

## Francisco, Harriet

---

**From:** ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>  
**Sent:** Wednesday, May 1, 2024 1:59 PM  
**To:** Francisco, Harriet  
**Subject:** [External] Re: December 31, 2023 AFS of Credit Suisse Securities (Philippines) Inc.

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at <https://eur01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fsecexpress.ph%2F&data=05%7C02%7Charriet.francisco%40ubs.com%7Cb77a8a34286a4d168ffc08dc69a3d268%7Cfb6ea4037cf14905810afe5547e98204%7C0%7C0%7C638501399592218394%7CUnknown%7CTWFpbGZsb3d8eyJWlloiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6Iik1haWwiLCJXVCI6Mn0%3D%7C0%7C%7C%7C&sdata=0Rkcup8z5itlZ95wNCTagfKP5pphrtf%2BlfbOzNGyU%3D&reserved=0>. For further clarifications, please call (02) 8737-8888.

----- NOTICE TO  
COMPANIES -----

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15. BP-FCLC 20. S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through

<https://eur01.safelinks.protection.outlook.com/?url=https%3A%2F%2Ffast.sec.gov.ph%2Fuser%2Flogin&data=05%7C02%7Charriet.francisco%40ubs.com%7Cb77a8a34286a4d168ffc08dc69a3d268%7Cfb6ea4037cf14905810afe5547e98204%7C0%7C0%7C638501399592225341%7CUnknown%7CTWFpbGZsb3d8eyJWlloiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6Iik1haWwiLCJXVCI6Mn0%3D%7C0%7C%7C%7C&sdata=XnVRX3GarS7g0Y5Vtabo2ezNu8WpzaFkH%2FGNIYDFImo%3D&reserved=0>.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven

(11) reports through the [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph) shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at <https://eur01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fefast.sec.gov.ph%2Fuser%2Flogin&data=05%7C02%7Ccharriet.francisco%40ubs.com%7Cb77a8a34286a4d168ffc08dc69a3d268%7Cfb6ea4037cf14905810afe5547e98204%7C0%7C0%7C638501399592228003%7CUnknown%7CTWFpbGZsb3d8eyJWljiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6Ikl1haWwiLCJXVCI6Mn0%3D%7C0%7C%7C%7C&sdata=HDpDECFuDuXT3GB%2F0MOeARsU%2FUWDUB99sUIhI4r8jO0%3D&reserved=0> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC\_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link –

<https://eur01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fapps010.sec.gov.ph%2F&data=05%7C02%7Charriet.francisco%40ubs.com%7Cb77a8a34286a4d168ffc08dc69a3d268%7Cfb6ea4037cf14905810afe5547e98204%7C0%7C0%7C638501399592230548%7CUnknown%7CTWFpbGZsb3d8eyJWljiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6Ikl1haWwiLCJXVCI6Mn0%3D%7C0%7C%7C%7C&sdata=AH9ffJz8bHo4GOANAMJX%2BBjOrQqdIGbov8JN1zHhmKg%3D&reserved=0>

For your information and guidance.

Thank you.

## Francisco, Harriet

---

**From:** Francisco, Harriet  
**Sent:** Wednesday, May 1, 2024 1:58 PM  
**To:** noreply-cifssost@sec.gov.ph; ictdsubmission@sec.gov.ph  
**Cc:** Cacho, Lorena 1; deLeon, Milton-XT; Francisco, Harriet  
**Subject:** December 31, 2023 AFS of Credit Suisse Securities (Philippines) Inc.  
**Attachments:** SEC 2023 CSSP AFS.pdf

Dear Team.

In accordance with the timeline of AFS submission for stockbrokers, we are sending as attachment to this email the Audited Financial statements of Credit Suisse Securities (Philippines) Inc. as of and for the financial year ended December 31, 2023.

Please note that file is uploaded on May 1, 2024 to SEC due to technical issues on BIR eafs website on Apr 30, 2024.

Please acknowledge receipt thereof.

Thank you.

Regards,  
Harriet Francisco  
**CREDIT SUISSE SECURITIES (PHILIPPINES) INC**  
| LE Finance Philippines, TNAP 381  
Enterprise Center, 19F Tower2 | Makati City 1226 | Philippines  
Phone +63 2 885 87760  
[harriet.francisco@ubs.com](mailto:harriet.francisco@ubs.com)  
[www.ubs.com](http://www.ubs.com) | [www.credit-suisse.com](http://www.credit-suisse.com)

CREDIT SUISSE SECURITIES (PHILIPPINES) INC, part of UBS Group

---

**From:** noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>  
**Sent:** Wednesday, May 1, 2024 1:46 PM  
**Subject:** [External] SEC eFast Initial Acceptance

Greetings!

**SEC Registration No:** CS201101186  
**Company Name:** Credit Suisse Securities (Philippines) Inc.  
**Document Code:** AFS

This serves as temporary receipt of your submission.  
Subject to verification of form and quality of files of the submitted report.  
Another email will be sent as proof of review and acceptance.

Thank you.

**REMINDER:**

TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

**SECURITIES AND EXCHANGE COMMISSION**

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

---

THIS IS AN AUTOMATED MESSAGE - PLEASE DO NOT REPLY DIRECTLY TO THIS EMAIL



## GG officialtax cssp

---

**From:** eafs@bir.gov.ph  
**Sent:** Wednesday, May 1, 2024 10:12 AM  
**To:** GG officialtax cssp  
**Cc:** Ner, Dino (VZDA 1)  
**Subject:** Your BIR AFS eSubmission uploads were received

Hi CREDIT SUISSE SECURITIES (PHILIPPINES) INC.,

### Valid files

- EAFS007967649OTHTY122023.pdf
- EAFS007967649AFSTY122023.pdf
- EAFS007967649ITRTY122023.pdf
- EAFS007967649TCRTY122023-01.pdf
- EAFS007967649RPTY122023.pdf

### Invalid file

- <None>

Transaction Code: **AFS-0-CAD9HKHB0AALK9CLGP1RTVYYV0B8CAFLDD**

Submission Date/Time: **May 01, 2024 10:12 AM**

Company TIN: **007-967-649**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

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

This is a system-generated e-mail. Please do not reply.

# File Upload



All files successfully uploaded

Transaction Code:

**AFS-0-CAD9HKHB0AALK9CLGP1RTVYYV0B8CAFLDD**

Submission Date/Time:

May 01, 2024 10:12 AM

[↑ Back To Upload](#)

## **:: Other Complaint Confirmation Reply**

### **STANDARD CONFIRMATION REPLY.**

Thank you for communicating with us.

We appreciate your cooperation in our efforts to improve our service. Rest assured that your complaint shall be acted upon promptly. Response/reply and further development on the complaint, shall be sent thru the email address you had provided. For additional information and follow-up, kindly email directly and affix the "Complaint ID number" found on the subject provided in our email confirmation reply, to [contact\\_us@bir.gov.ph](mailto:contact_us@bir.gov.ph).

Should you need further assistance, you may call:

**Customer Assistance Divison  
at telephone no. 8538 3200.**



BIR Form No.

**2323**

January 2000



AN: 08-000745-017-2021

## CERTIFICATE OF ACCREDITATION AS TAX PRACTITIONER

*This is to acknowledge the accreditation of John-John Patrick V. Lim  
of ISLA Lipana & Co.  
with Taxpayer Identification Number 112-071-386 to act for and in behalf of taxpayers in the preparation and filing of tax returns, statements, reports, protests and other papers with, and/or to appear and transact official business before the Bureau of Internal Revenue pursuant to the provisions of Section 6 (G) of the National Internal Revenue Code of 1997.*

*This certificate is valid for three (3) years from the date of issuance unless sooner revoked for cause.*

Issued this 23<sup>rd</sup> day of November, year 20 21.

  
**ARNEL S.D. GUBALLA**  
Deputy Commissioner  
Chairman

**Revenue National Accreditation Board (RNAB)**



A UBS Group Company

STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

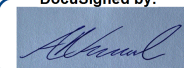
The management of Credit Suisse Securities (Philippines) Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting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

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

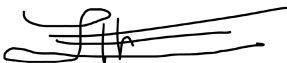
The Board of Directors (the "Board") is responsible for overseeing the Company's financial reporting process.

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

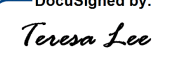
Isla Lipana & Co., the independent auditor, appointed by the stockholder, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholder, has expressed its opinion on the fairness of presentation upon completion of such audit.

DocuSigned by:  
  
19E2C5D066944F6...

Andrew Norval  
Chairman of the Board



Thomas Launay  
President

DocuSigned by:  
  
29FC258B02A84B6...

Teresa Lee  
VP - Finance

Signed this 24<sup>th</sup> day of April 2024



## **Independent Auditor's Report**

To the Board of Directors and Shareholder of  
**Credit Suisse Securities (Philippines) Inc.**  
19<sup>th</sup> Floor, Tower One and Exchange Plaza Bldg.  
Ayala Avenue cor. Paseo de Roxas,  
Makati City, Philippines

### ***Report on the Audits of the Financial Statements***

#### **Our Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Credit Suisse Securities (Philippines) Inc. (the "Company") as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### *What we have audited*

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of total comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information..

#### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)



Independent Auditor's Report  
To the Board of Directors and Shareholder of  
Credit Suisse Securities (Philippines) Inc.  
Page 2

### **Emphasis of matter**

We draw attention to Note 1 to the financial statements, wherein on November 22, 2023, the Company's Board of Directors approved the winding down and cessation of business operations which includes the cessation of trading activities, withdrawal of broker-dealer license (secondary license), withdrawal of its primary license, termination of its exchange membership with the Philippine Stock Exchange, closure of all bank accounts of the Company, including but not limited to de-registering with the Securities and Exchange Commission (SEC). The Company applied for the surrender of the secondary broker-dealer license to SEC on December 15, 2023.

On February 28, 2024, the Capital Markets Integrity Corporation has confirmed the Company's compliance with the requirements under the pertinent securities laws, issued an approval of the application of the voluntary suspension of the Company with effective date of March 1, 2024. On April 8, 2024, the Company received confirmation from the PSE Board of Directors noting the cessation of operations of the Company. The Company will no longer be a trading participant of the PSE but will remain to be a trading right holder and will still be subject to applicable provisions for trading under the policies of the exchange. The Company is in the process of amending the articles of incorporation and shortening the corporate term to August 31, 2025. As further discussed in Note 20.1, the Company changed its basis of accounting from the going concern to an acceptable alternative authoritative basis in the preparation of its financial statements as at and for the year ended December 31, 2023. Our opinion is not modified in respect of this matter.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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



Independent Auditor's Report  
To the Board of Directors and Shareholder of  
Credit Suisse Securities (Philippines) Inc.  
Page 3

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

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

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



Independent Auditor's Report  
To the Board of Directors and Shareholder of  
Credit Suisse Securities (Philippines) Inc.  
Page 4

***Report on the Bureau of Internal Revenue Requirement***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is 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 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "John John Patrick V. Lim". The signature is written in a cursive style with a large, looping 'L' at the end.

John John Patrick V. Lim  
Partner

CPA Cert. No. 83389

P.T.R. No. 0007706; issued on January 12, 2024, Makati City

T.I.N. 112-071-386

BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
April 24, 2024





**Statement Required by Rule 68,  
Securities Regulation Code (SRC)**

To the Board of Directors and Shareholder of  
**Credit Suisse Securities (Philippines) Inc.**  
19<sup>th</sup> Floor, Tower One and Exchange Plaza Bldg.  
Ayala Avenue cor. Paseo de Roxas,  
Makati City, Philippines

We have audited the financial statements of Credit Suisse Securities (Philippines) Inc. (the "Company") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 24, 2024.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of our work performed, as at December 31, 2023, the said Company has one (1) shareholder owning one hundred (100) or more shares.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "John John Patrick V. Lim". The signature is written in a cursive style with a large, stylized "J" at the beginning.

John-John Patrick V. Lim  
Partner

CPA Cert. No. 83389

P.T.R. No. 0007706; issued on January 12, 2024, Makati City

T.I.N. 112-071-386

BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
April 24, 2024

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)



**Statement Required by Rule 52.1.5  
Securities Regulation Code (SRC)**

To the Board of Directors and Shareholder of  
**Credit Suisse Securities (Philippines) Inc.**  
19<sup>th</sup> Floor, Tower One and Exchange Plaza Bldg.  
Ayala Avenue cor. Paseo de Roxas,  
Makati City, Philippines

We have audited the financial statements of Credit Suisse Securities (Philippines) Inc. as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 24, 2024. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplementary information shown in Schedules I to V is presented for purposes of complying with SRC Rule 52.1.5 and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with SRC Rule 52.1.5.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "John John Patrick V. Lim". The signature is written in a cursive style with a large, stylized "L" at the end.

