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Company Name: UBS SECURITIES PHILIPPINES INC.

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4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

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SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

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Espiritu, Aileen-J

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COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

U	B	S	S	E	C	U	R	I	T	I	E	S	P	H	I	L	I	P	P	I	N	E	S	I	N	C	
.	(A	W	h	o	l	l	y	-	O	w	n	e	d	S	u	b	s	i	d	i	a	r	y)		
f	U	B	S	A	G)																					

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

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Form Type
5 2 A R

Department requiring the report
M R D

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address www.ubs.com	Company's Telephone Number 8784-8888	Mobile Number
No. of Stockholders 8	Annual Meeting (Month / Day) Last Friday of May	Fiscal Year (Month / Day) December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person Aileen Joy Espiritu	Email Address aileen-j.espiritu@ubs.com	Telephone Number/s 8784-8888	Mobile Number 09178944690
--	---	--	-------------------------------------

CONTACT PERSON'S ADDRESS

19F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.
2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



UBS SECURITIES PHILIPPINES INC.
(A Wholly-Owned Subsidiary of UBS AG)
ANNUAL AUDITED FINANCIAL REPORT
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DECEMBER 31, 2023

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

COVER PAGE

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

Report for the Year Beginning January 1, 2023 and Ending December 31, 2023.

IDENTIFICATION OF BROKER OR DEALER	
Name of Broker/Dealer:	UBS Securities Philippines Inc.
Address of Principal Place of Business:	19F Tower One and Exchange Plaza Ayala Triangle, Ayala Avenue Makati City
Name and Phone Number of Person to Contact in Regard to this Report	
Name: Aileen Joy Espiritu	Tel. No.: 8784-8888 Fax No.: 8784-8810



IDENTIFICATION OF ACCOUNTANT

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

Name: SyCip Gorres Velayo & Co. Tel. No.: (02) 8891-0307
BOA/PRC Reg. No. 0001 Fax No.: (02) 8819-0872
SEC Accreditation No. 0012-FR-4 (Group A)

Address: 6760 Ayala Avenue, Makati City

CPA Certificate No. 108795

Tax Identification No. 216-950-288

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

BIR Accreditation No. 08-001998-107-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10079900 Date Issued: January 5, 2024



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

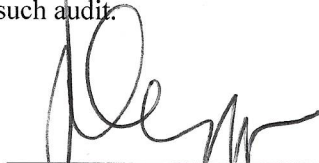
The management of UBS Securities Philippines Inc. (the Company, a wholly-owned subsidiary of UBS AG, is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as of December 31, 2023 and 2022 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

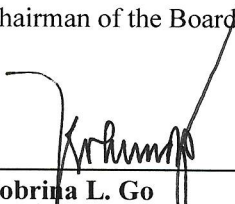
The Board of Directors (BOD) is responsible for overseeing the Company's financial reporting process.

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

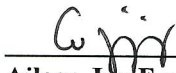
SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the BOD and stockholders, has expressed its opinion on the fairness of presentation upon completion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



Renato O. Marzan
Chairman of the Board



Robrina L. Go
President and Chief Executive Officer



Aileen Joy Espiritu
Treasurer and Chief Finance Officer

Signed this 8th day of April 2024

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
UBS Securities Philippines Inc.
19F Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue,
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UBS Securities Philippines Inc. (the Company), which comprise the statements of financial condition as at December 31, 2023 and 2022, and the 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 policies.

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.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of UBS Securities Philippines Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

Tax Identification No. 216-950-288

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

BIR Accreditation No. 08-001998-107-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10079900, January 5, 2024, Makati City

April 8, 2024



UBS SECURITIES PHILIPPINES INC.
(A Wholly-Owned Subsidiary of UBS AG)
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2023 and 2022

	December 31, 2023			December 31, 2022		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 6)	₱914,973,619			₱678,266,596		
Trade receivables						
Receivable from customers (Note 7)	531,706,723	531,434,679		482,988,442	₱484,318,039	
Receivable from other brokers (Note 7)	182,547	184,800		–		
Receivable from clearing house (Note 7)	225,547,131			4,289,844		
Other receivables						
Due from related parties (Note 21)	457,448			731,094		
Others (Note 8)	2,227,760			666,417		
Other current assets (Note 11)	4,162,343			3,498,629		
	<u>1,679,257,571</u>			<u>1,170,441,022</u>		
Noncurrent Assets						
Property and equipment (Note 10)	99,680,374			37,712,318		
Trading right (Note 9)	8,500,000			8,500,000		
Deferred tax assets (Note 22)	11,631,420			12,108,018		
Other receivables (Note 8)	45,274,181			42,831,652		
Other noncurrent assets (Note 11)	3,555,766			2,430,366		
	<u>168,641,741</u>			<u>103,582,354</u>		
Total Assets	<u>₱1,847,899,312</u>			<u>₱1,274,023,376</u>		
Securities in Philippine Depository and Trust Corporation and in transit			304,384,722			65,214,045

(Forward)



	December 31, 2023			December 31, 2022		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables						
Payable to customers (Note 12)	₱223,548,971		₱227,234,757	₱414,472,542		₱419,103,994
Payable to clearing house	530,451,206			67,940,559		
Income tax payable	7,578,563			6,508,071		
Due to related parties (Note 21)	12,613,050			8,445,509		
Lease liability (Note 18)	11,714,504			10,659,529		
Other liabilities (Note 13)	49,839,710			54,662,694		
	<u>835,746,004</u>			<u>562,688,904</u>		
Noncurrent Liabilities						
Lease liability (Note 18)	83,869,966			12,289,870		
Asset retirement obligation (Note 18)	960,187			960,187		
	<u>84,830,153</u>			<u>13,250,057</u>		
Total Liabilities	<u>920,576,158</u>			<u>575,938,961</u>		
Equity						
Common Share Capital (Note 14)	190,000,200			190,000,200		
Share Premium	140,000,000			140,000,000		
Retained Earnings (Note 14)						
Appropriated	153,356,340			130,432,466		
Unappropriated	443,966,614			237,651,749		
Total Equity	<u>927,323,154</u>			<u>698,084,415</u>		
Total Liabilities and Equity	<u>₱1,847,899,312</u>	<u>₱531,619,479</u>	<u>₱531,619,479</u>	<u>₱1,274,023,376</u>	<u>₱484,318,039</u>	<u>₱484,318,039</u>

See accompanying Notes to Financial Statements.



UBS SECURITIES PHILIPPINES INC.
(A Wholly-Owned Subsidiary of UBS AG)
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022

	Years Ended December 31	
	2023	2022
REVENUES		
Commissions (Note 21)	₱580,030,203	₱576,524,399
Other Revenues		
Interest income (Note 6)	33,829,610	8,271,139
Service fees (Note 21)	7,004,618	7,414,541
Net trading income/ (loss)	(7,700,786)	11,607,707
Miscellaneous (Note 16)	25,001,790	25,609,410
	638,165,435	629,427,196
COST OF SERVICES		
Compensation and employee costs (Notes 17, 21 and 23)	72,265,743	70,066,334
Stock exchange dues and fees	56,489,170	55,108,659
Research fees	12,230,616	12,146,809
Postage, telephone and telegram	2,608,606	2,667,215
Commission expense	15,989	5,000,340
	143,610,124	144,989,357
GROSS PROFIT	494,555,311	484,437,839
OPERATING EXPENSES		
Administrative expenses		
Compensation and employee costs (Notes 17, 21 and 23)	72,061,183	71,358,379
Corporate center charges (Note 21)	62,799,259	40,809,734
Occupancy costs (Note 18)	8,703,909	8,665,177
Management and other professional fees (Note 21)	5,035,309	5,485,901
Transportation and travel	3,060,548	3,606,285
Entertainment, amusement and recreation (Note 22)	2,614,769	770,305
Taxes and licenses	1,464,814	1,405,922
Postage, telephone and communications	773,653	633,156
Other operating expenses (Note 19)	11,139,275	9,267,443
Depreciation and amortization (Note 10)	17,692,080	17,287,927
Miscellaneous (Note 20)	9,331,682	7,076,176
	194,676,481	166,366,405
INCOME BEFORE INCOME TAX	299,878,830	318,071,434
PROVISION FOR INCOME TAX (Note 22)	70,640,091	68,444,598
TOTAL COMPREHENSIVE INCOME*	₱229,238,739	₱249,626,836

*There were no other comprehensive income items in 2023 and 2022.

See accompanying Notes to Financial Statements.



UBS SECURITIES PHILIPPINES INC.
(A Wholly-Owned Subsidiary of UBS AG)

STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022

	Common Share Capital (Note 14)	Share Premium	Retained Earnings- Appropriated (Note 14)	Retained Earnings- Unappropriated (Note 14)	Total Equity
Balances at January 1, 2023	₱190,000,200	₱140,000,000	₱130,432,466	₱237,651,749	₱698,084,415
Total comprehensive income for the year	-	-	-	229,238,739	229,238,739
Net income appropriation	-	-	22,923,874	(22,923,874)	-
Balances at December 31, 2023	₱190,000,200	₱140,000,000	₱153,356,340	₱443,966,614	₱927,323,154
Balances at January 1, 2022	₱190,000,200	₱140,000,000	₱105,469,782	₱213,779,808	₱649,249,790
Total comprehensive income for the year	-	-	-	249,626,836	249,626,836
Cash dividends (Note 14)	-	-	-	(200,792,211)	(200,792,211)
Net income appropriation	-	-	24,962,684	(24,962,684)	-
Balances at December 31, 2022	₱190,000,200	₱140,000,000	₱130,432,466	₱237,651,749	₱698,084,415

See accompanying Notes to Financial Statements.



