 and 2022.



Counterparty risk	₱40,681	₱3,087
Large exposure risk – single issuer and group of companies		
Total Risk Capital Requirements	₱48,823,209	₱54,776,497
Aggregate Indebtedness	₱639,860,881	₱1,599,180,421
5% of Aggregate Indebtedness	₱31,993,044	₱79,959,021
Required net liquid capital	31,993,044	79,959,021
Net risk-based capital excess	162,397,763	135,972,553
Ratio of aggregate indebtedness to net liquid capital	329%	741%
RBCA ratio	398%	394%

The following are the definition of terms used in the above computation:

Ineligible assets

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

Operational risk requirement

This amount is 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

This amount is 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 it as a principal or in its proprietary or dealer account.

Counterparty risk requirement

This amount is necessary to accommodate a given level of counterparty risk. Counterparty risk is the risk of a counterparty defaulting on its financial obligation to a broker dealer.

Large exposure risk (LER) requirements

These amounts are necessary to accommodate a given level of the broker dealer LER which is in excess of the LER limit. LER limit is the maximum permissible large exposure and calculated as percentage of Core Equity.

Aggregate indebtedness

This is the 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.

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.

In 2023 and 2022, the Company has appropriated retained earnings amounting to nil, in compliance with such requirement. As of December 31, 2023 and 2022, the Company's appropriated retained earnings amounted to ₱39.64 million and the unappropriated retained earnings amounted to ₱139.92 million and ₱149.87 million, respectively.

As of December 31, 2023 and 2022, the Company has complied with all externally imposed capital requirements.

Declaration of Dividends

The Company's retained earnings available for dividend declaration is computed in accordance with SEC Memorandum Circular No. 11 issued in December 2008. No dividend was declared in 2023 and 2022.

The following table shows the components of comprehensive income closed to 'Retained earnings':

	2023	2022
Net loss	(₱8,676,314)	(₱13,125,332)
Remeasurement loss (Note 20)	(893,260)	(1,518,207)
	(₱9,569,574)	(₱14,643,539)

19. Donations and Contributions

As part of the Company's continued support for worthwhile education and livelihood projects, it donated nil in 2023 and 2022, respectively, to SB Foundation, Inc., a non-stock, non-profit organization registered with the SEC and accredited by the Philippine Council for Non-Governmental Organization.

20. Retirement Costs

The Company has funded non-contributory defined benefit retirement plan covering its employees. Under the retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The latest actuarial valuation study of the retirement plan was made on December 31, 2023. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit method.

The principal actuarial assumptions used in determining the retirement liability of the Company as of January 1, 2023 and 2022 are shown below:

	2023	2022
Discount rate	7.07%	4.84%
Salary rate increase	6.00%	6.00%

Discount rates used in computing for the present value of the obligation of the Company as of December 31, 2023 and 2022 are 6.07% and 7.07%, respectively.

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Changes in defined benefit obligation and fair value of plan assets of the Company in 2023 and 2022 are as follows:

	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Note 17)
December 31, 2023			
Balance at beginning of year	₱25,990,924	₱20,823,898	₱5,167,026
Net Benefit Cost in Statement of Income			
Current service cost*	1,541,974	—	1,541,974
Net interest**	1,837,558	1,472,250	365,308
	3,379,532	1,472,250	1,907,282
Benefits paid	(3,600,948)	(3,600,948)	—
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	—	(408,333)	408,333
Actuarial changes arising from experience adjustments	(582,711)	—	(582,711)
Actuarial changes arising from changes in financial assumptions	1,067,638	—	1,067,638
	484,927	(408,333)	893,260
Contributions Paid	—	7,074,308	(7,074,308)
Balance at end of year	₱26,254,435	₱25,361,175	₱893,260
*Included under compensation and employees' benefits			
**Included under miscellaneous expenses			
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Note 17)
December 31, 2022			
Balance at beginning of year	₱27,578,007	₱19,087,253	₱8,490,754
Net Benefit Cost in Statement of Income			
Current service cost*	1,574,126	—	1,574,126
Net interest**	1,334,776	923,823	410,953
	2,908,902	923,823	1,985,079
Benefits paid	(4,980,000)	(4,980,000)	—
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	—	(1,540,261)	1,540,261
Actuarial changes arising from experience adjustments	1,764,671	—	1,764,671
Actuarial changes arising from changes in financial assumptions	(1,280,656)	—	(1,280,656)
	484,015	(1,540,261)	2,024,276
Contributions Paid	—	7,333,083	(7,333,083)
Balance at end of year	₱25,990,924	₱20,823,898	₱5,167,026
*Included under compensation and employees' benefits			
**Included under miscellaneous expenses			