John John Patrick V. Lim  
Partner

CPA Cert. No. 83389

P.T.R. No. 0007706; issued on January 12, 2024, Makati City

T.I.N. 112-071-386

BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
April 24, 2024

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)



This report contains:

1. SEC Form 52-AR
2. Statement of Management's Responsibility
3. Statements of Financial Position
4. Statements of Total Comprehensive Income
5. Statements of Changes in Equity
6. Statements of Cash Flows
7. Notes to Financial Statements
8. Statement of changes in liabilities subordinated to claims of general creditors <sup>(a)</sup>
9. Computation of Risk Based Capital Adequacy (RBCA) Requirement pursuant to SRC Rule 49.1-A (Schedule I)
10. Computation for Determination of Reserve Requirements under SRC Rule 49.2-B (Schedule II)
11. Information relating to the Possession or Control Requirements under SRC Rule 49.2-A (Schedule III)
12. A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Schedule IV)
13. Results of the Monthly Securities Count conducted pursuant to SRC Rule 52.1.10 (Schedule V)

---

<sup>(a)</sup> None as at December 31, 2023.

**SEC Form 52-AR**

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

**ANNUAL AUDITED FINANCIAL REPORT**

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

Report for the period beginning January 1, 2023 and ended December 31, 2023.

<b>IDENTIFICATION OF BROKER OR DEALER</b>	
Name of Broker/Dealer:	Credit Suisse Securities (Philippines) Inc.
Address of Principal Place of Business:	19 <sup>th</sup> Floor, Tower One and Exchange Plaza Bldg. Ayala Avenue cor. Paseo de Roxas, Makati City, Philippines
Name and Phone Number of Person to Contact in regard to this report:	
Name: Thomas Launay	Tel. No. 8858-7712 Fax No. 8858-7737

<b>IDENTIFICATION OF ACCOUNTANT</b>	
Name of Independent Certified Public Accountant whose opinion is contained in this report:	
Name: John-John Patrick V. Lim Partner Isla Lipana & Co.	Tel. No. 8459-3023 Fax No. 8845-2806
Address: 29th Floor, AIA Tower, 8767 Paseo de Roxas 1226 Makati City, Philippines	
Certificate Number: 83389	Date Issued: January 12, 2024
PTR Number: 0007706	

**Credit Suisse Securities (Philippines) Inc.**

Statements of Financial Position  
As at December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	December 31, 2023			December 31, 2022		
		Book value	Long	Short	Book value	Long	Short
<b><u>ASSETS</u></b>							
<b>Current assets</b>							
Cash	2	1,098,989,993	-	-	1,303,655,816	-	-
Trade receivables from							
Customers, net	3	-	-	-	377,095,972	375,146,525	-
Clearing house, net	3	-	-	-	2,900,953	-	-
Due from related parties	16	2,471,777	-	-	69,211,832	-	-
Prepayments and other current assets		9,629,059	-	-	2,171,073	-	-
Contributions to the Clearing and Trade Guaranty Fund	6	57,697,964	-	-	-	-	-
<b>Total current assets</b>		<b>1,168,788,793</b>			<b>1,755,035,646</b>	<b>375,146,525</b>	<b>-</b>
<b>Non-current assets</b>							
Property and equipment, net	4	7,846,364	-	-	6,352,888	-	-
Deferred income tax assets, net	14	-	-	-	15,497,515	-	-
Exchange trading right	5	-	-	-	8,000,000	-	-
Contributions to the Clearing and Trade Guaranty Fund	6	-	-	-	57,155,495	-	-
<b>Total non-current assets</b>		<b>7,846,364</b>			<b>87,005,898</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>1,176,635,157</b>			<b>1,842,041,544</b>	<b>375,146,525</b>	<b>-</b>
<b>Securities in transit</b>						<b>197,302,877</b>	<b>375,146,525</b>

(The notes on pages 1 to 44 are an integral part of these financial statements.)

**Credit Suisse Securities (Philippines) Inc.**

Statements of Financial Position  
As at December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	December 31, 2023			December 31, 2022		
		Book value	Long	Short	Book value	Long	Short
<b><u>LIABILITIES AND EQUITY</u></b>							
<b>Current liabilities</b>							
Trade payables to							
Customers	7	-	-	-	194,257,723	-	197,302,877
Clearing house, net	7	-	-	-	183,177,735	-	-
Due to related parties	16	40,465,352	-	-	32,652,352	-	-
Due to Bureau of Internal Revenue		2,050,431	-	-	7,118,097	-	-
Income tax payable		-	-	-	9,195,894	-	-
Deferred compensation payable		29,810	-	-	70,324	-	-
Lease liability	11	5,911,175	-	-	4,741,358	-	-
Other current liabilities	8	63,389,841	-	-	30,709,371	-	-
<b>Total current liabilities</b>		<b>111,846,609</b>	<b>-</b>	<b>-</b>	<b>461,922,854</b>	<b>-</b>	<b>197,302,877</b>
<b>Non-current liabilities</b>							
Retirement benefit obligation	9	-	-	-	38,422,981	-	-
Deferred compensation payable		21,100	-	-	34,221	-	-
<b>Total non-current liabilities</b>		<b>21,100</b>	<b>-</b>	<b>-</b>	<b>38,457,202</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>111,867,709</b>	<b>-</b>	<b>-</b>	<b>500,380,056</b>	<b>-</b>	<b>197,302,877</b>
<b>Equity</b>							
Share capital	15	405,000,000	-	-	405,000,000	-	-
Share premium	15	424,110,000	-	-	424,110,000	-	-
Remeasurement gain on retirement benefit obligation	9	-	-	-	9,074,066	-	-
Retained earnings	15						
Appropriated		298,249,657	-	-	298,249,657	-	-
Deficit		(62,592,209)	-	-	205,227,765	-	-
<b>Total equity</b>		<b>1,064,767,448</b>	<b>-</b>	<b>-</b>	<b>1,341,661,488</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and equity</b>		<b>1,176,635,157</b>	<b>-</b>	<b>-</b>	<b>1,842,041,544</b>	<b>572,449,402</b>	<b>572,449,402</b>

(The notes on pages 1 to 44 are an integral part of these financial statements.)

**Credit Suisse Securities (Philippines) Inc.**

Statements of Total Comprehensive Income  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	2023	2022
<b>REVENUES</b>			
Commission income	16	61,280,589	358,504,041
Equity sales and trading income	16	43,665,049	71,967,163
Other income	2,9,16	49,903,958	8,385,599
		154,849,596	438,856,803
<b>EXPENSES</b>			
Manpower	10	125,346,753	136,794,885
Sales and trading fees	16	20,686,449	63,374,390
Professional fees		12,715,956	4,629,222
Depreciation	4	10,325,698	8,655,274
Subscription and periodicals		9,578,777	11,629,544
Security, messenger and janitorial		4,015,729	3,625,380
Stock exchange dues and fees	12	3,469,625	16,089,416
Taxes and licenses		3,757,135	14,477,501
Repairs and maintenance		2,165,801	2,011,359
Condominium dues and fees		1,627,376	1,253,530
Contractor fees		1,522,500	3,581,500
Intragroup fees	16	1,237,813	3,718,659
Insurances		1,071,427	178,955
Postage, telephone and communication		1,017,125	1,409,326
Transportation and travel		886,290	1,167,210
Entertainment, amusement and recreation		786,260	860,252
Utilities		743,713	1,870,092
Central Depository fees		472,415	2,256,898
Other operating expenses		21,223,704	11,354,897
		222,650,546	288,938,290
<b>(LOSS) INCOME FROM OPERATIONS</b>		<b>(67,800,950)</b>	<b>149,918,513</b>
Finance cost	11	(261,473)	(238,118)
Foreign exchange (loss) gain, net	18	(132,389)	1,372,617
<b>(LOSS) INCOME BEFORE INCOME TAX</b>		<b>(68,194,810)</b>	<b>151,053,012</b>
<b>INCOME TAX EXPENSE</b>	13	<b>21,234,612</b>	<b>33,720,127</b>
<b>NET (LOSS) INCOME FOR THE YEAR</b>		<b>(89,429,422)</b>	<b>117,332,885</b>
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>			
Item that will not be reclassified to profit or loss			
Remeasurement (loss) gain on retirement benefit obligation	9	(1,489,307)	9,324,799
Tax effect	9	372,327	(2,331,200)
		(1,116,980)	6,993,599
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>		<b>(90,546,402)</b>	<b>124,326,484</b>

(The notes on pages 1 to 44 are an integral part of these financial statements.)

**Credit Suisse Securities (Philippines) Inc.**

Statements of Changes in Equity  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Share capital (Note 15)			Share premium (Note 15)	Remeasurement gain on retirement benefit obligation (Note 9)	Retained earnings (Note 15)			Total
	Common shares	Preferred shares	Total share capital			Appropriated	Unappropriated	Total retained earnings	
<b>Balances at January 1, 2022</b>	300,000,000	105,000,000	405,000,000	424,110,000	2,080,467	286,516,368	449,628,169	736,144,537	1,567,335,004
<b>Comprehensive income</b>									
Net income for the year	-	-	-	-	-	-	117,332,885	117,332,885	117,332,885
Other comprehensive income	-	-	-	-	6,993,599	-	-	-	6,993,599
<b>Total comprehensive income for the year</b>	-	-	-	-	6,993,599	-	117,332,885	117,332,885	124,326,484
<b>Transactions with owner</b>									
Dividends	-	-	-	-	-	-	(350,000,000)	(350,000,000)	(350,000,000)
Appropriation	-	-	-	-	-	11,733,289	(11,733,289)	-	-
<b>Balances at December 31, 2022</b>	300,000,000	105,000,000	405,000,000	424,110,000	9,074,066	298,249,657	205,227,765	503,477,422	1,341,661,488
<b>Comprehensive loss</b>									
Net loss for the year	-	-	-	-	-	-	(89,429,422)	(89,429,422)	(89,429,422)
Other comprehensive loss	-	-	-	-	(1,116,980)	-	-	-	(1,116,980)
<b>Total comprehensive loss for the year</b>	-	-	-	-	(1,116,980)	-	(89,429,422)	(89,429,422)	(90,546,402)
<b>Transaction with owner</b>									
Dividends	-	-	-	-	-	-	(189,000,000)	(189,000,000)	(189,000,000)
<b>Recycling of remeasurement loss on retirement benefit obligation, net</b>	-	-	-	-	(7,957,086)	-	10,609,448	10,609,448	2,652,362
<b>Balances at December 31, 2023</b>	300,000,000	105,000,000	405,000,000	424,110,000	-	298,249,657	(62,592,209)	235,657,448	1,064,767,448

(The notes on pages 1 to 44 are an integral part of these financial statements.)

**Credit Suisse Securities (Philippines) Inc.**

Statements of Cash Flows  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) income before income tax		(68,194,810)	151,053,012
Adjustment for:			
Interest income, net of final tax	2	(12,252,582)	(1,511,172)
Interest expense on lease liability	11	261,473	238,118
Reversal of retirement benefit obligation	9	(35,335,866)	-
Retirement benefit (income) expense	9,10	(4,576,422)	7,540,778
Depreciation	4	10,325,698	8,655,274
Provision for impairment of exchange trading right	5	8,000,000	1,000,000
Unrealized foreign exchange loss (gain), net	18.3	4,866	(1,242,755)
Operating (loss) income before working capital changes		(101,767,643)	165,733,255
Changes in working capital:			
(Increase) decrease in:			
Trade receivables from:			
Customers		377,095,972	266,219,110
Clearing house		2,900,953	79,565,235
Related parties		66,138,655	(57,807,746)
Prepayments and other current assets		(9,226,894)	(10,797,314)
Contributions to the Clearing and Trade Guaranty Fund		(542,469)	(2,494,275)
Increase (decrease) in:			
Trade payables to:			
Customers		(194,257,723)	(383,708,773)
Clearing house		(183,177,735)	41,969,078
Related parties		8,092,250	(2,622,259)
Due to BIR		(5,067,666)	(5,446,051)
Deferred compensation payable		(52,654)	(236,609)
Other current liabilities		32,686,382	12,769,517
Cash (absorbed by) generated from operations		(7,178,574)	103,143,168
Interest received		12,252,582	1,511,172
Income taxes paid		(10,274,943)	(32,997,644)
Net cash (used in) from operating activities		(5,200,935)	71,656,696
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Acquisition of property and equipment	4	-	(877,184)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal lease payments	11	(10,502,539)	(7,702,343)
Payment of interest on lease liability	11	(272,746)	(256,476)
Cash dividends	15	(188,999,827)	(349,999,827)
Net cash used in financing activities		(199,775,112)	(357,958,646)
<b>NET DECREASE IN CASH</b>		<b>(204,976,047)</b>	<b>(287,179,134)</b>
<b>CASH</b>			
January 1		1,303,655,816	1,590,290,078
Effect of change in foreign exchange rate		310,224	544,872
December 31	2	1,098,989,993	1,303,655,816

(The notes on pages 1 to 44 are an integral part of these financial statements.)

## **Credit Suisse Securities (Philippines) Inc.**

Notes to Financial Statements

As at and for the years ended December 31, 2023 and 2022

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

### **1 General information**

Credit Suisse Securities (Philippines) Inc., (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 25, 2011.

On February 14, 2011, the SEC issued a Certificate of Registration No. 01-2011-00274 to the Company to effect the registration and authorization of the Company to operate as a broker dealer in securities pursuant to Section 131 of the Corporation Code of the Philippines, the Foreign Investments Act of 1991 [Republic Act (RA) 7042] and other pertinent laws of the Philippines.

