SECURITIES AND EXCHANGE COMMISSION
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

LANDBANK SECURITIES, INC.

For the years ended December 31, 2024 and 2023

EXECUTIVE SUMMARY

INTRODUCTION

Landbank Securities, Inc. (LSI or the Company), formerly UCPB Securities, Inc., was incorporated in the Philippine Securities and Exchange Commission (SEC), with SEC Registration No. 175073 on March 20, 1990 to engage primarily in the business of offering, buying, selling, dealing and trading of securities of all kinds for its own account and as a broker in the purchases, sales or other transactions relating to all kinds of securities of any person, corporation or entity. The Company is a trading participant in the Philippine Stock Exchange (PSE) and operates within the Philippines.

The Company was a former wholly owned subsidiary of United Coconut Planters Bank (UCPB), a universal bank engaged in providing expanded commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, investment banking and trust services in the Philippines.

On June 25, 2021, Executive Order (EO) No. 142, s. 2021 titled *"Approving the Merger of Land Bank of the Philippines (LBP) and the United Coconut Planters Bank (UCPB), and the acquisition by the LBP of the Special Preferred Shares of the Philippine Deposit Insurance Corporation (PDIC) in the UCPB"* was signed by the President of the Republic of the Philippines, whereby the latter bank shall emerge as the surviving entity, subject to the requisite approvals from the Securities and Exchange Commission, and to the conditions and limitations under Republic Act (RA) Nos. 11524 and 11232 or the Revised Corporation Code of the Philippines. As the operation of the Company is separate from UCPB, it shall not be affected by the merger and shall continuously operate its own business on a going concern basis throughout the merger process.

On October 11, 2022, the SEC approved the amendment of the Company's Articles of Incorporation, changing its registered name from UCPB Securities, Inc. to Landbank Securities, Inc. The powers and functions of the Company are exercised by the Board of Directors composed of nine directors. The Board is headed by a Chairman who is the President and Chief Executive Officer of the former UCPB.

The registered office of the Company, which is also its principal place of business, is located at 16th Floor Unit L2L16-11 The PSE, One Bonifacio High Street, 5th Avenue corner 28th Street stockholders, Bonifacio Global City, Taguig.

As of December 31, 2024, the Company has 12 regular employees.

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of LSI transactions and accounts for the period January 1 to December 31, 2024 to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2024, and 2023 in accordance with the International Standards of Supreme Audit Institutions. Also, we conducted our audit to assess compliance with pertinent laws, rules, and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

Particulars	2024	2023	Increase/ (Decrease)
Assets	318,556,376	279,523,762	39,032,614
Liabilities	107,760,228	68,046,116	39,714,112
Equity	210,796,148	211,477,646	(681,498)

II. Comparative Results of Operations

Particulars	2024	2023	Increase/ (Decrease)
Revenue	21,726,007	17,163,105	4,562,902
Operating expenses	(23,079,929)	(21,645,220)	(1,434,709)
Net loss before tax	**(1,353,922)**	**(4,482,115)**	**3,128,193**
Tax expense	(1,298,378)	(92,079)	(1,206,299)
Net loss	**(2,652,300)**	**(4,574,194)**	**1,921,894**

III. Comparative Budget and Actual Expenditures

	2024		2023	
	Approved Budget	**Expenditures**	**Approved Budget**	**Expenditures**
Personal services	22,444,772	10,574,161	11,083,755	10,767,520
Maintenance and other operating expenses	18,016,502	12,279,714	12,279,910	10,877,700
Financial Expenses	183,000	226,054.00	0	0
Capital outlay	1,116,000	0	1,116,000	0
Total	41,760,274	23,079,929	24,479,665	21,645,220

AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the LSI as at December 31, 2024 and 2023.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The disbursement vouchers covering the reimbursable expenses of the members of the Board of Directors totaling P353,097.39 were submitted to COA without the required supporting documents, contrary to Section 4(6) of Presidential Decree No. 1445, COA Circular No. 2012-001, and Section 12 of the Executive Order No. 24.

We recommended and Management agreed to:

a. Issue procedural guidelines mandating that all Disbursement Vouchers and Journal Vouchers be submitted together with complete, sufficient, and relevant supporting documents in compliance with the documentary requirements set forth under COA Circular No. 2012-001 and Section 12 of EO No. 24.

b. Establish a policy guideline for the following:

    i. Approving claims related to reimbursable expenses.
    ii. Submission and retention of receipts.

c. Submit the supporting documents on the disbursements for reimbursable expenses of the members of BOD totaling P353,097.39.

SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES

There were no audit suspensions, disallowances and charges as of year end.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the six audit recommendations embodied in the prior year's Annual Audit Report, five were implemented, and one was not implemented.

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PART I

AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Landbank Securities, Inc.
Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Landbank Securities, Inc. (LSI)** which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LSI as at December 31, 2024 and 2023, 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 International Standards of Supreme Audit Institutions (ISSAIs). 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 LSI in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (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 LSI'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 LSI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the LSI'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 ISSAIs 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 ISSAIs, 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 LSI'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 LSI'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 LSI 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 Other Regulatory Requirements

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 the Revenue Regulations 15-2010 in Note 23 and the Revised Securities Regulation Code Rule 68 in Note 24 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and the Securities and Exchange Commission, respectively, and are not a required part of the basic financial statements. Such supplementary information are the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

ALTHEA T. ROSAS-LADORES
OIC-Supervising Auditor

April 30, 2025

LANDBANK SECURITIES, Inc.

BAGONG PILIPINAS

LANDBANK SECURITES, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **LANDBANK SECURITIES, INC.**, is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2024 and 2023, 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 to do so.

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

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

The Commission on Audit has audited the financial statements of the Company in accordance with the International Standards of Supreme Audit Institutions, and in its report to the Board of Directors, has expressed their opinion on the fairness of presentation upon completion of such audit.

Signature : ____________________
LIDUVINO S. GERON
Chairman of the Board

Signature : ____________________
ANALIZA M. VASCO
Officer-In-Charge

Signature : ____________________
JERIC JAYSON T. RESPETO
Treasurer/Operation Head

Signed this 17th day of March 2025

LANDBANK SECURITIES, INC.
(A wholly owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2024 and 2023
(Amounts in Philippine Peso)

	Note	2024	2023
ASSETS			
Cash and cash equivalents	8	152,108,158	108,018,369
Trading and investment securities			
At fair value through profit or loss	9	1,064,300	0
At fair value through other comprehensive income	10	110,350,957	118,027,665
Receivables, net	11	23,830,433	21,531,628
Property and equipment, net	12	14,873,110	15,704,203
Intangible assets, net	13	8,056,659	8,094,399
Other assets, net	14	8,272,759	8,147,498
TOTAL ASSETS		**318,556,376**	**279,523,762**
LIABILITIES AND EQUITY			
Payables, net	15	100,933,697	57,912,226
Accrued expenses and other payables	16	1,735,868	6,515,945
Deferred tax liability	19	5,090,663	3,617,945
TOTAL LIABILITIES		**107,760,228**	**68,046,116**
EQUITY	21	**210,796,148**	**211,477,646**
TOTAL LIABILITIES AND EQUITY		**318,556,376**	**279,523,762**

The Notes on pages 10 to 53 form part of these financial statements

LANDBANK SECURITIES, INC.
(A wholly owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF INCOME
For the years ended December 31, 2024 and 2023
(Amounts in Philippine Peso)

	Note	2024	2023
REVENUES			
Dividend	9	7,285,715	8,284,113
Commissions	20.2	6,383,896	7,252,794
Trading gains	9	173,075	47,419
Finance income	8, 20.1	2,594,718	797,016
Other income	17	5,288,603	781,763
		21,726,007	**17,163,105**
OPERATING EXPENSES			
Salaries and employee benefits	18, 20.4	(10,574,161)	(10,767,520)
Postage, telephone and telegram		(1,396,228)	(2,945,578)
Stock exchange fees and dues	4.13 (a)	(1,423,367)	(1,430,429)
Repairs and maintenance		(1,262,663)	(1,278,157)
Depreciation	12	(989,323)	(939,210)
Entertainment, amusement and representation		(149,719)	(155,667)
Philippine Central Depository charges	4.13 (b)	(426,114)	(515,751)
Security, messengerial and janitorial services		(537,402)	(449,491)
Taxes and licenses	23 (f)	(2,427,374)	(389,917)
Stationery and supplies		(281,705)	(307,321)
Mark to market loss on trading investment and investment at fair value through profit and loss	9	(158,995)	(55,400)
Professional fees		(36,731)	(54,463)
Amortization	13	(37,738)	(37,738)
Power, light and water		(45,309)	(36,950)
Rent		0	(14,931)
Other expenses	17	(3,333,100)	(2,266,697)
		(23,079,929)	**(21,645,220)**
INCOME/(LOSS) BEFORE INCOME TAX		**(1,353,922)**	**(4,482,115)**
Tax Expense	19	(1,298,378)	(92,079)
NET LOSS		**(2,652,300)**	**(4,574,194)**

The Notes on pages 10 to 53 form part of these financial statements

LANDBANK SECURITIES, INC.
(A wholly owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2024 and 2023
(Amounts in Philippine Peso)

	Note	2024	2023
NET LOSS		**(2,652,300)**	**(4,574,194)**
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss:			
Fair value gains (loss) on financial assets at other comprehensive income	21.6	3,523,763	(8,898,209)
Revaluation Reserves Intangible Asset	21.6	0	8,666,667
Deferred Tax	19	**(880,941)**	57,886
		2,642,822	**(173,656)**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(9,478)**	**(4,747,850)**

The Notes on pages 10 to 53 form part of these financial statements

LANDBANK SECURITIES, INC.
(A wholly owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Peso)