The fair value of plan assets (by classes) at the end of the reporting period are as follows:

	2023		2022	
	Amount	%	Amount	%
Deposit in Banks	₱8,475,002	33.32	₱621,645	2.3
Equity instruments:				
Financial institutions	612,223	8.25	4,517,831	7.7
Debt instruments:				
Government securities	8,897,520		7,567,045	
High grade	3,378,624		3,220,382	
Standard grade	1,486,019		995,220	
	22,849,388	89.8	16,922,123	75.8
Investments in Unit Investment Trust Funds	2,458,309	9.7	3,826,385	23.7
Loans and other receivables:				
Government Securities	94,403		33,499	
High grade	21,357		33,645	
Standard grade	6,657		11,250	
Unrated	1,418		27,293	
	123,835	0.49	105,687	0.5
Total fund asset	25,431,532	100.0	20,854,195	100.0
Total fund liability	(70,357)		(30,297)	
Net fund asset	₱25,361,175		₱20,823,898	

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have a quoted market prices in an active market. The plan assets consist of diverse investment and is not exposed to any concentration risk.

The sensitivity analysis as of December 31, 2023 and 2022 shown below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2023		2022	
	Increase (decrease)	Amount	Increase (decrease)	Amount
Discount rates	1.00%	(₱1,067,638)	1.00%	(₱953,434)
	(1.00%)	1,354,351	(1.00%)	1,141,535
Turnover rate	10.00%	(141,133)	10.00%	(97,039)
	(10.00%)	141,133	(10.00%)	97,039
Future salary increases	1.00%	1,315,554	1.00%	1,143,710
	(1.00%)	(1,108,355)	(1.00%)	(1,012,734)

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

	2023	2022
Less than 1 year	₱11,920,703	₱12,035,746
More than 1 year to 5 years	11,602,359	14,886,318
More than 5 years to 10 years	7,667,626	5,169,948
More than 10 years to 15 years	16,242,769	20,555,980
More than 15 years to 20 years	18,725,780	19,654,540
More than 20 years	54,290,464	63,750,262
Total	₱120,449,701	₱136,052,794

The Company does not expect to contribute to its defined benefit plans in 2024.

21. Leases

The Company leases its office premises from its Ultimate Parent Company for a period of one (1) year, which commenced on March 1, 2023 and will expire on February 28, 2024. Rent expense included in ‘Rent and utilities’ in the statements of income amounted to ₱4.97 million and ₱5.16 million in 2023 and 2022, respectively.

Future minimum rent payable under the lease as of December 31, 2023 and 2022 follows:

	2023	2022
Within one year	₱835,177	₱795,406
After one year	—	—
Total minimum lease payments	₱835,177	₱795,406

22. Income Taxes

Provision for (Benefit from) income tax consists of:

	2023	2022
Current:		
MCIT	₱1,870,868	₱1,188,701
Final	1,728,010	507,796
	3,598,878	1,696,497
Deferred	(7,558,491)	(6,386,441)
	(₱3,959,613)	(₱4,689,944)

Income taxes include the corporate income tax, as discussed below, and final taxes paid at the rate of 20.00% for gross interest income from government securities and other deposit substitutes, and 7.50% for interest income on foreign currency denominated deposits.

Current tax regulations provide that the RCIT rate shall be 25.00%. Interest allowed as a deductible expense is reduced by 20.00% of interest income subjected to final tax.

The regulations also provide for MCIT of 2.00% 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.

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense are limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR expenses amounted to P3.69 million and P4.27 million in 2023 and 2022, respectively.