The primary purpose of the Company is to principally engage in the business of buying and selling of, or otherwise dealing in stocks, bonds, debentures and other securities or commercial papers, whether such securities be of domestic or foreign origin, of any person, partnership, association, syndicates, corporation or governmental body, agency or instrumentality, local or national, for its own account as a dealer or for the account of others as a stockbroker and in all activities, directly or indirectly, connected therewith or incidental thereto; to be a member of any stock exchange anywhere.

As at December 31, 2023, the immediate and ultimate holding corporations are Credit Suisse AG (“CSAG”) and UBS Group AG (“UBS”) respectively, both are incorporated in Switzerland.

On June 12, 2023, UBS Group AG acquired Credit Suisse Group AG, succeeding by operation of Swiss law to all assets and liabilities of Credit Suisse Group AG, and became the direct or indirect shareholder of all of the former direct and indirect subsidiaries of Credit Suisse Group AG (the Transaction).

Upon the completion of the Transaction, each outstanding, registered Credit Suisse share converted to the right to receive, subject to the payment of certain fees to the Credit Suisse Depository in the case of Credit Suisse American depository shares (ADS), the merger consideration consisting of 1/22.48 UBS Group AG shares. In aggregate, Credit Suisse shareholders received 5.1% of the outstanding UBS Group AG shares on the acquisition date, with a purchase price of USD 3.6Bn.

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

On November 22, 2023, the Company’s Board of Directors (BOD) approved the winding down and cessation of business operations which includes the cessation of trading activities, withdrawal of broker-dealer license (secondary license), withdrawal of its primary license, termination of its exchange membership with the Philippine Stock Exchange, closure of all bank accounts of the Company, including but not limited to de-registering with the SEC.

The Company applied for the surrender of the secondary Broker-Dealer license to SEC on December 15, 2023. On February 28, 2024, the Capital Markets Integrity Corporation (CMIC) has confirmed the Company’s compliance with the requirements under the pertinent securities laws, issued an approval of the application of the voluntary suspension of the Company with effective date of March 1, 2024. On April 8, 2024, the Company received confirmation from the PSE Board of Directors noting the cessation of operations of the Company. The Company will no longer be a trading participant of the PSE but will remain to be a trading right (TR) holder and will still be subject to applicable provisions for trading under the policies of the exchange. As at approval date of the financial statements, the Company is in the process of amending the articles of incorporation and shortening the corporate term to August 31, 2025.



The registered office and principal place of business of the Company is located at the 19th Floor, Tower 2, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City. As at December 31, 2023, the Company has 9 regular employees (2022 - 21 regular employees)

*Approval and authorization for issuance of financial statements*

These financial statements have been approved and authorized for issuance by the Company's BOD on April 24, 2024.

**2 Cash**

The account at December 31 consists of:

	2023	2022
Cash in banks	1,098,989,993	1,303,605,816
Petty cash fund	-	50,000
	<u>1,098,989,993</u>	<u>1,303,655,816</u>

Cash in banks pertain to due and demandable deposits with banks and earn nominal interest at the prevailing bank deposit rates. These demandable bank deposits are readily available cash.

Interest income earned from cash as at December 31, 2023 amounts to P12,252,582 (2022 - P1,511,172). Interest income is presented under "Other income" in the statement of total comprehensive income.

As at December 31, 2022, in compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Company maintains a special reserve bank account for trade-related settlement with its customers amounting to P10.0 million. The Company's reserve requirement is determined weekly and monthly based on the SEC's prescribed computations. In relation to the cessation of business operations, the reserve requirement is no longer required for the year ended December 31, 2023.

**3 Trade receivables from customers and clearing house**

In relation to the Company's cessation of business operations, there are no trade receivables from customers and clearing house outstanding as at December 31, 2023.

The account at December 31, 2022 consists of:

	Book value	Amount	
		Security valuation	
		Long	Short
Fully secured accounts:			
More than 250%	-	-	-
Between 200% and 250%	-	-	-
Between 150% and 200%	-	-	-
Between 100% and 150%	67,348,868	68,086,301	-
Partially secured accounts	309,747,104	307,060,224	-
Trade receivables from customers	377,095,972	375,146,525	-
Trade receivables from clearing house	2,900,953	-	-
	<u>379,996,925</u>	<u>375,146,525</u>	<u>-</u>

The breakdown of the trade receivables from customers account as at December 31, 2022 is as follows:

	Note	Amount
Trade receivables from third parties		227,319,824
Trade receivables from related parties	16	149,776,148
		<u>377,095,972</u>

The outstanding balances of trade receivables from customers are covered by the outstanding in-transit shares using its current market valuation, and also include brokerage transactions with the Company's related parties (Note 16).

The securities brokerage transactions are subject to a multilateral netting agreement with the PSE and clearing house. Under such agreement, all buying and selling trade transactions due to or from the clearing house will be netted to one another and as a result, there is only a single collection or payment from the clearing house. Amounts related to trade transactions for customers are accounts collected or settled two (2) days from transaction date (T+2) in 2023 (2022 - three (3) days from transaction date (T+3)).

The multilateral netting agreement with the clearing house and the simultaneous collection or settlement of amounts due from or to customers met the criteria for offsetting in the statement of financial position, as there is an intention to settle on a net basis, or to realize the asset and liability simultaneously and the Company currently has the legally enforceable right to offset the brokerage receivables and payables.

The reconciliation of gross and net amounts of trade receivables from clearing house as at December 31, 2022 is as follows:

	2022		
	Gross	Offsetting	Net
Brokerage receivables from clearing house subject to master netting agreements or similar agreements	195,950,097	193,049,144	2,900,953

The reconciliation of gross and net amounts of trade receivables from customers and clearing house presented in risk-based capital adequacy (RBCA) report as at December 31, 2022 is as follows:

	2022		
	Gross	Offsetting	Net
Trade receivables			
Brokerage receivables from customer and other brokers	377,095,972	57,435,084	319,660,888
Brokerage receivables from clearing house subject to master netting agreements or similar agreements	195,950,097	193,049,144	2,900,953
	<u>573,046,069</u>	<u>250,484,228</u>	<u>322,561,841</u>

The amounts of trade receivables presented in the statement of financial position is based on the gross balances per trade date and per client, whereas, the netting presented in the RBCA report is based on the balances per client only.

#### 4 Property and equipment, net

The account at December 31 consists of:

2023	Communication equipment	Computer and office equipment	Right-of-use asset (Note 11)	Total
Cost				
At January 1, 2023	1,559,075	20,914,742	22,438,652	44,912,470
Additions	-	-	11,819,175	11,819,175
At December 31, 2023	1,559,075	20,914,742	34,257,828	56,731,645
Accumulated depreciation				
At January 1, 2023	1,234,135	19,249,864	18,075,583	38,559,582
Depreciation	159,215	878,755	9,287,728	10,325,698
At December 31, 2023	1,393,350	20,128,619	27,363,311	48,885,280
Net book value	165,725	786,123	6,894,517	7,846,365

2022	Communication equipment	Computer and office equipment	Right-of-use asset (Note 11)	Total
Cost				
At January 1, 2022	1,559,075	20,037,559	22,438,652	44,035,286
Additions	-	877,184	-	877,184
At December 31, 2022	1,559,075	20,914,743	22,438,652	44,912,470
Accumulated depreciation				
At January 1, 2022	1,105,643	18,202,634	10,596,031	29,904,308
Depreciation	128,492	1,047,230	7,479,552	8,655,274
At December 31, 2022	1,234,135	19,249,864	18,075,583	38,559,582
Net book value	324,940	1,664,878	4,363,070	6,352,888

As at December 31, 2023 and 2022, fully depreciated equipment amounting to P19.2 million are still in use by the Company.

Right-of-use asset arises from leasing arrangement. As at December 31, 2023, the right-of-use asset pertains to the Company's office premises with a carrying amount of P6,894,517 (2022 - P4,363,070) (Note 11).

In relation to the cessation of business operations, there is a change in estimate regarding the useful life of equipment. The depreciation for communication and office equipment were accelerated up to April 30, 2024 resulting in higher depreciation expense and net loss of P165,234 and P123,926, respectively.

There are no property and equipment pledged as collateral for liabilities as at December 31, 2023 and 2022.

#### 5 Exchange trading right

This represents the purchase price of exchange trading right with the PSE.

Under the PSE rules, all exchange membership seats are pledged at its full value to the PSE to secure the payment of all debts to other members of the exchange arising out of or in connection with the present or future members' contracts.

In relation to the Company's cessation of business operations, the exchange trading right amounting to P8 million was written down to nil as at December 31, 2023.

As at December 31, 2022, the price of the most recent sale of the exchange trading right as approved by the PSE's BOD on November 16, 2022 amounts to P8 million. Therefore, the Company recognized the P1 million impairment loss booked under "Other operating expenses" in the statement of total comprehensive income in 2022.

## 6 Contributions to the Clearing and Trade Guaranty Fund

This account includes contributions made by the Company to Securities Clearing Corporation of the Philippines' (SCCP) Clearing and Trade Guaranty Fund (CTGF) or Clearing Fund amounting to P57.7 million as of December 31, 2023 (2022- P57.2 million).

On March 31, 2018, the SEC resolved to approve the SCCP's proposed amendments to SCCP Rule 5.2 and operating procedure 4.3.1.3, making the clearing members' contribution to the CTGF refundable to the clearing members upon cessation of their business and/or termination of their membership with SCCP, under the following conditions:

- a) any excess of the initial contribution required of new trading participants applying with the PSE or upon resumption of trading operations as stated in Rule 5.1.4; and
- b) upon cessation of business of the clearing member and/or upon termination of its membership with SCCP, provided that all liabilities of such clearing member owing to the SCCP at the time of termination, either actual or contingent, shall have been satisfied or paid in full, and shall take into account any pending and previous applications of the clearing member at the time of such termination.

With the application to surrender the broker-dealer license, the Company is applying for the refund of the contributions to the Clearing and Trade Guaranty Fund and is expected to be settled in May 2024.

## 7 Trade payables to customers and clearing house

In relation to the Company's cessation of business operations, there are no trade payables to customers and clearing house outstanding as at December 31, 2023.

The account at December 31, 2022 consists of:

	Book value	Amount	
		Long	Short
Trade payables to customers			
With money balance	194,257,723	-	197,302,877
Without money balance	-	-	-
Trade payables to customers	194,257,723	-	197,302,877
Trade payables to clearing house	183,177,735	-	-
	377,435,458	-	197,302,877

The breakdown of the trade payables to customers account is as follows:

	Note	2022
Trade payables to third parties		136,613,746
Trade payables to related parties	16	57,643,977
		194,257,723

Trade payables to customers account refers to the gross payable to clients including brokerage transactions with the Company's related parties (Note 16). Trade payables to clearing house account pertains to net payable to clearing house relating to outstanding trades on the last three trading days as at December 31, 2022.

Reconciliation of gross and net amounts of trade payables to clearing house as at December 31, 2022 is as follows:

	Amount		
	Gross	Offsetting	Net
Brokerage payables to clearing house subject to master netting agreements or similar agreements	376,226,880	193,049,145	183,177,735

The reconciliation of gross and net amounts of trade payables to customers and clearing house presented in RBCA report as at December 31, 2022 is as follows:

	Amount		
	Gross	Offsetting	Net
Other financial liabilities			
Brokerage payables to customers	194,257,723	57,435,084	136,822,639
Brokerage payables to clearing house subject to master netting agreements or similar agreements	376,226,880	193,049,145	183,177,735
	570,484,603	250,484,229	320,000,374

The amounts of trade payables presented in the statement of financial position is based on the gross balances per trade date per client, whereas the netting presented in the RBCA report is based on the balances per client only.

## 8 Other current liabilities

The account at December 31 consists of:

	Note	2023	2022
Financial liabilities			
Accrued expenses		19,842,219	4,198,463
Clearing fees payable		-	764,703
Employee medical reimbursement		177,447	53,539
Dividends payable	15	42	173
		20,019,708	5,016,878
Government statutory contribution		76,300	133,018
Provisions			
Severance payable		38,489,294	21,972,734
Incentive performance bonuses		3,579,860	1,825,100
Accrued annual leave credits		1,224,679	1,761,641
		43,293,833	25,559,475
		63,389,841	30,709,371

Accrued expenses consist of accrual for professional fees, and IT and accounting-related expenses.

In 2023, the Company accrued severance payable to their employees in relation to the planned closure of the business (Note 1). The remaining payable is expected to be settled in 2024. The expense related to this account as booked under "Manpower" amounted to P45,852,471 (2022 - P21,625,451) (Note 10).

Accruals for incentive performance bonus (IPB) are of discretionary nature and determined globally based on certain firm wide parameters. Increase or decrease in IPB pool is based on employee or entity level bonus approved by the Compensation Committee. The expenses related to IPB is recognized under “Manpower” account (Note 10) in the statement of total comprehensive income.

## 9 Retirement benefit obligation

The Company has no formal retirement plan for its employees but provides for estimated retirement benefits based on RA 7641, Retirement Pay Law, under a non-contributory defined benefit retirement plan.

The current plan is unfunded and provides retirement benefits equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year. The term one-half month shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month and the cash equivalent of not more than five (5) days of service incentive leaves. It covers all of its qualified employees who upon reaching the age of 60 years and has rendered at least five (5) years of service. The Company accrues retirement expense using the projected unit credit (PUC) method. The Company’s latest actuarial valuation date is as at December 14, 2023.