	Capital Stock	NUGL of TS @ FVOCI	Retained earnings - Unappropriated	Retained earnings - Appropriated	TOTAL
	Note 21.1			Note 21.3	
lance at January 1, 2024	**50,000,000**	**18,558,252**	**130,743,198**	**12,176,196**	**211,477,646**
Gains on disposed equity securities at fair value through other comprehensive income (FVOCI) (Note 10)			134,026		134,026
Additional Stock subscription (1,300,000 shares at P100/share)	130,000,000		(130,000,000)		0
Prior Period Adjustments			8,151		8,151
Adjustments in Deferred Tax			(814,197)		(814,197)
Total comprehensive income for the year		2,642,822			2,642,822
Net Loss			(2,652,300)		(2,652,300)
lance at December 31, 2024	**180,000,000**	**21,201,074**	**(2,581,122)**	**12,176,196**	**210,796,148**
lance at January 1, 2023	**50,000,000**	**18,731,908**	**7,571,805**	**141,828,743**	**218,132,456**
justment from Prior Years					
stated Balance at January 1, 2023	**50,000,000**	**18,731,908**	**7,571,805**	**141,828,743**	**218,132,456**
Gains on disposed equity securities at fair value through other comprehensive income (FVOCI) (Note 10)			481,290		481,290
Transfer for future stock subscription			130,000,000	(130,000,000)	0
Appropriation per SRC Rule 49.1			(347,453)	347,453	0
Adjustment in Deferred Tax and FFE Residual Value			1,165,295		1,165,295
Remittance of Dividend to Bureau of Treasury from 2021 net earnings (Note 21.5)			(3,553,545)		(3,553,545)
Other Comprehensive Income		(173,656)			(173,656)
Net Income			(4,574,194)		(4,574,194)
lance at December 31, 2023	50,000,000	18,558,252	130,743,198	12,176,196	211,477,646

The Notes on pages 10 to 53 form part of these financial statements

LANDBANK SECURITIES, INC.
(A wholly owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Peso)

	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of receivables from clients		2,561,625,852	2,651,550,842
Sale of securities of clients - taxable		1,468,904,211	815,695,861
Sale of securities of clients - non taxable		1,171,576,310	1,171,576,310
Sale of other investments	9	16,161,906	29,996,608
Collection of service and business income		6,383,896	7,252,794
Collection of other non-operating income		828,959	828,959
Collection from loans of officers and employees		0	96,621
Receipt of interest earned		496,003	496,003
Total Cash Inflows		**5,225,977,136**	**4,677,493,998**
Cash Outflows			
Payment of accounts payable		2,598,930,973	2,145,066,515
Purchase/acquisition of securities of clients		2,543,789,658	2,571,377,485
Purchase/acquisition of investments	9	17,212,125	30,004,589
Payment of Expenses		26,764,904	26,068,937
Total Cash Outflows		**5,186,697,661**	**4,772,517,526**
Net Cash Provided by/(Used in) Operating Activities		**39,279,475**	**(95,023,528)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Sale of Investments	10	12,459,956	6,517,054
Receipt of Cash Dividends		8,284,113	8,284,113
Total Cash Inflows		**20,744,069**	**14,801,167**
Cash Outflows			
Purchase of Investments		2,006,400	10,371,600
Purchase of Treasury Bills		13,769,125	0
Purchase/Construction of Property, Plant and Equipment		158,230	0
Total Cash Outflows		**15,933,755**	**10,371,600**
Net Cash Provided by/(Used in) Investing Activities		**4,810,314**	**4,429,567**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**44,089,789**	**(90,593,961)**
CASH AND CASH EQUIVALENTS, JANUARY 1		**108,018,369**	**198,612,330**
CASH AND CASH EQUIVALENTS, DECEMBER 31	8	**152,108,158**	**108,018,369**

The Notes on pages 10 to 53 form part of these financial statements

LANDBANK SECURITIES, INC.
(A Wholly Owned Subsidiary of Land Bank of the Philippines)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine peso unless otherwise stated)

1. GENERAL INFORMATION

Landbank Securities, Inc. (LSI or the Company), formerly UCPB Securities, Inc., was incorporated with SEC Registration No. 175073 on March 20, 1990 to engage primarily in the business of offering, buying, selling, dealing and trading of securities of all kinds for its own account and as a broker in the purchases, sales or other transactions relating to all kinds of securities of any person, corporation or entity. The Company is a trading participant in the Philippine Stock Exchange (PSE) and operates within the Philippines.

The Company was a former wholly owned subsidiary of United Coconut Planters Bank (UCPB or the Parent Bank), a universal bank engaged in providing expanded commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, investment banking and trust services in the Philippines.

On June 25, 2021, Executive Order (EO) No. 142, s2021 titled *"Approving the Merger of Land Bank of the Philippines (LBP) and the United Coconut Planters Bank (UCPB), and the acquisition by the LBP of the Special Preferred Shares of the Philippine Deposit Insurance Corporation (PDIC) in the UCPB"* was signed by the President of the Republic of the Philippines, whereby the latter bank shall emerge as the surviving entity, subject to the requisite approvals from the Securities and Exchange Commission, and to the conditions and limitations under Republic Act Nos. 11524 and 11232 or the Revised Corporation Code of the Philippines.

As the operation of the Company is separate from its Parent Bank, it shall not be affected by the merger and shall continuously operate its own business on a going concern basis throughout the merger process.

On October 11, 2022 the SEC approved the amendment of the Company's Articles of Incorporation, changing its registered name from UCPB Securities, Inc. to Landbank Securities, Inc. The Company is now wholly owned subsidiary of LBP, its Parent Bank. LBP is a financial institution wholly-owned by the government. It was established in 1963 as the financial intermediary of the Land Reform Program of the government.

As at December 31, 2024, the company is operated by three traders, its Officer-In-Charge and eight administrative personnel.

The registered office of the Company, which is also its principal place of business, is located at 16th Floor Unit L2L16-11 The PSE, One Bonifacio High Street, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig.

2. STATEMENT OF COMPLIANCE WITH PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs)

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with PFRSs. PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

(b) Approval of Financial Statements

The financial statements of the Company as at and for the year ended December 31, 2024 (including the comparative financial statements as at and for the year ended December 31, 2023) were authorized for issue by the Company's Board of Directors on March 17, 2025.

3. NEW OR REVISED STANDARDS

(a) Effective in 2024 that are Relevant to the Company

The Company adopted the following amendments, interpretation and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

(i.) PAS 1 (Amendments), Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

(ii.) PAS 1 (Amendments), Presentation of Financial Statements – Non-current Liabilities with Covenants

These amendments do not have any significant impact on the Company's 2024 financial statements.

(b) Effective Subsequent to 2024 but not Adopted Early

(i.) Amendments to PFRS 17, Initial Application of PFRS 17 and PFRS 9 - Comparative Information (effective for reporting periods beginning on or after January 1, 2025)

(ii.) PFRS 18, Presentation and Disclosure in Financial Statements, with focus on updates to statement of profit or loss (effective for annual periods beginning on or after January 1, 2027)

4. MATERIAL ACCOUNTING POLICIES

4.1 Basis of Preparation of Financial Statements

The financial statements have been prepared using the measurement bases specified by PFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

4.2 Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income separate from the statement of income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

4.3 Functional and Presentation Currency

These financial statements are presented in Philippine peso, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

4.4 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets in accordance with PFRS 9

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described in the succeeding page:

(i) Financial Assets at Amortized Cost

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

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Except for trade receivables that do not contain significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Company's financial assets at amortized cost are presented in the statements of financial position as Cash and Cash Equivalents, Receivables from Customers – net, Receivables from Clearing House, Receivables from Others – net

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statements of profit or loss as part of Finance Income.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as Financial Assets at Fair Value Through Profit or Loss (FVTPL). The Company's financial assets at FVOCI include its investment in PSE shares and certain designated quoted equity securities.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Revenue, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company's financial assets at FVTPL include equity securities that are held for trading purposes or designated as at FVTPL.

Financial assets at FVTPL are measured at fair value with gains and losses recognized in profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets Under PFRS 9

The Company assesses its Expected Credit Loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. The Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all receivables, except for short-term loans to employees. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

For the Company's short-term loans to employee, the Company applies the general approach in measuring ECL, wherein the Company recognizes lifetime ECL when there has been a significant increase in credit risk (SICR) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12-months after the end of the reporting period.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(e) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

4.5 Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

4.6 Property and Equipment

Property and equipment, which include transportation equipment and furniture, fixtures and equipment and condominium are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful life of the assets that is five years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 4.16).

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed and adjusted, if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An item of property and equipment, including the related accumulated depreciation and amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the year the item is derecognized.

4.7 Intangible Assets

Intangible assets include acquired software costs and exchange trading rights, which are accounted for under the cost model, and revaluation model, respectively. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production.

Acquired computer software licenses are capitalized based on the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful lives, as these intangible assets are considered finite.

4.8 *Trading Right*

Trading right is the result of the conversion plan to preserve the Company's access to the trading facilities and for it to continue to transact business at the PSE. Trading right is assessed 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, but is tested annually for any impairment in realizable value.

Trading right is carried at market value less allowance for impairment loss, if any (see Note 4.16). The trading right is tested annually for any impairment in realizable value.

In accordance with PAS 38, *Intangible Assets*, intangible assets with indefinite useful life will not be amortized but shall be reviewed each year to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. The Company tests the asset for impairment by comparing its carrying amount with its recoverable amount, and recognizing any excess of the carrying amount over the recoverable amount as an impairment loss.

No impairment loss is recognized for this asset, as its carrying value amounted to P8.0 million in 2024 and 2023 (see Note 13).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.9 *Financial Liabilities*

Financial liabilities, which include payables to customers and accrued expenses and other payables (except tax-related liabilities), are recognized when the Company becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized costs using effective interest method for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as Finance cost in profit or loss under Other Expenses in the statements of income.

