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S.E.C. Registration Number

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T	I	O	N	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S									

(Company's Full Name)

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N	A	L	A	Y	A	L	A	A	V	E	N	U	E	C	O	R	N	E	R	H	V	D	E			
C	O	S	T	A	S	T	R	E	E	T	M	A	K	A	T	I	C	I	T	Y						

(Business Address: No. Street City / Town Province)

<b>JOSE PATRICIO A. DUMLAO</b>
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Contact Person

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Company Telephone Number

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Fiscal Year

<b>SEC FORM 17-Q</b>
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Form Type

Not later than last week of  
April

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Annual Meeting

<b>IHU - GSED</b>
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Secondary License type, if applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

<b>1,376</b>
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Total No. of Stockholders

Total amount of Borrowings

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 100%;"></td> </tr> </table> <p style="text-align: center;">Domestic</p>		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 100%;"></td> </tr> </table> <p style="text-align: center;">Foreign</p>	

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To be Accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended: **September 30, 2023**
2. Commission identification number: 023269
3. BIR Tax Identification No.: 000-500-232
4. Exact name of issuer as specified in its charter: **FIRST METRO INVESTMENT CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: Metro Manila, Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of principal office: 45th Floor GT Tower Int'l., Ayala Avenue cor H.V. dela Costa St., Makati City  
Postal Code: 1200
8. Issuer's telephone number, including area code: (632) 8858-7900
9. Former name, former address and former fiscal year, if changed /since last report: Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

(a) Authorized capital stock: 800,000,000 shares ₱8,000,000,000

(b) Number of shares outstanding as of September 30, 2023:

Common shares	420,869,250
Less: Treasury shares	<u>(48,405,718)</u>
	<u>372,463,532</u>

(c) Amount of debt outstanding (unpaid subscriptions): None

11. Are any or all of the securities listed in the Philippine Stock Exchange?

Yes [ ] No [ / ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [ / ] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ / ] No [ ]

## PART I - FINANCIAL INFORMATION

### Item 1. FINANCIAL STATEMENTS

#### FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES

#### INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of	
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>ASSETS</b>		
Cash and Other Cash Items	<b>₱6,528,835,256</b>	₱6,944,935,883
Investment Securities at:		
Fair Value Through Profit or Loss (FVTPL)	<b>7,386,076,370</b>	7,924,057,951
Fair Value Through Other Comprehensive Income (FVOCI)	<b>5,727,261,554</b>	5,358,322,831
Amortized Cost	<b>2,139,087,457</b>	2,068,251,589
Loans and Receivables	<b>1,381,988,886</b>	1,719,241,725
Property and Equipment	<b>123,670,702</b>	141,626,652
Investments in Associates	<b>6,661,067,712</b>	6,430,466,586
Investment Properties	<b>178,988,958</b>	179,390,877
Deferred Tax Assets	<b>36,618,214</b>	30,264,557
Other Assets	<b>1,002,927,178</b>	984,174,599
	<b>₱31,166,522,287</b>	₱31,780,733,250
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts Payable	<b>₱5,206,957,202</b>	₱5,576,121,006
Accrued Taxes, Interest and Other Expenses	<b>197,419,044</b>	132,608,334
Income Taxes Payable	<b>2,877,847</b>	4,613,713
Deferred Tax Liabilities	<b>2,470,015</b>	3,098,338
Puttable Instruments of Mutual Fund Subsidiaries	<b>9,300,250,252</b>	10,139,294,090
Other Liabilities	<b>500,990,006</b>	333,493,625
	<b>15,210,964,366</b>	16,189,229,106
<b>EQUITY</b>		
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		
Common Stock	<b>4,208,692,500</b>	4,208,692,400
Capital Paid in Excess of Par Value	<b>2,065,694,361</b>	2,065,694,042
Retained Earnings	<b>12,881,845,314</b>	12,803,987,348
Treasury Stock	<b>(2,662,132,877)</b>	(2,662,030,617)
Net Unrealized Loss on FVOCI Investments	<b>(700,389,470)</b>	(786,509,869)
Cumulative Translation Adjustment	<b>26,432,252</b>	20,642,245
Remeasurements of Retirement Liability	<b>7,250,192</b>	7,250,192
Equity in Other Comprehensive Income (Loss) of Associates	<b>57,022,004</b>	(165,304,822)
	<b>15,884,414,276</b>	15,492,420,919
Equity Attributable to Non-Controlling Interests	<b>71,143,645</b>	99,083,225
	<b>15,955,557,921</b>	15,591,504,144
	<b>₱31,166,522,287</b>	₱31,780,733,250

**FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**

	For the Period Ended September 30 (Unaudited)		For the Quarter Ended September 30 (Unaudited)	
	2023	2022	2023	2022
<b>OPERATING INCOME</b>				
Interest Income	<b>₱580,114,203</b>	₱224,618,132	<b>₱199,649,606</b>	₱93,401,058
Interest Expenses	<b>(2,683,459)</b>	(8,193,428)	<b>(795,392)</b>	(2,688,568)
<b>NET INTEREST INCOME</b>	<b>577,430,744</b>	216,424,704	<b>198,854,214</b>	90,712,490
Service charges, fees and commissions	<b>380,447,339</b>	429,944,877	<b>143,502,997</b>	121,154,476
Dividends	<b>203,616,811</b>	150,128,753	<b>30,995,297</b>	27,832,682
Trading and securities loss	<b>(111,012,886)</b>	(284,235,582)	<b>(20,597,946)</b>	(75,440,886)
Foreign exchange gains	<b>586,997</b>	9,211,959	<b>1,081,480</b>	3,404,853
Gain/(Loss) on sales of assets	<b>625,214</b>	62,304,177	<b>560,526</b>	62,041,498
Miscellaneous	<b>13,011,822</b>	22,105,106	<b>9,041,226</b>	6,844,346
	<b>487,275,297</b>	389,459,290	<b>164,583,580</b>	145,836,969
<b>TOTAL OPERATING INCOME BEFORE OPERATING EXPENSES</b>	<b>1,064,706,041</b>	605,883,994	<b>363,437,794</b>	236,549,459
<b>OPERATING EXPENSES</b>				
Compensation and Fringe Benefits	<b>371,175,853</b>	353,663,256	<b>136,424,938</b>	89,129,697
Provision for (recovery from) impairment, credit and other probable losses	<b>519,770,639</b>	(15,314,966)	<b>521,734,942</b>	7,125,663
Online Trading, Transfer and Exchange Fees	<b>54,421,114</b>	61,823,597	<b>16,965,692</b>	17,730,022
Depreciation/Amortization Expenses	<b>50,942,374</b>	54,888,477	<b>17,016,272</b>	17,589,363
Professional Fees	<b>46,830,559</b>	42,437,174	<b>12,145,780</b>	16,083,945
Broker's Commissions	<b>38,771,162</b>	51,938,854	<b>10,690,837</b>	15,040,596
Advertising and Communication Expenses	<b>36,248,834</b>	69,005,410	<b>9,903,993</b>	23,083,431
Taxes & Licenses	<b>35,548,548</b>	29,772,098	<b>9,648,083</b>	11,784,103
Information Technology and Related Expenses	<b>27,597,859</b>	32,054,341	<b>8,471,589</b>	10,895,058
Representation & Travelling Expenses	<b>12,551,914</b>	7,048,891	<b>7,053,241</b>	2,584,960
Rent, Light and Water Expenses	<b>9,896,178</b>	9,377,137	<b>2,840,749</b>	2,930,078
Other Expenses	<b>131,038,552</b>	119,648,803	<b>47,910,778</b>	34,414,660
	<b>1,334,793,586</b>	816,343,072	<b>800,806,892</b>	248,391,576
<b>NET INCOME (LOSS) BEFORE SHARE IN NET INCOME OF ASSOCIATES</b>	<b>(270,087,545)</b>	(210,459,078)	<b>(437,369,098)</b>	(11,842,117)
Share in Equity Net Earnings of Associates	<b>536,210,470</b>	422,789,497	<b>172,030,733</b>	161,993,493
<b>NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAX</b>	<b>266,122,925</b>	212,330,418	<b>(265,338,365)</b>	150,151,376
Provision for Income Tax	<b>101,848,470</b>	55,801,668	<b>36,128,916</b>	19,516,538
<b>NET INCOME (LOSS)</b>	<b>₱164,274,455</b>	₱156,528,751	<b>(₱301,467,281)</b>	₱130,634,838
Attributable to:				
Equity Holders of the Parent Company	<b>₱162,467,732</b>	₱156,215,658	<b>(302,163,700)</b>	129,304,415
Non-Controlling Interests	<b>1,806,723</b>	313,093	<b>696,419</b>	1,330,423
	<b>₱164,274,455</b>	₱156,528,751	<b>(₱301,467,281)</b>	₱130,634,838
<b>EARNINGS PER SHARE*</b>	<b>₱0.44</b>	₱0.42	<b>₱0.36</b>	₱0.08