The details of retirement benefit obligation recognized in the statement of financial position are shown below:

	Note	2023	2022
At January 1		38,422,981	40,207,002
Included in profit or loss			
Current service cost		4,880,873	5,570,635
Gain/loss due to curtailments		(12,223,750)	-
Interest cost, net		2,766,455	1,970,143
	10	(4,576,422)	7,540,778
Included in other comprehensive income			
Actuarial loss (gain) from:			
Financial assumptions		2,198,906	(8,448,508)
Experience adjustment		(709,599)	(876,291)
		1,489,307	(9,324,799)
		35,335,866	38,422,981
Reversal of retirement benefit obligation		(35,335,866)	-
At December 31		-	38,422,981

The retirement benefit income for the year ended December 31, 2023 amounting to P4.6 million (2022 - P7.5 million expense) was recognized under “Manpower” account in the statement of total comprehensive income (Note 10).

In 2023, the Company reversed the retirement benefit obligation in relation to the cessation of business operations and closure (Note 1). In exchange, the Company accrued for severance payable to its employees (Note 8).

The reversal of retirement benefit obligation is presented as part of “Other income” in the statement of total comprehensive income.

The movements of the remeasurement gain on retirement liability, net of tax, in the statement of financial position are as follows:

	2023	2022
At January 1	9,074,066	2,080,467
Actuarial gain (loss) arising from:		
Financial assumptions	(2,198,906)	8,448,508
Experience adjustment	709,599	876,291
Deferred tax effect	372,327	(2,331,200)
	7,957,086	9,074,066
Recycling of remeasurement gain on retirement liability	(10,609,448)	-
Reversal of deferred tax effect against deferred income tax asset	2,652,362	-
At December 31	-	9,074,066

As at December 31, 2023, the weighted average duration of the defined benefit obligation is 6.5 years (2022 - 9.6 years). The principal assumptions used for the actuarial valuation of the retirement liability are as follows:

	2023	2022
Discount rate	6.15%	7.20%
Future salary growth	5.50%	5.50%

#### *Discount rate*

The principal assumption used in the valuation at December 31, 2023 pertains to the discount rate of 6.15% (2022 - 7.20%). The discount rate is the rate of interest used to discount post-employment benefit obligation and should be determined by reference to market yields at the reporting date on high quality corporate bonds. In countries such as the Philippines where there is no deep market for such bonds, the market yields at the reporting date on government bonds should be used instead. The procedure of bootstrapping was applied to the PHP Bloomberg BVAL Reference Rates (BVAL) benchmark government bonds to arrive at the theoretical zero-coupon yield curve. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years. Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value.

#### *Future salary increases*

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Assumptions regarding future mortality and disability experience are based on published statistics generally used for local actuarial valuation purposes.

#### *Future mortality and disability experience*

Assumptions regarding future mortality have been based on the 2017 Philippine Intercompany Mortality (PICM) for the years ended 2023 and 2022. The disability rate used by the actuary is 10.00% of the mortality table as of December 31, 2023 and 2022.

### Sensitivity analysis

Reasonable possible changes at December 31, 2022 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Amount	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 1,501,813	Increase by 1,607,848
Salary increase rate	0.5%	Increase by 1,626,696	Decrease by 1,532,215

Although the analysis does not take account of the full distribution of cash flows expected, it does provide an approximation of the sensitivity of the assumption shown.

This defined benefit obligation exposes the Company to actuarial risks, such as longevity risk and interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

As at December 31, 2023, no sensitivity analysis was performed as there is no longer a retirement benefit obligation recognized in relation to the cessation of business operations (Note 1).

### 10 Manpower

The account for the years ended December 31 consists of:

	Notes	2023	2022
Salaries		77,029,444	102,410,210
Retirement benefit (income) expense	9	(4,576,422)	7,540,778
Incentive performance bonuses		3,579,860	1,490,100
Cash and share awards		(17,035)	3,010,242
Other short-term benefits		3,478,435	718,104
Severance payable	8	45,852,471	21,625,451
		125,346,753	136,794,885

Salaries is composed of the employees' salaries and wages, and other employee benefits.

#### Share-based compensation and other benefits

The details of the share-based compensation and other benefits for the years ended December 31 are summarized below:

	Denomination	2023		2022	
		Original currency	Peso equivalent	Original currency	Peso equivalent
Employee share-based compensation	USD	(463)	(24,111)	1,874	97,420
Upfront cash awards	USD	147	7,076	54,018	2,912,822
		(316)	(17,035)	55,892	3,010,242



### *Employee share-based compensation*

Total compensation income for share-based cash unit compensation plans recognized during 2023 amounts to US\$463 (2022 - US\$1,874 expense). The total share-based cash unit award liability recorded as at December 31, 2023 was US\$919 (2022 - US\$1,877). The fair value used to calculate the share-based cash unit award liability was the closing UBS Group AG share price as at December 31, 2023 of CHF 26.10 (2022 CSG - CHF 2.76). The average weighted fair value of share-based cash unit awards granted in 2023 was nil (2022 - CHF 8.19). The intrinsic value of vested share-based cash unit awards outstanding as at 2023 US\$1,073 and 2022 was nil.

### *Share-based cash unit awards*

The number of share-based cash unit awards granted in 2023 is nil (2022 - 1,168). The majority of share-based cash unit awards granted include the right to receive dividend equivalents on vested shares.

### *Upfront cash awards*

In February 2023, certain employees were granted upfront cash awards as part of the cash component of their 2022 variable compensation. During 2023 and 2022, certain employees were also granted upfront cash awards. These awards are subject to repayment (clawback) by the employee in the event of voluntary resignation, termination for cause or in connection with other specified events or conditions within three years of the award grant. The amount subject to repayment is reduced in equal monthly installments during the three-year period following the grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions

Total compensation expense recognized during the year ended December 31, 2023 was US\$147 (2022 - US\$54,018).

## **11 Lease**

The Company leases its office space located at the 19th Floor, Tower 2, The Enterprise Center, Ayala Avenue corner Paseo de Roxas, Makati City. The lease contract was under the name of Credit Suisse (Hong Kong) Limited Philippine Branch (the "Philippine Branch"), an entity under common control, thus a service level agreement (SLA) was executed between the Company and the Philippine Branch whereby it is agreed that the two parties will share possession of all the premises (described in the SLA as "Shared premises") and that it was also agreed that the Company will pay the Philippine Branch the monthly rent or such relevant proportionate payments. An SLA was executed on August 24, 2017 covering the period from August 1, 2017 to July 31, 2020. Consequently, this was renewed in September 22, 2020, covering the period from August 1, 2020 to July 31, 2023.

On April 1, 2023, the lease was renewed under the name of the Company. A service level agreement (SLA) was executed between the Company and the Philippine Branch whereby it is agreed that the two parties will share possession of all the premises (described in the SLA as "Shared premises") and that it was also agreed that the Philippine Branch will pay the Company the monthly rent or such relevant proportionate payments. An SLA was executed on December 8, 2023 covering the period from August 1, 2023 to July 31, 2024.

The Company earned lease income for the year ended December 31, 2023 of P59,512 from the Philippines Branch presented as part of "Other income" in the statement of total comprehensive income. The net investment in sublease agreement with the Philippine Branch as at December 31, 2023 amounted to P1,545,993 and is classified as current and presented under "Prepayments and other current assets" in the statement of financial position.

In addition, the Company also recognized an asset retirement cost and corresponding liability for restoration cost of leased premises amounting to P3,191,257 recorded as part of right-of-use asset under “Property and equipment, net” and accrued expense under “Other current liabilities” in the statement of financial position, respectively.

Details of right-of-use asset, net, and lease liability at December 31 are as follows:

	Note	2023	2022
<i>Right-of-use asset, net</i>	4		
Buildings and leasehold improvements		6,894,517	4,363,070
<i>Lease liability</i>			
Current		5,911,175	4,741,358
Non-current		-	-
		5,911,175	4,741,358

There were no additions to the right-of-use asset in 2022.

The movement in lease liability is shown below:

	2023	2022
At January 1	4,741,358	12,462,059
Additions	11,683,629	-
Non-cash changes		-
Interest expense	261,473	238,118
Cash outflows for principal and interest payments	(10,775,285)	(7,958,819)
At December 31	5,911,175	4,741,358

Amounts recognized in the statement of total comprehensive income relating to the above lease are as follows:

	2023	2022
<i>Depreciation expense</i>		
Buildings and leasehold improvements	9,287,728	7,479,552
Interest expense (included in “finance cost”)	261,473	238,118
Expense relating to short-term leases (included in “Other operating expenses”)	-	372,510
	9,549,201	8,090,180

The 2022 expenses relating to short-term leases pertain to the rental of workplace recovery from a third-party which the Company discontinued in 2023.

## 12 Stock exchange dues and fees

Stock exchange dues and fees consist of the fees paid to PSE for trade-related transactions.

The stock exchange dues and fees for the year ended December 31, 2023 is P3.5 million (2022 - P16.1 million).

### 13 Income taxes

The account for the years ended December 31 consists of:

	Note	2023	2022
Current year			
Tax on profit for the year		-	38,986,385
Adjustment on current income tax of prior period	19.2	2,712,409	-
Deferred	14	18,522,203	(5,266,258)
		21,234,612	33,720,127

The reconciliation between the income tax expense computed at the statutory income tax rate to the actual income tax expense shown in the statement of total comprehensive income for the years ended December 31 follows:

	2023	2022
(Loss) income before income tax	(68,194,810)	151,053,012
Income tax at statutory tax rate of 25%	(17,048,703)	37,763,253
Adjustments to income tax resulting from tax effects of:		
Difference between optional standard deduction and itemized deduction	-	(5,710,922)
Interest income subjected to final tax	(3,063,146)	(377,793)
Nondeductible expenses	8,682,097	2,050,425
Movement in unrecognized deferred tax asset	32,664,364	(4,836)
	21,234,612	33,720,127

### 14 Deferred income tax assets, net

The account at December 31, 2022 consists of:

	Amount
Deferred income tax assets on:	
Retirement liability	9,605,745
IPB accruals	456,275
Annual leave credits	440,411
Unrealized foreign exchange loss	26,136
Severance liability	5,493,184
Others	94,572
	16,116,323
Deferred income tax liability on:	
Unrealized foreign exchange loss (gain)	(310,689)
Deferred compensation payable	(308,119)
Deferred income tax assets, net	15,497,515

Net deferred income tax assets, net, consists of the tax effects of the following:

	Notes	2023	2022
At January 1		15,497,515	12,562,457
(Charged) credited to profit or loss	13	(18,522,203)	5,266,258
Credited (charged) to other comprehensive income	9	372,327	(2,331,200)
Reversal of deferred tax effect of remeasurement gain	9	2,652,361	-
At December 31		-	15,497,515

As at December 31, 2022, management believes that sufficient taxable income will be available in the near foreseeable future against which the tax benefits of the foregoing tax differences can be realized.

In relation to the Company's cessation of business operations, management decided to no longer recognize deferred tax assets. The unrecognized deferred tax assets, net, pertaining to the items above amounts to P32,664,364 as at December 31, 2023.

Republic Act (RA) 9504, which amended the provisions of the 1997 Tax Code, became effective on July 7, 2008. It includes provisions relating to the availment of optional standard deductions (OSD). Corporations, except for nonresident foreign corporations, may elect to claim standard deductions in an amount not exceeding 40.00% of their gross income. A corporation must signify in its return its intention to avail the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made.

The Company used the itemized deduction in 2023 and OSD in 2022 annual income tax calculation.

The details of the Company's unused NOLCO and the related unrecognized DIT asset at December 31, 2023 are as follows:

Taxable year incurred	Year of expiry	2023
2023	2026	77,853,111
Tax rate		25%
Unrecognized DIT asset		19,463,278

## 15 Share capital; Retained earnings

### *Share capital*

The details of the account as at December 31, 2023 and 2022 are as follows:

	No. of Shares	Amount
Authorized, P100 par value		
Common	1,050,000	105,000,000
Preferred	3,000,000	300,000,000
	4,050,000	405,000,000
Issued and outstanding		
Common	1,050,000	105,000,000
Preferred	3,000,000	300,000,000
	4,050,000	405,000,000
Share premium	-	424,110,000
	4,050,000	829,110,000

The preferred shares are redeemable at the option of the Company. Each redeemable preferred share shall possess such terms and conditions as the BOD shall decide upon their issuance, provided that all redeemable preferred shares shall have no voting right attached thereto.

### *Retained earnings*

Under Section 43 of the Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred percent (100.00%) of their paid-in capital stock, except:

- When justified by definite corporate expansion projects or programs approved by the BOD;
- When the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not yet been secured; or
- When it can be clearly shown that such retention is necessary under special circumstances, such as when there is a need for reserve for probable contingencies.

As at December 31, 2023, the Company reported a deficit of P62.6 million (2022 - unappropriated retained earnings of P205.2 million).

On September 14, 2023, the Company's BOD approved declaration of cash dividends at P46.67 per share amounting to P189 million to shareholders as of record with payment date of September 27, 2023. On August 24, 2022, the Company's BOD approved declaration of cash dividends at P86.42 per share amounting to P350 million to shareholders as of record with payment date of September 19, 2022.

As at December 31, 2023, the remaining dividends payable amounts to P42 (2022 - P173) (Note 8).