The Company recognizes dividend distributions to shareholders as financial liabilities upon declaration.

Financial liabilities are derecognized from the statements of financial position only when the obligations are extinguished through either discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

4.10 *Offsetting Financial Assets and Financial Liabilities*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statements of financial position when the Company currently has legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

4.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

4.12 Revenue and Expense Recognition

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by the Company for services rendered, excluding value-added tax (VAT).

To determine whether to recognize revenue, the Company follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;

(ii) each party's rights regarding the services to be transferred or performed can be identified;

(iii) the payment terms for the services to be transferred or performed can be identified;

(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,

(v) collection of the consideration in exchange of the services is probable.

Revenue is recognized only when the Company satisfies a performance obligation by transferring control of the promised services to a customer. Transfer of control occurs at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;

(ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,

(iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) Commissions – Revenue is recorded on a transaction-date basis as securities transactions occur. This is when the Company has fulfilled its performance obligations, which are filling out the customer's order and entering into a trade contract on behalf of that customer.

(b) Trading gains (losses) – Revenue is recognized when the investments in securities are sold at prices higher (lower) than its carrying values and when the ownership of the securities is transferred to the buyer.

(c) Dividend – Revenue is recognized when the Company's right to receive the payment is established.

(d) Interest income – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in the statement of profit or loss upon utilization of the goods or service or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis.

4.13 *Securities Transactions*

Securities transactions and related commission revenues and expenses (see Note 4.12) are recorded on the transaction-date basis. Significant related expenses in these transactions follow:

(a) Stock Exchange Fees and Dues

Stock exchange fees and dues refer to fees paid to the PSE, SEC and the Securities Investors Protection Fund for every trade transaction made by the Company, relative to the respective volume of such transaction. These are recognized in profit or loss on the date they are incurred.

(b) Philippine Central Depository Charges

Philippine Central Depository charges refer to depository maintenance fees for the customer accounts maintained by the Company in the Philippine Depository & Trust Corp. (PDTC), the independent custodian of scripless securities that are traded in the PSE. These are recognized in profit or loss upon utilization of the service of the PDTC.

4.14 *Leases – Company as Lessee*

Leases that do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Accounting for Leases in Accordance with PFRS 16

The Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

4.15 *Foreign Currency Transactions and Translation*

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates that approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of income as part of income or loss from operations.

4.16 *Impairment of Non-financial Assets*

The Company's trading right, property and equipment and other non-financial assets are subject to impairment testing. Trading right with an indefinite useful life is tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset specific risk factors.

All assets, except for trading right with indefinite useful life are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

4.17 *Income Taxes*

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

4.18 *Related Party Transactions and Relationships*

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless of whether or not a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that give them significant influence over the Company and close members of the family of any such individual; and, (d) the Company's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

4.19 Equity

Capital stock represents the nominal value of shares that have been issued.

Revaluation reserves pertain to the cumulative mark-to-market valuation of financial assets at FVOCI and revaluation of trading right, net of applicable tax.

Unappropriated retained earnings include all current and prior period results of operations as disclosed in the statements of income, reduced by the amounts of dividends declared.

Balance as of December 31, 2024 also includes the portion required to cover future stock subscription for additional capital infusion.

Appropriated retained earnings pertain to reserve fund required for companies engaged in the securities brokerage business and for the Company's future office space acquisition.

4.20 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRSs requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately differ from these estimates.

5.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Evaluation of Business Model Applied in Managing Financial Instruments

Upon adoption of PFRS 9, the Company developed business models, which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

(b) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets under PFRS 9, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element were not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by Management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 4.11 and disclosures on relevant provisions and contingencies are presented in Note 22.

5.2 *Key Sources of Estimation Uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 6.2.

(b) Impairment of Receivables from Customers, Receivables from Clearing House and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, sufficiency of stock position, the length of the Company's relationship with the customers and/or counterparties, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The carrying value of receivables from customers, receivables from clearing house and other receivables, and the analysis of allowance for impairment on such financial assets are shown in Note 11.

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The carrying values of the Company's trading and investment securities at FVTPL and FVOCI securities and the amounts of fair value changes recognized in 2024 and 2023 on those financial assets are disclosed in Notes 9 and 10, respectively.

(d) Estimation of Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 12. Based on management's assessment as at December 31, 2024 and 2023, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.16). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Trading right having indefinite useful life is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Moreover, the Company tests the asset for impairment annually by comparing its recoverable amount with it carrying amount. Any excess of the carrying amount over the recoverable amount is recognized as an impairment loss.

In 2024 and 2023, based on management's assessment, no impairment losses were recognized on the Company's trading right (see Note 13) and other non-financial assets.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2024 and 2023 will be fully utilized in the subsequent reporting periods. The carrying value of deferred tax assets as of those dates is disclosed in Note 19.

(g) Valuation of Post-employment Defined Benefit Obligation

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks that result from its operating, investing and financing activities. The Company's financial assets and financial liabilities are summarized in Note 7. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its Parent Bank, in close cooperation with the Board of Directors, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. The relevant financial risks to which the Company is exposed to are described in the succeeding pages.

6.1 *Market Risk*

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk that result from both its operating, investing and financing activities.

(a) *Foreign Currency Risk*

The Company's transactions are carried out in Philippine pesos. Exposures to currency exchange rates arise from the Company's less than significant dollar deposit. The deposit is included as part of Cash and Cash Equivalents.

The Company's management believes that foreign currency risk is insignificant; however, to mitigate the Company's exposure to foreign currency risk, it monitors its dollar deposit and keeps the amount of deposits at a minimum level.

(b) *Interest Rate Risk*

As at December 31, 2024 and 2023, the Company is exposed to changes in market rates through its short-term placements that are subject to 30 to 60 days re-pricing intervals (see Note 8). Due to the short duration of short-term placements, management believes that the interest rate sensitivity and its effect on the income before income tax for the years presented and equity are not significant.

(c) *Other Price Risk*

The Company's market risk originates from securities held as a principal or in proprietary or dealer accounts. The Company manages its risk arising from changes in market price by monitoring the changes in the market price of the investments. In accordance with Risk-Based Capital Adequacy (RBCA) requirements, limits are imposed for all equity, debt and foreign exchange positions.

The observed volatility rates of the fair values of the Company's trading and investment securities and their impact on the Company's equity as at December 31, 2024 and 2023 are summarized below. These percentages have been determined using standard deviation based on the average market volatility in stock prices in the previous 12 months.

December 31, 2024	Observed Volatility Rates		Impact of Increase		Impact of Decrease	
	Increase	Decrease	Profit before tax	Equity	Profit before tax	Equity
FVTPL	30,78%	30,78%	327,561	245,671	(327,561)	(245,671)
FVOCI	30,78%	30,78%	33,962,868	25,472,151	(33,962,868)	(25,472,151)
			34,290,429	25,717,822	(34,290,429)	(25,717,822)

December 31, 2023	Observed Volatility Rates		Impact of Increase		Impact of Decrease	
	Increase	Decrease	Profit before tax	Equity	Profit before tax	Equity
FVTPL	32.25%	32.25%	0	0	0	0
FVOCI	32.25%	32.25%	38,064,886	28,548,665	(38,064,886)	(28,548,665)
			38,064,886	28,548,665	(38,064,886)	(28,548,665)

6.2 *Credit Risk*

Credit risk is the risk that a customer or a counterparty will be unable or unwilling to pay obligations on time or in full as expected or previously contracted, subjecting the Company to financial loss. The goal of credit risk management is to maximize the Company's risk-adjusted rate of return by maintaining credit risk exposure within approved parameters. This is accomplished by means of approved credit policies, credit limits and other credit risk management systems that identifies, measures and controls the credit risks.

Credit risks include counterparty risk, settlement risk, large exposure risk and margin lending/financing risk, which are all measured, and capital provided in conjunction with the RBCA requirements of the Securities Regulation Code (SRC) (see Note 21.2). The Company's credit policies include a thorough understanding of the borrower or counterparty as well as the purpose and structure of credit and its source of repayment. Stock position and credit limits are set and are monitored to avoid significant concentrations to credit risk. The stock position and credit limits established are appropriate to the type, nature and volume of business undertaken and the financial status of the counterparty and is reviewed on a regular basis. The Company also employs credit administration activities to ensure that all facets of credit are properly maintained.

The maximum credit risk exposure of financial assets and the carrying amount of the financial assets as shown on the face of the statements of financial position or in the detailed analysis provided in the notes to the financial statements are summarized below.

	Note	2024	2023
Cash and cash equivalents	8	152,108,158	108,018,369
Receivables from customers – net	11.1	20,344,018	3,490,886
Receivables from clearing house - net	11.2	2,761,107	16,882,999
Other receivables – net	11.3	725,308	1,157,743
		175,938,591	**129,549,997**

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls.

The tables below present the summary of the Company's exposure to credit risk as at December 31, 2024 and 2023 and show the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

December 31, 2024	Note	Lifetime ECL -Not impaired	Lifetime ECL – Impaired	Total
Cash and cash equivalents	8	152,108,158		152,108,158
Receivables from:				
Customers – net	11.1	20,344,018	1,418	20,345,436
Clearing house	11.2	2,761,107		2,761,107
Others – net	11.3	725,308	1,176,503	1,901,811
		175,938,591	**1,177,921**	**177,116,512**

December 31, 2023	Note	Lifetime ECL - Not impaired	Lifetime ECL – Impaired	Total
Cash and cash equivalents	8	108,018,369		108,018,369
Receivables from:				
Customers – net	11.1	3,490,886	523	3,491,409
Clearing house	11.2	16,882,999		16,882,999
Others – net	11.3	1,157,743	1,193,503	2,351,246
		129,549,997	**1,194,026**	**130,744,023**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the factors that may influence the credit risk of each counterparty including default risk associated with industry of the counterparty and economic environment in which each counterparty operates.