\* Attributable to Equity holders of the Parent Company

**FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	For the Period Ended September 30 (Unaudited)		For the Quarter Ended September 30 (Unaudited)	
	2023	2022	2023	2022
NET INCOME (LOSS) FOR THE PERIOD	<b>₱164,274,454</b>	₱156,528,751	<b>(₱301,467,281)</b>	₱130,634,838
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit or loss:				
Net Unrealized Gain (Loss) on FVOCI Debt				
Investment	<b>21,723,587</b>	(44,576,351)	<b>(51,586,381)</b>	(43,388,054)
Cumulative Translation Adjustment	<b>5,790,007</b>	2,264,029	<b>8,532,121</b>	(1,204,463)
Equity in other Comprehensive Income of Associates	<b>149,299,053</b>	(347,593,985)	<b>11,837,763</b>	(195,112,610)
Total items that may be reclassified to profit or loss	<b>176,812,647</b>	(389,906,307)	<b>(31,216,497)</b>	(239,705,128)
Items that will not be reclassified to profit or loss:				
Net Unrealized Gain (Loss) on FVOCI Equity				
Investments	<b>64,396,811</b>	(241,682,608)	<b>(9,720,604)</b>	(127,427,983)
Remeasurements of Life Insurance	<b>53,931,291</b>	252,286,404	<b>326,075,009</b>	198,861,179
Remeasurements of Retirement Liability	<b>19,096,482</b>	17,098,563	<b>(346,650,445)</b>	(10,082,326)
Total items that will not be reclassified to profit or loss	<b>137,424,584</b>	27,702,360	<b>(30,296,040)</b>	61,350,870
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), net of tax	<b>314,237,231</b>	(362,203,947)	<b>(61,512,537)</b>	(178,354,257)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<b>₱478,511,685</b>	(₱205,675,197)	<b>(₱362,979,818)</b>	(₱47,719,419)
Attributable to:				
Equity Holders of the Parent Company	<b>₱476,704,963</b>	(₱205,988,289)	<b>(₱364,080,343)</b>	(₱48,238,019)
Non-Controlling Interests	<b>1,806,723</b>	313,093	<b>1,100,525</b>	518,600
	<b>₱478,511,685</b>	(₱205,675,197)	<b>(₱362,979,818)</b>	(₱47,719,419)

**FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Common Stock	Capital Paid in Excess of Par Value	Retained Earnings	Treasury Stock	Net Unrealized Loss on FVOCI	Remeasurement of Retirement Liability	Cumulative Translation Adjustment	Equity in Other Comprehensive Income (Loss) of Associates	Total	Non-Controlling Interests	Total Equity
<b>Balance at January 1, 2023</b>	<b>P4,208,692,400</b>	<b>P2,065,694,042</b>	<b>P 12,803,987,348</b>	<b>(P2,662,030,617)</b>	<b>(P786,509,869)</b>	<b>P7,250,192</b>	<b>P20,642,245</b>	<b>(P165,304,822)</b>	<b>P 15,492,420,919</b>	<b>P99,083,225</b>	<b>P 15,591,504,144</b>
Total Comprehensive Income (Loss)	-	-	162,467,732	-	1,510,633	-	5,790,007	222,326,825	392,095,197	(27,939,580)	364,155,617
Issuance of Common Stock	100	319	-	-	-	-	-	-	419	-	419
Acquisition of Treasury Shares	-	-	-	(102,260)	-	-	-	-	(102,260)	-	(102,260)
Realized gain (loss) on disposal charged against surplus	-	-	(84,609,766)	-	84,609,766	-	-	-	-	-	-
<b>Balance at September 30, 2023</b>	<b>P4,208,692,500</b>	<b>P2,065,694,361</b>	<b>P12,881,845,314</b>	<b>(P2,662,132,877)</b>	<b>(P700,389,470)</b>	<b>P7,250,192</b>	<b>P26,432,252</b>	<b>P57,022,003</b>	<b>P15,884,414,276</b>	<b>P71,143,645</b>	<b>P15,955,557,920</b>
Balance at January 1, 2022	P4,208,692,400	P2,065,694,042	P 12,438,271,410	(P2,662,030,617)	(P505,616,136)	P38,080,880	P24,839,215	(P79,295,310)	P 15,528,635,884	P 103,166,334	P 15,631,802,218
Total Comprehensive Income (Loss)	-	-	156,215,658	-	(284,560,959)	-	2,264,029	(78,209,018)	(204,290,289)	(3,880,359)	(208,170,648)
Issuance of Common Stocks	-	-	-	-	-	-	-	-	-	-	-
Realized gain (loss) on disposal charged against surplus	-	-	1,698,000	-	(1,698,000)	-	-	-	-	-	-
<b>Balance at September 30, 2022</b>	<b>P4,208,692,400</b>	<b>P2,065,694,042</b>	<b>P12,596,185,068</b>	<b>(P2,662,030,617)</b>	<b>(P791,875,094)</b>	<b>P38,080,880</b>	<b>P27,103,244</b>	<b>(P157,504,328)</b>	<b>P15,324,345,596</b>	<b>P99,285,975</b>	<b>P15,423,631,571</b>

**FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the Period Ended September 30 (Unaudited)**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before Income Tax	<b>₱ 266,122,925</b>	₱212,330,418
Adjustments for:		
Share in Net Income of Investees	<b>(536,210,470)</b>	(422,789,497)
Provision for / (Recovery from) Impairment and Credit Losses	<b>519,770,639</b>	(15,314,966)
Dividend Income	<b>(203,616,811)</b>	(150,128,753)
Unrealized Forex Gain on Amortized Cost	<b>123,719,732</b>	(17,843,830)
Depreciation and Amortization	<b>50,942,374</b>	54,888,477
Amortization of Premium/(Discount) of FVOCI Investments	<b>(30,217,078)</b>	(1,771,476)
Amortization of Premium/(Discount) of Amortized Cost	<b>(4,553,325)</b>	(575,544)
Profit from Assets Sold	<b>(625,214)</b>	(62,304,177)
Unrealized Forex Loss on Bills Payable	<b>25,902</b>	176,673
Unrealized Forex Gain on FVOCI Investments	-	(76,260)
Realized Trading Gain on FVOCI Investments	-	(33,473)
Changes in operating assets and liabilities:		
Decrease (Increase) in the amounts of:		
FVTPL Investments	<b>414,531,106</b>	2,217,876,633
Loans and Receivables	<b>131,016,551</b>	482,798,418
Other Assets	<b>(22,712,685)</b>	(29,123,489)
Increase (decrease) in the amounts of:		
Accounts Payable	<b>(369,163,804)</b>	(134,011,611)
Accrued Taxes and Other Expenses	<b>64,810,711</b>	22,095,949
Other Liabilities	<b>(685,791,446)</b>	(689,821,530)
Net cash provided by (used) in operations	<b>(281,950,893)</b>	1,466,371,962
Income Taxes Paid	<b>(112,338,586)</b>	(76,409,083)
Net cash provided by (used in) operating activities	<b>(394,289,479)</b>	1,389,962,879
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
FVOCI Investments	<b>(2,042,494,616)</b>	(11,209,179,265)
Amortized Cost	<b>(1,082,342,800)</b>	(3,208,006,329)
Property and Equipment	<b>(28,238,141)</b>	(11,436,868)
Intangible Assets	<b>(897,163)</b>	(2,336,100)
UDSCL Investments	-	(323,978,000)
Proceeds from sale/redemption of:		
FVOCI Investments	<b>1,705,391,101</b>	6,249,558,109
Amortized Cost	<b>1,015,760,711</b>	5,423,594,014
UDSCL Investments	<b>203,859,500</b>	-
Property and Equipment	<b>1,284,404</b>	5,298,964
Dividends received	<b>205,993,599</b>	150,512,110
Net cash provided by (used in) investing activities	<b>(21,683,405)</b>	(2,925,973,365)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of Bills Payable	<b>₱170,161,364</b>	₱7,372,910,975
Settlements of Bills Payable	<b>(170,187,266)</b>	(7,373,087,648)
Acquisition of Treasury Shares	<b>(102,260)</b>	-
Issuance of Shares	<b>419</b>	-
Dividends paid	-	3,600,000
Net cash provided by (used in) financing activities	<b>(127,743)</b>	3,423,327
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(416,100,627)</b>	(1,532,587,158)
<b>CASH &amp; CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
Cash and Other Cash Items	<b>6,944,935,883</b>	7,159,181,657
	<b>6,944,935,883</b>	7,159,181,657

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CASH & CASH EQUIVALENTS AT END OF THE PERIOD

Cash and Other Cash Items	<b>6,528,835,256</b>	5,626,594,497
	<b>P6,528,835,256</b>	<b>P5,626,594,497</b>

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**FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**A. Accounting Policies**

Basis of Preparation

The accompanying unaudited consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the First Metro Investment Corporation and Subsidiaries (the Group) annual consolidated audited financial statements as of and for the year ended December 31, 2022.

The accompanying financial statements have been prepared on a historical cost basis except for debt and equity investment securities classified as financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) and derivative instrument designated as cash flow hedge that have been measured at fair value. The financial statements are presented in Philippine peso (₱), the functional currency of the Parent Company and all values are rounded to the nearest peso except when otherwise indicated.

The financial statements of the Parent Company and its subsidiaries (the Group) provide comparative information in respect of the previous period.

Statement of Compliance

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

Presentation of Financial Statements

The statements of financial position of the Group are presented in order of liquidity.

Basis of Consolidation

The unaudited consolidated financial statements comprise the financial statements of the Parent Company and its wholly owned and majority owned subsidiaries, as follows:

Subsidiary	Effective Percentage of Ownership
Securities Brokerage:	
First Metro Securities Brokerage Corporation (FMSBC)	100.00
Financial Market:	
PBC Capital Investment Corporation (PBC) and Subsidiary	100.00
Insurance Brokerage:	
First Metro Insurance Brokers Corporation (FMIBC)	100.00
Mutual Funds:	
First Metro Save and Learn Dollar Bond Fund, Inc. (FMSLDBF)	24.86
First Metro Philippine Equity Exchange Traded Fund, Inc. (FMPEETF)	27.19
First Metro Save and Learn Balanced Fund, Inc. (FMSALBF)	18.62
First Metro Save and Learn Equity Fund, Inc. (FMSALEF)	13.28
First Metro Save and Learn Fixed Income Fund, Inc. (FMSALFIF)	9.48
Others:	
Prima Ventures Development Corporation (PVDC)	100.00

FMIC Equities, Inc. (FEI)	100.00
SBC Properties, Inc. (SPI)	100.00
Resiliency (SPC), Inc.	100.00
First Metro Asset Management, Inc. (FAMI)	70.00

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The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voting shareholders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The unaudited consolidated financial statements are prepared for the same reporting period as the Parent Company's financial statements, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### Non-Controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not attributed, directly or indirectly, to the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Parent Company's shareholders' equity.

#### Changes in Accounting Policies and Disclosures

The accounting policies and disclosures adopted in the preparation of the unaudited interim consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2022.

## Significant Accounting Policies

### Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the Parent Company and its subsidiaries is Philippine peso (₱), except for FMSLDBF whose functional currency is United States dollar (USD).

### *Transactions and balances*

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

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

### *Subsidiary with different functional currency*

The functional currency of FMSLDBF is USD. As at the reporting date, the assets and liabilities of FMSLDBF are translated into the Group presentation currency at BAP closing rate prevailing at the statement of financial position date, and their income and expenses are translated at BAP weighted average rate (BAPWAR). Exchange differences arising on translation are taken to statement of comprehensive income as 'Cumulative translation adjustment'. Upon disposal of FMSLDBF or when the Group ceases to have control, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

### Fair Value Measurement

The Group measures financial instruments at fair value at each statement of financial position date.

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

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Financial Instruments - Initial Recognition

##### *Date of recognition*

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group.

##### *Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

##### *'Day 1' profit or loss*

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

##### *Puttable instruments of mutual fund subsidiaries classified as financial liabilities at FVTPL*

The Group has seed capital investments in several funds where it is in a position to be able to control those funds. These funds are consolidated with the shares held by investors other than the Group are considered as puttable instruments, recorded under 'Puttable instruments of mutual fund subsidiaries classified as liability' account in the statement of financial position, with changes in the net asset value per unit of the mutual funds recognized in 'Trading and securities gains (losses)' in the statement of income.