SEC Memorandum Circular No. 16 - "Adoption of the Risk Based Capital Adequacy Requirement/Ratio (RBCA) for Broker Dealers" requires, among other things, that every broker/dealer with more than P50 million unimpaired capital to appropriate a reserve fund for a minimum of 10% of its audited net income. Accordingly, as at December 31, 2023, the Company appropriated nil from its unappropriated retained earnings (2022 - P11.7 million).

## 16 Related party transactions

The Company, in the normal course of business, enters into transactions with entities under common control.

The Company's related party transactions and balances as at and for the years ended December 31 are as follows:

2023			
	Transactions	Outstanding Balance	Nature
<i>Entities under common control</i>			
Due from/to customers			
Brokerage transactions (Notes 3 and 7)	50,996,537	-	- 2 days; non-interest bearing - Collectible in cash at gross amount on demand - No impairment on the receivable - Unguaranteed and unsecured - Refer to Note 16.1
Due from related parties			
Sales and trading income	263,461	-	- Collectible in cash at gross amount on demand; non-interest bearing - No impairment - Unguaranteed and unsecured - Refer to Note 16.2
Equity research service income	-	-	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.3
Administrative services	2,247,070	2,471,777	- 30 days; non-interest bearing - No impairment - Unguaranteed and unsecured - Refer to Note 16.5
Royalties on trademark	-	-	- 30 days; non-interest bearing - No impairment - Unguaranteed and unsecured - Refer to Note 16.8
		2,471,777	
Due to related parties			
Sales and trading fees	(20,686,449)	33,505,339	- Payable in cash at gross amount on demand; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.2
Research income	43,401,588	803,310	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.3
Intragroup fees	(1,237,813)	59,532	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.4
Settlement of liabilities on behalf of the entity or by the entity on behalf of another entity	(8,118,154)	6,097,171	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.7
		40,465,352	
Lease liability	(4,396,999)	-	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.6
Investment in sublease	59,512	1,545,993	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.6

2022			
	Transactions	Outstanding Balance	Nature
<i>Entities under common control</i>			
Due from (to) customers			
Brokerage transactions (Notes 3 and 7)	294,051,961	149,776,148 (57,643,977)	- 3 days; non-interest bearing - Collectible in cash at gross amount on demand - No impairment on the receivable - Unguaranteed and unsecured - Refer to Note 16.1
Due from related parties			
Sales and trading income	16,257,454	10,482,043	- Collectible in cash at gross amount on demand; non-interest bearing - No impairment - Unguaranteed and unsecured - Refer to Note 16.2
Equity research service income	55,709,709	55,709,709	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.3
Administrative services	6,868,889	2,987,151	- 30 days; non-interest bearing - No impairment - Unguaranteed and unsecured - Refer to Note 16.5
Royalties on trademark	43,800	32,929	- 30 days; non-interest bearing - No impairment - Unguaranteed and unsecured - Refer to Note 16.8
		69,211,832	
Due to related parties			
Sales and trading fees	(63,374,390)	27,813,204	- Payable in cash at gross amount on demand; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.2
Research income	-	-	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.3
Intragroup fees	(3,718,659)	1,202,554	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.4
Settlement of liabilities on behalf of the entity or by the entity on behalf of another entity	(7,474,674)	3,636,594	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.7
		32,652,352	
Lease liability (Note 11)	(7,717,670)	4,741,358	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.6
Investment in sublease	-	-	- 30 days; non-interest bearing - Unguaranteed and unsecured - Refer to Note 16.6

The following transactions were carried out with related parties:

- 16.1 The Company provides brokerage services to other Credit Suisse entities. The outstanding balance to the entities' selling transactions as at December 31, 2022 is P57.6 million. The outstanding balance from entities' buying transactions as at December 31, 2022 is P149.8 million. There are no outstanding balances as at December 31, 2023 due to the Company's cessation of business operations.

The total commission income earned by the Company from related parties for the year ended December 31, 2023 is P51.0 million (2022 - P294.1 million).

The total commission income earned by the Company from both third parties and related parties for the year ended December 31, 2023 is P61.3 million (2022 - P358.5 million).

- 16.2 The Company provided equity sales and trading services to other Credit Suisse entities. The outstanding balance from these services as at December 31, 2023 is nil (2022 - P10.5 million). Similarly, other Credit Suisse entities also provided equity sales and trading services to the Company. The outstanding balance from these services as at December 31, 2023 is P33.5 million (2022 - P27.8 million).

The income earned by the Company from related parties for the year ended December 31, 2023 is P0.3 million (2022 - P16.3 million). The equity sales and trading services fees incurred by the Company from related parties for the year ended December 31, 2023 is P20.7 million (2022 - P63.4 million) and are recorded as "Sales and trading fees" in the statement of total comprehensive income.

- 16.3 The Company provided equity research services to Credit Suisse entities. The net outstanding payable balance from these services as at December 31, 2023 is P0.8 million (2022 - 55.7 million receivable). There are no directly attributable costs incurred for the years ended December 31, 2023 and 2022.
- 16.4 The Company receives services from Credit Suisse entities. The services may include but not limited to technical and business services and other professional services. The outstanding balance from these services as at December 31, 2023 is P.06 million (2022 - P1.2 million). The service fees incurred for the years ended December 31, 2023 is P1.2 million (2022 - P3.7 million) are recorded as "Intragroup fees" in the statement of total comprehensive income.
- 16.5 The Company provides outsourcing services to the Philippine Branch which includes but not limited to management, administrative, technical, operational and financial services. The outstanding balance related to these services as at December 31, 2023 is P2.5 million (2022 - P3.0 million). The service fees incurred for the years ended December 31, 2023 is P2.2 million (2022 - P6.9 million). This is recorded as "Other income" in the statement of total comprehensive income.
- 16.6 The Company leases its office space located at the 19th Floor, Tower 2, The Enterprise Center, Ayala Avenue corner Paseo de Roxas, Makati City. The lease contract was under the name of the Philippines Branch, thus an SLA was executed between the Company and the Philippines Branch whereby it was agreed that the two parties will share possession of all the premises (described in the SLA as "Shared premises"). The total depreciation expense and interest expense recognized in the statement of total comprehensive income for the year ended December 31, 2023 is P4.36 million and P0.03 million, respectively (2022 - P7.48 million and P0.24 million, respectively) (Note 11). The outstanding balance of lease payable to the Philippines Branch as at December 31, 2023 is nil (2022 - P4.7 million).

The 2020 lease contract expired on July 31, 2023 and was renewed for a 1 year contract under the name of Credit Suisse Securities (Philippines) Inc. An SLA was executed between the Company and the Philippine Branch whereby it was agreed that the two parties will share possession of all the premises (described in the SLA as "Shared premises"). The total lease income recognized in the statement of total comprehensive income for the year ended December 31, 2023 is P0.06 million (Note 11). The outstanding balance of investment in sublease as at December 31, 2023 is P1.5 million (2022 - nil) presented as part of prepayments and other current assets in the statement of financial position.



- 16.7 Other Credit Suisse entities charge the Company with advance payments made on behalf of the Company and vice versa. The allocated expenses charge by/to the Company include market data services, staff medical benefits, e-learning charges, stock brokerage fees and travel related expenses. The outstanding payable related to these intercompany recharges as at December 31, 2023 is P6 million (2022 - P3.6 million). There are no outstanding receivable balance related to these intercompany recharges as at December 31, 2023 and 2022. The expenses incurred for the year ended December 31, 2023 of P8.1 million (2022 - P7.5 million) are recorded under different expense items in the statement of total comprehensive income.
- 16.8 CSG grants to the Company a non-exclusive, worldwide right and license to use the CS Mark and the Licensed Marks as service marks or trademarks, either in printed form, as word marks, or in the form and style set forth by CSG. As such, CSG charge the Company with a royalty equal to a percentage of the net revenues of the Company. The royalty fees recovery for the year ended December 31, 2023 is nil (2022 - P0.04 million).

The details of the total manpower expenses recognized for key management personnel are summarized below:

	2023	2022
Short-term employment benefits	39,729,179	45,833,083
Statutory benefits	341,659	320,322
Termination benefits	12,535,166	11,375,000
	52,606,004	57,528,405

Key management personnel consist of officers starting from the rank of Assistant Vice President and above.

## 17 Subsequent event

### *Status of operations*

On February 28, 2024, CMIC confirmed the Company's compliance with the requirements under the pertinent securities laws and issued an approval of the application of the voluntary suspension with effective date of March 1, 2024. On April 8, 2024, the Company received confirmation from the PSE Board of Directors noting the cessation of operations of the Company. The Company will no longer be a trading participant of the PSE but will remain to be a TR holder and will still be subject to applicable provisions for trading under the policies of the exchange.

The Company will file an application with the SEC amending the articles of incorporation and change the corporate life of the Company to August 31, 2025.

### *2016 tax case*

The Company sent an application letter of compromise to the Bureau of Internal Revenue on January 31, 2024 and offered a compromise amount (Note 19.2).

## 18 Financial risk and capital management

The Company's activities expose it to a variety of financial risks, primarily credit risk, liquidity risk and market risk. As risk taking is core to the business, an effective risk management process is critical in ensuring that a proper balance between risk and return is achieved.

The Company's main purpose in its use of financial instruments is to fund its operations and capital expenditures. The Company's principal financial instruments include cash, trade receivables from customers, clearing house and related parties, trade payables to customers and clearing house, due to related parties, lease liability and other current liabilities, excluding the provisions and government statutory contribution.

There are no changes in the risk assessment on the objectives, policies and manner of how the Company manages these risks in 2023 and 2022.

### **18.1 Credit risk**

Credit risk is the risk of financial loss to the Company if customers, borrowers or clearing house fail to meet its contractual obligations and arises principally from the Company's cash in banks, due from related parties and trade receivables from customers and clearing house.

The Company manages its exposure to credit risk through its compliance with the SRC, particularly on the customer protection reserves and custody of securities (Rule 49.2). The Company, on a daily basis, obtains and thereafter maintains the physical possession or control of fully paid securities carried by the dealer for the account of the customers.

The carrying amounts of financial assets in the statement of financial position represent the maximum credit exposure.

#### *Maximum exposure to credit risk after taking account of any collateral and other credit enhancements*

The carrying value of the Company's financial assets represents the maximum credit risk exposure to the Company without taking into account of any collateral held or other credit enhancements attached. The Company's trade receivables are backed by collateral in the form of customers' stockholdings. Trade receivables from clearing house are guaranteed by SCCP.

#### *Credit quality per class of financial assets*

The Company used a provision matrix in the form of aging analysis. The staging of the accounts is classified into current and past due. Current accounts are accounts collectible upon demand or collected within the terms of the contract (e.g. 2 days from transaction date (T+2) in 2023 and 3 days from transaction date (T+3) in 2022 for trade receivables from customers) while past due accounts pertain to those outstanding balance not settled within the credit terms.

The financial assets of the Company which pertains to cash in banks, due from related parties and trade receivables from customers and clearing house are classified as fully performing as at December 31, 2023 and 2022. Moreover, the counterparties have a very remote likelihood of default. As at December 31, 2023 and 2022, management assessed that there is no required allowance for impairment losses on its financial assets due to the current nature of the accounts.

The maximum exposure to credit risk without considering the effects of credit enhancements and other credit risk mitigation techniques as at December 31 is as follows:

	Notes	2023	2022
Cash in banks*	2	1,098,989,993	1,303,605,816
Trade receivables from:			
Customers	3	-	377,095,972
Clearing house	3	-	2,900,953
Due from related parties	16	2,471,777	69,211,832
Contributions to the Clearing and Trade Guaranty Fund	6	57,697,964	57,155,495
Other receivables**		3,130,766	1,475,269
		1,162,290,500	1,811,445,337

\*Excludes petty cash fund

\*\*Included under "Prepayments and other current assets" in the statement of financial position

All of the Company's financial assets are classified as high grade. There were no past due financial assets as at December 31, 2023 and 2022.

## 18.2 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations as they fall due at a reasonable cost. To effectively manage liquidity risk, the Company has arranged for diversified funding sources. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to easily close out open market positions.

The Company's net liquidity surplus as at December 31 is as follows:

	Notes	2023		Total
		Up to 12 months	Over 12 months	
Financial assets				
Cash	2	1,098,989,993	-	1,098,989,993
Trade receivables from:				
Customers	3	-	-	-
Clearing house	3	-	-	-
Due from related parties	16	2,471,777	-	2,471,777
Contributions to the Clearing and Trade Guaranty Fund	6	57,697,964	-	57,697,964
Other receivables*		3,130,766	-	3,130,766
		1,162,290,500		1,162,290,500
Financial liabilities				
Trade payables to:				
Customers	7	-	-	-
Clearing house	7	-	-	-
Due to related parties	16	40,465,352	-	40,465,352
Lease liability	11	6,000,000	-	6,000,000
Other liabilities**	8	20,019,708	-	20,019,708
		66,485,060	-	66,485,060
Net liquidity surplus		1,095,805,440	-	1,095,805,440

	Notes	2022		Total
		Up to 12 months	Over 12 months	
Financial assets				
Cash	2	1,303,605,816	-	1,303,605,816
Trade receivables from:				
Customers	3	377,095,972	-	377,095,972
Clearing house	3	2,900,953	-	2,900,953
Due from related parties	16	69,211,832	-	69,211,832
Contributions to the Clearing and Trade Guaranty Fund	6	57,155,495	-	57,155,495
Other receivables*		1,475,269	-	1,475,269
		1,811,445,337	-	1,811,445,337
Financial liabilities				
Trade payables to:				
Customers	7	194,257,723	-	194,257,723
Clearing house	7	183,177,735	-	183,177,735
Due to related parties	16	32,652,352	-	32,652,352
Lease liability	11	4,775,286	-	4,775,286
Other liabilities**	8	5,016,878	-	5,016,878
		419,879,974	-	419,879,974
Net liquidity surplus		1,391,565,363	-	1,391,565,363

\*Included under "Prepayments and other current assets" in the statement of financial position

\*\*Excluding provisions and government statutory contribution

### 18.3 Market risk

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk.