The management assessed that there are no significant ECL arising from Company's financial assets as at December 31, 2024 based on the credit risk grade of each counterparty and the Company's credit loss experience.

8.2.1 Concentrations of credit risks of financial assets

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and other conditions. There are no significant concentrations of credit risk in the Company.

8.2.2 Credit quality of financial assets

None of the Company's financial assets is secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements, which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Receivables

The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers are subject to credit verification procedures. In accordance with RBCA requirements, limits are imposed to avoid large exposures to a single client or counterparty, single debt issue and single equity issue relative to a particular issuer company and its group of companies. As a result, the maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts in the statements of financial position.

The Company applies the PFRS 9 simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, Receivables from customers have been grouped based on shared credit risk characteristics and the days past due (age buckets). Other receivables, excluding short-term loans granted to Company's employees, relate to receivables from both third and related parties other than customers and have substantially the same risk characteristics as the Receivables from customers. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

As at December 31, 2024 and 2023, the ECL amounted to P1.2 million (see Note 11.3).

(c) Receivable from Officers and Employees

The Company grants short-term loans to its employees. Payments are facilitated through automatic deductions to monthly salaries; thus, exposure to defaults is not significant.

For the Company's short-term loans to its employees, the Company applies the PFRS 9 general approach to measure ECL. The measurement is based on 12-month ECL associated with the probability of default of short-term loan in the next 12 months (referred to as 'Stage 1' loans). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' loans). 'Stage 2' short-term loans also include those accounts where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall be recognized for 'Stage 3' loans, which include short-term loans that are subsequently credit-impaired.

In accordance with the Company's policy, a short-term loan is assessed for impairment based on the following stages:

Stage 1	**Stage 2**	**Stage 3**
0 – 30 days past due (Performing)	31 – 90 days past due (Underperforming)	More than 90 days past due (Non-performing)

As at December 31, 2024, the company recognized a lifetime ECL amounting to P1.15 million out of its P25.01 million Customers and classified it as Stage 3 loans, while the remaining P23.83 million are classified under Stage 1 (Notes 11.1 and 11.3).

6.3 Liquidity Risk

Liquidity risk is the risk arising from the potential that the Company will be unable to meet its obligation as they come due, due to inability to liquidate assets or obtain adequate funding or the inability to unwind or offset specific exposures in the event of market disruptions.

Liquidity measurement involves assessing all cash inflows against outflows to identify the potential for any net shortfalls going forward. This calculation includes funding requirements for off-books commitments.

A core measurement of liquidity, the Maximum Cumulative Outflow, is defined as the amount of prospective funding that the Company will require at pre-specified future dates in normal operating environments. This monetary amount is a measure of the liquidity gap between the maturing liabilities and assets.

The measurement of the Company's net funding requirements also requires qualitative assessments. Some cash flows are easily calculated or predicted, but assumptions about future liquidity needs, both in the very short-term and for long-term time periods are also considered. In like manner, the Company's reputation impacts its ability to access funds, therefore, any information that could have an impact on market and public perceptions is considered.

As at December 31, 2024 and 2023, the Company's financial liabilities, which include payables to customers, and accrued expenses and other payables, as presented in statement of financial position, amounting to P102.7 million and P64.4 million have contractual maturities of within one year from the end of the reporting period.

7. CATEGORIES, OFFSETTING, FAIR VALUE MEASUREMENTS AND DISCLOSURES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

7.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

	Note	2024		2023	
		Carrying amounts	**Fair values**	**Carrying amounts**	**Fair values**
Financial assets:					
At amortized cost:					
Cash and cash equivalents	8	152,108,158	152,108,158	108,018,369	108,018,369
Receivables from:					
Customers - net	11.1	20,344,018	20,344,018	3,490,886	3,490,886
Clearing house	11.2	2,761,107	2,761,107	16,882,999	16,882,999
Others - net	11.3	725,308	725,308	1,157,743	1,157,743
		175,938,591	**175,938,591**	**129,549,997**	**129,549,997**
Trading and investment securities at:					
FVTPL	9	1,064,300	1,064,300	-	-
FVOCI	10	110,350,957	110,350,957	118,027,665	118,027,665
		111,415,257	**111,415,257**	**118,027,665**	**118,027,665**
		287,353,848	**287,353,848**	**247,577,662**	**247,577,662**

	Note	2024		2023	
		Carrying amounts	Fair values	Carrying amounts	Fair values
Financial liabilities:					
At amortized cost:					
Payable to:					
Customers - net	15	100,933,697	100,933,697	57,912,226	57,912,226
Accrued expenses and other payables	16	1,735,868	1,735,868	6,515,945	6,515,945
		102,669,565	**102,669,565**	**64,428,171**	**64,428,171**

See Notes 4.4 and 4.9 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 6.

7.2 Offsetting of Financial Assets and Financial Liabilities

The financial asset below with net amount presented in the statements of financial position is subject to offsetting and similar agreements.

	Gross amounts recognized in the statements of financial position		Net amount presented in the statement of financial position
	Financial assets	Financial liabilities set-off	
December 31, 2024			
Receivables from (payable to) clearing house	18,936,158	(16,175,051)	2,761,107
December 31, 2023			
Receivables from (payable to) clearing house	21,290,889	(4,407,890)	16,882,999

There were no other financial assets and financial liabilities set-off in 2024 and 2023 other than the receivables from and payables to clearing house presented above.

Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval of both parties.

7.3 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels presented below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates.

If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(a) Financial Instruments Measured at Fair Value

The fair values of the Company's trading and investment securities at FVTPL as at December 31, 2024 and 2023 amounting to P1,064,300 and P0, respectively, and FVOCI securities as of December 31, 2024 and 2023 amounting to P110.4 million and P118.0 million, respectively, are classified at Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

The Company's trading and investment securities at FVTPL also include suspended shares valued at the last traded price and delisted shares valued at nil. These securities were appropriately valued following the PSE guidelines.

The Company has no financial liabilities measured at fair value as of December 31, 2024 and 2023.

There were no transfers between Level 1 and 2 or changes in Level 3 instruments in both years.

(b) Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarized the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

December 31, 2024	Level 1	Level 3	Total
Financial assets:			
At amortized cost:			
Cash and cash equivalents	152,108,158		152,108,158
Receivables from:			
Customers – net		20,344,018	20,344,018
Clearing house – net		2,761,107	2,761,107
Others – net		725,308	725,308
	152,108,158	**23,830,433**	**175,938,591**
Financial liabilities:			
At amortized cost:			
Payable to:			
Customers – net		100,933,697	100,933,697
Accrued expenses and other payables		1,735,868	1,735,868
		102,669,565	**102,669,565**

December 31, 2023	Level 1	Level 3	Total
Financial assets:			
At amortized cost:			
Cash and cash equivalents	108,018,369		108,018,369
Receivables from:			
Customers – net		3,490,886	3,490,886
Clearing house – net		16,882,999	16,882,999
Others – net		1,157,743	1,157,743
	108,018,369	**21,531,628**	**129,549,997**
Financial liabilities:			
At amortized cost:			
Payable to:			
Customers – net		57,912,226	57,912,226
Accrued expenses and other payables		6,515,945	6,515,945
		64,428,171	**64,428,171**

As at December 31, 2024 and 2023, the Company does not have financial assets and financial liabilities under the Level 2 fair value hierarchy.

The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

There have been no transfers among Levels 1 and 3 in the reporting period.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31 are as follows:

	2024	2023
Cash on hand	4,500	4,500
Cash in banks	152,103,658	108,013,869
Short-term placements	0	0
	152,108,158	**108,018,369**

Cash in banks generally earn interest based on daily bank deposit rates (see Note 20.1).

Short-term placements are made for varying periods of between 30 to 60 days [see Note 6.1(b)] and earn annual interest rates ranging from .05 per cent to 4.375 per cent in 2024 and 1 per cent to 3.25 per cent in 2023. The total interest earned from cash accounts amounted to P2.6 million for 2024 and P0.8 million for 2023, and are presented as part of Finance Income under Revenues section of the statements of income.

In compliance with SRC Rule 49.2 covering customer protection, reserves and custody of securities, the Company maintains special reserve bank accounts for the exclusive benefit of its customers totaling to P104.8 million and P59.5 million as at December 31, 2024 and 2023, respectively.

9. TRADING AND INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

This account consists of quoted equity securities in the PSE, in which fair values were determined directly by reference to published prices quoted in an active market.

The Company recognized gain on sale of trading and investment securities at FVTPL amounting to P173,075 in 2024 and P47,419 in 2023, which are presented as part of Trading Gains account in the statements of income. Fair value losses on outstanding FVTPL amounted to P158,995 in 2024 and gains at P55,400 in 2023 are presented as Mark-to-market Losses on Trading and Investment Securities at FVTPL account in the Operating Expenses section of the statements of income.

Dividend income recognized by the Company amounted to P7.3 million and P8.3 million in 2024 and 2023, respectively, is presented as Dividends under Revenues section in the statements of income.

The reconciliation of the carrying amounts of these financial assets are as follows:

	2024	2023
Balance at beginning of year	0	0
Acquisitions	17,212,125	30,004,589
Disposals	(16,161,906)	(29,996,608)
Fair value gains/(losses) – net	14,081	(7,981)
Balance at end of year	**1,064,300**	**0**

10. TRADING AND INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

All amounts presented in the statements of financial position have been determined directly by reference to published prices quoted in an active market.