#### Financial Instruments – Classification and Subsequent Measurement

The Group classifies its financial assets in the following categories: financial assets at FVTPL, investment securities at FVOCI and financial assets measured at amortized cost while financial liabilities are classified as financial liabilities at FVTPL and financial liabilities at amortized cost. The classification of financial instruments depends on the contractual terms and the business model for

managing the instruments. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than de minimis exposure to risks or validity in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.

#### *Financial assets or financial liabilities held for trading (FVTPL)*

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate bonds and equity securities which are held for trading purposes and debt instruments which contractual cash flows is not SPPI.

A financial asset is considered as held for trading if:

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

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Unrealized gains and losses arising from changes (mark-to market) in the fair value of the financial assets at FVTPL category and realized gains or losses arising from disposals of these instruments are included in Trading and securities gains (losses) in the statements of income.

Interest earned on these investments is reported in statements of income under Interest income account while dividend income is reported as Dividends in the statements of income account when the right of payment has been established.

#### *Investment securities at FVOCI*

Investment securities at FVOCI include debt and equity instruments. After initial measurement, FVOCI investments are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of FVOCI investments are excluded, net of tax, from the reported earnings and are included in the statement of comprehensive income as 'Changes in net unrealized gain/(loss) on FVOCI investments'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of FVOCI debt securities, as well as the impact of restatement on foreign currency-denominated FVOCI debt securities, are reported in the statement of income. Interest earned on holding FVOCI investments are reported as 'Interest income' using the effective interest rate (EIR) method. When the FVOCI debt securities are disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized as 'Trading and securities gain (loss)' in the statement of income. The ECL arising from impairment of such investments do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit or loss upon derecognition.

Equity instruments designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding these equity securities are recognized in the statement of income as 'Dividends' when the right of the payment has been established. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in other of comprehensive income is reclassified to retained earnings. Equity securities at FVOCI are not subject to impairment assessment.

#### *Investment securities at amortized cost*

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount. These include 'Cash and other cash items', 'Investment securities at amortized cost' and 'Loans and receivables'.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The expected credit losses are recognized in the statement of income under 'Provision for (recovery from) impairment, credit and other probable losses'. The effects of revaluation on foreign currency-denominated investments are recognized in the statement of income.

#### Financial liabilities carried at amortized cost

Issued financial instruments or their components, which are not designated at FVTPL, are classified as financial liabilities carried at amortized cost accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. Financial liabilities carried at amortized cost include 'Bills payable' or other appropriate financial liability accounts.

After initial measurement, Bills payable and similar financial liabilities not qualified as and not designated as FVTPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement on foreign currency-denominated liabilities are recognized in the statement of income.

### Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as a 'Bills payable' to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position as 'SPURA', and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as 'Interest income' and is accrued over the life of the agreement using the effective interest method.

### Reclassification of Financial Assets

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

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

### Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

### Impairment of Financial Assets

From January 1, 2018 the Group has been recording the allowance based on a forward-looking expected credit losses (ECL) approach for all loans and other debt financial assets not held at FVTPL, together with loan commitments. Equity instruments are not subject to impairment under PFRS 9.

#### *Overview of the ECL principles*

The ECL allowance is based on the credit losses expected to arise on 12-month duration if there was no significant increase in the credit risk (SICR) of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Based on these processes, debt financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires a lifetime ECL for impaired financial instruments.

#### *Definition of “default” and “cure”*

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on agreed settlement date, or request for moratorium.

#### *SICR*

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group’s internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than 30 days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the group shall revert to recognizing a 12-month ECL.

#### *ECL parameters and methodologies*

ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), with the timing of the loss also considered.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.



EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn committed amounts, EAD includes an estimate of any further amount to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

#### *Forward-looking information*

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

#### Derecognition of Financial Assets and Liabilities

##### *Financial assets*

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

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

The Group’s accounting policy for write-offs and recoveries after write-offs of financial assets under PFRS 9 remains the same as it was under PAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery.

##### *Financial liabilities*

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

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is

not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

#### Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of income.

#### Hedge Accounting

For the purpose of hedge accounting, hedges are classified primarily as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effective requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the ‘Cash flow hedge reserve’, while any ineffective portion is recognized immediately in the statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item. The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a nonfinancial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Group's cash flow hedges consist principally of cross-currency swaps that are used to protect against exposures to variability in future interest and principal cash flows on its issued floating rate euro notes due to changes in interest rate risk and/or foreign currency risk. The hedging ratio is established by matching the notional of the derivatives against the principal of the hedged issued foreign currency debt.

As of September 30, 2023, the Parent Company has nil cross currency swap designated as hedging instrument in a cash flow hedge.

#### *Hedge effectiveness testing*

To qualify for hedge accounting, the Group requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

The method that the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. The Group applies the dollar-offset method using hypothetical derivatives in performing hedge effectiveness testing. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other on the range of 80.00% to 125.00%. Any hedge ineffectiveness is recognized in the statement of income.

#### Current versus Noncurrent Classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or noncurrent or separated into a current and noncurrent portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- When the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the statement of financial position date, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a noncurrent portion only if a reliable allocation can be made.

### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (i.e., Due from Banks and Cash on Hand). Cash and cash equivalents are carried at amortized cost.

### Investments in Subsidiaries and Associates

#### *Investment in subsidiaries*

Subsidiaries pertain to all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

#### *Investment in associates*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

#### *Consolidated financial statements*

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.

The Group's investments in its associates are accounted for using the equity method. (See discussion on the next section, 'Parent Company financial statements', on accounting using the equity method).

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

#### *Parent Company financial statements*

The Parent Company's investments in subsidiaries and associates are accounted for using the equity method. Under the equity method, the investment in subsidiaries or associates is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Parent Company's share of net assets of the subsidiary or associate since the acquisition date. Goodwill relating to the subsidiary or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Parent Company's share of the results of operations of the subsidiary and associate. Any change in OCI of those investees is presented as part of the Parent Company's OCI. In addition, when there has been a change recognized directly in the equity of the subsidiary or associate, the Parent Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Parent Company and the subsidiary or associate are eliminated to the extent of the interest in the subsidiary or associate.

The aggregate of the Parent Company's share of profit or loss of subsidiaries and associates is shown on the face of the statement of income outside operating profit and represents share in the profit or loss after tax.

The financial statements of the subsidiaries or associates are prepared for the same reporting period as the Parent Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company.

After application of the equity method, the Parent Company determines whether it is necessary to recognize an impairment loss on its investment in subsidiaries or associates. At each statement of

financial position date, the Parent Company determines whether there is objective evidence that the investment in subsidiaries or associates is impaired. If there is such evidence, the Parent Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries or associates and its carrying value, then recognizes the loss under ‘Provision for (recovery from) impairment and other probable losses’ in the statement of income.

#### Property and Equipment

Depreciable properties, including leasehold improvements and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization, and any allowance for impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met, but excludes repairs and maintenance costs.

Depreciation is calculated using the straight-line method over the estimated useful life of the depreciable assets. The estimated useful lives of the depreciable assets are as follows:

Furniture, fixtures and equipment	3 to 5 years
Condominium Units	34 years
Leasehold improvements	5 years or the terms of the related lease agreements, whichever is shorter

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

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

#### Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under ‘Investment properties’ from foreclosure date.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and allowance for impairment losses, whereas, non-depreciable investment properties are carried at cost less allowance for impairment losses.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against current operations when the costs are incurred.