UBS SECURITIES PHILIPPINES INC.
(A Wholly-Owned Subsidiary of UBS AG)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱299,878,830	₱318,071,434
Adjustments for:		
Interest income (Notes 6 and 8)	(33,829,610)	(8,271,139)
Depreciation and amortization (Note 10)	17,692,080	17,287,927
Unrealized foreign exchange gain (Note 16)	(258,627)	–
Interest on lease liability (Note 19)	1,276,917	1,954,752
Changes in operating assets and liabilities:		
(Increase) decrease in the amounts of:		
Trade receivables		
Receivable from customers	(48,718,281)	334,571,425
Receivable from other brokers	(182,547)	–
Receivable from clearing house	(221,257,287)	62,780,086
Other receivables		
Due from related parties	273,646	241,009
Others	(3,707,037)	(2,075,133)
Other assets	(663,714)	(507,051)
Increase (decrease) in the amounts of:		
Trade payables		
Payable to customers	(190,923,571)	(404,368,531)
Payable to clearing house	462,510,647	11,399,558
Due to related parties	4,167,541	7,188,131
Other liabilities	(4,346,386)	(12,311,945)
Net cash generated from operations	281,912,601	325,960,523
Income taxes paid	(69,569,599)	(76,853,908)
Interest received	32,407,376	7,753,344
Net cash provided by operating activities	244,750,378	256,859,959
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisitions of property and equipment (Note 10)	(1,265,457)	(6,348,120)
CASH FLOWS FROM FINANCING ACTIVITY		
Cash dividends paid (Note 14)	–	(200,792,211)
Payment of lease liability (Note 18)	(7,036,525)	(11,714,232)
Net cash used in financing activities	(7,036,525)	(212,506,443)
NET INCREASE IN CASH AND CASH EQUIVALENTS	236,448,396	38,005,396
EFFECT OF UNREALIZED FOREIGN EXCHANGE GAIN	258,627	–
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	678,266,596	640,261,200
CASH AND CASH EQUIVALENTS		
AT END OF YEAR (Note 6)	₱914,973,619	₱678,266,596

See accompanying Notes to Financial Statements.



UBS SECURITIES PHILIPPINES INC.
(A Wholly-Owned Subsidiary of UBS AG)

NOTES TO FINANCIAL STATEMENTS

1. General Information

UBS Securities Philippines Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 1996, primarily to engage in the brokerage and dealership of securities, to be a member of any stock exchange and to render advisory services.

The Company is a trading participant of the Philippine Stock Exchange (PSE) and is engaged in the brokerage of equity securities traded in the PSE from commencement of its operation in 1997. On April 12, 2011, it obtained its license from the SEC to operate as a dealer in securities.

The Company also performs research and intermediary services on local stock market activities for its related entities.

The Company is a wholly-owned subsidiary of UBS AG (the Parent Company or UBS), a company incorporated and domiciled in Switzerland. The Company's ultimate parent company is UBS Group AG (the Group), also incorporated and domiciled in Switzerland and which shares are listed on the SIX Swiss Exchange and the New York Stock Exchange.

The Company's registered address and principal place of business is at the 19th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

UBS – Credit Suisse Integration

On 12 June 2023, UBS Group AG acquired Credit Suisse Group AG, succeeding by operation of Swiss law to all assets and liabilities of Credit Suisse Group AG, and became the direct or indirect shareholder of all of the former direct and indirect subsidiaries of Credit Suisse Group AG (the Transaction). Upon the completion of the Transaction, each outstanding, registered Credit Suisse share converted to the right to receive, subject to the payment of certain fees to the Credit Suisse Depository in the case of Credit Suisse American depositary shares (ADS), the merger consideration consisting of 1/22.48 UBS Group AG shares. In aggregate, Credit Suisse shareholders received 5.1% of the outstanding UBS Group AG shares on the acquisition date, with a purchase price of USD 3.6bn.

In December 2023, the Board of Directors of UBS Group AG (the BoD) approved the merger of UBS AG and Credit Suisse AG, and both entities entered into a definitive merger agreement. The completion of the merger is subject to regulatory approvals and is expected to occur by the end of the second quarter of 2024.

2. Summary of Material Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso, the Company's functional currency, and all amounts are rounded to the nearest peso unless otherwise indicated.



Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2023:

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

- Amendments in PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
 - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
 - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures
- Amendments in PAS 8, *Definition of Accounting Estimates*
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.
- Amendments in PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*
The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.



The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Current versus Non-current Classification

The Company presents assets and liabilities in the statement of assets and liabilities based on current/non-current classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- a cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Net deferred tax asset (liabilities) are classified as non-current.



Material Accounting Policies

Cash and Cash Equivalents

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

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 condition 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.



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

Financial assets are measured at fair value through profit or loss (FVTPL) unless these are measured at fair value through other comprehensive income (FVOCI) or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost.

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 fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. 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 at FVTPL.

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

Financial assets carried 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 comprehensive income. This accounting policy applies to the Company's 'Cash and cash equivalents', 'Receivables from customers', 'Receivables from clearing house', 'Other receivables, and 'Due from related parties'.

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.

Impairment of Financial Assets

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL.

Both lifetime ECL and 12-month ECL are calculated on an individual and collective basis.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Write-offs

Financial assets are written-off either partially or in their entirety only when the Company has stopped pursuing the recovery. The Company has also not written off outstanding 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 does not have any 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 condition. Amortization is determined using the effective interest method.

Other financial liabilities include 'Payable to customers', 'Payable to clearing house', 'Due to related parties' and 'Other liabilities'.

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 in the asset.

Financial liabilities

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial condition if, and only if, there is a currently 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. The Company assesses that it has currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the statement of financial condition.

Property and Equipment

Depreciable properties, including leasehold improvements, office equipment, transportation equipment and furniture and fixtures, are carried at cost less accumulated depreciation and amortization and any accumulated impairment losses.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost also includes asset retirement obligation (ARO) relating to the leased office premises. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to 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 future economic benefits expected to be obtained from the use of an item of property and equipment beyond its original assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful lives of the improvements or the related lease term, whichever is shorter.

The estimated useful lives of property and equipment are as follows:

Leasehold improvements	4 years or term of the lease, whichever is shorter
Office equipment	3 - 4 years
Furniture and fixtures	3 years
Right-of-use asset	Term of the lease



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

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, impairment is recognized in the statement of comprehensive income (see policy on impairment of nonfinancial assets).

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

It is the Company's policy to classify right-of-use assets as part of property and equipment. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The initial cost of right-of-use assets include the amount of lease liability recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use asset is subject to impairment.

ARO

The Company is legally required under the lease contract to restore its leased office premises to its original condition and to bear the cost of restoration at the end of the contract period. The Company recognizes the present value of these costs and depreciates such on a straight-line basis over the estimated useful life of the related account or the contract period, whichever is shorter, or written off as a result of impairment of the related account.

The Company also recognizes a liability for the ARO. The amount of the liability is the present value of the estimated costs of restoration computed based on the current pre-tax rate that reflects the risks specific to the ARO. The unwinding of the interest is expensed as incurred and recognized in the statement of comprehensive income.

Trading Right

The 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.

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 9) less accumulated impairment loss. The Company does not intend to sell the exchange trading right in the near future.



Impairment of Nonfinancial Assets

At each statement of financial condition date, the Company assesses whether there is any indication that its nonfinancial assets such as property and equipment and exchange trading right may be impaired. When an indication of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit (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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at yearend either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. This policy applies to the Company's trading right.

Retained Earnings

Retained earnings are all accumulated profits or losses of the Company, net of dividend distributions to stockholders and other capital adjustments.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the Board of Directors (BOD) of the Company. Dividends declared after the statement of financial condition date are dealt with as an event after the reporting date.

Revenue Recognition

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 Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:



Revenues within the scope of PFRS 15

Commission

Commissions and related clearing expenses are recorded on a transaction date basis as securities transactions occur, which is normally upon acceptance of trade deals. These are computed based on a certain percentage of every trade transaction.

Service fees

Service fees are recognized upon completion of the underlying transactions or upon performance of specific tasks.

Miscellaneous revenues

Miscellaneous revenues are recognized when earned.

Revenues outside the scope of PFRS 15

Interest income

Interest on cash in banks and short-term deposits is recognized using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Net trading gains(losses)

Results arising from proprietary trading activities include gains and losses from disposal of investment securities at FVTPL. Realized gains and losses on disposals represent the difference between an instrument's initial carrying amount and disposal amount.