As at December 31,2024 and 2023, the Company owns 240,000 shares PSE shares amounting to P39.4 million and P40.8 million respectively. The fair market values of PSE shares are quoted at P164 and P170 per share as at December 31, 2024 and 2023

The movements of these financial assets are as follow:

	2024	2023
Balance at beginning of year	118,027,665	119,077,046
Acquisitions	2,006,400	10,371,600
Disposals	(12,459,956)	(6,517,054)
Realized Gain / (Loss) on Sale	134,026	481,290
Adjustments	0	1,288,439
Fair value gains/(losses)	3,523,763	(8,898,209)
Deferred Tax Asset / (Liability)	(880,941)	2,224,553
Balance at end of year	**110,350,957**	**118,027,665**

In 2024 and 2023, the Company disposed of certain securities at FVOCI for total proceeds amounting to P12.46 million and P6.52 million, respectively, and recognized the corresponding realized gains amounting to P134,026 and P481,290. These are presented as realized gains on disposed equity securities classified as FVOCI under the statement of changes in equity. The cumulative gain or loss previously recognized in the Revaluation Reserves account in relation to the disposal of certain securities is not reclassified to profit or loss but is reclassified directly to Retained Earnings account (see Note 21.6).

Except for the PSE shares, the investment securities at FVOCI presented on the statements of financial position are expected to be liquidated within one year.

11. RECEIVABLES, NET

The Receivables account net of the Allowance for Impairment as at December 31 are as follows:

	Note	2024	2023
Receivables from customers, net	11.1	20,344,018	3,490,886
Receivables from clearing house, net	11.2	2,761,107	16,882,999
Other receivables	11.3	725,308	1,157,743
		23,830,433	**21,531,628**

11.1 Receivables from Customers, net

The security valuation of the debit balances of customers' accounts is presented below:

	2024		2023	
	Debit Balance	Security Valuation Long	Debit Balance	Security Valuation Long
Fully secured amounts:				
More than 250%	3,979,404	569,787,112	3,269,133	540,170,875
Between 200% to 250%				
Between 150% to 200%				
Between 100% to 150%	14,319,977	14,603,000	222,276	
	18,299,381	**584,390,112**	**3,491,409**	**540,170,875**

	2024		2023	
	Debit Balance	Security Valuation Long	Debit Balance	Security Valuation Long
Partially secured accounts:				
Less than 100%	2,045,695	695		
Unsecured	360			
	2,046,055	**695**		
	20,345,436	584,390,807	3,491,409	540,170,875
Allowance for impairment	(1,418)		(523)	
	20,344,018	**584,390,807**	**3,490,886**	**540,170,875**

Receivables from customers, which are non-interest-bearing, are due within three days from the date of transaction, except for those on which allowance for impairment has already been provided. Receivables from customers are subject to credit risk exposure. However, the Company does not identify specific concentration of credit risk as the amounts recognized represent a large number of receivables from various customers. All partially secured receivables from customers as at December 31, 2024 and 2023 were deemed not impaired as these were sufficiently collected subsequent to the reporting period.

11.2 Receivables from clearing house

The balance of this account as at December 31, 2024 relates to trading transactions for the last two trading days, which have not been settled at the end of the reporting period. The balance as at December 31, 2024 was a net receivable amounting to P2.8 million.

	Gross amounts recognized in the statements of financial position		Net amount presented in the statement of financial position
	Financial assets	Financial liabilities set-off	
December 31, 2024			
Receivables from (payable to) clearing house	18,936,158	(16,175,051)	2,761,107

11.3 Other receivables

This account is broken down as follows:

	2024	2023
Accounts receivable	1,901,811	2,012,940
Receivable from officers and employees	0	0
Accrued interest receivable	0	338,306
	1,901,811	2,351,246
Allowance for credit and impairment losses	(1,176,503)	(1,193,503)
	725,308	**1,157,743**

There are no receivables from officers and employees pertaining to short-term loans granted by the Company to its employees for 2024 and 2023.

As a conservative treatment, the company recognized a full ECL of the P1.2 million receivable from a former employee, which arose from unauthorized transactions in 2020. Details of these accounts are shown in the succeeding page:

	2024	2023
Accounts receivable	1,150,210	1,170,891
Receivable from officers and employees	0	0
	1,150,210	**1,170,891**
Allowance for credit and impairment losses	(1,150,210)	(1,170,891)
	0	**0**

On January 21, 2023, a criminal complaint was filed with the Office of City Prosecutor of Makati charging a former employee of the company the crime of Qualified Theft Through Falsification for the unauthorized transactions made during the year 2020.

On November 22, 2024, the Makati Regional Trial Court promulgated its final judgement against the former employee of the Company and found the latter guilty beyond reasonable doubt of the crime of Estafa under Article 15, paragraph 2(a) of the Revised Penal Code, as amended by Section 85 of Republic Act 10951.

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation of property and equipment at the beginning and end of 2024 and 2023 are shown below:

	Transportation equipment	Furniture, fixtures and office equipment	Condominium	Construction in Progress	Total
December 31, 2024					
Cost	248,322	817,776	12,085,156	5,779,124	18,930,378
Accumulated depreciation	(117,219)	(541,699)	(1,881,547)	(1,516,803)	(4,057,268)
Net carrying amount	**131,103**	**276,077**	**10,203,609**	**4,262,321**	**14,873,110**
December 31, 2023					
Cost	248,322	659,546	12,085,156	5,779,124	18,772,148
Accumulated depreciation	(71,229)	(375,886)	(1,652,991)	(967,839)	(3,067,945)
Net carrying amount	**177,093**	**283,660**	**10,432,165**	**4,811,285**	**15,704,203**
January 1, 2023					
Cost	333,645	721,246	12,085,156	5,779,124	18,919,171
Accumulated depreciation	(110,560)	(324,414)	(1,424,435)	(418,875)	(2,278,284)
Net carrying amount	**223,085**	**396,832**	**10,660,721**	**5,360,249**	**16,640,887**

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2024 and 2023 follows:

	Transportation equipment	Furniture, fixtures and office equipment	Condominium	Construction in Progress	Total
Balance at January 1, 2024, net of accumulated depreciation	177,093	283,660	10,432,165	4,811,285	15,704,203
Additions		158,230			158,230
Depreciation charges for the year	(45,990)	(165,813)	(228,556)	(548,964)	(989,323)
Adjustment/ Reclassification	0	0	0	0	0
Balance at December 31, 2024, net of accumulated depreciation	**131,103**	**276,077**	**10,203,609**	**4,262,321**	**14,873,110**
Balance at January 1, 2023, net of accumulated depreciation	223,085	396,832	10,660,721	5,360,249	16,640,887
Additions					
Depreciation charges for the year	(45,990)	(115,700)	(228,556)	(548,964)	(939,210)
Adjustment/ Reclassification	(2)	2,528	0	0	2,526
Balance at December 31, 2023, net of accumulated depreciation	**177,093**	**283,660**	**10,432,165**	**4,811,285**	**15,704,203**

As at December 31, 2024 and 2023, the gross carrying amount of the Company's fully-depreciated property and equipment that are still used in operations amounted to P50,600 and P50,600, respectively.

13. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2024 and 2023 are shown below

	Server	Windows License	Total
December 31, 2024			
Cost	1,983,999	628,376	2,612,375
Accumulated amortization	(1,927,370)	(628,345)	(2,555,715)
Net carrying amount	**56,628**	**31**	**56,659**
December 31, 2023			
Cost	1,983,999	628,376	2,612,375
Accumulated amortization	(1,889,631)	(628,345)	(2,517,976)
Net carrying amount	**94,367**	**31**	**94,398**

December 31, 2024	
Cost	Trading Right
Accumulated amortization	1,500,000
Net carrying amount	0
	8,000,000

December 31, 2023	
Cost	
Revaluation	1,500,000
Net carrying amount	6,500,000
	8,000,000

A reconciliation of the carrying amounts of intangible asset at the beginning and end of 2024 and 2023 follows:

	Server	Windows License	Trading Right	Total
Balance at January 1, 2024, net of accumulated amortization	94,366	31	8,000,000	8,094,397
Increase in fair value				
Amortization charges for the year	(37,738)			(37,738)
Balance at December 31, 2024, net of accumulated amortization	**56,628**	**31**	**8,000,000**	**8,056,659**
Balance at January 1, 2023, net of accumulated amortization	132,106	31	1,500,000	1,632,137
Additions			6,500,000	6,500,000
Amortization charges for the year	(37,738)			(37,738)
Balance at December 31, 2023, net of accumulated amortization	**94,368**	**31**	**8,000,000**	**8,094,399**

As at December 31, 2024 and 2023, the cost of the Company's fully amortized intangible assets that are still used in operations amounted to P2.6 million and P2.5 million respectively.

The Company has no intention to sell its trading right in the future as it intends to continue to operate as a stock brokerage entity. The latest transacted price of an exchange for the trading right is P8 million both in 2024 and 2023 as reported on September 29, 2023 by the PSE.

As an intangible asset, the Company's trading right is subject to annual impairment testing and whenever there is an indication of impairment. No impairment loss is recognized in 2024 and 2023, as the recoverable amount of the trading right is higher than its carrying value.

As required under PSE rules, the Company's trading right (previously the Exchange Membership Seat) is pledged at its full value to the PSE to secure the payment of all debts to other members of the PSE arising out of, or in connection with, the present or future member's contracts.

14. OTHER ASSETS

This account is comprised of the following:

	Note	2024	2023
Creditable withholding tax		5,513,336	5,147,178
Clearing and trade guaranty fund		1,952,461	1,952,461
Input VAT	23(b)	186,672	142,607
Office Supplies		133,530	283,621
Other assets, net		7,351	7,351
Prepayments		126,882	308,867
Miscellaneous		352,527	305,413
		8,272,759	**8,147,498**

In March 13, 2018, the SEC resolved to approve the SCCP's (Securities Clearing Corporation of the Philippines) proposed amendments to SCCP Rule 5.2 and Operating Procedures 4.3.1.3, making the Clearing Members contributions to the Clearing and guaranty fund refundable to Clearing Members upon cessation of their business and/or termination of their membership with SCCP, under certain conditions. Clearing and trade guaranty fund shall be refundable as trade-related assets to Clearing Member.