Depreciation is calculated on a straight-line basis using the useful life of 5 and 34 years from the time of acquisition for land improvements and condominium units, respectively.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income as ‘Gain on sale of assets’ in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

#### Intangible Assets

Intangible assets refer to the Group's software licenses. An intangible asset is recognized only when the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income under 'Miscellaneous expense.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

#### Leases

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

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

#### *Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are subject to impairment in line with the Group's policy as described in the next section.

### *Lease liabilities*

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

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

### Impairment of Nonfinancial Assets

At each statement of financial position date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets, in which case the recoverable amount is assessed as part of the Cash Generating Unit (CGU) to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged against operations in the year in which it arises. The following criteria are also applied in assessing impairment of specific assets:

#### *Property and equipment, investment properties and intangible assets with definite useful lives*

For property and equipment, investment properties and intangible assets with definite useful lives, an assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### *Investments in associates*

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates. If this is the case, the Group calculates the amount of impairment loss as the difference between the recoverable amount of investment in the associate and the acquisition cost and recognizes the amount under 'Provision for (recovery from) impairment and other probable losses' in the statement income.

### Prepaid Expenses

Prepaid expenses pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined. These are expensed in profit or loss on the basis of systematic and rational allocation procedures. The allocation procedures are intended to recognize expenses in the accounting periods in which the economic benefits associated with these items are consumed or expired.

### Creditable Withholding Tax

Creditable withholding tax is carried at cost, less any impairment, and is creditable against income tax due.

### Common Stock

Common stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Capital paid in excess of par value' in the statement of financial position. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Capital paid in excess of par value

When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against retained earnings.

### Treasury Shares and Contracts on Own Shares

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received and all transaction costs directly attributable on the purchase, sale, issue, or cancellation of the Parent Company's own equity instruments is recognized directly in equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of own equity instruments.

### Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all of its revenue arrangements except for certain brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

#### *Fees and commission income*

The Group earns fees and commission income from a diverse range of services it provides to its customers.

Fee income can be divided into the following two categories:

- a) Fee income earned from services that are provided over a certain period of time  
Fees earned for the provision of services over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. These fees include management fees and advisory fees.



b) *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as underwriting fees, corporate finance fees, and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

*Gain on sale of assets*

Gain on sale of assets is recognized when the control of the asset has passed to the buyer, usually on the date of delivery, and the collectability of the sales price is reasonably assured. Any income recognized is recorded under 'Gain on sale of assets' in the statement of income.

*Revenue outside the scope of PFRS 15*

*Interest income*

- a. *Interest income recognized using the effective interest rate method* – Interest income is recognized in profit or loss for all instruments measured at amortized cost and debt instruments classified as investment securities at FVOCI using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimate 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 integral part of the EIR transaction costs and all other premiums or discounts.

When financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit impaired, the Group reverts to calculating interest income on a gross basis.

- b. *Other interest income* – Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the contractual interest rate and is included under 'Interest income on financial assets at FVTPL in the statement of income.

*Dividends*

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

*Trading and securities gains (losses)*

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL and gains and losses from disposal of debt securities at FVOCI.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealized gains and losses for financial instruments, including puttable instruments classified as financial liability, which were realized in the reporting period. Realized profit or loss are calculated using pro-rata approach.

### *Rental income*

Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Miscellaneous income'.

### *Gain on sale or redemption of unquoted commercial papers*

This income results from sale or redemption of unquoted commercial papers. The gain on sale or redemption of unquoted commercial papers is recorded under 'Miscellaneous income' in the statement of income.

### *Expenses*

Expenses constitute costs of administering the business and these are charged to operations as incurred.

### Retirement Benefits

The Group has a funded noncontributory defined benefit retirement plan. The retirement cost of the Parent Company, FMSBC and FAMI is determined using the projected unit credit method.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income under 'Compensation and fringe benefits' in the statement of income.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

### Provisions

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

### Contingencies

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

### Income Taxes

#### *Current tax*

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

#### *Deferred tax*

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

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

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

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

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

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

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

Deferred tax relating to items recognized directly in the statement of comprehensive income is also recognized in the statement of comprehensive income and not in the statement of income.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

#### Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Group does not have dilutive potential common shares.

#### Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective Board of Directors (BOD) of the Parent Company and its subsidiaries. Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the statement of financial position date.

#### Subsequent Events

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

### **Standards Issued but not yet Effective**

Pronouncements issued but not yet effective up to the date of the Group's financial statements are listed below. The Group intends to adopt these pronouncements when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these pronouncements to have significant impact on its financial statements.

#### Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

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

## **B. Significant Accounting Judgments and Estimates**

The preparation of the financial statements in accordance with PFRS requires the Group's management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

#### *a. Classification of financial assets*

The Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Group performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

b. *Consolidation of entities in which the Group holds less than majority of voting rights.*

The Group applies judgment in assessing whether it holds control over an investee where the Group's ownership interest and voting rights is 50.0% and below. For this, the Group considers the following factors: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Group directly holds 27.2%, 18.6%, 13.3% and 9.5% in FMPEETF, FMSALBF, FMSALEF and FMSALFIF, respectively, as of September 30, 2023. The Group assessed that control over FMPEETF, FMSALBF, FMSALFIF and FMSALEF (the Funds) exists because the Parent Company is acting as principal of the Funds, through the fund manager of the Funds, FAMI, which is a 70.0% owned subsidiary of the Parent Company, and given the Parent Company's economic interests (comprising direct interests and future management and advisory fees) over these Funds. The following factors were considered in the assessment (a) the Parent Company has wide decision-making rights over the relevant activities of the Funds and (b) the removal rights are not substantive since there are multiple parties (widely dispersed shareholders) who hold the removal rights; further, members of the BOD of the Funds are normally nominated/appointed by the Parent Company.

c. *Existence of significant influence over an associate with less than 20.0% ownership*

In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.0%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

The Parent Company and another investor of Lepanto Consolidated Mining Company (LCMC) entered into a collaboration agreement to: (a) jointly vote their fully paid "A" and "B" common shares during stockholders meeting in all matters affecting their right as stockholders; (b) for the parties' respective nominees in the BOD to decide and vote jointly for every corporate act and purpose during meetings of the BOD; and (c) to consult each other on all the issues and corporate acts raised in the BOD and in the stockholders' meetings and come up with a common decision and vote uniformly at the said meetings. The Parent Company and the other investor, together, have two (2) board seats out of the nine (9) or equivalent to 22.2% of the members of the BOD of LCMC. As a result of the collaboration agreement, management assessed that the Parent Company has significant influence over LCMC and accounted for the investment in LCMC under the equity method of accounting.