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Expense Recognition

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

Expenses are recognized when incurred.

Cost of service

Cost of service is incurred in the normal course of business and is recognized when incurred. These comprise stock exchange dues and fees, compensation and benefits, commission expenses and other costs which are incurred in the period when services are rendered.

Retirement Cost

The Company is covered by a defined contribution (DC) retirement plan. The contribution payable to the plan is proportionate to the credited services by the beneficiaries as defined in the Company's retirement plan and is recorded as an expense under 'Compensation and benefits' in the statement of comprehensive income.

The Company, however, is covered by Republic Act (R.A.) No. 7641, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641.

Accordingly, the Company accounts for its retirement obligation at each reporting date under the higher of the DB obligation relating to the minimum guarantee and the sum of the DC liability and the present value of the excess of the projected DB obligation over projected DC obligation.



The DB obligation and the present value of the excess of the projected DB obligation over the DC obligation are calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income (OCI).

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of a DB plan when the settlement occurs.

Leases

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

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 liability to make lease payments and right-of-use asset representing the right to use the underlying assets.

Lease liability

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

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



Short-term leases and leases of low-value asset

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Share-based and other deferred compensation plans

UBS recognizes expenses for deferred compensation awards over the period that the employee is required to provide service to become entitled to the award. Where the service period is shortened, recognition of expense is accelerated to the termination date. Where no future service is required, the services is presumed to have been received and compensation expense is recognized over the performance year or, in the case of off-cycle award, immediately on the grant date.

Share-based compensation plans

Share-based compensation expense is measured by reference to the fair value of the equity instruments on the date of grant, taking into account the terms and conditions inherent in the award. For equity-settled awards, the fair value is not remeasured unless the terms of the award are modified.

Any increase in fair value resulting from a modification is recognized as compensation expense, either over the remaining service period or, for vested awards, immediately. Expenses are recognized, on a per-tranche basis, over the service period based on an estimate of the number of instruments expected to vest and are adjusted to reflect the actual outcomes of service or performance conditions. For equity-settled awards, forfeiture events resulting from a breach of non-vesting condition (i.e. one that does not relate to a service or performance condition) do not result in any adjustment to the share-based compensation expense. For cash-settled share-based awards, fair value is remeasured at each reporting date, so that the cumulative expense recognized equals the cash distributed.

Other deferred compensation plans

Compensation expense for other deferred compensation plans is recognized on a per-tranche or straight-line basis, depending on the nature of the plan. The amount recognized is measured based on the present value of the amount expected to be paid under the plan and is remeasured at each reporting date, so that the cumulative expense recognized equals the cash or the fair value of respective financial instruments distributed.

Foreign Currency Translation

Transaction and balances

For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities are translated in Philippine pesos based on the closing rate prevailing at the statement of financial condition date and foreign currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction. Foreign exchange differences arising from restatements of foreign currency-denominated monetary assets and liabilities are credited to or charged against operations in the period in which the rates change.

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



Income Taxes

Current tax

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

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

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

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and 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 a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable. 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. Provisions are reviewed at each statement of financial condition date and adjusted to reflect the current best estimate.



Contingent Liabilities and Contingent Assets

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

Events After the Reporting Date

Post year-end events that provide additional information about the Company's position at the statement of financial condition 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.

3. **Significant Accounting Judgments and Estimates**

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses.

Future events may occur which will cause the judgments and estimates used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments

Determination of lease term of contracts with renewal and termination options – Company as a lessee

The Company has lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Estimates

Impairment of nonfinancial assets

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

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



An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The Company normally applies the fair value less cost to sell as basis for impairment. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction.

The carrying amounts of trading right and property and equipment are disclosed in Notes 9 and 10, respectively. No impairment loss on trading right and property and equipment was recognized in 2023 and 2022.

Recognition of deferred tax assets

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimates of future taxable income indicate that temporary differences will be realized in the future. Deferred tax assets as of December 31, 2023 and 2022 amounted to ₱11.6 million and ₱12.1 million, respectively (see Note 22).

4. Financial Risk Management Objectives and Policies

The Philippine Management Committee (PMC) is the main forum for discussion of management, risk and governance and operating issues relating to or affecting the Company's business and operations in the Philippines. The PMC monitors the financial performance of the Company and examines changes in risk profile in the Philippines with particular focus on risk events, risk concentrations and reputational and compliance issues. The PMC considers and oversees implementation of risk policies for all risk categories within the Philippines. It reports the presence of critical risk to the Asia Pacific Risk and Control Committee (APRCC) and any decision by the APRCC is implemented by the PMC. The Chairperson of the PMC determines whether an issue discussed requires reporting to the APRCC.

In as much as the majority of the members of the BOD are also members of the PMC, any risk identified is escalated to BOD through common members of the PMC and BOD. Once identified, the BOD monitors this with due diligence.

The Company's principal financial instruments include cash and cash equivalents, short-term investments, trade and other receivables, refundable deposits, trade payables and other financial liabilities. The financial risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its deposits with banks, short-term investments, receivables, and refundable deposits under other current and noncurrent assets.

The Company funds are deposited in branches of foreign and local banks in the form of demand deposit and term deposits. Prior to placing these with banks, the Company endorses the account to Credit Risk Control (CRC), the unit handling risk management for UBS, to ascertain its credit worthiness. The Company then deals with banks that passed CRC's approval.



Meanwhile, the Company's receivables comprise of receivables from clearing house, customers, related parties and from other sources. The Company transacts with its related parties for more than 81% of its trade transactions where it earns commission. For other customers, the risk is minimized because of specific policies and guidelines established on the approval of account opening with customers. The Company has a local operations team supporting client on-boarding functions where a prospective customer is assessed using Know-Your-Client (KYC) procedures before endorsing to CRC where specific requirements or parameters are set in granting limits that provide proper spread and control of credit risk. As of December 31, 2023 and 2022, the Company has significant concentration of credit risk relating to receivables from related parties and other institutional counterparties arising from the normal course of business of the Company.

The clearing house is the Securities Clearing Corporation of the Philippines (SCCP), a private institution organized primarily as a clearance and settlement agency for depository eligible trades executed in the PSE. SCCP assumes the role of guarantor for trading participant transactions in the Exchange.

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

An analysis of the maximum exposure to credit risk on receivables from customers after taking into account any collateral held or other credit enhancements is shown below:

Receivable from customers	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
December 31, 2023	₱531,706,723	₱531,434,679	₱2,967,267	₱528,739,456
December 31, 2022	₱482,988,442	₱484,318,039	₱6,171,138	₱476,817,304

Receivable from other brokers	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
December 31, 2023	₱182,547	₱184,800	₱-	₱ 182,547
December 31, 2022	₱-	₱-	₱-	₱-

The maximum exposure to credit risk of other financial assets of the Company is limited to their carrying values as of December 31, 2023 and 2022.

As of December 31, 2023 and 2022, the Company does not have financial guarantees and other credit enhancements to cover the credit risks associated with its financial assets.

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

As of December 31, 2023 and 2022, the Company's credit exposure by industry sector is concentrated in banks and other financial intermediaries. Identified concentration of credit risks is managed and controlled.



Offsetting Assets and Liabilities

The amendments to PFRS 7 require the Company to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments subject to enforceable master netting agreements or similar agreements. The effects of these arrangements are disclosed in the succeeding tables:

December 31, 2023						
Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		
				Financial Instruments	Fair Value of Financial Collateral	Net Exposure
[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d-e]	
Financial Assets						
Receivable from customers	₱531,706,723	₱-	₱531,706,723	₱222,086,792	₱304,304,346	₱5,315,585
Receivable from other brokers	182,547	-	182,547	182,547	-	-
Receivable from clearing house	225,547,131	-	225,547,131	225,547,131	-	-
	₱757,436,401	₱-	₱757,436,401	₱447,816,470	₱304,304,346	₱5,315,585
Financial Liabilities						
Payable to customers	₱223,548,971	₱-	₱223,548,971	₱222,086,792	₱-	₱1,462,179
Payable to clearing house	530,451,206	-	530,451,206	225,547,131	-	304,904,075
	₱754,000,177	₱-	₱754,000,177	₱447,633,923	₱-	₱306,366,254

December 31, 2022						
Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		
				Financial Instruments	Fair Value of Financial Collateral	Net Exposure
[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d-e]	
Financial Assets						
Receivable from customers	₱482,988,442	-	₱482,988,442	₱414,472,542	₱67,319,119	₱1,196,780
Receivable from clearing house	420,756,087	416,466,243	4,289,844	4,289,844	-	-
	₱903,744,529	₱416,466,243	₱487,278,286	₱418,762,386	₱67,319,119	₱1,196,780
Financial Liabilities						
Payable to customers	414,472,542	-	414,472,542	414,472,542	-	-
Payable to clearing house	420,756,087	416,466,243	4,289,844	4,289,844	-	-
	₱835,228,629	₱416,466,243	₱418,762,386	₱418,762,386	-	-

Below is the credit quality per class of financial assets:

December 31, 2023			
	High Grade	Standard Grade	Total
Financial assets carried at AC:			
Cash and cash equivalents	₱914,973,619	₱-	₱914,973,619
Trade receivables:			
Receivable from customers	531,706,723	-	531,706,723
Receivable from brokers	182,547	-	182,547
Receivable from clearing house	225,547,131	-	225,547,131
Receivable from SCCP*	45,274,181	-	45,274,181
Other receivables:			
Due from related parties	457,448	-	457,448
Others**	2,158,455	-	2,158,455
Refundable deposits***	3,535,766	-	3,535,766
Total	₱1,723,835,870	₱-	₱1,723,835,870

*Included under Other noncurrent receivables

**Excludes Advances to Supplier

***Included under Other noncurrent asset



December 31, 2022			
	High Grade	Standard Grade	Total
Financial assets carried at AC:			
Cash and cash equivalents	P678,266,596	P-	P678,266,596
Trade receivables:			
Receivable from customers	482,988,442		482,988,442
Receivable from clearing house	4,289,844	-	4,289,844
Receivable from SCCP*	42,831,652		42,831,652
Other receivables:			
Due from related parties	731,094	-	731,094
Others	666,417	-	666,417
Refundable deposits**	2,410,366	-	2,410,366
Total	P1,212,184,411	P-	P1,212,184,411

*Included under Other noncurrent receivables

**Included under Other noncurrent assets

The credit quality of financial assets is monitored and managed using external ratings.

The following table shows the external ratings of eligible external credit assessment rating institutions:

Agency	High Grade									
S&P	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Fitch	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
PhilRatings	AAA	Aa+	Aa	Aa-	A+	A	A-	Baa+	Baa	Baa-

Agency	Standard Grade					Substandard Grade			
S&P	BB+	BB	BB-	B+	B	B-	Below B-		
Moody's	Ba1	Ba2	Ba3	B1	B2	B3	Below B3		
Fitch	BB+	BB	BB-	B+	B	B-	Below B-		
PhilRatings	Ba+	Ba	Ba-	B+	B	B-	Below B-		

The Company's basis in grading its financial assets is as follows:

Loans and receivables

High grade - These are loans and receivables with high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable.

Standard grade - These are loans and receivables where the borrower has low probability of default and could withstand normal business cycle.

As of December 31, 2023 and 2022, there are no past due and individually impaired financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when due, or that the Company is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

The Company has a daily cash position report showing the requirement or excess cash the Company has. If there is a requirement, the Company can easily draw from the considerable amount of overnight placement it has with the bank. Should the requirement be more than the amount of overnight placement the Company has, the Company may still draw from its various term deposits.



The maturity dates of these placements have been strategically spread such that when there is an urgent need, the Company may draw from the nearest maturing placement where surcharges if charged, will be kept minimal.

As of December 31, 2023 and 2022, the Company has available short term deposits with banks aggregating ₱680.0 million and ₱637.8 million, respectively (see Note 6).

Financial assets

The analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date and does not consider the behavioral pattern of the creditors. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company can be required to pay.

The table below shows the maturity profile of the Company's financial assets and financial liabilities based on the remaining contractual maturities:

	2023						Total
	On Demand	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Beyond 1 Year	
Loans and receivables:							
Cash and cash equivalents*	₱235,022,860	₱682,778,556	₱-	₱-	₱-	₱-	₱917,801,416
Trade receivables:							
Receivable from customers	-	531,706,723	-	-	-	-	531,706,723
Receivable from other	-	182,547	-	-	-	-	182,547
brokers							
Receivable from clearing house	-	225,547,131	-	-	-	-	225,547,131
Other receivables:							
Due from related parties	-	457,448	-	-	-	-	457,448
Others	-	98,801	-	-	-	-	98,801
Receivable from SCCP***	-	-	-	-	-	45,274,181	45,274,181
Refundable deposits****	-	-	-	-	-	3,535,766	3,535,766
	₱235,022,860	₱1,440,771,206	₱-	₱-	₱-	₱48,809,947	₱1,724,604,013
Trade payables:							
Payable to customers	₱-	₱223,548,971	₱-	₱-	₱-	₱-	₱223,548,971
Payable to clearing house	-	530,451,206	-	-	-	-	530,451,206
Other liabilities:							
Due to related parties	-	12,613,050	-	-	-	-	12,613,050
Accrued expenses and other liabilities*****	-	6,037,704	4,636,049	3,065,915	10,808,377	105,387,532	129,935,577
	₱-	₱72,650,931	₱4,636,049	₱3,065,915	₱10,808,377	₱105,387,532	₱896,548,804
	₱235,022,860	₱668,120,276	₱(4,636,049)	₱(3,065,915)	₱(10,808,377)	₱(56,577,585)	₱828,055,209

*Includes future interest and excludes cash on hand

***Included under other noncurrent receivables

****Included under other noncurrent assets

*****Includes lease liability and accrued expenses

	2022						Total
	On Demand	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Beyond 1 Year	
Loans and receivables:							
Cash and cash equivalents*	₱40,447,833	₱639,465,864	₱-	₱-	₱-	₱-	₱679,913,697
Trade receivables:							
Receivable from customers	-	482,988,442	-	-	-	-	482,988,442
Receivable from clearing house	-	4,289,844	-	-	-	-	4,289,844
Other receivables:							
Due from related parties	-	731,094	-	-	-	-	731,094
Others	-	666,417	-	-	-	-	666,417
Receivable from SCCP***	-	-	-	-	-	42,831,652	42,831,652
Refundable deposits****	-	-	-	-	-	2,410,366	2,410,366
	₱40,447,833	₱1,128,141,661	₱-	₱-	₱-	₱45,242,018	₱1,213,831,512

(Forward)



	2022						Total
	On Demand	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Beyond 1 Year	
Trade payables:							
Payable to customers	P-	P414,472,542	P-	P-	P-	P-	P414,472,542
Payable to clearing house	-	67,940,559	-	-	-	-	67,940,559
Other liabilities:							
Due to related parties	-	8,445,509	-	-	-	-	8,445,509
Accrued expenses and other liabilities****	-	3,747,506	-	10,317,045	-	16,242,102	30,306,653
	P-	P494,606,116	P-	P10,317,045	P-	P16,242,102	P521,165,263
	P40,447,833	P633,535,545	P-	(P10,317,045)	P-	P28,999,916	P692,666,249

*Includes future interest and excludes cash on hand

***Included under other noncurrent receivables

****Included under other noncurrent assets

*****Includes lease liability and accrued expenses

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company's interest rate risk arises primarily from term deposits which earn fixed rate of interest. As of December 31, 2023 and 2022, the Company did not have any interest-bearing liabilities. As such, the Company's exposure to interest rate risk is minimal.

Foreign currency risk

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. Although the Company operates internationally, it is not significantly affected by foreign exchange risk as substantial amount of its financial assets and financial liabilities are denominated in Philippine Peso, the Company's functional currency.

5. Fair Value Measurement

The following table provides the fair value of the Company's receivable from SCCP whose carrying value does not approximate its fair value as of December 31, 2023 and 2022:

	Carrying value		Fair value	
	2023	2022	2023	2022
Receivable from SCCP	P 45,274,181	P42,831,652	P 42,616,770	P40,116,939

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

Cash and cash equivalents, trade and other receivables (except receivable from SCCP), trade payables and accrued expenses under other liabilities

The carrying amounts approximate their fair values due to their short-term maturities.



Refundable deposits and receivable from SCCP

As of December 31, 2023 and 2022, the fair value of refundable deposits amounted to ₱3.6 million and ₱2.4 million, which approximates its carrying value (see Note 11). The fair value of refundable deposit was computed using the discounted cash flow methodology, using the prevailing market rate of interest for a similar instrument. The fair value of receivable from SCCP is estimated using credit-adjusted risk-free rates of 6.24% and 6.76% as of December 31, 2023 and 2022, respectively. Such fair value is classified as Level 3.

6. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash in banks	₱235,022,860	₱40,447,834
Cash equivalents	679,950,759	637,818,762
	₱914,973,619	₱678,266,596

Cash in banks represents peso-denominated savings and current deposits while cash equivalents represent term deposits with maturity of less than three months. Cash in banks and term deposits earn annual interest rates ranging from 0.2% to 6.4% and 0.2% to 5.5% in 2023 and 2022, respectively.

Interest income earned from cash and cash equivalents amounted to ₱33.8 million and ₱8.3 million in 2023 and 2022, respectively.

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Company maintains a special reserve bank account for the exclusive benefit of its customers. The Company's reserve requirement is determined weekly based on the SEC's prescribed computations.

7. Receivable from Customers and Clearing House

Receivable from customers and clearing house at December 31 are as follows:

	2023	2022
Receivable from customers	₱531,706,723	₱482,988,442
Receivable from other brokers	182,547	-
Receivable from clearing house	225,547,131	4,289,844
	₱757,436,401	₱487,278,286

Receivable from customers and clearing house arise from the Company's trading transactions (see Note 21).

The above balances were subsequently collected in January 2024 and 2023, respectively.