Miscellaneous consists of claims against output VAT.

15. PAYABLES, NET

The Payables account pertain to the net balance of Payable to Customer amounting to P100.93 million and P57.91 million in 2024 and 2023, respectively.

15.1 Payables to customers

Payable to customers are non-interest-bearing and are normally settled within two days after trading date.

15.2 Payables to clearing house

The balance of this account as at December 31, 2024 relates to trading transactions for the last two trading days, which have not been settled at the end of the reporting period.

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position
	Financial assets	Financial liabilities set-off	
December 31, 2024			
Receivables from (payable to) clearing house	18,936,158	(16,175,051)	2,761,107
December 31, 2023			
Receivables from (payable to) clearing house	21,290,889	(4,407,890)	16,882,999

16. ACCRUED EXPENSES AND OTHER PAYABLES

The following comprises the balance of this account:

	2024	2023
Accounts payable	1,049,358	5,824,407
Accrued expenses	66,634	266,053
Taxes payable	619,876	425,485
	1,735,868	**6,515,945**

Accounts payable includes dividends received by the Company for the account of their customers, stale checks and other payables.

Accrued expenses include accrual of statutory payroll deductions and various expenses.

Accrued expenses and other payables as at December 31, 2024 and 2023 will mature within one year from the end of the reporting period.

17. OTHER INCOME AND EXPENSES

This account represents the following:

	2024	2023
Other income:		
Other commissions	63,927	226,997
Miscellaneous income	5,224,676	554,766
	5,288,603	**781,763**
Other expenses:		
Membership fees and dues	270,359	262,166
Insurance	424,117	668,013
Provision for Bad Debts	894	22,367
Fuel and lubricants		1,268
Miscellaneous	2,637,730	1,312,883
	3,333,100	**2,266,697**

18. SALARIES AND EMPLOYEE BENEFITS

18.1 Salaries and employee benefits

Expenses recognized for salaries and employee benefits are basic salaries, bonus, allowances, and employer's share in statutory contributions amounting to P10.57 million and P10.77 million in 2024 and 2023, respectively.

18.2 SSS and GSIS premium contribution

In compliance with Republic Act No. 8291 also known as *"Government Service Insurance Act of 1997"*, which mandates all government employees, including those working for government-owned and controlled corporations, LSI transitioned its social security provider from Social Security System (SSS) to Government Service Insurance System (GSIS).

All obligations to SSS have been settled in full. As of 2024, LSI no longer has any outstanding liability with SSS and has recorded the corresponding liabilities under GSIS.

19. TAXES

The components of tax expense as reported in profit or loss and other comprehensive income follow:

	2024	2023
Reported in profit or loss		
Current tax expense:		
MCIT and Final tax at 20% and 7.5%	639,859	194,690
	639,859	**194,690**
Deferred tax income relating to origination and reversal of temporary differences	658,519	(102,611)
	1,298,378	**92,079**

	2024	2023
Reported in other comprehensive income		
Deferred tax expense (income):		
Losses (gains) on trading and investment securities at FVOCI	880,941	(2,224,553)
Revaluation of intangible asset		2,166,667
	880,941	**(57,886)**

The Company is subject to MCIT, which is computed at two percent of gross income net of allowable deductions, as defined under the tax regulations, or to Regular Corporate Income Tax (RCIT), whichever is higher.

Details of outstanding excess MCIT as at December 31 are as follows:

Year Incurred	Amount	Utilized	Expired	Balance	Expiry Year
2024	122,132	0	0	122,132	2027
2023	36,017	0	0	36,017	2026
2022	91,337	0	0	91,337	2025
2021	101,593	0	0	101,593	2026
2020	56,530	0	0	56,530	2025
	407,609	**0**	**0**	**407,609**	

On April 8, 2021, Revenue Regulation No. 5-2021 was issued by the Bureau of Internal Revenue to Implement the new Income Tax rates on regular income of corporations, on certain passive income, including the additional allowable deductions from Gross Income of persons engaged in business or practice of profession pursuant to Republic Act (RA) No. 11534 or Corporate Recovery and Tax Incentives for Enterprises or CREATE Act, which further amended the National Internal Revenue Code (NIRC) of 1997.

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulations No. 25-2020, implementing Section 4 (b) of Republic Act (RA) No.11494 also known as *"Bayanihan to Recover As One Act"*, which prescribes that the NOLCO incurred for the taxable years 2020 and 2021 can be carried over and claimed as deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

The Company reported a taxable loss for the year ending December 31, 2023. Details of the available Net Operating Loss Carry-Over as at December 31 is presented as follows:

Inception	Amount	Utilize	Expire	Balance	Expiry
2024	10,341,334	0	0	10,341,334	2027
2023	12,327,970	0	0	12,327,970	2026
2022	2,268,537	0	0	2,268,537	2025
2021	1,433,652	0	0	1,433,652	2026
2020	10,789,503	0	0	10,789,503	2025
	37,160,996	**0**	**0**	**37,160,996**	

The Company did not recognize deferred tax assets in respect of the aforementioned losses, as the Company is not certain of the probability that these losses will be utilized through future taxable profits.

The net deferred tax liabilities relating to temporary differences that were recognized by the Company as at December 31, 2024 and 2023 is summarized below.

	Statements of Financial Position		Statements of Income		Statements of Comprehensive Income	
	2024	2023	2024	2023	2024	2023
Deferred tax assets:						
Impairment losses	19,314	19,091	(224)	(19,442)		
MCIT	407,609	285,477	(122,132)	(36,034)		
Deferred tax liabilities:						
Reversal of Expenses	(173,183)	720,000	78,984			
Fair value gains on trading and investment securities at FVOCI and intangible asset	(5,300,269)	(4,639,563)	660,706	(47,338)	880,941	(57,886)
Unrealized (gain)/losses on trading and investment securities at FVTPL	(39,749)		39,749			
Post-employment benefit retirement asset						
Unrealized foreign currency exchange gains	(4,385)	(2,950)	1,436	203		
Net Deferred Tax Liabilities	**(5,090,663)**	**(3,617,945)**				
Net Deferred Tax Expense (Income)			**658,519**	**(102,611)**	**880,941**	**(57,886)**

In 2024 and 2023, the Company claimed itemized deductions in computing for its income tax due.

20. RELATED PARTY TRANSACTIONS

The Company's related parties include its Parent Bank, the Company's key management personnel and its retirement plan as described below and in the succeeding pages.

The summary of the Company's transactions and balances with its related party as at and for the years ended December 31, 2024 and 2023 is shown in the succeeding page.

Related Party Category	Note	Amount of Transaction	Outstanding Balance	Terms/Conditions
December 31, 2024:				
Parent Bank:				
Bank deposits	20.1	9,827,619	78,497,572	On demand; interest-bearing
Interest income - bank deposits	20.1	43,354		
Short-term placements	20.1	(10,677,360)	44,493,671	interest-bearing
Interest income – placements	20.1	2,932,588		
Other related parties – Key management personnel compensation	20.3			
Fellow Subsidiary:				
Share of salaries for common employee	20.4	692,733		
December 31, 2023:				
Parent Bank:				
Bank deposits	20.1	(82,860,838)	99,394,499	On demand; interest-bearing
Interest income - bank deposits	20.1	54,153		
Short-term placements	20.1	19,774,386	30,724,546	interest-bearing
Interest income – placements	20.1	734,968		
Other related parties – Key management personnel compensation	20.3	0		

20.1 Bank Deposits and Short-term Placements

As at December 31, 2024 and 2023, the Company has cash deposits with LBP, short-term, and long-term placements in the LBP Treasury Banking Group (see Note 8). Interest income arising from these transactions amounted to P2.6 million in 2024 and P797,016 in 2023 are included as part of Finance Income in the statements of income.

These bank accounts are subject to normal banking terms and conditions applied by said bank to ordinary customers.

20.2 Commissions

Certain trading transactions were executed by the Company and Parent Bank, in behalf of the Company. The total commission earned from these transactions is presented as part of Commissions under Income in the statements of income, respectively at P6.4 million and P7.3 million as at December 31, 2024 and 2023.

20.3 Key Management Personnel Compensation

The compensation of key management personnel was shouldered by Parent bank in 2023 and 2024

20.4 Share of Salaries for Common Employee

LSI along with its fellow subsidiaries share a common personnel that handles specifications of a corporate secretary. Half of these expenses are shouldered by LSI and each a quarter part for ULFC and USB.

20.5 Retirement Plan

The Company's retirement plan was already terminated as of December 31, 2024.

20.6 Others

The administrative and accounting functions of the Company are handled by LBP at no cost to the Company.

21. EQUITY

21.1 Capital Stock

The Company's authorized capital stock consists of 5,000,000 shares at P100 par value per share, of which 1,800,000 shares are subscribed and paid in December 31, 2024 and 500,000 shares at P100 par value per share, of which all are issued and outstanding as at December 31, 2023.

As at December 31, 2024 and 2023, the Company has only one stockholder owning all of the shares of the Company's capital stock.

21.2 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Company monitors capital based on the following:

(a) Carrying amount of equity as presented in the statements of financial position; and;

(b) Rules and regulations of the SRC with respect to the minimum:

(i) Unimpaired paid-up capital
(ii) Net liquid capital
(iii) Risk Based Capital Adequacy ratio

The following governs the regulatory capital requirements of the Company under the Amended Implementing Rules and Regulations of the SRC issued by the SEC.

In both 2024 and 2023, the Company is compliant with the requirements of the SRC discussed as follows:

(a) Paid-Up Capital Requirement

Every broker dealer shall maintain the minimum unimpaired paid-up capital as governed by existing requirements of SRC Rule 28.1. For this purpose, the term "paid-up capital" shall include the following:

(i) Capital contributions or par value or stated value of common stock;
(ii) Payment made on subscribed common stock;
(iii) Par or stated value of preferred stock;
(iv) Payment made on subscribed preferred stock;
(v) Common stock to be distributed arising from a dividend declaration;
(vi) Additional paid-in capital for both common and preferred stocks; and,
(vii) Donated capital.