### Estimates

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

a. *Credit losses of financial assets*

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

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- The Group's internal grading model, which assigns PDs to individual grades.
- The Group's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment.
- The Group's definition of default, which is consistent with regulatory requirements.
- The segmentation of financial assets when the ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.

b. *Impairment of non-financial assets (Investments in subsidiaries and associates)*

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

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

The Group uses the higher of fair value less costs to sell and VIU in determining recoverable amount. Key assumptions in VIU calculation are most sensitive to the following assumptions: a) production volume; b) price; c) exchange rates; d) capital expenditures; and e) forecasted long-term growth rates.

c. *Recognition of deferred taxes*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, future tax planning strategies, and type of deductions to be availed in the future i.e. either itemized deductions or optional standard deduction (OSD).

d. *Present value of retirement obligation*

The cost of the defined benefit pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of statement of financial position date.

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

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligations.

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## C. Financial Risk Management

The Group has exposures to the following risks from the use of financial instruments:

- Operational risk
- Regulatory Compliance risk
- Credit risk
- Liquidity risk
- Market risk

### *Risk Management Framework*

The Group's implementation of the risk management process involves a top-down approach that starts with the BOD. The Parent Company's BOD, through the board-level Risk Oversight Committee (ROC), is actively involved in planning, approving, reviewing, and assessing all risks involved within the Parent Company. ROC also establishes the risk culture and sets the tone for all institutional risk-related activities and ensures that the risk policies are clearly formulated and disseminated within the Parent Company.

The ROC's functions are supported by the Executive Committee (EXCOM), which provides essential inputs and advice, particularly on credit and investment policy matters. The EXCOM is provided with the necessary assistance by the following management working committees, namely: the Senior Management Committee (SMC), the Investment Committee (InCom), Deal Committee (DealCom) and the Policy Committee (PolCom).

The SMC is responsible for identifying, synchronizing and addressing various operational problems and concerns of the Parent Company and certain subsidiaries. The SMC is also tasked with providing the general guidelines and advice on all transactional dealings which consider facet of risks, i.e., market, credit, operational risks, etc. The SMC's other functions are similar to that of Asset and Liability Committee (ALCO) of most banks. Its members comprise of the most senior officers of the Parent Company which have significant risk responsibilities over the asset and liability management.

The InCom is tasked with reviewing all investment proposals, approving investment outlets and guiding the fund managers in the discharge of their respective investing responsibilities.

The DealCom is tasked with the reviewing/screening of new deal proposals preparatory to sending mandate letter, clearing the business units' new deals subject to the final approval of credit authority, and monitoring all deals in process of the business units.

The Compliance Division (CD) also collaborates with the ROC. The main task of the CD is to monitor and assess compliance of various units of the Parent Company and certain subsidiaries to its rules and regulations as well as their compliance with the rules and regulations prescribed by the government regulatory bodies. The CD is also tasked to properly disseminate these rules and regulations to the various units of the Parent Company as well as its subsidiaries when applicable.



The PolCom is tasked with reviewing the policy proposals from all FMIC units which are subsequently confirmed and approved by appropriate body.

The Chief Risk Officer (CRO) manages and oversees the day-to-day activities of the Risk Management Division (RMD). The CRO likewise evaluates all risk policy proposals and reports to be presented to the ROC. The CRO, through the RMD, also coordinates with the Risk Taking Units (RTUs) and the Risk Control and Compliance Units (RCCUs) of the Parent Company with regard to the submission of requisite reports on their risk compliance and control activities.

RMD is tasked with identifying, analyzing, measuring, evaluating and controlling risk exposures arising from fluctuations in the prices or market values of instruments, products and transactions of the Parent Company and certain subsidiaries. It is responsible for recommending market risk and liquidity risk management policies, setting uniform standards of risk assessment and measurement, providing senior management with periodic evaluation and simulation and analyzing limit compliance exceptions. The RMD furnishes periodic reports to Senior Management and provide quarterly reports to the ROC.

The identified market risk, such as equity prices, interest rate and foreign currency, and liquidity risk, as well as credit and operational risks are consequently measured and then controlled by a system of limits. The RMD defines and presents for approval of the ROC and BOD the various risk management measures to be used in quantifying those risks.

The Parent Company requires either internal or external legal opinions to ensure that all documentations related to transactions entered into by the Parent Company are enforceable. Specific, internal legal functions/responsibilities including coordination with external counsel groups are handled by the Legal Department.

#### *Operational Risk*

The Parent Company's operational risk management framework outlines its effective management of operational risks via a staged approach which involves risk identification, analysis and assessment, treatment, monitoring and reporting. The document also provides pertinent operational risk management tools that need to be in place.

In line with the framework, various methodologies and tools were established to facilitate management of operational risk. These include operational risk incident reporting framework, risk events database maintenance, risk assessment and key risk indicator monitoring. The Parent Company, likewise, has in place a responsive risk management policy for effective oversight, due diligence and management of risks arising from outsourcing, prior to entering into, as well as, during the lifespan of an outsourcing agreement/arrangement. This is recognizing that while outsourcing can be cost effective and brings other competitive advantages, it also poses an Outsourcing Risk. Outsourcing Risk is the risk that third party service providers may not act within the intended limits of their authority and/or not perform in a manner consistent with outsourcing party's strategies, objectives and desired results, as well as, legal and regulatory requirements.

Moreover, the Parent Company has in place a structured Information Systems Strategic Plan (ISSP). The plan is reviewed and updated on regular basis to keep it in sync with Parent Company's strategic business direction.

The Ultimate Parent Company, Metrobank, on the other hand, through its Internal Audit Group (IAG), reviews operational risk management processes and provide an independent assurance as to its adequacy and effectiveness.

### *Credit Risk*

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures in relation to such limits. Counterparty credit lines are established by the Parent Company annually to guide its transactions. Business transactions are restricted to these accredited counterparties, and any violations are reported to the designated control units.

The management of credit risk is outlined in the Credit Policy Manual where credit authority and approval bodies are formalized within the institution. This is further supported by various operating manuals from relevant units subject to periodic review, any changes are elevated to appropriate approving body. The Parent Company operates under sound, well-defined credit-granting criteria which include a thorough understanding of the counterparty, as well as the purpose and structure of the credit, risks and risk mitigants. Independent validation of credit reviews is done annually. Vendors are subject to financial assessments according to prescribed policy. Credit ratings of counterparties are likewise periodically tracked and reported to board committee level. The Parent Company gathers sufficient information to enable a comprehensive assessment of the risk profile of the borrower or counterparty through the use of the Internal Credit Risk Rating System (ICRRS) as well as rating information from independent credit rating providers. On implementation of PFRS 9 on ECL, the PFRS 9 - ECL Technical Document provides guidance on the methodology and calculation of the impairment provision; models are assessed and recalibrated as needed.

### *Management of Credit Risk*

The Parent Company faces potential credit risks every time it commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (e.g., investment securities issued by either sovereign or corporate entities) or enters into market-traded securities either through implied or actual contractual agreements (i.e., on- or off-balance sheet exposures).

The Parent Company manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in areas like documentation and collateral requirements as well as credit assessments and risk grading processes. The monitoring and reporting procedures are likewise documented.
- The guidelines provided by the regulators are also incorporated to internal policies to ensure adherence to regulatory requirements.
- Providing seminars or programs that enhance skills and risk awareness among its personnel.
- Establishing authorization limits for the approval and renewal of credit facilities.
- Screening of prospective borrowers/deals by the DealCom/SMC prior to endorsement to other Committees like EXCOM.
- Limiting concentrations of exposures by periodic monitoring of counterparties including what industry they belong to.
- Performance of independent credit review validation by RMD.
- Performance of Vendor Financial Assessments for its service providers.
- Continuously monitoring the credit quality of various portfolios including certain subsidiaries.
- Maintaining an ICRRS, approved by the BOD, in order to categorize exposures according to the risk profile. The rating system is a combination of quantitative and qualitative factors. This is also used for determining impairment provisions against specific credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation.