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

	2023			2022		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
Cash and fully secured accounts:						
Between 100% and 150%	₱226,341,274	₱227,666,931	₱-	₱420,635,265	422,257,039	₱-
Partially secured accounts:						
Between 75% and 100%	305,365,449	303,767,748	-	62,353,177	62,061,000	-
	₱531,706,723	₱531,434,679	₱-	₱482,988,442	484,318,039	₱-

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

	2023			2022		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
Cash and fully secured accounts:						
Between 100% and 150%	₱182,547	₱184,800	₱-	₱-	₱-	₱-
Partially secured accounts:						
Between 75% and 100%	-	-	-	-	-	-
	₱182,547	₱184,800	₱-	₱-	₱-	₱-

8. Other Receivables

This account consists of:

	2023	2022
Current		
Interest receivable (Note 6)	₱2,059,653	₱637,419
Other receivable	168,107	28,998
	₱2,227,760	₱666,417
Noncurrent		
Receivable from SCCP	45,274,181	42,831,652
	₱47,501,941	₱43,498,069

On March 13, 2018, the SEC approved the proposed amendments to SCCP Rule 5.2 and Operating Procedure 4.3.1.3, 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. As a result, the Company recognized noncurrent receivable pertaining to the Company's total CTGF contributions.

9. Trading Right

Under the PSE rules, all trading rights are pledged at its 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, *The Securities Regulation Code*, prescribed the conversion of the PSE into a stock corporation effective on 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:

- a. 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;
- b. Each member shall subscribe to 50,000 shares at a par value of ₱1.0;
- c. The balance of the members' contribution amounting to ₱277.4 million shall be treated as additional paid-in capital;
- d. Separation of ownership of the PSE from access to trading;
- e. Issuance of certificate of trading rights;
- f. Policy of imposing a moratorium on the issuance of new trading rights; and
- g. 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 (2) pieces of real property located in Makati 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 trading right as of the time of demutualization, the Company's membership in the stock exchange originally amounting to ₱75.0 million was bifurcated into (a) investment in PSE shares and (b) trading right. In 2011, the Company's investment in PSE shares was sold at a gain of ₱40.6 million.

As of December 31, 2023 and 2022, the latest transacted price of the trading right which represents its fair value as provided by the PSE amounted to ₱8.0 million.

10. Property and Equipment

The composition of and movements in this account follow:

	2023				
	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Right-of-use Assets-Building (Note 18)	Total
Cost					
Balances at beginning of year	₱30,152,733	₱56,433,032	₱5,583,887	₱49,293,970	₱141,463,622
Additions	–	1,265,457	–	78,394,679	79,660,136
Balances at end of year	30,152,733	57,698,489	5,583,887	127,688,649	221,123,758
Accumulated depreciation and amortization					
Balances at beginning of year	23,761,515	48,937,353	5,583,887	25,468,549	103,751,304
Depreciation and amortization	39,783	7,357,977	–	10,294,320	17,692,080
Balances at end of year	23,801,298	56,295,330	5,583,887	35,762,869	121,443,384
Net book value at end of year	₱6,351,435	₱1,403,159	₱–	₱91,925,780	₱99,680,374
2022					
	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Right-of-use Assets-Building (Note 18)	Total
Cost					
Balances at beginning of year	₱23,804,613	₱56,433,032	₱5,583,887	₱49,293,970	₱135,115,502
Additions/renewal	6,348,120	–	–	–	6,348,120
Balances at end of year	30,152,733	56,433,032	5,583,887	49,293,970	141,463,622
Accumulated depreciation and amortization					
Balances at beginning of year	23,721,731	41,548,004	5,583,887	15,609,755	86,463,377
Depreciation and amortization	39,784	7,389,349	–	9,858,794	17,287,927
Balances at end of year	23,761,515	48,937,353	5,583,887	25,468,549	103,751,304
Net book value at end of year	₱6,391,218	₱7,495,679	₱–	₱23,825,421	₱37,712,318



As of December 31, 2023 and 2022, the cost of fully depreciated property and equipment still in use by the Company amounted to ₱74.69 million and ₱67.75 million, respectively.

11. Other Current and Noncurrent Assets

Other current assets consist of:

	2023	2022
Prepaid expenses	₱3,890,230	₱3,441,376
Miscellaneous	272,113	57,253
	₱4,162,343	₱3,498,629

Prepaid expenses include prepayments made for rent, security, membership, hardware maintenance, insurance and access fee.

Other noncurrent assets consist of:

	2023	2022
Refundable deposits (Note 18)	₱3,535,766	₱2,410,366
Miscellaneous	20,000	20,000
	₱3,555,766	₱2,430,366

12. Payable to Customers

This account consists of:

	2023			2022		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
With money balance	₱223,548,971	₱-	₱227,234,757	₱414,472,542	₱-	₱419,103,994
Without money balance	-	-	-	-	-	-
	₱223,548,971	₱-	₱227,234,757	₱414,472,542	₱-	₱419,103,994

Payable to customers arises from the Company's trading transactions (see Note 21).

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

13. Other Liabilities

This account consists of:

	2023	2022
Provision for bonus	₱27,436,559	₱34,334,214
Due to Bureau of Internal Revenue (BIR)	14,745,052	12,971,225
Accrued expenses	7,658,099	7,357,255
	₱49,839,710	₱54,662,694



Due to BIR consists of:

	2023	2022
VAT payable	₱9,912,804	₱5,711,855
Withholding taxes payable	3,065,083	2,833,589
Stock transaction tax payable	1,356,688	3,954,673
Deferred output VAT	398,456	467,022
Fringe benefit tax payable	12,021	4,086
	₱14,745,052	₱12,971,225

Accrued expenses consist of accruals for:

	2023	2022
Stock exchange fees	₱2,850,174	₱3,747,506
Management and other professional fees	500,000	500,000
Others	4,307,925	3,109,748
	₱7,658,099	₱7,357,254

Others pertain to accruals for various expenses, provision for short-term employee benefits, and for government-mandated contributions to SSS, Philhealth and Pag-IBIG.

14. Equity

Capital Stock

As of December 31, 2023 and 2022, details of the Company's capital stock follow:

Capital stock - ₱100 par value	
Authorized - 3,400,000 shares	
Issued and outstanding - 1,900,002 shares	₱190,000,200

Retained Earnings

Appropriation

Under SRC Rule 49.1 (B), *Reserve Fund*, the Company is required to appropriate a minimum of 10% of its audited profit after tax and transfer the same to the appropriated retained earnings account.

In 2021 and prior years, the Company is exempted from the application of the Reserve Fund requirement subject to the conditions below as approved by the SEC.

- 1) The Company shall submit every year a Sworn Certification and Undertaking to the SEC attesting the following matters:
 - a) There is no change in the business model of the Company to wit:
 - does not offer margins nor extend debt/loans to clients;
 - does not provide custodial services to its clients or hold security positions of its clients;
 - does not offer cash depository services to its clients;
 - does not trade for its own account for the purpose of holding and maintaining trading position, whether equity, debt or foreign exchange,



- b) If there is a change in the business model or an impairment of capital at any time, the Company will immediately inform the SEC of said fact for further review of exemptive relief granted;
- c) Should the appropriated retained earnings fall below its current figure (i.e. ₱83,518,385) as a result of transferring an amount to cover an impairment of capital, the Company undertakes to immediately resume its compliance with the Reserve Fund Requirement under the RBCA Rules and inform the SEC of the said fact; and
- d) The Unimpaired Paid-up Capital of the Company has not at any time fallen below ₱100 million.

Should the Unimpaired Paid-up Capital of the Company fall below ₱100 million, the exemption shall automatically be lifted and the Company shall immediately comply with the reserve fund requirement under the RBCA Rules;

- 2) The aforesaid Sworn Certification and Undertaking shall be submitted on or before January 31st of every year; and
- 3) SEC reserves its right to: (a) assess the performance and profitability of the Company (and consequently any loss leading to impairment of capital) when the audited financial statements are submitted; and (b) withdraw the exemption granted anytime in the interest of the public and protection of investors and thereafter subject the Company to appropriate suspension/revocation proceedings and impose other penalties, if warranted.

In its letter to SEC on April 5, 2022, the Company informed the SEC of the changes in its business requirements and it resumed the appropriation of 10% of its net income for the year and accordingly reflected the amount of ₱21.95 million in unappropriated retained earnings of its financial statements for the year ended December 31, 2021.

Dividends

The declaration of dividends by the Company is generally made in accordance with the policies of the Ultimate Parent Company. The appropriation of available earnings by the Company is subject to the following principles, among others:

- The Company is subject to the dividend process at least on an annual basis.
- The Company must fully distribute its available earnings to the shareholder(s). The available earnings consist of the profit for the financial year according to the income statement and the profit carried forward from previous years, excluding any Other Comprehensive Income (OCI). Any capital required to meet local regulatory minimum reserve requirements or to stay within the targets approved for the Company is not considered as available earnings.
- The Company must raise a profit retention request in case not all part or full of its available earnings are distributed to the shareholder(s).