Components of the Company’s deferred tax assets (liabilities) follow:

	2023	2022
Deferred tax assets on:		
Retirement liability	P223,315	P1,291,757
Unamortized pension contribution	3,289,790	2,635,601
Accumulated impairment loss on exchange trading right	850,000	850,000
Accrued sick leave and vacation leave	344,351	371,609
Allowance for credit losses	89,392	213,576
NOLCO	11,754,696	5,501,378
MCIT	3,059,570	1,188,701
	19,611,114	12,052,622
Deferred tax liability on:		
Net unrealized gain on financial assets at FVTOCI and FVTPL	747,893	141,005
	747,893	141,005
	P18,863,221	P11,911,617

Reconciliation between the statutory income tax rate and the effective income tax rate follows:

	2023	2022
Statutory income tax rate	(25.00%)	(25.00%)
Tax effect of:		
Nontaxable income	(3.53)	4.92
Interest income subjected to final tax	(3.42)	(0.34)
Changes in deferred tax asset	(2.49)	0.48
Nondeductible expenses	3.10	(3.73)
Effective income tax rate	(31.34%)	(26.33%)

Details of the Company’s NOLCO are as follows:

Date incurred	Amount	Applied	Expired	Balance	Expiry Year
2020	P7,445,922	P7,445,922	P-	P-	2025
2022	22,005,513	-	-	22,005,513	2025
2023	25,013,271	-	-	25,013,271	2026
	P54,464,706	P7,445,922	P-	P47,018,784	

Details of the Company’s excess MCIT over RCIT credits are as follows:

Date incurred	Amount	Applied	Expired	Balance	Expiry Year
2020	P1,115,709	P1,115,709	P-	P-	2024
2022	1,188,702	-	-	1,188,702	2025
2023	1,870,868	-	-	1,870,868	2026
	P4,175,279	P1,115,709	P-	P3,059,570	

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company’s related parties include:

- Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members; and
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Nature	Amount/ Volume	Outstanding Balance	Terms and Conditions
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Cash and cash equivalents:		₱291,957,218	Earns interest ranging from 1.00% to 2.00%
Deposits	₱74,930,433,215		
Withdrawals	(74,972,691,962)		
Interest income	8,614,517		—
			Fees charged by the Ultimate Parent Company and receivable, which is on demand, unsecured, non-interest bearing
Due to Ultimate Parent Company	26,699,415	2,318,280	
Rent	4,971,290	—	Rent expense and rent payable
Commitments - credit facility	10,000,000,000		Unsecured
December 31, 2022			
Nature	Amount/ Volume	Outstanding Balance	Terms and Conditions
Ultimate Parent Company			
Cash and cash equivalents:		₱325,601,448	Earns interest ranging from 1.00% to 2.00%
Deposits	₱50,847,901,870		
Withdrawals	(50,840,880,367)		
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Rent	5,164,241	—	Rent expense and rent payable
Commitments - credit facility	10,000,000,000		Unsecured

There are no agreements between the Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Company’s retirement plan.

Short-term investments placed by the Company with the Ultimate Parent Company are made at terms equivalent to those that prevail in arm’s length transactions. Total short-term investments placed by the Company with the Ultimate Parent Company amounted to ₱266.80 million and ₱281.48 million in 2023 and 2022, respectively.

In 2023 and 2022, the Company recognized commission income of nil, from trading of equity securities of SBCIC, its Intermediate Parent Company.

On September 19, 2005, the Company entered into a Memorandum of Agreement (MOA) with the Ultimate Parent Company whereby the latter will provide a range of services to the Company which, in the absence of the related party relationship, the Company needs to separately acquire.

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- Preparation of reports
- Processing of credit application (for property appraisal and credit information)
- General services
- Legal documentation
- Information technology related services

Total fees charged by the Ultimate Parent Company pertaining to the above services amounted to ₱16.65 million and ₱16.72 million in 2023 and 2022, respectively (included under ‘Professional and other service fees’ in the statements of income).

Transactions with Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company considers senior officers to constitute key management personnel.