#### Foreign currency risk

Foreign currency risk is the risk that the values of financial assets and liabilities and cash flows of the Company will adversely fluctuate due to unfavorable changes in foreign exchange rates.

Foreign currency assets and liabilities are maintained by the Company as part of the revenue recognition and operating expenses accrual process. Management closely monitors the net foreign currency position of the Company on a per currency basis based on a pre-approved currency position limits.

The following exchange rates, which are based on the Company's internal rates, were applied in translating the foreign-currency denominated monetary assets and liabilities into Philippine Peso as at December 31:

	2023	2022
	Peso for every unit	
US Dollars (USD)	55.39	55.71
Japanese Yen (JPY)	-	0.42
Singapore Dollars (SGD)	42.01	41.49
Swiss Francs (CHF)	65.03	60.23

The table below summarizes the Company's exposure to foreign exchange risk as at December 31:

	USD	JPY	SGD	CHF
<i>December 31, 2023</i>				
Financial assets				
Cash in banks	1,755,184	-	-	-
Due from related parties	12,908	-	-	-
	1,768,092	-	-	-
Financial liabilities				
Due to related parties	635,039	-	72	74
Deferred Compensation	2,703	-	-	944
Due to BIR	7,459	-	-	-
Other current liabilities	-	-	-	-
	645,201	-	72	1,018
Net foreign currency denominated monetary assets (liabilities)	1,122,891	-	(72)	(1,018)
Exchange rate	55.39	-	42.01	65.03
Peso equivalent	62,196,932	-	(3,025)	(66,201)

	USD	JPY	SGD	CHF
<i>December 31, 2022</i>				
Financial assets				
Cash in banks	148,488	-	-	-
Due from related parties	1,188,740	-	-	-
	1,337,228	-	-	-
Financial liabilities				
Due to related parties	522,515	-	3,409	1,672
Deferred compensation	1,810	-	-	62
Due to BIR	3,421	-	-	(185)
Other current liabilities	94	8,430	-	-
	527,840	8,430	3,409	1,549
Net foreign currency denominated monetary assets (liabilities)	809,388	(8,430)	(3,409)	(1,549)
Exchange rate	55.71	0.42	41.49	60.23
Peso equivalent	45,090,950	(3,541)	(141,439)	(93,296)

Net foreign exchange (loss) gain for the years ended December 31 is composed of the following:

	2023	2022
Realized foreign exchange (loss) gain	(127,523)	129,862
Unrealized foreign exchange (loss) gain	(4,866)	1,242,755
Net foreign exchange (loss) gain	(132,389)	1,372,617

The analysis below calculates the effect of a reasonably possible movement of other currency rates against the Philippine peso, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities). Change in currency rates are based on the historical movements of each currency for the same period.

	Change in variable	Change in income before tax
2023	+/-1.50%	+/- 931,903
2022	+/-9.20%	+/- 4,126,446

The impact on retained earnings is the same as the impact on net income before tax reduced by the applicable tax component.

#### **18.4 Fair value of financial assets and financial liabilities**

The carrying amounts of the Company's financial assets and liabilities approximate their fair values as they are short-term in nature. For long-term lease liability, the difference between carrying value and fair value is considered immaterial.

The Company has no financial liabilities measured at fair value as at December 31, 2023 and 2022.

#### **18.5 Capital management**

The Company policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Company recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The primary objectives of the Company's capital management are to ensure compliance with the externally imposed capital requirements and maintain sufficient cash in banks to meet its daily settlement requirements.

The Company actively manages its capital to cover risk inherent in its business. The Company's capital consists of share capital, share premium, remeasurements of defined benefit liability and retained earnings. As at December 31, 2023, the Company's equity amounts to P1.1 billion (2022 - P1.3 billion).

In order to maintain or adjust the capital structure, the Company may adjust dividend payments to shareholder, return capital to shareholder, issue new shares, or obtain loans from its shareholder. The adequacy of the Company's capital is monitored using among other measures, the rules and ratios established by the SEC for stockbrokers and dealers. There were no changes to the Company's capital management policy in 2023 and 2022.

##### *Regulatory capital*

As provided by RA 7042, otherwise known as the Foreign Investments Act of 1991, as amended by RA 8179 which was approved on June 13, 1991, a new corporation with 99.99% foreign equity and intends to operate as a domestic market enterprise is required to inwardly remit and convert into Philippine peso a minimum paid up capital of 25.00% of its subscribed capital stock. The minimum subscribed capital stock on the other hand should at least be a minimum of 25.00% of its authorized capital stock.

As at December 31, 2023 and 2022, the Company is compliant with the foregoing minimum paid up capital requirement where the total authorized capital stock of P405 million in 2023 and 2022 is fully subscribed and paid up.

As provided in the Amended Implementing Rules and Regulations (IRR) published in 2004 by the SEC, first time registrants who will be participating in a registered clearing agency upon the effectivity of the Code shall provide an unimpaired paid-up capital of P100.0 million. The Company is also compliant with the IRR as at December 31, 2023 and 2022.

#### Regulatory qualifying capital

The Amended IRR of SRC include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows:

- a) to allow a net capital of P2.5 million or 2.50% of aggregate indebtedness, whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities;
- b) to allow the SEC to set a different net capital requirement for those authorized to use the RBCA model; and
- c) to require unimpaired paid-up capital of P100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; P10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and P2.5 million for broker dealers dealing only in proprietary shares and not holding securities.

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

RBCA ratio of a broker dealer, computed by dividing the Net Liquid Capital (NLC) by the Total Risk Capital Requirement (TRCR), should not be less than 110.00%. NLC and TRCR are computed based on the existing provision of SRC. NLC consist of total equity adjusted for allowance for market decline, subordinated liabilities, deferred tax assets, revaluation reserves, deposits for future stock subscription with no SEC application, minority interest, if any, contingencies and guarantees, and the total ineligible assets. Also, the Aggregate Indebtedness (AI) of every stockbroker should not exceed 2000.00% of its NLC and at all times shall have and maintain NLC of at least P5.0 million or 5.00% of the AI, whichever is higher. If the minimum RBCA Ratio of 110.00% or the minimum NLC is breached, every broker dealer shall immediately cease doing business as broker dealer.

The RBCA ratio of the Company as at December 31 is as follows:

	2023	2022
Equity eligible for NLC	1,064,767,448	1,317,089,907
Less ineligible assets	77,645,164	145,324,422
NLC	987,122,284	1,171,765,485
Operational risk	94,698,743	107,456,904
Position risk	7,777,570	661,780
Counterparty risk	-	-
TRCR	102,476,313	108,118,684
AI	111,867,709	440,044,020
5.00% of AI	5,593,385	22,002,201
Required NLC	5,593,385	22,002,201
Net risk-based capital excess	981,528,899	1,149,763,284
Ratio of AI to NLC	11%	38%
RBCA ratio	963%	1084%

As at December 31, 2023 and 2022, the Company is in compliance with the required RBCA ratios and NLC.

The following are the definitions of terms used in the above computation.

*Ineligible assets*

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

*Operational risk requirement*

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

*Position risk requirement*

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

*Counterparty risk requirements*

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

*Large exposure risk (LER) requirements*

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

*Aggregate indebtedness*

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

Limitations on withdrawal of core equity

No equity capital of a broker dealer may be withdrawn by action of a stockholder or a partner or by redemption or repurchase of shares of stock or through the payment of dividends or any similar distribution, nor may any unsecured advance or loan be made to a stockholder, partner, sole proprietor, employee or affiliate, if after giving effect thereto and to any other such withdrawals, advances or loans and any payments under satisfactory subordination agreements in conformity with SRC Rule 49.1 which are scheduled to occur within 180 days following such withdrawal, advance or loan if:

- The broker dealer's NLC would be less than 120.00% or the minimum amount which is at least P5.00 million or 5.00% of his aggregate indebtedness whichever is higher; or
- The aggregate indebtedness of the broker dealer exceeds 1,500.00% of its net capital.



Any transaction between a broker dealer and a stockholder, partner, sole proprietor, employee or affiliate that results in a diminution of the broker dealer's net capital shall be deemed to be an advance or loan of net capital.

### Reserve fund

The Company shall annually appropriate a certain minimum percentage of its audited income after tax and transfer the same to "Appropriated retained earnings" account in the statement of financial position. Minimum appropriation of 30.00%, 20.00% and 10.00% of income after tax for broker/dealers with unimpaired paid-up capital of between P10.0 million to P30.0 million, between P30.0 million to P50.0 million, and more than P50.0 million, respectively, are prescribed by SRC Rule 49.1 (B). The appropriated portion of the retained earnings will not be available for payment of dividends. In addition, as at December 31, 2023 and 2022, the paid-up capital of the Company is not impaired and, thus, the amount appropriated in year 2023 and 2022 was not reduced by any impairment.

The Company's appropriated additional reserve fund as at December 31, 2023 is nil (2022 - P11.7 million) (Note 15). The balance of the appropriated retained earnings as at December 31, 2023 amounts to P298.2 million (2022 - P298.2 million).

## **19 Critical accounting estimates, assumptions and judgments**

The Company makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates, assumptions and judgments 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. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### **19.1 Critical accounting judgments**

#### *Determination of functional currency*

Based on the economic substance of the underlying circumstance relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the income and costs arising from the Company's operations.

#### *Determining whether the Company is acting as principal or an agent*

The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the services; and
- whether the Company has discretion in establishing prices.

If the Company has determined it is acting as a principal, the Company recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of operating expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

### *Determining the lease term*

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

### *Short-term leases and low value lease assets*

The Company decided to apply the recognition exemptions to short-term leases and low value items. The Company has defined its short-term lease as having a lease term of 12 months or less and low value item as those with lease value lower than Swiss Francs (CHF) 10,000 and its Peso equivalent.

### *Determining whether an arrangement contains a lease*

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Company.

The Company leases its office space under an executed SLA with the Philippine Branch. The main lease contract is under the name of the Philippine Branch.

A SLA was executed between the Company and the Philippine Branch whereby it is agreed the two parties will share possession of all the premises. The Company will pay monthly rent or such relevant proportionate to the agreed floor area occupied by the Company. The Company has a right of use of the office space, thus, having an arrangement containing a lease as of reporting date (Note 11). The lease expired on July 31, 2023 after which the Company renewed the lease with the external party under its name and entered into an SLA with the Philippine Branch. The Company recorded an investment in sublease.

The lease expense for the year ended December 31, 2023 is P4.4 million (2022 - P7.7 million) (Note 16).

### *Recoverability of deferred income tax assets*

The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces it to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income.

The Company recognized deferred income tax assets, net, as at December 31, 2022 of P15.5 million as management believes that the tax benefits will be realized in the future (Note 14). The Company reversed the deferred income tax assets, net, as at December 31, 2023 in view of the cessation of its business operations.

## **19.2 Critical accounting estimates**

### *Determining the incremental borrowing rate*

The Company determines its incremental borrowing rate by obtaining interest rates from various financial sources and makes certain adjustments to reflect the terms of the lease and type of asset leased. The Company's incremental borrowing rate applied to the lease liability is 2.86%, new lease liability is 7.20%

If the incremental borrowing rate increased/decreased by 152% from management's estimates, the balance of lease liability as at December 31, 2023 would have been P 52,248 lower or P52,262 higher (2022 - P11,762 lower or P11,814 higher).

### *Retirement benefit obligation*

The determination of the Company's unfunded liability and expense for retirement benefits is dependent on the selection of certain assumptions determined by management and used by the actuary in calculating such amounts.

As at December 31, 2022, the retirement liability amounts to P38.4 million) (Note 9). Remeasurement gain on retirement benefit obligation recognized as at December 31, 2022 is P9.1 million. These were reversed in 2023 in relation to the cessation of business operations of the Company.

Details of the Company's retirement benefits and the sensitivity to changes in assumptions are disclosed in Note 9.

### *Provisions and contingencies*

The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

As at December 31, 2023, the Company recognized provisions for severance pay, incentive performance bonuses, and annual leave credits amounting to P43.29 million (2022 - P25.6 million) (Note 8).

In 2022, the Company has ongoing tax assessment for taxable year 2016.