On July 01, 2022, the BOD declared cash dividends amounting to ₱200.79 million to all stockholders of record as of July 01, 2022 payable on or before July 29, 2022. The Company paid the cash dividends to its stockholders on July 27, 2022.

The Company did not pay cash dividend in 2023.



Capital Management

The Company's objectives when managing capital are:

- to safeguard the Company's ability as a going concern for it to continue providing returns to shareholders;
- to maximize shareholder value; and
- to maintain healthy capital ratios in order to support business.

The Company is also in compliance with SRC Rules on capital adequacy requirements.

The Company does not make changes to its capital structure unless directed by its Parent Company or to comply with regulatory requirements.

15. Minimum Capital Requirement

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 ₱2.5 million or 2.5% 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 risk-based capital adequacy model, and (c) to require unimpaired paid-up capital of ₱100.0 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; ₱10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions.

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

The Company is given by the SEC a license to operate as a broker and dealer in securities and is a trading participant of the PSE. It follows SEC Memorandum Circular No. 16 on guidelines in the adoption of the RBCA in computing regulatory capital which should be at a level that is more than the requirement at all times. The following ratios are monitored and kept within the required levels in order for the Company to conduct its business:

- Net Liquid Capital (NLC) is higher than the greater of ₱5.0 million or 5.0% of aggregate indebtedness
- Aggregate Indebtedness (AI) should not exceed 2,000.0% of NLC
- RBCA ratio is greater than or equal to 1.1
- Core Equity is greater than Operational Risk

RBCA ratio of a broker dealer, computed by dividing the NLC by the Total Risk Capital Requirement (TRCR), should not be less than 110.0%. 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.



The Company monitors its regulatory capital daily and submits a bi-weekly report to the SEC and the Capital Markets Integrity Corporation (CMIC). The Company also apprises management and the BOD on the level of capital and reason for any significant fluctuations in ratios.

The Company complied with the capital requirements under SEC Memorandum Circular No. 16, as follows:

Requirement	Required	Actual 2023
NLC is higher than the greater of ₱5.0 million or 5.0% of AI	₱23.6million	₱753.37million
AI should not exceed 2,000.0% of NLC	Less than 2000%	63%
RBCA ratio	Greater than or equal to 1.1	6.14
Core equity should be greater than operational risk	₱123 million	₱698.1 million
Requirement	Required	Actual 2022
NLC is higher than the greater of ₱5.0 million or 5.0% of AI	₱14.4million	₱590.27million
AI should not exceed 2,000.0% of NLC	Less than 2000%	49%
RBCA ratio	Greater than or equal to 1.1	4.55
Core equity should be greater than operational risk	Greater than ₱130 million	₱448.5 million

When AI exceeds 1,700.0% of NLC or when the RBCA ratio is less than 1.2, which are critical levels, the Company must notify the Commission in writing of such occurrence within twenty four (24) hours. The SEC may, after receipt of the notice, direct the Company in the conduct of its operations and/or impose conditions, if necessary. The Company is given ten (10) days to effect its proposal. Pending actual implementation, the Company must notify the Commission of its daily NLC position.

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

In addition, 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 (see Note 14). Minimum appropriation of 30.0%, 20.0% and 10.0% of profit after tax for brokers dealers with unimpaired paid up capital of between ₱10.0 million to ₱30.0 million, between ₱30.0 million to ₱50.0 million and more than ₱50.0 million, respectively.

16. Miscellaneous Revenues

This account consists of:

	2023	2022
Other income from customers	₱24,711,811	₱25,609,410
Foreign exchange gains	281,891	—
Others	8,088	—
	₱25,001,790	₱25,609,410

Other income from customers includes fees billed in payment for trade-related expenses.



Foreign exchange gains includes unrealized foreign exchange gain of ₱258,627 and realized foreign exchange gain of ₱23,264.

17. Retirement Plan

R.A. No. 7641, *Retirement Pay Law*, requires provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits of any collective bargaining and other agreements shall not be less than what is provided under the law. The law does not require minimum funding of the plan.

On January 1, 2009, the Company established a formal defined contribution retirement plan for its regular employees. The retirement plan is non-contributory and of the defined contribution type. It provides a benefit at normal retirement equal to one hundred percent (100%) of the Member's Account Balance (the Company contributions ranging from 10% to 12.5% of Plan Salary plus credited earnings) or the benefit due under the Labor Code, whichever is greater. The benefit is paid in a lump sum upon retirement or separation in accordance with the terms of the retirement plan.

The assets of the plan are held separately from those of the Company in a fund under the control of a trustee bank.

As of December 31, 2023 and 2022, the Company's DC obligation is higher than the projected DB obligation. Consequently, there is no DB liability as of both dates.

In 2023 and 2022, the Company's retirement expense amounted to ₱6.6 million and ₱6.8 million, respectively, which pertain to contributions due for the year. 'Retirement expense' is included under 'Compensation and employee costs' under 'Cost of services' and 'Operating expenses' in the statements of comprehensive income.

The latest actuarial valuation study of the Company's minimum retirement obligation under R.A. No. 7641 was made as of December 31, 2022.

18. Leases

In 2020, the Company renewed its lease agreement for another five years which will expire on June 2, 2025, renewable upon mutual consent of the Company and the lessor with pre-termination option subject to certain conditions. The lease agreement provides for annual escalation rate of 5.0% beginning on the second year. As of December 31, 2023 and 2022, the refundable deposits related to this lease agreement amounted to ₱2.4 million (see Note 11). Refundable rental deposits are included under 'Other noncurrent assets' and are non-interest bearing.

In December, 2023 the Company entered into a lease agreement for the lease of office space and its appurtenant parking slots for eight years beginning Dec. 15, 2024 and will expire on Dec. 14, 2031, renewable upon mutual consent of the Company and the lessor with pre-termination option subject to certain conditions. The agreement provides for an eight month rent-free during the first year which will be used for fit-out and move-in purposes. The agreement also provides for annual escalation rate of 5.0% beginning on the second year and every year thereafter. As of December 31, 2023, the deposit related to this agreement amounted to ₱1.1 million (see Note 11). The deposit is included under 'Other noncurrent assets' and is non-interest bearing.



The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios.

The Company also has certain leases of parking spaces with low value. The Company applies the 'lease of low-value assets' recognition exemptions for these leases. The Company has no short-term leases.

As of December 31, 2023 and 2022, the carrying value of the Company's right-of-use asset amounted to ₱91.9 million and ₱23.8 million, respectively (see Note 10).

The Company also recognized lease liability with movement stated below:

	2023	2022
At the beginning of year	₱22,949,399	₱32,708,879
Additional lease liability for the year	78,394,679	–
Interest expense	1,276,917	1,954,752
Payments	(7,036,525)	(11,714,232)
At the end of year	₱95,584,470	₱ 22,949,399

The maturity analysis of lease liability is disclosed in Note 4.

The following are the amounts recognized in statements of comprehensive income:

	2023	2022
Depreciation expense of right-of-use asset (Note 10)	₱10,294,320	₱9,858,794
Interest expense on lease liability	1,276,917	1,954,752
Expenses relating to leases of low-value assets included in 'Occupancy costs'	1,318,169	1,056,088
Total amount recognized in statements of comprehensive income	₱12,889,406	₱12,869,634

The Company has lease contract that includes extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

As of December 31, 2023 and 2022, the total future minimum lease payments on the foregoing lease agreement follow:

	2023	2022
Within one year	₱12,399,627	₱12,525,444
After one year but not more than five years	109,877,850	13,151,716
	₱122,277,477	₱25,677,160

Asset Retirement Obligation

The Company is required under the lease contract to restore its leased office premises to stipulated return condition and to bear the costs of restoration at the end of the contract. The costs are accrued based on an estimate of costs of restoration to be incurred at the end of the contract. As of December 31, 2023 and 2022, the Company's ARO amounted to ₱1.0 million.



19. Other Operating Expenses

This account consists of:

	2023	2022
Repairs and maintenance	₱8,069,023	₱6,358,895
Agencies and contractors' fees	1,594,990	1,347,951
Others	1,475,262	1,560,597
	₱11,139,275	₱9,267,443

Others include bank charges, courier, staff activities and other operating expenses.

20. Miscellaneous Expenses

This account consists of:

	2023	2022
Charitable contribution	₱1,539,256	₱1,487,710
Property and travel insurance	1,004,013	898,754
Other taxes	4,760,924	-
Others	2,027,489	4,689,712
	₱9,331,682	₱7,076,176

Other taxes in 2023 represents tax payments for tax deficiencies for taxable year 2018.

21. 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:

- a. 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
- b. its Ultimate/Parent Company and other subsidiaries/branches of its Parent Company.

Transactions between the Company and its Ultimate/Parent Company and other subsidiaries/branches of its Parent Company meet the definition of related party transactions. Such transactions, in the ordinary course of business, include among others, trading transactions, corporate center charges and payment of certain expenses incurred by its related parties.