The value representing treasury stock and any deficiency in retained earnings are deducted in the computation of paid-up capital.

Under present regulations, the minimum paid-up capital for existing broker dealer participating in a registered clearing agency is P30 million. The Company's paid-up capital is P180 million as at December 31, 2024 and P50 million in 2023.

(b) *Net Liquid Capital (NLC) Requirement*

Every broker-dealer shall, at all times, have and maintain a NLC of at least P5 million or 5 per cent of the aggregate indebtedness, whichever is higher. However, a broker dealer who deals only with proprietary shares who does not keep the shares under its custody shall maintain a NLC of P2.5 million or 2.5 per cent of the aggregate indebtedness, whichever is higher.

NLC is the sum of paid-up capital and equities eligible for NLC less all non-allowable assets/equities, and collateralized liabilities as specified in the applicable regulations, provided further, that the following items shall be excluded from eligible equity for net liquid capital:

(i) Deferred income tax;
(ii) Revaluation reserves; and,

(iii) Minority interest and any outside investment in affiliates and associates.

The Company's NLC is P5.7 million and P5 million as at December 31, 2024 and 2023, respectively, which is more than 5.0 per cent of the Company's aggregate indebtedness.

(c) *Risk Based Capital Adequacy (RBCA) Requirement*

Every broker-dealer shall ensure that its RBCA ratio is greater than or equal to 1.1 and its core equity is at all times greater than its operational risk requirement. Core equity is the sum of paid-up capital and surplus reserves.

RBCA ratio is the ratio linking the NLC to the Broker-Dealer's total risk exposure (Total Risk Requirement), calculated as the Broker-Dealers NLC divided by its Total Risk Requirement, which is the sum of:

(i) Operational risk requirement;
(ii) Credit risk requirement which includes requirements for counterparty risk, settlement risk, large exposure risk, and margin lending/financing risk; and,
(iii) Position or market risk requirement.

The Company's RBCA ratio is 1,557 per cent and 701 per cent as of December 31, 2024 and 2023, respectively.

(d) PSE's Rules Governing Trading Rights and Trading Participants

On May 28, 2009, the SEC approved PSE's Rules Governing Trading Rights and Trading Participants that provide, among others, the following provisions:

(i) Trading participants should have a minimum unimpaired paid-up capital (defined as the trading participant's total paid-up capital less any deficiency in the retained earnings account) of P30 million effective December 31, 2010; and,

(ii) Each trading participant shall pledge its trading right to the extent of its full value to secure the payment of all of debts and claims due to the trading participant, the government, the PSE and to other trading participants of the PSE and to the Securities Clearing Corporation of the Philippines.

As at December 31, 2024 and 2023, the Company complies with PSE's Rules Governing Trading Rights and Trading Participants.

21.3 Appropriation of Retained Earnings

Rule 49.1(B) Reserve Fund of SEC Memorandum Circular No. 16, Series of 2004, requires that every broker-dealer shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to the Appropriated Retained Earnings account.

Appropriation shall be 30 per cent, 20 per cent, 10 per cent of profit after tax for broker dealers with unimpaired paid-up capital of between P10 million to P30 million, between P30 million and P50 million and above P50 million, respectively.

Notwithstanding the requirements of this section, the SEC may prescribe a different capital build up plan for all broker-dealers, specifically those incurring net losses during the period, which may include the programmed infusion of fresh capital.

For the year 2024, LSI did not allocate an appropriation due to a net loss of ₱2.9 million. However, LSI maintains an unimpaired paid-up capital of ₱180 million. The absence of an appropriation for 2024 does not affect compliance with the SEC capital requirements.

The total appropriated retained earnings amounted to P12.18 million in 2024 and 2023.

21.4 Unappropriated Retained Earnings

As of December 31, 2024, the balance of unappropriated Retained Deficit is P2.58 million. In preparation for planned additional capital infusion from Parent Bank, LSI issued stock dividend resulting on P130 million transfer from unappropriated Retained Earnings to Capital Stock.

21.5 Cash Dividend

Section 5 of the 2016 Implementing Rules and Regulations of Republic Act (RA) No. 7656 issued by the Department of Finance requires Government-Owned and/or Controlled Corporations to declare and pay dividends to the National Government of at least 50 per cent of their annual net earnings. The LSI, however has negative earnings and no sufficient fund to declare dividends in 2023 and the LSI Board approved to request for the waiver of dividend declaration and its remittance from LSI's 2023 negative net earnings (P4.6 million) from audited Financial Statements.

On the other hand, in its reply to the request of LSI for the waiver of dividend declaration for 2023 due to its negative net earnings, the National Government through the Department of Finance had reminded LSI of the government's policy of instilling fiscal discipline among GOCCs and advise LSI to develop mechanisms in order to improve its income and collection and to prudently manage its expenses to minimize costs.

21.6 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account are shown below:

	Revaluation Reserve – Intangible Asset	Unrealized Gains/(Losses) on Securities at FVOCI	Total
Balance as at January 1, 2024	**6,500,000**	**12,058,252**	**18,558,252**
Fair value loss on disposed AFS securities reclassified to profit or loss (Note 10)		**3,523,763**	**3,523,763**
Revaluation of intangible asset			
Other comprehensive income/(loss) before tax	**6,500,000**	**3,523,763**	**10,023,763**
Tax expense – 25%		880,941	880,941
Other comprehensive income/(loss) after tax	**6,500,000**	**2,642,822**	**9,142,822**
Balance as at December 31, 2024	**6,500,000**	**14,701,074**	**21,201,074**
Balance as at January 1, 2023		**18,731,908**	**18,731,908**
Fair value gains on disposed AFS securities reclassified to profit or loss (Note 10)		**(8,898,209)**	**(8,898,209)**
Revaluation of intangible asset	**8,666,667**		**8,666,667**
Other comprehensive loss before tax	**8,666,667**	**(8,898,209)**	**(231,542)**
Tax expense – 25%	(2,166,667)	2,224,553	57,886
Other comprehensive loss after tax	**6,500,000**	**(6,673,656)**	**(173,656)**
Balance as at December 31, 2023	**6,500,000**	**12,058,252**	**18,558,252**

22. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

22.1 Lease Commitments – Company as Lessee

The Company has no lease commitment in 2024 after the completion of construction of its new office at The PSE building at One Bonifacio High St. BGC Taguig City in March 2022.

22.2 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations that are not reflected in the financial statements. As at December 31, 2024 and 2023, management is of the opinion that losses, if any, from these events and conditions will not have a material effect on the Company's financial statements taken as a whole.

23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information that is required by the Bureau of Internal Revenue (BIR) under its existing Revenue Regulations (RR) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRSs covering the form and content of financial statements.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) Output VAT

In 2024, the Company declared VAT amounting to P0.85 million arising from rendering of services.

The outstanding VAT payable amounting to P170,667 as of December 31, 2024 is presented as part of Taxes payable under Accrued Expenses and Other Payables account in the statements of financial position (see Note 16). The tax base for Revenues is based on the Company's gross receipts for the year, hence, may not be the same with the amount accrued in the statements of comprehensive income.

(b) Input VAT

The movements in input VAT in 2024 are summarized in the succeeding page.

Balance at beginning of year	**142,607**
Services lodged under cost of goods sold	582,676
Goods lodged under other accounts	(131,666)
Applied against output VAT	(406,945)
Balance at end of year	**186,672**

Input VAT is presented under Other Assets account in the statements of financial position (see Note 14).

(c) Taxes on Importation

The Company did not have any importation in 2024.

(d) Excise Tax

The Company did not have any transaction in 2024, which is subject to excise tax.

(e) Documentary Stamp Tax (DST)

The Company paid P1.3 million for DST in 2024 and such is recognized under taxes and licenses account in the statements of income.

(f) Taxes and Licenses

The details of Taxes and licenses account under Expenses section of the statements of income for the year ended December 31, 2024, are as follows:

Fringe benefit tax	140
Business licenses and permits	1,113,044
DST	1,314,190
	2,427,374

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2024 is shown below.

Compensation and employee benefits	73,699
Expanded	21,899
Final	55,632
	151,230

(h) Deficiency Tax Assessment and Tax Cases

On January 26, 2023, LSI received from the RR No. 8A-Makati City the Final Assessment Notice (FAN)/Formal Letter of Demand (FLD) dated January 13, 2023 together with a Details of Discrepancies. On February 27, 2023, LSI filed its Protest against the FAN/FLD requesting reinvestigation. On March 21, 2023, LSI received from the BIR a letter dated March 8, 2023 granting the request for reinvestigation. On April 25, 2023, LSI submitted with the BIR supporting documents for its request for reinvestigation.

The 180-day period having lapsed without action from the BIR on or before October 22, 2023, LSI was constrained to file a Petition with the Department of Justice (DOJ) on November 21, 2023, through the Office of the Government Corporate Counsel (OGCC).

In 2024, representatives of LSI and the BIR Regional Office 8B- South NCR attended three Mandatory Conciliation Conferences (MCCs) on July 8, August 8 and October 8 which facilitated discussions resulting in an agreement before the Hearing Officer of the DOJ Arbitral Tribunal. Subsequently, on November 8, 2024, LSI submitted a Formal Offer of Compromise to the DOJ in relation to the company's pending 2020 deficiency tax assessment on the ground of doubtful liability to avoid protracted litigation. As this involves a Judicial Compromise, LSI is not yet obligated to pay the offered amount, and the running of interest and penalties has been waived in accordance with applicable BIR regulations.