The compensation of key management personnel (included in Compensation and employees’ benefits in the statements of income) by benefit type follows:

	2023	2022
Salaries and short-term benefits	₱13,051,900	₱9,357,200
Post-employment benefits	—	—
	₱13,051,900	₱9,357,200

Transactions with retirement plan

Under PFRS, certain post-employment benefit plans are considered as related parties. The Ultimate Parent Company has business relationships with the Company’s retirement plan pursuant to which the Ultimate Parent Company provides trust and management services.

As of December 31, 2023 and 2022 the fair values of the plan assets of the retirement fund amounted to ₱25.36 million and ₱20.82 million, respectively (see Note 20).

Relevant information in the statements of financial position pertaining to the carrying values of the Company's retirement fund follows:

	2023	2022
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Equity instruments	612,223	4,517,831
Loans and other receivables	123,835	105,687
Total Fund Assets	₱25,431,532	₱20,854,195
Total Fund Liability	₱70,357	₱30,297

Debt instruments include government and private debt securities.

Income earned by the Ultimate Parent Company from such services amounted to ₱84,073.71 and ₱57,973.55 in 2023 and 2022, respectively. The Company's retirement fund may hold or trade the Ultimate Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Trust Investment Committee.

24. Approval of the Release of the Financial Statements

The accompanying financial statements of the Company were authorized for issue by the BOD on March 22, 2024.

25. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued Revenue Regulations (RR) 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010, the notes to financial statements shall include information on taxes and licenses paid or accrued during the taxable year.

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the calendar year 2023:

Value Added Tax (VAT)

The Company's receipts are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.00%.

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

a. Net receipts and Output VAT declared in the Company's VAT returns filed for 2023 follows:

	Net Receipts	Output VAT
Taxable receipts:		
Commissions	₱217,452,824	₱26,094,339
Interest income - overdue accounts	1,221,353	146,562
Others	10,356,064	1,242,728
	₱229,030,241	₱27,483,629

b. Input VAT for 2023 follows:

	Amount
Services lodged under expenses	₱3,409,471
Credited against Output VAT	(2,447,548)
Balance at December 31	₱961,923

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees incurred in 2023 lodged under the Taxes and licenses in the statement of income, as follows:

	Amount
License and permit fees	₱712,780
Fringe benefits taxes	142,482
Documentary stamp tax	10,031
Real estate taxes	3,293
	₱868,586

Withholding Taxes

Details of the outstanding balance and total remittances as of and for the year ended December 31, 2023 are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱8,633,215	₱683,055
Expanded withholding taxes	2,390,689	308,395
Final withholding taxes	243,786	-
	₱11,267,690	₱991,450

Percentage Tax

This pertains to transactions tax paid and outstanding as of December 31, 2023 related to sale or exchange of stocks listed and traded through PSE.

	Total Remittances	Balance
Transaction tax	₱284,174,773	₱896,411

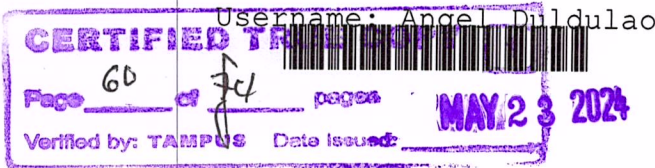
Tax Assessments and Cases

As of December 31, 2023, the Company has no pending deficiency tax assessments and has no tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

26. Supplemental Information required under Section 134-N of the Manual of Regulations for Non-Bank Financial Institutions (MORNBI)

The Circular provides for new and amended disclosure requirements to the audited financial statements, which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. This supplementary information is not a required disclosure under PFRS.

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In compliance with the requirements set forth by Section 134-N of the MORNBF, hereunder are the supplementary information applicable for the Company:

Financial performance indicators

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

	2023	2022
Return on average equity	(2.80%)	(4.05%)
Return on average assets	(0.61%)	(0.76%)

The following formulas were used to compute the indicators:

Performance Indicator	BSP Prescribed Formula
Return on Average Equity	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Capital Accounts}}$ <p>Where: Average Total Capital Accounts = $\frac{\text{Current calendar/fiscal year-end Total capital accounts balance} + \text{previous calendar /fiscal year-end Total capital accounts balance}}{2}$</p>
Return on Average Assets	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Assets}}$ <p>Where: Average Total Assets = $\frac{\text{Current calendar/fiscal year-end Total assets balance} + \text{previous calendar /fiscal year-end Total assets balance}}{2}$</p>

Information on related party loans

In the normal course of business, the Company has transactions with related parties. These transactions are made on an arm’s length basis and generally paid in cash.