The 2016 tax audit, as of the date of audit report, the Company sent an application letter of compromise on the ground of "Doubtful validity of the assessment" under paragraph 1(B), Section 3 of Revenue Regulations No. 30-2003. In the application dated January 31, 2024, the Company offered the compromise amount equivalent to 100% of the basic tax assessed instead of the 40% as a sign of good faith and willingness to settle and close the 2016's tax audit of the Company. The Company signed a waiver of the defense of prescription under the statute of limitations of the National Internal Revenue Code on February 27, 2024 and was received by the regulator on February 29, 2024. This waiver will afford the Commissioner of Internal Revenue ample time to carefully evaluate the application of compromise. It is understood however, that the Company, by the execution of such waiver, does not admit in advance the correctness of the assessment which may be made for year 2016 nor waives the right to use any legal remedies accorded by law.

The Company submitted a protest letter on February 26, 2021. Prior to that however, on October 21, 2020, the Company signed its second waiver of the defense of prescription under the statute of limitations of the National Internal Revenue Code. It will be noted that last March 26, 2019, the Company signed a waiver of the defense of prescription under the statute of limitations of the National Internal Revenue Code.

Provision for tax liabilities arising from these the 2016 open tax audit had been made by the Company as for the year ended December 31, 2023. The Company recognized a deficiency income tax amounting to P2,712,408, presented as part of income tax expense and deficiency value added tax, percentage tax, expanded withholding tax, final withholding tax and final withholding VAT amounting to P2,835,565 presented as part of taxes and licenses.

## **20 Summary of material accounting policies**

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

## 20.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

The financial statements have been prepared on the historical cost basis, except for retirement benefit liability which is recognized at present value of the defined benefit obligation less the fair value of plan assets.

### *Acceptable alternative authoritative basis*

In consideration of the winding down and cessation of business as discussed in Note 1, the Company has changed its basis of accounting from the going concern to an acceptable alternative authoritative basis of accounting in the preparation of its financial statements as at and for the year ended December 31, 2023. In preparing the Company's financial statements using the acceptable alternative authoritative basis of accounting, management has made its best estimate and judgment with regard to the measurement of its assets and the completeness of provision for all known liabilities based on the best available facts and circumstances. As at approval date of the financial statements, the Company is in the process of amending the articles of incorporation and shortening the corporate term to August 31, 2025.

The preparation of financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 19.

## 20.2 Changes in accounting policy and disclosures

### *(a) Amendments to existing standard adopted by the Company*

The Company has adopted the following amendments to existing standard effective January 1, 2023:

- Amendments to PAS1, 'Presentation of Financial Statements', and PFRS Practice Statement 2

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support these amendments, PFRS Practice Statement 2, Making Materiality Judgements, was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The adoption of these amendments resulted to changes in the accounting policies disclosure in Note 20 series.

*(b) Amendments and interpretations not yet adopted by the Company*

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning after January 1, 2023 that are considered relevant and have a material effect on the financial statements of the Company.

## **20.3 Financial instruments**

### **20.3.1 Financial assets**

#### **Classification and subsequent measurement of financial assets**

The Company classifies its financial assets at amortized cost.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments at amortized cost.

A financial asset that is a debt instrument, other than those that are designated at fair value through profit or loss, which meet both of the following conditions:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. These financial assets are subsequently measured at amortized cost using the effective interest method less any impairment value, with the interest calculated and recognized as interest income calculated using the effective interest method presented under "Other income" in the statement of total comprehensive income.

As at December 31, 2023 and 2022, the Company's financial assets measured at amortized cost consist of cash (Note 2), trade receivables from customers and clearing house (Note 3), due from related parties (Note 16), contributions to the Clearing and Trade Guaranty Fund (Note 6) and other receivables (Note 18.1).

**Business model:** Business model pertains to the manner by which a portfolio of financial assets is managed to generate cash flows such as by collecting contractual cash flows or by both collecting contractual cash flows and selling the financial assets, among others. The Company determines the business model for a portfolio of financial assets based on scenarios that are reasonably expected to occur.

The Company classified its financial assets as at amortized cost since it is principally engaged in the business of buying and selling of, or otherwise dealing in stocks, bonds, debentures and other securities be of domestic or foreign origin and it is not expected to enter other transactions that will involve selling and trading financial assets. Moreover, the debt securities measured at amortized cost is held by the Company to comply with the regulatory requirements.

SPPI: For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The Company assessed that its financial assets are held until maturity to collect the principal and interest when it matures.

### **Impairment of financial assets**

The Company uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that a financial instrument was initially recognized and compared that to the credit risk at the date of initial application.

#### *Lifetime Expected Credit Losses (ECL)*

ECL results from all possible default events over the expected life of a financial instruments while 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period of the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECL is the weighted estimated value of the credit loss within the expected lifetime of the financial instruments. The Company reflects the ECL of the financial instruments measured by the following means:

- a) the unbiased and probability-weighted amount determined by evaluating various possible results;
- b) the time value of money; and
- c) the reasonable and corroborative information related to the previous events, current condition and prediction of future economic condition.

The Company adopts the ECL model in measuring credit impairment. In this respect, the Company recognizes credit impairment even before an objective evidence of impairment becomes apparent. The Company considers past events, current conditions, and forecasts of future economic conditions in assessing impairment.

The Company applies the ECL model on credit exposures covered by PFRS 9, which include the following:

- financial assets that are measured at amortized cost;
- investments in debt instruments that are measured at amortized cost or FVOCI; and
- credit commitments and financial guarantee contracts that are not measured at FVTPL.

For trade receivables from customers and clearing house account measured at amortized cost, the Company measures loss allowances at amount equal to lifetime ECLs. When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECLs, the Company assumes that the credit risk on a financial asset at amortized cost has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the customer/borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company such as realizing its security (if any is held); or
- the financial asset is more than 90 days past due.

### *Credit impaired financial assets*

Credit exposures are classified into three stages of credit impairment with corresponding time horizons in measuring ECL:

- Stage 1 - High grade (neither past due nor impaired) pertains to accounts with very low probability of default as demonstrated by the debtor's long history of stability, profitability and diversity. The debtor has the ability to raise substantial amounts of funds through the public market. The debtor has a strong debt service record and a moderate use of leverage.
- Stage 2 - Medium grade (neither past due nor impaired) is when the borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. Operating performance could be marginal or on the decline.

The borrower may have a history of default of interest but must have regularized its service record to date. The use of leverage is above industry standards but has contributed to shareholders value.

- Stage 3 - Low grade (past due but not impaired) is where contractual interest or principal payments are past due, but the Company believes that impairment is not appropriate based on the cash flows of the available collateral or status of collection of the amounts due to the Company.

### **20.3.2 Financial liabilities**

#### **Classification and subsequent measurement of financial liabilities**

Financial liabilities are classified as measured at amortized cost. Financial liabilities are measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in the statement of total comprehensive income.

As at December 31, 2023 and 2022, the Company's financial liabilities measured at amortized cost consist of trade payables to customers and clearing house (Note 7), due to related parties (Note 16) and other current liabilities (Note 8), excluding provisions and government statutory contribution.

### **20.3 Fair value measurement**

When measuring the fair value of assets or liabilities, the Company uses market observable data as far as possible.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy, when applicable, is recognized at the end of the reporting period during which the change has occurred.

### **20.4 "Day 1" difference**

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the profit or loss in the period when the asset is acquired or the liability is incurred. In cases where data used as inputs in a valuation model are not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

## 20.5 Property and equipment, net

Initially, an item of property and equipment is measured at its cost, comprised of its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company.

All other repairs and maintenance are recognized as an expense in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the items of property and equipment.

The estimated useful lives are as follows:

Communication equipment	5 years
Computer and office equipment	3 years

The residual values of property and equipment, remaining useful lives and depreciation method are reviewed at each reporting date to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

In relation to the cessation of business operations, there is a change in estimate regarding the useful life of equipment. The depreciation for communication and office equipment were accelerated up to April 30, 2024.

## 20.6 Exchange trading right

Exchange trading right is a result of the PSE conversion plan to preserve the Company's access to the trading facilities and continue to transact business in the PSE. The exchange trading right is an intangible asset that is regarded as having an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows for the Company.

Exchange trading right is carried at the original cost of the exchange membership seat less any allowance for impairment loss. The Company does not intend to sell the exchange trading right in the near foreseeable future.

## 20.7 Contributions to the Clearing and Trade Guaranty Fund

Contributions to the Clearing and Trade Guaranty Fund is the accumulated contribution of the Company to the CTGF necessary to maintain its membership with the SCCP. Contributions to the Clearing and Trade Guaranty Fund is recognized when payment has been made in advance to the SCCP and measured at nominal amounts. This deposit is refundable to the Company upon cessation of its business or termination of its membership with SCCP.

The contributions to the Clearing and Trade Guaranty Fund functions as a risk management tool designed to protect the clearing members and/or the central clearing system of SCCP against the default of a clearing member to deliver its committed securities and/or cash for settlement.



## **20.8 Impairment of non-financial assets**

At each reporting date, the Company assesses whether there is any indication that its non-financial assets such as its property and equipment and exchange trading right may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company estimates the recoverable amount of the impaired asset. The recoverable amount is the higher of fair value less costs of disposal and value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period when it arises.

For non-financial assets, an assessment is made at reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

For the year ended December 31, 2023, impairment loss of P8 million (2022 - P1.0 million) related to its trading rights has been recognized on the Company's non-financial assets.

## **20.9 Equity**

### *Share capital*

Share capital is composed of common shares and preferred shares, determined using the nominal value of shares that have been issued. Incremental costs directly attributable to the issuance of capital shares are recognized as a deduction from equity, net of any tax effects.

Preferred shares are classified as equity if determined to be non-redeemable or redeemable at the instance of the issuer. They bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company's equity instruments. Discretionary dividends are recognized as equity distributions upon approval by the Company's shareholder.

### *Share premium*

Share premium represents the excess paid by the stockholders over the par value of the stocks issued. Share premium arises from issuing either preferred or common shares of stock.

### *Retained earnings*

The amount included in retained earnings includes profit or loss attributable to the equity holders of the Company and reduced by dividends on capital stock. Retained earnings may also include the effect on changes in accounting policy as may be required by the relevant standard's transitional provisions.

## 20.10 Revenue recognition

### *Revenue streams*

The Company generates revenue primarily from the commission income earned as a broker or intermediary between the buyer and/or seller in a trading transaction. Other sources of revenue include transfer pricing income from cash equity sales and trading, interest income, and other income. Commission, transfer pricing income from cash equity sales and trading and other income fall under PFRS 15 while interest income is under PFRS 9.

#### *a. Commission income and transfer pricing income from cash equity sales and trading*

The Company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Company satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer of control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The Company recognizes revenue based on the price specified in the contract, net of the estimated discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

There are no warranties and other similar obligation and refunds agreed with customers.

Commission income is recognized as the related broking services are performed and is normally based on a certain percentage of the gross value of the transaction. The gross value of transaction is equal to the number of shares multiplied by the price of the shares, which can also be referred to as the cost of the shares. The commission is applied either with a buy or sell transaction.

#### *b. Interest income*

Interest income is recognized in the statement of total comprehensive income for all interest-bearing financial instruments using the effective interest method. Interest income on bank deposits is presented net of final tax.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

#### *c. Other income*

Other income is recognized over time when the related services are performed. It is measured as the cost of services rendered plus certain mark up.

### **20.11 Expenses**

Expenses are recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

### **20.12 Employee benefits**

#### *Short-term benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Retirement benefits*

The Company provides for estimated benefits required to be paid under Republic Act (RA) No. 7641 (otherwise known as the "Retirement Law") to its employees. The Retirement Law defines an amount of pension benefit that an employee will receive on retirement usually dependent on one or more factors such as age, years of service and compensation. Retirement benefit obligation under the Retirement Law is calculated similar to a defined benefit plan.

The liability recognized in the statement of financial position is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is calculated by an independent actuary using the projected unit credit cost method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related pension liability.

Remeasurement gains (losses) on retirement liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the retirement liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement liability, taking into account any changes in the retirement liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### *Termination benefit*

Termination benefits are employee benefits payable as a result of either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. Since the termination benefits do not provide future economic benefits, the Company recognizes them as an expense in statement of total comprehensive income immediately and provided for as part of severance payable in the statement of financial position.

### **20.13 Share-based compensation benefits**

Prior to the acquisition of Credit Suisse Group AG by UBS Group AG, the Company granted share-based cash unit awards in its ultimate parent to certain employees. Following the acquisition, any outstanding shares were converted to UBS Group AG shares at the ratio of 1 UBS share for every 22.48 Credit Suisse Group AG shares held.

For share awards granted to employees of the Company/Branch prior to the acquisition of Credit Suisse Group by UBS Group on 12th June 2023, a liability equal to the portion of the services received is recognised at the current market value determined at each balance sheet date. The Company pays for UBS Group shares at market value at the time of settlement to employees.

For share awards granted following the date of acquisition, the grantor is UBS Group. The Company is invoiced over the requisite service period for the grant price of awards relating to employees of the Company. No further payments are required to be made by the Company at the time of settlement to employees.

The expense for share-based payments is determined by treating each tranche as a separate grant of share awards and is accrued over the vesting period for each tranche, unless the employee is eligible for early retirement or retirement before the end of the vesting period, in which case recognition of the expense would be accelerated over the shorter period.

The majority of share awards granted include the right to receive dividend equivalents on vested shares.