Related party transactions of the Company are presented below:

Category	2023		2022		Terms and Conditions
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance	
Ultimate Parent Company					
UBS Group AG					
Share based payments	₹22,030,430	₹-	₹12,426,487	₹-	Paid in cash within the following month; non-interest bearing; unsecured; Refer to Note 23
Due to related parties	-	3,547,897	-	-	Paid in cash within the following month; non-interest bearing; unsecured. Refer to Note 23
Parent Company Branches					
UBS AG London Branch					
Receivable from customers	-	35,930,329	-	87,229,246	Collected in cash on settlement date (Trade date + 3 in 2022; Trade date + 2 in 2023); non-interest bearing; secured; with collateral (see Note 7); no impairment and allowance for credit loss
Payable to customers	-	10,891,488	-	40,507,844	Paid in cash on settlement date (Trade date + 3 in 2022; Trade date + 2 in 2023); non-interest bearing; secured; with collateral (see Note 12)
Commission income	74,967,730	-	114,589,254	-	Paid in cash on settlement date (Trade date + 3 in 2022; Trade date + 2 in 2023)
Trade transactions	30,357,554,823	-	47,358,789,127	-	Volume of trading transactions; Paid in cash on settlement date (Trade date +3 in 2022; Trade date + 2 in 2023)
UBS AG Stamford Branch					
Due to related parties	-	9,065,153	-	8,445,509	Paid in cash within the following month; non-interest bearing; unsecured. Based on MSA as described below
Corporate center charges	62,799,259	-	40,809,734	-	Paid in cash within the following month; non-interest bearing; unsecured. Based on MSA as described below

(Forward)



Category	2023		2022		Terms and Conditions
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance	
Other Related Parties					
UBS Securities Asia Ltd.					
Receivable from customers	₱-	₱239,301,669	₱-	₱172,441,202	Paid in cash on settlement date (Trade date + 3 in 2022; Trade date + 2 in 2023); non-interest bearing; secured (see Note 7) with collateral; no impairment and allowance for credit losses
Payable to customers	-	211,195,304	-	302,419,296	
Commission income	432,330,843	-	360,769,263	-	
Trade transactions	181,892,426,354	-	148,866,596,660	-	
UBS Investments Philippines, Inc.					
Due from related Parties	-	448,488	-	731,094	Paid in cash within the following month; non-interest bearing; unsecured with no impairment and allowance for credit losses. Based on MSA as described below
Other liabilities	-	134,173	-	134,173	
Service fees	7,004,618	-	7,414,541	-	
UBS AG Philippine Representative Office					
Due from related parties	166,833	8,960	154,959	-	Payable in cash within the month following the month when the expense is incurred; unsecured and with no impairment

a. UBS AG Stamford Branch (UBS Stamford) - Branch of the Parent Company

In 2017, the Company signed the Global Master Service Agreement (MSA) within UBS Group AG entities, including UBS Investments Philippines, Inc. (UBS IP), an entity under common control. The MSA is a global group-wide agreement among the MSA parties for the purpose of service provisioning within the UBS Group. The MSA focuses on the outsourcing and provisioning of shared services that are currently provided by the UBS Corporate Center such as human resources, information technology, group corporate services, group risk control, communication and branding, vendor management and finance, among others (Corporate Center Charges). Generally, it incorporates pre-existing intra-company/inter-divisional SLAs and shall, in principle, replace the existing intra-group service agreements. The MSA is for an indefinite term. The Company has the right to terminate a service relationship by giving the service provider at least six (6) months' prior written notice (or such other time as may be agreed in writing between the service relationship parties) of such termination. Each party to MSA can be the producer or consumer of any service. Billings under the MSA shall be based on pre-agreed mark-ups within a range provided for under the MSA. UBS Stamford will continue to be the assigned entity to clear the receivables and payables to each party to the MSA.



In 2023 and 2022, corporate center charges amounted to ₱62.8 million and ₱40.8 million, respectively.

Remunerations of directors and other 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 the members of PMC to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.

Independent directors' fees in 2023 and 2022 included under 'Management and other professional fees' amounted to ₱2.95 million.

The remuneration of the Company's directors and other key members of management for the years ended December 31, 2023 and 2022 follows:

	2023	2022
Compensation and short-term benefits	₱64,253,702	₱68,539,722
Share-based payment (Note 23)	22,030,430	12,426,487
Retirement expense (Note 17)	5,205,651	5,534,275
	₱91,489,783	₱86,500,484

22. Income Taxes

Income taxes include the regular corporate income tax (RCIT) at 25% of taxable income and final withholding taxes paid at the rate of 20.0% on gross interest income from deposit substitutes.

Provision for income tax consists of:

	2023	2022
Current:		
RCIT	₱63,397,568	₱65,916,405
Final	6,765,925	1,654,228
	70,163,493	67,570,633
Deferred	476,598	873,965
	₱70,640,091	₱68,444,598

On June 30, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon effectivity of CREATE Act in 2021. This did not impact the Company as it is reporting income tax under RCIT.

Current tax regulations provide that the optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Company elected to claim OSD instead of itemized expense deductions in computing for the RCIT in 2023 and 2022.



Current tax regulations also set limit on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. EAR expenses are limited to actual EAR paid or incurred but not to exceed 1.0% of net revenue. In 2023 and 2022, EAR expenses amounted to ₱2.6 million and ₱0.8 million, respectively.

As of December 31, 2023 and 2022, the Company recognized deferred tax assets on unvested share-based payment and provision for bonus aggregating to ₱11.6 million and ₱12.1 million, respectively, as management believes that future taxable profits will be available to utilize the deferred tax assets.

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

	2023	2022
Statutory income tax	₱74,969,708	₱79,517,859
Tax effect of:		
OSD election	(4,563,337)	(7,757,777)
Interest income subjected to final tax	(1,691,477)	(413,557)
Non-(taxable)/deductible (income)/expense	1,925,197	(2,901,927)
Effective income tax	₱70,640,091	₱68,444,598

23. UBS Share Awards

UBS Group (including the Company) has several share-based and other deferred compensation plans that align the interests of executives and other employees with the interests of investors.

Share based payment awards are granted in the form of notional shares and, where permitted, carry a dividend equivalent that may be paid in notional shares or cash and that vest on the same terms and conditions as the award. Awards are settled by delivering UBS Shares at vesting, except in jurisdictions where this is not permitted for legal or tax reasons.

Deferred compensation awards are generally forfeitable upon, among other circumstances, voluntary termination of employment with UBS. These compensation plans are also designed to meet regulatory requirements and include special provisions for regulated employees. The most significant deferred compensation plans are described below.

Mandatory deferred compensation plans

Equity Ownership Plan (EOP)

The EOP is mandatory deferred compensation plan for all employees whose total annual compensation exceeds a specified threshold. Awards generally vest in equal installments after two and three years following grant, provided that vesting conditions are satisfied. EOP awards granted to certain other employees will only vest if certain performance measures both for the Group and the applicable business division are met.

Certain awards, such as replacement awards issued outside the normal performance year cycle, may take the form of deferred cash under the EOP plan rules.



Deferred Contingent Capital Plan (DCCP)

The DCCP is a mandatory deferred compensation plan for all employees whose total annual compensation exceeds a specified threshold. DCCP awards take the form of notional additional tier 1 (AT1) capital instruments, which, at the discretion of UBS, can be settled in either a cash payment or a perpetual, marketable AT1 capital instrument. DCCP awards vest in full after five years, and up to seven years for certain regulated employees, unless there is a trigger event. Awards are forfeited if a viability event occurs.

In 2023 and 2022, share-based payment expenses included under ‘Compensation and employee costs’ in the statements of comprehensive income amounted to ₱22.0 million and ₱12.4 million, respectively.

Movements in shares granted are as follows:

	EOP - Plan A and B			
	Number of Shares 2023	Weighted Average Grant Date Fair Value 2023 (In CHF)	Number of Shares 2022	Weighted Average Grant Date Fair Value 2022 (In CHF)
Unvested at beginning of year	21,931	16	28,188	13
Shares awarded during the year	5,875	20	7,073	19
Vested during the year	(10,166)	13	(13,330)	11
Unvested at end of year	17,641	18	21,931	16

24. Approval of the Release of the Financial Statements

The accompanying financial statements of the Company were approved and authorized for issue by the BOD on April 8, 2024.

25. Supplementary Information Under Revenue Regulations 15-2010

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

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

Value-added Tax

The Company, as a stockbroker, is liable to pay output VAT on commissions and other income received in the regular course of its business. Under Republic Act No. 9337, the VAT rate is 12% effective February 1, 2006. The Company is also entitled to claim input VAT on purchases of goods and services from VAT-registered suppliers subject to its compliance with requirements of existing laws and regulations.



Details of the Company's gross receipts, output and input VAT for the year ended December 31, 2023 follow:

a. Gross receipts and Output VAT

	Gross receipts	Output VAT
Taxable gross receipts:		
Commissions and other income	₱612,552,484	₱73,506,298

Output VAT is based on gross commissions and other income actually or constructively received, determined in accordance with applicable tax laws and regulations.