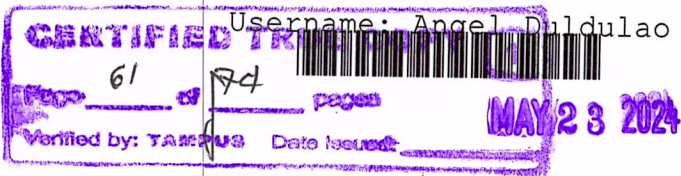
Aggregate amount of secured liabilities and assets pledged as security

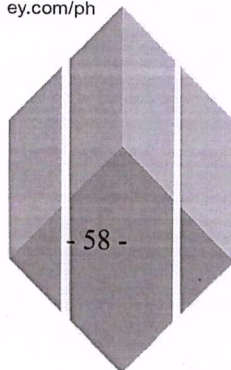
The Company has no secured liabilities and assets pledged as security as of December 31, 2023 and 2022.

Commitments and contingent liabilities

The Company has no commitments and contingent liabilities as of December 31, 2023 and 2022.

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SB Equities, Inc.
18th Floor, Security Bank Centre
6776 Ayala Avenue, Makati City

We have audited the financial statements of SB Equities, Inc. (a wholly-owned subsidiary of SB Capital Investment Corporation) (the Company) as at December 31, 2023 and for the year ended, on which we have rendered the attached report dated March 22, 2024.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Company has one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Leslie Anne G. Huang
Leslie Anne G. Huang

Partner

CPA Certificate No. 134290

Tax Identification No. 238-044-991

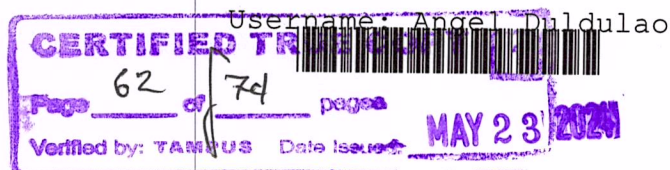
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

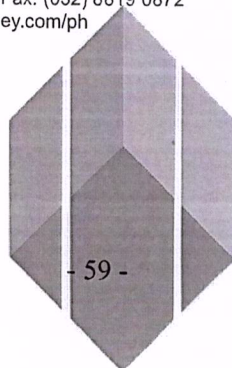
BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079947, January 5, 2024, Makati City

March 22, 2024

Date: 2024-05-22 Time: 07:31:16 AM





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

The Board of Directors
SB Equities, Inc.
18th Floor, Security Bank Centre
6776 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of SB Equities, Inc. (a wholly-owned subsidiary of SB Capital Investment Corporation) (the Company) as at and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated March 22, 2024. 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 Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code 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 information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leslie Anne G. Huang
Leslie Anne G. Huang

Partner

CPA Certificate No. 134290

Tax Identification No. 238-044-991

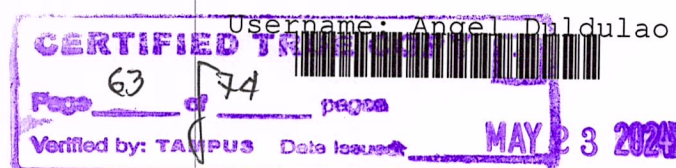
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079947, January 5, 2024, Makati City

March 22, 2024

Date: 2024-05-22 Time: 07:31:16 AM



SB EQUITIES, INC.
(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)
STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
DECEMBER 31, 2023

Securities and Exchange Commission
SCHEDULE I

There are no liabilities subordinated to claims of general creditors.