### *Employee Share-based Compensation and Other Compensation Benefits*

Payment of deferred compensation to employees is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of the Compensation Committee and senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees for forfeited awards from previous employers upon joining the Company. It is the Company's policy not to make multi-year guarantees.

Compensation expense for share-based and other awards that were granted as deferred compensation is recognized in accordance with the specific terms and conditions of each respective award and is primarily recognized over the future requisite service and vesting period which is determined by the plan, retirement eligibility of employees, and certain other terms. All deferred compensation plans are subject to restricted covenants, which generally include non-compete and non-solicit provisions. Compensation expense for share-based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and market-to-market adjustments for certain awards that are still outstanding.

### *Share-based cash unit awards*

Share-based cash unit awards, granted prior to acquisition, vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting). Share-based cash unit awards are expensed over the service period of the awards. The value of the share-based cash unit awards is solely dependent on the UBS Group AG share price at the time of delivery.

The share-based cash unit awards include other awards, such as special share-based cash unit awards, which may be granted to new employees. These share-based cash unit awards entitle the holder to receive one UBS Group AG share and are generally subject to continued employment with the Company, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

The majority of share-based cash unit awards granted include the right to receive dividend equivalents on vested

### *Upfront cash awards*

In February 2023, certain employees were granted upfront cash awards as part of the cash component of their 2022 variable compensation. During 2022, certain employees were also granted upfront cash awards. These awards are subject to repayment (clawback) by the employee in the event of voluntary resignation, termination for cause or in connection with other specified events or conditions within three years of the award grant. The amount subject to repayment is reduced in equal monthly installments during the three-year period following the grant date. The expense recognition will occur over the three-year vesting period, subject to service condition

## **20.14 Income taxes**

### *Current tax*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

### *Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - excess of Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of excess of MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date, and reflects uncertainty related to income taxes, if there is any.

#### *Final tax*

Interest income from cash in banks and financial assets, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are included in 'Income tax expense' account in profit or loss.

#### *Value-added tax (VAT)*

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### *Due to Bureau of Internal Revenue*

Due to Bureau of Internal Revenue in the statement of financial position includes withholding taxes and value added taxes payable.

### **20.15 Provisions and contingencies**

Provisions are recognized only when the Company has:

- a present legal or constructive obligation as a result of a past event;
- it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation;

- a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed; and
- the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

#### **20.15 Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company.

#### **20.16 Events after the reporting date**

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

#### **20.17 Leases - Company as lessee**

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

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decision about how and for what purpose the asset is used in predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

### *As a Lessee*

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease components on the basis of its relative stand-alone prices.

The Company recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. A lessee applies PAS 36 to determine whether the ROU asset is impaired.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Interest expense is recognized in the statement of income under "Finance cost" over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payment arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the profit or loss if the carrying amount of the ROU asset has been reduced to zero or the change in the lease liability relates to variable lease payment that does not depend on an index or rate.



### *Lease modification*

Lease modifications are accounted either as a separate lease or not a separate lease. The Company accounts for the lease modification as a separate lease if both:

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

For lease modification that is not accounted for a separate lease, at the effective date of lease modification, the Company:

- allocates the consideration in the modified contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease; and
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Company recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

### *Short-term leases and leases of low-value assets*

The Company elected not to recognize ROU assets and lease liabilities for short term lease of office premises and facilities that have a lease term of 12 months or less and the lease of office equipment which was considered as low value assets, defined as those items below CHF10,000 or its Peso equivalent.

The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 21 Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulations No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

### (i) Output value-added tax (VAT)

Output VAT declared and paid for the year ended December 31, 2023 consists of:

	Gross amount of revenues	Output VAT
Basis of the Output VAT:		
Zero-rated sales	109,289,812	-
Sale to government	1,786,696	214,404
Vatable sales	61,962,284	7,435,474
	173,038,792	7,649,878

There is no outstanding output VAT payable as at December 31, 2023. Output VAT is based on revenues actually or constructively received, determined in accordance with applicable tax laws and regulations. "Revenues" in the statement of total comprehensive income represents income determined using the accrual basis of accounting, thus, different from the gross receipts used for VAT purposes.

### (ii) Input VAT

Movements in input VAT for the year ended December 31, 2023 follow:

	Amount
Beginning balance	-
Add: Current year's purchases/payments for	
Capital goods exceeding P1 million	-
Capital goods not exceeding P1 million	-
Domestic purchase of services	3,290,497
Services rendered by Non-residents	946,291
Input tax on sale to government closed to other expense	-
Domestic purchases of goods other than capital goods	6,901
Less: Application made during the year	(1,820,023)
	2,423,666

Unutilized input VAT is presented as part of other current assets in the statement of financial position.

### (iii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2023 consist of:

	Paid	Accrued	Amount
Tax on compensation and benefits	18,976,298	1,351,759	20,328,057
Expanded/creditable withholding taxes	685,106	86,705	771,811
Final withholding taxes	20,455,694	415,747	20,871,441
Final withholding VAT	746,733	199,558	946,291
	40,863,831	2,053,769	42,917,600

Withholding taxes accrued included as part of Due to BIR in the statement of financial position.

(iii) *All other local and national taxes*

All other local and national taxes paid for the year ended December 31, 2023 consist of:

	Amount
Local tax	889,001
SEC fees	8,000
Community tax certificate	10,500
Other	3,000
Mayor's permit	500
BIR Annual registration fee	10,570
	921,571

These local and national taxes are lodged under Taxes and licenses in the statement of total comprehensive income.

*Stock transaction taxes*

Stock transaction taxes paid for the year ended December 31, 2023 amount to P65.4 million (2022- P440.3 million). There is no accrued stock transaction taxes at said date. These stock transaction taxes were for the account of counterparties.

(iv) *Deficiency tax assessments*

In 2023, the Company has ongoing tax assessments for taxable year 2016, in which the tax audit is at Final Decision on Disputed Assessment (FDDA) stage. Prior to that however, on October 21, 2020, the Company signed its second waiver of the defense of prescription under the statute of limitations of the National Internal Revenue Code. It will be noted that last February 27, 2024, October 21, 2020 and March 26, 2019, the Company signed a waiver of the defense of prescription under the statute of limitations of the National Internal Revenue Code. This waiver will afford the Commissioner of Internal Revenue ample time to carefully consider legal and/or factual questions involved in the determination of the correct tax liabilities, if any. It is understood however, that the Company, by the execution of such waiver, does not admit in advance the correctness of the assessment which may be made for year 2016 nor waives the right to use any legal remedies accorded by law.

On January 31, 2024, the Company sent an application letter of compromise on the ground of "Doubtful validity of the assessment" under paragraph 1(B), Section 3 of Revenue Regulations No. 30-2003. The Company offered the compromise amount equivalent to 100% of the basic tax assessed instead of the 40% as a sign of good faith and willingness to settle and close the 2016's tax audit of the Company. As a result, the Company recognized a deficiency income tax amounting to P2,712,408, presented as part of income tax expense and deficiency value added tax, percentage tax, expanded withholding tax, final withholding tax and final withholding VAT amounting to P2,835,565 presented as part of taxes and licenses.

(v) *Tax cases*

As at December 31, 2023 aside from the ongoing tax assessments, the Company is not a party to any outstanding tax case that is under investigation, litigation and/ or prosecution in courts or bodies outside BIR.

## SCHEDULE I

**Credit Suisse Securities (Philippines) Inc.**

Computation of Risk Based Capital Adequacy (RBCA) Requirement  
pursuant to SRC Rule 49.1-A  
December 31, 2022  
(All amounts in Philippine Peso)

Assets	1,176,635,157
Less: Total liabilities	111,867,709
Equity as per books	<u>1,064,767,448</u>
Adjustments to equity per books	
Add (Deduct):	
Deferred income tax	-
Revaluation reserves	-
Total adjustments to equity per books	<u>-</u>
Equity eligible for net liquid capital	<u>1,064,767,448</u>
Less: Ineligible assets	
Property and equipment, net	7,846,364
Intercompany receivables	2,471,777
Trading right	-
Other current assets	4,196,051
Negative Exposure (SCCP)	-
Other assets	63,130,972
Total ineligible assets	<u>77,645,164</u>
Net liquid capital (NLC)	<u>987,122,284</u>
Less: Operational risk requirement	94,698,743
Position risk requirement	7,777,570
Total risk capital requirement (TRCR)	<u>102,476,313</u>
Net RBCA margin (NLC - TRCR)	<u>884,645,971</u>
Aggregate indebtedness (AI), net of exclusions	<u>111,867,709</u>
5% of Aggregate indebtedness	<u>5,593,385</u>
Required NLC (5% of AI or P5 million whichever is higher)	<u>5,593,385</u>
Net risk-based capital excess	<u>981,528,899</u>
Ratio of AI to NLC	<u>11%</u>
RBCA Ratio (NLC/TRCR)	<u>963%</u>

SCHEDULE II

**Credit Suisse Securities (Philippines) Inc.**

Computation for Determination of Reserve Requirements under SRC Rule 49.2-B  
 December 31, 2023  
 (All amounts in Philippine Peso)

Free credit balance and other credit balances in customer securities accounts

Trade payables to customers	-
Trade payables to clearing house	-

Aggregate credit items	-
------------------------	---

Debit balances in customers' cash and margin accounts excluding unsecured accounts and doubtful of collection

Trade receivables from customers	-
Trade receivables from clearing house	-

Less: Unsecured portion	-
-------------------------	---

Subtotal	-
----------	---

Less: 1% of subtotal	-
----------------------	---

Aggregate debit items	-
-----------------------	---

Excess of total credits over total debits	-
---	---

Required reserve	-
------------------	---

Special reserve account balance prior to computation	-
--	---

**Credit Suisse Securities (Philippines) Inc.**

Information relating to the Possession or Control Requirements under SRC Rule 49.2-A  
December 31, 2023

1. Customers' fully paid securities and excess margin securities not in the broker's or dealer's possession or control as at December 31, 2023 for which instructions to reduce to possession or control had been issued as at the report date but for which the required action was not taken by respondent within the time frame specified under SRC Rule 49.2:

Market valuation	Nil
Number of items	Nil

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

Market valuation	Nil
Number of items	Nil



## Independent Auditor's Report

To the Board of Directors and Shareholder of  
**Credit Suisse Securities (Philippines) Inc.**  
19<sup>th</sup> Floor, Tower 2, The Enterprise Center  
6766 Ayala Avenue cor. Paseo de Roxas,  
Makati City, Philippines

In planning and performing our audit of the financial statements and supplemental schedules of Credit Suisse Securities (Philippines) Inc. (the "Company") as at and for the year ended December 31, 2023, we considered the Company's internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Securities Regulation Code (SRC) Rule 68-3.c.ii-iv of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in SRC Rule 68-3.c, in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under SRC Rule 49.1 and the reserve required by SRC Rule 49.2.
2. Making the monthly securities examinations, counts, verifications, comparisons, reconciliation and recording of differences required by SRC Rule 52.1.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by SRC Rule 49.2.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures for safeguarding securities. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with Philippine Financial Reporting Standards.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)



Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the standards established by the Auditing and Assurance Standards Council. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the SRC and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate as at December 31, 2023 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, shareholder, management, the SEC and the Philippine Stock Exchange, Inc. in their regulation of registered brokers dealers, and should not be used for any other purpose.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "John John Patrick V. Lim". The signature is written in a cursive style with a large, stylized initial "J".

John John Patrick V. Lim  
Partner

CPA Cert. No. 83389

P.T.R. No. 0007706; issued on January 12, 2024, Makati City

T.I.N. 112-071-386

BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
April 24, 2024



**Credit Suisse Securities (Philippines) Inc.**

Results of the Monthly Securities Count conducted pursuant to SRC Rule 52.1.10

December 31, 2023

(All amounts in Philippine Peso, except number of shares)

SECURITY NAME	NUMBER OF SHARES			TOTAL MARKET VALUE
	PCD	IN-TRANSIT	IN BOX	
NIL	NIL	NIL	NIL	NIL

## Credit Suisse Securities (Philippines) Inc.

### Schedule of Financial Soundness Indicators As at December 31, 2023 and 2022 (All amounts in Philippine Peso)

All secondary licensees of the Commission (financing companies, broker dealer of securities and underwriters) and public companies must present schedule showing financial soundness indicators in two comparative periods, as follows:

	2023	2022
Current assets	1,168,788,793	1,755,035,646
Current liabilities	111,846,609	461,922,854
Current ratio	10.45	3.80
Total liabilities	111,867,709	500,380,056
Equity	1,064,767,448	1,341,661,448
Debt to equity ratio	0.11	0.37
Total assets	1,176,635,157	1,842,041,544
Total liabilities	111,867,709	500,380,056
Solvency ratio	10.52	3.68
Total assets	1,176,635,157	1,842,041,544
Equity	1,064,767,448	1,341,661,448
Asset to equity ratio	1.11	1.37
Net (loss) income before interest and income tax	(67,933,337)	151,291,130
Interest expense	261,473	238,118
Interest rate coverage ratio	(259.81)	635.36
Net (loss) income before interest expense	(89,167,949)	117,571,003
Total assets	1,176,635,157	1,842,041,544
Return on asset ratio	(0.08)	0.06
Net (loss) income	(89,429,422)	117,332,885
Equity	1,064,767,448	1,341,661,448
Return on equity ratio	(0.08)	0.09