#### *Credit risk at initial recognition*

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

#### *Modification*

In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

#### *Collateral and other credit enhancements*

The Group holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and these are periodically updated following the internally approved guidelines on accepted collaterals. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. Collateral valuations are monitored periodically by an independent unit of the Parent Company.

It is the Group's policy to dispose foreclosed properties acquired in an orderly fashion.

#### *Concentrations of Credit Risk*

Concentrations of credit risk arise when the company is exposed to a particular group of counterparties or a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographic location.

For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and advances; (2) loans and receivables; and (3) trading and financial investment securities. To mitigate risk concentration, the Parent Company checks for breaches in regulatory and internal limits. Internal credit concentration limits were set at not more than 20.0% and 25.0% of the selected financial assets for counterparties and industry exposures, respectively. Monitoring reports are done monthly wherein the same are elevated to the ROC on its monthly meeting for information and appropriate actions.

Each business unit is responsible for the performance and quality of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. IAG undertakes the periodic review of business units and credit processes.

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

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

The ICRRS contains the following:

- a. Borrower Risk Rating (BRR) - The BRR is an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations in a foreseen manner.

- b. Facility Risk Factor (FRF) - This is determined for each individual facility considering the term of the facility, security arrangement and quality of documentation. This factor can downgrade or upgrade the BRR based on the elements relating to cover (collateral including pledged cash deposits and guarantee), quality of documentation and structure of transactions.
- c. Adjusted Borrower Risk Rating (ABRR) - The combination of BRR and FRF results in ABRR.
- d. Composite Risk Rating (CRR) for borrowers with multiple facilities - The weighted average ABRR shall be computed and used in determining the CRR.

1 - *Excellent*

An “excellent” rating is given to a borrower with no history of delinquencies or defaults, highly liquid and sustaining strong operating trends, unlikely to be affected by external factors and has a competent management that uses current business models.

2 - *Strong*

A “strong” rating is given to borrowers with the same characteristics as those rated as “excellent” rating, but is only adequately liquid.

3 - *Good*

A “good” rating is given to a borrower with no history of default in the last 12 months. The entity’s borrowing base can support its line of credit, and it is meeting performance expectations. It is unlikely to be affected by external factors and has a competent management that uses current business models.

4 - *Satisfactory*

A “satisfactory” rating is given to a borrower that pays as agreed, but is not necessarily non-delinquent. The entity has adequate to marginal liquidity and generally meets performance expectations. While there are external factors that may affect the entity, these will likely be overcome. A lack of key management experience may be a current problem for the entity, and such could be brought about by a recent departure of a key employee.

5 - *Acceptable*

An “acceptable” rating is given to a borrower that is current in its payments while not necessarily paying as agreed. The entity has marginal liquidity and has a declining trend in operations or an imbalanced position in the statement of financial position, though not to the point that repayment is jeopardized. There are identified external disruptions though the impact on the entity is uncertain. There may also be some turnover causing key management positions to stay vacant.

6 - *Watchlist*

This rating is given to a borrower that may either be current in its payments or 30 to 60 days past due. The entity has marginal liquidity and may not be meeting performance expectations, even having defaulted on some of its loans. There are identified disruptions that negatively affect the entity’s performance, though there are near-term solutions. Management may also have changed its business model with negative implications for the entity.

7 - *Especially Mentioned*

The borrower in this rating shows evidence of weakness in its financial condition, having expected financial difficulties. There is a real risk that the entity’s ability to pay the interest and principal on time could be jeopardized. Without government intervention, external factors will negatively impact the entity. The entity’s ability or willingness to service debt is in doubt, likely causing a need to reschedule payments.

#### 8 - *Substandard*

For a “substandard” borrower, the debt burden has become too heavy, only to be made worse by weak or negative cash flows and interest coverage. This makes the collection of principal or interest payments questionable, causing an assessment of default of up to 25.0%. Unless given closer supervision, the institution will likely suffer a future loss. External factors may be causing an adverse trend, or there may be a significant weakness in the entity’s collateral. Management has an unfavorable record and lacks managerial capability.

#### 9 - *Doubtful*

This rating is given to a nonperforming borrower where a payment default has occurred, due to the borrower’s inability or unwillingness to service debt over an extended period of time. Loss is unavoidable and significant, the extent of probable loss on the loan assessment of default is up to 50.0%. However, there may be external factors that may strengthen the entity’s assets, e.g. merger, acquisition, and capital injection. Management has an unfavorable record and lacks managerial capability.

#### 10 - *Loss*

This rating is given to a borrower when debt service or the prospect for re-establishment of credit worthiness has become remote. This may be due to the fact that the borrower and/or his co- makers have become insolvent, thus, the lender may already be preparing foreclosure procedures. A full provision is made on that part of the principal which is not fully and adequately covered. While the loan covers basically worthless assets, writing off these loans is neither practical nor desirable for the lender.

#### Risk Rating References - Investment Securities

In ensuring a quality investment portfolio, the Parent Company uses the ICRRS as well as credit risk ratings from eligible external credit rating agencies like Philratings, CRISP, Moody’s, Standard & Poor’s and other reputable rating agencies.

In undertaking its investment transactions, the Parent Company is also guided by the BOD-approved manual of procedures and the applicable rules and regulations issued by the concerned regulatory bodies of the government. The Parent Company’s Compliance Unit, in collaboration with Legal Unit, is tasked with monitoring adherence to these risk areas.

#### Cash and Other Cash Items

Cash and other cash items of the Group were rated based on credit risk ratings from published data providers like Moody’s, Standard & Poor’s and other reputable rating agencies.

#### Collateral

The Parent Company’s Credit Policy Manual incorporated the list of acceptable collaterals and corresponding valuation parameters. For real estate mortgages, it provides for a separate collateral appraisal by an independent appraisal firm as required by regulators and a re-appraisal for at least every two years as circumstances warrant.

Monitoring of compliance by the RMD of the approved exposure limits, likewise, with concentration limit.

*Impaired loans and receivables* - are loans and receivables for which the Group determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory note and security agreements. Loan classification in terms of provisioning are aligned with regulatory guidelines.

A financial instrument is considered default when the obligation is not paid on its maturity date or any event of default trigger in the agreement and if on maturity, that account is not granted an extension of payment or is not restructured. Account classification in terms of provisioning is aligned with regulatory guidelines.

#### *Liquidity Risk and Funding Management*

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

Liquidity management is among the most important activities conducted within the Group. The Group manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning.

For liquidity risk, the Group develops a Liquidity Risk Management Policy and Contingency Funding Plan to serve as reference in case of an occurrence of an event. This plan is also approved by the BOD.