Date: 2024-05-22 Time: 07:31:16 AM

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Verified by: TAMPUS Date Issued: **MAY 23 2024**

SB EQUITIES, INC.
(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)
RISK-BASED CAPITAL ADEQUACY WORKSHEET
PURSUANT TO SEC MEMORANDUM CIRCULAR NO. 16
DECEMBER 31, 2023

Securities and Exchange Commission
SCHEDULE II

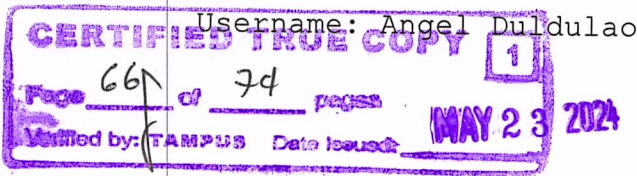
Assets	₱945,502,971
Liabilities	639,860,881
Equity as per books	305,642,090
Adjustments to Equity per books	
Add (Deduct):	
Allowance for market decline	-
Subordinated Liabilities	-
Unrealized Gain (Loss) in proprietary accounts	-
Deferred Income Tax	(18,863,221)
Revaluation Reserves	-
Deposit for Future Stock Subscription (No application with SEC)	-
Minority Interest	-
Total Adjustments to Equity per books	(18,863,221)
Equity Eligible For Net Liquid Capital	286,778,869
Contingencies and Guarantees	
Deduct: Contingent Liability	-
Guarantees or indemnities	-
	-
Ineligible Assets	
a. Trading Right and all Other Intangible Assets (net)	8,000,000
b. Intercompany Receivables	-
c. Fixed Assets, net of accumulated depreciation and impairment loss and excluding those used as collateral	4,668,864
d. All Other Current Assets	27,274,440
e. Securities Not Readily Marketable	1,200,000
f. Negative Exposure (SCCP)	-
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	51,244,758
Total ineligible assets	92,388,062

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		Securities and Exchange Commission PHILIPPINES
Net Liquid Capital (NLC)		₱194,390,807
Less:		
Operational Risk Reqt (Schedule ORR-1)		₱48,671,067
Position Risk Reqt (Schedule PRR-1)		111,461
Counterparty Risk (Schedule CRR-1 and detailed schedules)		40,681
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)		₱48,823,209
Net RBCA Margin (NLC-TRCR)		₱145,567,598
Liabilities		639,860,881
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		-
Total adjustments to AI		-
Aggregate Indebtedness		₱639,860,881
5% of Aggregate Indebtedness		₱31,993,044
Required Net Liquid Capital (> of 5% of AI or P5M)		31,993,044
Net Risk-based Capital Excess / (Deficiency)		162,397,763
Ratio of AI to Net Liquid Capital		329%
RBCA Ratio (NLC / TRCR)		398%

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SB EQUITIES, INC.
(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)
INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS UNDER SRC RULE 49.2
DECEMBER 31, 2023

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	<u>NIL</u>
Number of Items	<u>NIL</u>

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	<u>NIL</u>
Number of Items	<u>NIL</u>

SB EQUITIES, INC.
(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)
**COMPUTATION FOR DETERMINATION OF
RESERVE REQUIREMENTS UNDER
SRC RULE 49.2
DECEMBER 31, 2023**

Securities and
Exchange
Commission
PHILIPPINES
SCHEDULE IV

Particulars	Credit	Debit
1. Free credit balance and other credit balance in customers' security accounts	₱240,342,011.56	
2. Monies borrowed collateralized by the securities carried for the account of customers	-	
3. Monies payable against customers' securities loaned.	-	
4. Customers' securities failed to receive	42,560,357.27	
5. Customer 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.		137,245,771.30
11. Securities borrowed to effectuate short sales by customer and securities borrowed to make delivery on customers' securities failed to deliver		-
12. Failed to deliver customers' securities not older than 30 calendar days.		8,725,040.30
13. Others		-
Total	₱282,902,368.83	₱145,970,811.60

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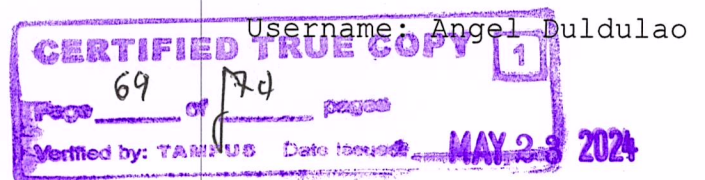
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Securities and Exchange Commission
SCHEDULE V