During the year, the Company has no reported VAT-exempt sales transactions.

b. Input VAT

Balances as at January 1		₱-
Input VAT on :		
Domestic purchases of services	17,052,420	
Domestic purchases of goods	87,082	
Input VAT applied or reversed during the year	(17,139,502)	
Balances as at December 31		₱-

Other Taxes and Licenses

For the year ended December 31, 2023, other taxes and licenses of the Company, broken down by expense account, consist of:

Compensation and employee costs:		
Fringe benefits tax		₱389,934
Taxes and licenses:		
Business permits and licenses		1,453,814
Community tax certificate		10,500
Registration fee		500
		1,464,814
		₱1,854,748

Other taxes and licenses above are reported and paid in accordance with existing regulations of the BIR in the case of national internal revenue taxes, or the concerned local government unit, in the case of local taxes.



Withholding Taxes

Details of total remittances in 2023 and withholding taxes payable as of December 31, 2023 are as follows:

	Total Remittances	Balance
Withholding taxes on compensation	₱37,740,408	₱1,588,124
Final income tax withheld	1,281,674	444,861
Fringe benefit tax	377,913	12,021
Expanded withholding taxes	2,190,464	129,146
Withholding VAT	6,248,789	902,952
	<u>₱47,839,248</u>	<u>₱3,077,104</u>

Total remittances pertain to tax payments made for the reporting period covering January 2023 to November 2023. The outstanding withholding tax payable as of December 31, 2023 represents the withholding taxes for the month of December 2023 which were remitted in January 2024.



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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
UBS Securities Philippines, Inc.
19F Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue,
Makati City

We have audited the financial statements of UBS Securities Philippines, Inc. (the Company) as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 8, 2024.

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

SYCIP GORRES VELAYO & CO.



Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

Tax Identification No. 216-950-288

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

BIR Accreditation No. 08-001998-107-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10079900, January 5, 2024, Makati City

April 8, 2024



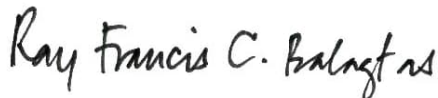
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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
UBS Securities Philippines Inc.
19F Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue,
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of UBS Securities Philippines Inc. (the Company) as at December 31, 2023 and 2022, and have issued our report thereon dated April 8, 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 Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68 and SRC Rule 52.1, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ray Francis C. Balagtas
Partner

CPA Certificate No. 108795

Tax Identification No. 216-950-288

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

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April 8, 2024



UBS SECURITIES PHILIPPINES INC
INDEX TO THE SUPPLEMENTARY SCHEDULES

- Annex A: Supplementary Schedules Required by Securities Regulation Code 52.1
- Statement of changes in liabilities subordinated to claims of general creditors (Schedule I)
 - Computation of risk-based capital adequacy requirement pursuant to SEC Memorandum Circular No. 16 (Schedule II)
 - Information relating to the possession or control requirements under SRC Rule 49.2 - Annex 49.2-A (Schedule III)
 - Computation for determination of reserve requirements under SRC Rule 49.2 - Annex 49.2-B (Schedule IV)
 - A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Schedule V)
 - Results of monthly securities count conducted pursuant to SRC Rule 52.1.10 as of balance sheet date (Schedule VI)
 - Reconciliation of retained earnings available for dividend declaration – SRC Rule 68 Annex 68-D (Schedule VII)

SCHEDULE I

UBS SECURITIES PHILIPPINES INC.

(A Wholly-Owned Subsidiary of UBS AG)
STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
DECEMBER 31, 2023

There are no liabilities subordinated to claims of general creditors.

SCHEDULE II

UBS SECURITIES PHILIPPINES INC.

(A Wholly-Owned Subsidiary of UBS AG)
COMPUTATION OF RISK-BASED CAPITAL ADEQUACY WORKSHEET
PURSUANT TO SEC MEMORANDUM CIRCULAR NO. 16
DECEMBER 31, 2023

Assets	₱ 1,400,265,388
Liabilities	472,942,235
Equity as per books	927,323,153
Adjustments to Equity per books	
Add (Deduct):	
Allowance for market decline	
Subordinated Liabilities	
Unrealized Gain / (Loss) in proprietary accounts	
Net Deferred Income Tax	(11,631,420)
Net Accumulated Unrealized Gain on AFS Investments	
Deposit for Future Stock Subscription (No application with SEC)	
Minority Interest	
Total Adjustments to Equity per books	(11,631,420)
Equity Eligible For Net Liquid Capital	915,691,733
Contingencies and Guarantees	
Deduct: Contingent Liability	
Guarantees or indemnities	
Ineligible Assets	
a. Trading Right and all Other Intangible Assets (net)	8,500,000
b. Intercompany Receivables	457,448
c. Fixed Assets, net of accumulated and excluding those used as collateral	99,680,374
d. All Other Current Assets	4,330,450
e. Securities Not Readily Marketable	
f. Negative Exposure (SCCP)	519,353
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	48,829,947
Total ineligible assets	162,317,571
Net Liquid Capital (NLC)	753,374,162
Less:	
Operational Risk Requirement	122,689,970
Position Risk Requirement	
Counterparty Risk	
Large Exposure Risk	
LERR to a single client	
LERR to a single debt	
LERR to a single issuer and group of companies	
Total Risk Capital Requirement (TRCR)	122,689,970
Net RBCA Margin (NLC-TRCR)	630,684,192
Liabilities	472,942,235
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	472,942,235
5% of Aggregate Indebtedness	23,647,112
Required Net Liquid Capital (> of 5% of AI or P5M)	23,647,112
Net Risk-based Capital Excess / (Deficiency)	729,727,050
Ratio of AI to Net Liquid Capital	63%
RBCA Ratio (NLC / TRCR)	614%

SCHEDULE III

UBS SECURITIES PHILIPPINES INC.

(A Wholly-Owned Subsidiary of UBS AG)
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 49.2-1:

Market Valuation:	<u>NIL</u>
Number of items:	<u>NIL</u>

SCHEDULE IV

UBS SECURITIES PHILIPPINES INC.

(A Wholly-Owned Subsidiary of UBS AG)
**COMPUTATION FOR DETERMINATION OF
 RESERVE REQUIREMENTS UNDER SRC RULE 49.2
 DECEMBER 31, 2023**

Particulars	Credits	Debits
1. Free credit balance and other credit balance in customers' security accounts.	₱ 306,366,254	
2. Monies borrowed collateralized by securities carried for the account of customers.		
3. Monies payable against customers' securities loaned.		
4. Customers' securities failed to receive.		
5. Credit balances in firm accounts which are attributable to principal sales to customer.		
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days old.		
7. Market value of the short security count differences over 30 calendar days old.		
8. Market value of short securities and credits (not to be offset by long or by debits) in all suspense accounts over 30 calendar days.		
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days.		
10. Debit balances in customers' cash or margin accounts excluding unsecured accounts and accounts doubtful of collection.		₱ 301,442,023
11. Securities borrowed to effectuate short sales by customer and securities borrowed to make delivery on customers' securities failed to delivery.		
12. Failed to deliver customers' securities not older than 30 calendar days.		
13. Others		
Total	₱ 306,366,254	₱ 301,442,023
Net Credit (Debit)	₱4,924,231	
Required Reserve (100% of net credit if making a weekly computation and 105% if monthly)	₱ 4,924,231	

SCHEDULE V

UBS SECURITIES PHILIPPINES INC.
(A Wholly-Owned Subsidiary of UBS AG)

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.

SCHEDULE VI

UBS SECURITIES PHILIPPINES INC.
(A Wholly-Owned Subsidiary of UBS AG)

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 reconciliation conducted.

SCHEDULE VII

UBS SECURITIES PHILIPPINES INC.
(A Wholly-Owned Subsidiary of UBS AG)
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2023

Unappropriated Retained Earnings, beginning		₱237,651,749
Less adjustment on deferred tax assets in previous years		(12,108,018)
Unappropriated Retained Earnings, as adjusted, beginning		225,543,731
Net income based on the face of audited financial statements		
	229,238,739	
Net income Appropriation	(22,923,874)	
Add: Provision for deferred income tax	476,598	
Less: unrealized foreign exchange gain	(258,627)	
Net income actually earned during the year		206,532,836
Dividend declarations during the year		-
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱432,076,567

SCHEDULE VIII

UBS SECURITIES PHILIPPINES INC.

(A Wholly-Owned Subsidiary of UBS AG)

**SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS IN TWO COMPARATIVE PERIODS UNDER SRC RULE 68, AS AMENDED
DECEMBER 31, 2023 AND 2022**

	Formula	2023	2022
Current ratio	Current assets ÷ Current liabilities	200.93%	208.01%
Liquidity ratio	Cash and cash equivalents ÷ Current liabilities	109.48%	120.54%
Solvency ratio	Total liabilities ÷ Total assets	49.82%	45.21%
Debt-to-equity ratio	Total liabilities ÷ Total equity	99.27%	82.50%
Asset-to-equity ratio	Total assets ÷ Total equity	199.27%	182.50%
Interest rate coverage ratio	Earnings before interest and taxes ÷ Interest expense	209.35%	163.72%
Profitability ratio	Total comprehensive income ÷ Average equity	28.21%	37.05%