24. OTHER SUPPLEMENTARY SCHEDULE

In compliance with the Revised Securities Regulation Rule 68 issued by the Securities and Exchange Commission, the following are the financial soundness indicators of the Company:

	2024	2023
Quick ratio	1.72	2.01
(Cash + Loans and receivables + Trading securities)	177,002,891	129,549,997
Total current liabilities	102,669,565	64,428,171
Solvency ratio	(.02)	(.05)
(After tax net profit + Depreciation and Amortization)	(1,625,238)	(3,644,371)
Total liabilities	107,760,228	68,046,116
Debt-to-equity ratio	.51	.32
Total liabilities	107,760,228	68,046,116
Total equity	210,796,148	211,477,646

	2024	2023
Asset-to-equity ratio	1.51	1.32
Total assets	318,556,376	279,523,762
Total equity	210,796,148	211,477,646
Net Income to Stockholders' Equity	(0.01)	(0.02)
Net income	(2,652,300)	(4,574,194)
Stockholder's equity	210,796,148	211,477,646
Net profit margin	(0.07)	(0.27)
Profit before taxes	(1,353,922)	(4,482,115)
Commission income + Other operating income	19,131,289	16,366,089
Return on equity	(0.01)	(0.02)
Net profit	(2,652,300)	(4,574,194)
Average equity	211,136,897	225,916,156
Return on assets	(0.01)	(0.02)
Net profit	(2,652,300)	(4,574,194)
Average assets	299,040,069	301,117,959
Loans to Assets	.07	.08
Total loans and other receivables	23,830,433	21,531,628
Total assets	318,556,376	279,523,762

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

1. The disbursement vouchers covering the reimbursable expenses of the members of the Board of Directors totaling P353,097.39 were submitted to COA without the required supporting documents, contrary to Section 4(6) of Presidential Decree No. 1445, COA Circular No. 2012-001, and Section 12 of Executive Order No. 24.

1.1. Section 4 of PD No. 1445 states:

> Fundamental principles. Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit:
>
> 6. Claims against government funds shall be supported with complete documentation.

1.2. COA Circular No. 2012-001 dated June 14, 2012, enumerates the following general requirements for all types of disbursements:

1. Certificate of availability of funds issued by the Chief Accountant;
2. Existence of lawful and sufficient allotment duly obligated as certified by authorized officials (except for government-owned and controlled corporations/government financing institutions);
3. Legality of transactions and conformity with laws, rules or regulations;
4. Approval of expenditures by Head of Office or his authorized representative; and
5. Sufficient and relevant documents to establish validity claim.

1.3. Also, Section 12 of the EO No. 24 dated February 10, 2011 which prescribes the rules governing the compensation of members of the Board of Directors/ Trustees in Government Owned or Controlled Corporation (GOCCs) including Government Financial Institutions (GFIs) provides that:

> Section 12. *Reimbursable Expenses* – All necessary expenses of member of the Board of Directors/ Trustees to attend board or other meetings and discharge their official duties shall be paid directly by the GOCC. However, when *due only* to the exigency of the service and subject to the submission of receipts, it is necessary for the member of the Board of Directors/ Trustees to advance the same. They may be reimbursed but only for the following items incurred in the performance of official functions subject to budgeting, accounting, and auditing rules and regulation:
>
> a) Transportation expenses in going to from the place of meetings;
> b) Travel expenses during official travel;
> c) Communications expenses; and
> d) Meals during business meetings.

1.4. The Board of Directors (BOD) of LSI is composed of nine officers of the Parent Bank, LBP. As of December 31, 2024, the status of each member of BOD is as follows:

Position	Status in Landbank	Date Elected as Member of the BOD
Chairman	Active Officer	August 13, 2020
Director	Active Officer	April 27, 2022
Director	Active Officer	April 27, 2022
Director	Active Officer	May 9, 2024
Director	Retired Officer of LBP	May 9, 2024
Director	Retired Officer of LBP	May 9, 2024
Director	Retired Officer of LBP	April 27, 2022
Director	Retired Officer of LBP	April 27, 2022
Director	Vacant	

1.5. Review of the disbursements made by LSI for CY 2024 disclosed that disbursement vouchers (DVs) with a total amount of P753,376.99 were paid for the reimbursable expenses and per diems of the members of BOD. These disbursements were charged against the LSI's operating funds and the details are as follows:

Position	Reimbursable expense	Per diem	Total
Chairman	57,353.01	30,000.00	87,353.01
Director	105,023.98	15,000.00	120,023.98
Director	44,000.00	31,000.00	75,000.00
Director	69,000.00	23,000.00	92,000.00
Director	69,000.00	29,000.00	98,000.00
Director	72,000.00	23,000.00	95,000.00
Director	47,000.00	28,000.00	75,000.00
Director	50,000.00	10,000.00	60,000.00
Director	0	10,000.00	10,000.00
Director	0	10,000.00	10,000.00
Director	0	31,000.00	31,000.00
TOTAL	**513,376.99**	**240,000.00**	**753,376.99**

1.6. To determine whether the disbursements for the reimbursable expenses and per diems claimed by the members of BOD were appropriate, properly supported, and granted to eligible officials, the Audit Team conducted an examination of the supporting documents attached to the DVs, which included among others, the report on attendance to Board meetings, and the approved authority for payment of the reimbursable expenses and per diems. It was noted that of the total P513,376.99 reimbursable expenses, P353,097.39 was granted to seven Directors without receipts or other supporting documents.

1.7. An audit observation was also issued in CY 2023 that the Written Supervision and Control Procedures and Compliance Manual of LSI has no provisions for disbursement processes and procedures, and does not include the basic documentary requirements for government transactions, hence, several disbursements in CY 2023 were not in accordance with PD No. 1445 and COA Circular No. 2012-001.

1.8. The Management explained that the supporting documents pertaining to the DVs for reimbursable expenses are actually with the LSI office in Taguig. However, it is not the current practice of LSI to attach these documents to the DVs on file.

1.9. On the other hand, it was found that LSI has no established internal control mechanism or guidelines to verify the reimbursable expenses and per diem transactions prior to its approval and disbursement, which could raise concerns on the regularity of the transactions.

1.10. The absence of required supporting documents on the disbursements for the reimbursable expenses of the members of BOD is contrary to Section 4(6) of PD No. 1445, COA Circular No. 2012-001 and Section 12 of EO No. 24.

1.11. **We recommended and Management agreed to:**

a. Issue procedural guidelines mandating that all DVs and Journal Vouchers (JVs) be submitted together with complete, sufficient, and relevant supporting documents in compliance with the documentary requirements set forth under COA Circular No. 2012-001 and Section 12 of EO No. 24.

b. Establish a policy guideline for the following:

i. Approving claims related to reimbursable expenses.
ii. Submission and retention of receipts.

c. Submit the supporting documents on the disbursements for reimbursable expenses of the members of BOD totaling P353,097.39.

1.12. LSI has taken corrective actions to comply with Section 12 of EO No. 24, including strengthening internal controls and procedural guidelines to ensure proper documentation of reimbursement claims. LSI has also developed and formally adopted a Board-Approved guideline on reimbursable expenses for its Directors. Additionally, while current reimbursement procedures are detailed in its Accounting Manual, LSI commits to review and enhance these procedures. To support transparency, LSI will ensure that all reimbursement claims are properly supported with required/relevant documents attached to DVs and JVs.

Gender and Development (GAD)

3. The GAD budget for CY 2024 amounted to P2.397 million, which represents 7.86 per cent of the approved Corporate Operating Budget (COB) of P30.490 million for the year. The GAD budget utilization amounted to P2.107 million, or 87.91 per cent of the COB. Of the 12 programmed GAD activities for CY 2024, 11 were fully implemented, while 1 was not implemented.

Compliance with Tax Laws

4. Information on taxes and licenses paid or accrued during the taxable year 2024 are disclosed in Part I of the report, under Note 23 - Supplementary Information Required by the Bureau of Internal Revenue (BIR) - to the Financial Statements for CY 2024. The taxes withheld on compensation, benefits and other sources amounting to P151,230 were remitted to the BIR within the deadline prescribed under the National Internal Revenue Code.

Dividends to the National Government (NG)

5. Section 5 of the 2016 Implementing Rules and Regulations of RA No. 7656 issued by the DOF requires GOCCs to declare and pay dividends to the NG of at least 50 per cent of their annual net earnings.

5.1 LSI has negative earnings and no sufficient fund to declare dividends for CY 2023. The LSI Board approved to request from DOF for the waiver of dividend declaration and its remittance from LSI's 2023 negative net earnings (P4.6 million) from the audited Financial Statements. In response to LSI's request, on April 11, 2025, the DOF advised that, in line with the government's policy of promoting fiscal discipline among GOCCs, LSI shall establish mechanisms to enhance its income generation and collection efficiency while exercising prudent expense management to minimize costs.

Social Security System (SSS) and Government Service Insurance System (GSIS) Premiums Contribution

6. In compliance with RA No. 8291 also known as the "Government Service Insurance Act of 1997", which mandates all government employees, including those working for GOCCs, LSI transitioned its social security provider from SSS to GSIS.

All obligations to SSS have been settled in full. As of CY 2024, LSI no longer has any outstanding liability with SSS and has complied with Rule III Sections 13 and 14 of the Implementing Rules and Regulations of RA No. 8291 on the collection and remittance of contributions to GSIS.

Philhealth and Pag-IBIG Fund Premiums

7. In 2024, LSI complied with Section 18, Rule III, Title III of the Implementing Rules and Regulations of RA No. 7875, as amended, in the payment of national health insurance premium contributions to PhilHealth. It also complied with Sections 2 and 3, Rule VII, of the Implementing Rules and Regulations of RA No. 9679 in connection with its remittances to the Pag-IBIG Fund.

Status of Audit Suspensions, Disallowances and Charges

8. There were no audit suspensions, disallowances or charges issued as of year end.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the six audit recommendations contained in the CY 2023 Annual Audit Report, five were implemented, and one was not implemented and is reiterated in Part II of this report.