SB EQUITIES, INC.
(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)
A REPORT DESCRIBING ANY MATERIAL INADEQUACIES
FOUND TO EXIST OR FOUND TO HAVE
EXISTED SINCE THE DATE OF THE PREVIOUS AUDIT
DECEMBER 31, 2023

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

Date: 2024-05-22 Time: 07:31:16 AM



SB EQUITIES, INC.
(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)
RESULTS OF MONTHLY SECURITIES COUNT
CONDUCTED PURSUANT TO SRC RULE 52.1-10, AS AMENDED
DECEMBER 31, 2023

There is no discrepancy in the results of the securities count conducted. Refer to attached summary.

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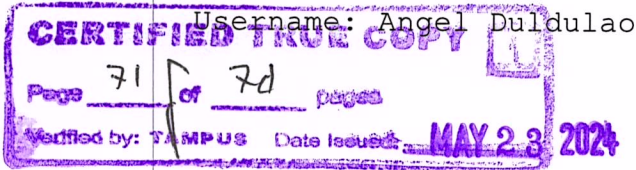
SB EQUITIES, INC.
(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)

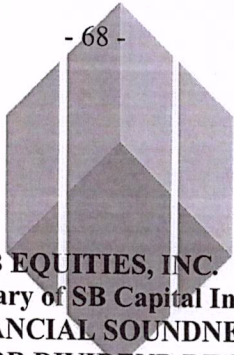
Securities and Exchange Commission
PHILIPPINES
SCHEDULE VII

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2023

Unappropriated Retained Earnings, beginning of reporting period	₱149,491,257
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings	
Deferred tax asset	(12,052,622)
Unappropriated Retained Earnings, beginning as adjusted	137,438,635
Net loss for the current year	(8,676,314)
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Amount of deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings	(7,558,491)
Adjusted Net Loss	(16,234,805)
Total Retained Earnings, end of the reporting period available for dividend	₱121,203,830

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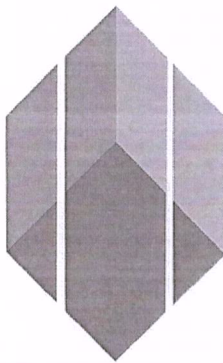
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SCHEDULE VIII
PHILIPPINES

SB EQUITIES, INC.
(A Wholly-Owned Subsidiary of SB Capital Investment Corporation)
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2023

	2023	2022
a) Liquid to total assets	91.6	96.5
b) Debt-to-equity ratio	11.9	12.4
c) Asset-to-equity ratio	148.6	151.6
d) Return on assets	(0.61)	(0.76)
e) Return on equity	(2.80)	(4.05)
f) Net interest margin	2.91	1.08

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Sarah Jane Canave

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Sent: Wednesday, April 17, 2024 10:58 AM
To: Sarah Jane Canave
Cc: Sarah Jane Canave
Subject: Your BIR AFS eSubmission uploads were received

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Hi SB EQUITIES, INC.,

Valid files

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- EAFS000152830TCRTY122023-02.pdf
- EAFS000152830TCRTY122023-01.pdf
- EAFS000152830ITRTY122023.pdf
- EAFS000152830AFSTY122023.pdf
- EAFS000152830OHTY122023.pdf

Invalid file

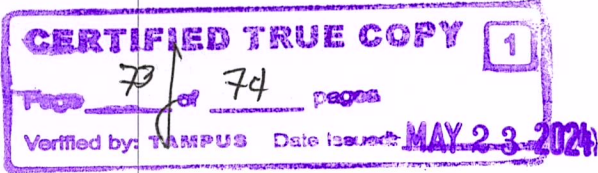
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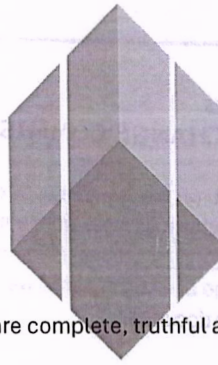
Transaction Code: AFS-0-78776JC50AJ859KJ5QQ4YVNVW07CH7B8L9
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Company TIN: 000-152-830

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Securities and
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PHILIPPINES

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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