The Asset and Liability Management Unit estimate the Group's cash flow needs based on the Group's actual contractual obligations and under normal and extraordinary circumstances. The plans and strategies in the liquidity risk management are contained in the board-approved Liquidity Risk Management and Contingency Funding Plan.

Liquidity is monitored by the Parent and each subsidiary on a daily basis and further analyzed at predetermined scenarios/situations.

#### *Financial assets*

Analysis of equity and debt securities at FVTPL into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

#### *Financial liabilities*

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

#### *Market Risk*

Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The Parent Company's market risk originates from its holdings of debt securities and equities.

The Parent Company manages market risk by segregating its statement of financial position into a trading book and a banking book. The management of this portfolio is assigned to the SMC, chaired by the President.

The RMD serves under the ROC and performs daily market risk analyses to ensure compliance with the Parent Company's policies and procedures. The methodologies used in managing the risk include the daily marking-to-market and monitoring of loss alerts limits.

The Group follows a prudent policy in managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

An interest rate risk area where the Parent Company has exposures is on the effect of future changes in the prevailing level of interest rates on its fixed and floating interest rate-financial assets and liabilities. It has identified the financial assets and liabilities that are to mature or to reprice in the future and monitors its effect on the statement of income and equity.

*Foreign exchange risk*

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes an exposure to effects on the fluctuations in the prevailing foreign currency exchange rates on its cash flows.

*Equity price risk*

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposures arise from the Parent Company's investment portfolio and a few golf shares.

The Parent Company's policies and procedures as well as risk limit structures on its equity investment portfolio are approved by the ROC and BOD. Management's strategies and plans are discussed in the regular Incom meetings. The committee is headed by the President and the members include the Treasurer and the investment managers.

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#### **D. Fair Value Measurement**

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

*Cash and other cash items and financial liabilities at cost* - Carrying amounts approximate fair values due to the relatively short-term maturities of these investments.

*Debt securities* - Fair value of debt securities (Investment securities at FVTPL, FVOCI and Amortized Cost) composed of government securities issued by the Philippine government and private debt securities are determined based on quoted prices at the close of business as appearing on Bloomberg.

*Equity securities* - Quoted equity securities are valued based on their closing prices published by the Philippine Stock Exchange. The fair value of unquoted equity securities is determined based on the adjusted asset approach and Guideline Company Method (GCM). The adjusted asset approach derives the value of the investment using the net asset of the investee adjusted to its fair value. GCM allows a value indicator of a company to be derived by applying relevant multipliers of similar, publicly traded "comparable" companies to the company's financial metrics.

*Derivative instruments* - Fair values are estimated based on prices derived using acceptable valuation models. The model utilizes published underlying rates (e.g. interest rates and quoted price volatilities) and is implemented through validated calculation engines.

*Loans and receivables* - Fair values of loans are estimated using the discounted cash flow methodology, using Bloomberg's risk free rate plus estimated credit spread. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amount approximates fair value.

*Investment properties* - Fair value has been determined based on valuations made by independent appraisers who holds a recognized and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the highest and best use of the properties at the time the valuations were made.

The following tables summarize the carrying amount and fair values of the financial assets, financial liabilities and nonfinancial assets, analyzed based on inputs to fair value:

	As of September 30, 2023				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets measured at fair value:					
Investment Securities at FVTPL:					
Debt Securities:					
Government	₱707,530,974	₱707,530,974	₱	₱-	₱707,530,974
Private	430,988,468	430,988,468	-	-	430,988,468
Equity securities	6,247,556,928	6,247,556,928	-	-	6,247,556,928
FVOCI:					
Debt securities:					
Government	4,744,719,779	4,744,719,779	-	-	4,744,719,779
Equity securities	982,541,775	982,541,775	-	-	982,541,775
	<b>₱13,113,337,924</b>	<b>₱13,113,337,924</b>	<b>₱-</b>	<b>₱-</b>	<b>₱13,113,337,924</b>
Assets and liabilities for which fair values are disclosed:					
Financial assets					
Loans and receivables:					
Loans and discounts:					
Corporate lending	₱40,000,000	₱-	₱40,000,000	₱-	₱40,000,000
Others	10,598,759	-	10,598,759	-	10,598,759
Unquoted commercial papers	442,901,500	-	442,901,500	-	442,901,500
Amortized Cost:					
Government	1,165,462,103	1,165,462,103	-	-	1,165,462,103
Private	973,625,354	973,625,354	-	-	973,625,354
	<b>₱2,632,587,716</b>	<b>₱2,139,087,457</b>	<b>₱493,500,259</b>	<b>₱-</b>	<b>₱2,632,587,716</b>
Financial liabilities					
Puttable instruments classified as financial liability at FVTPL					
	<b>₱9,300,250,252</b>	<b>₱-</b>	<b>₱9,300,250,252</b>	<b>₱-</b>	<b>₱9,300,250,252</b>
	<b>₱9,300,250,252</b>	<b>₱-</b>	<b>₱9,300,250,252</b>	<b>₱-</b>	<b>₱9,300,250,252</b>
Nonfinancial assets					
Investment properties	<b>₱178,988,958</b>	<b>₱-</b>	<b>₱178,988,958</b>	<b>₱-</b>	<b>₱178,988,958</b>

As of September 30, 2023, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of the equity securities measured at FVOCI under Level 3 include price-to-book ratio. For financial assets and liabilities for which fair values are disclosed, inputs used in estimating fair values categorized under Level 3 include risk-free rates and applicable risk premium.

Significant (decreases) increases in the risk-free rates and risk premium, in isolation, would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in volatility, in isolation, would result in a significantly higher (lower) fair value measurement.

## E. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group and the Parent Company have transactions with its related parties. These transactions consist primarily of loan transactions, management contracts, outright purchases and sales of trading and investment securities, business and development support and other regular banking transactions.



The Group and the Parent Company settles their related party transactions in cash.

The following are the balances of the Group's related party transactions as of September 30, 2023:

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Ultimate Parent Company</b>			
Cash and other cash items		<b>₱1,491,982,601</b>	Peso and US dollar-denominated demand, savings and time deposit accounts. Peso deposits carry interest from 0.1% to 1.25%, time deposits carry interest from 0.1% to 4.3%, while US dollar deposits carry interest from 0.0% to 1.25%.
FVTPL		<b>69,669,882</b>	Investments in the Ultimate Parent Company's share of stock
Dividend receivable			From investment of stock
Accrued Interest Receivable		<b>1,670,753</b>	Accrued interest from time deposits
Other assets		<b>129,491</b>	From rental deposits
Accrued Expenses Payable		<b>(9,953,664)</b>	Accrued expenses payable from various expenses
Interest income	<b>₱21,565,349</b>		From savings and time deposits
Interest expense	<b>64,229</b>		From interbank loan
Trading and securities gain	<b>51,144</b>		Realized and unrealized loss from investments in debt and equity securities.
Miscellaneous expense	<b>10,926,549</b>		Internal audit and other professional fees and miscellaneous expenses
<b>Other Related Parties</b>			
Cash and other cash items		<b>₱775,793,648</b>	Savings, current and time deposits and short-term placements with interest rates ranging from 0.0% to 5.00% per annum
Accrued Interest Receivable		<b>1,607,296</b>	Accrued interest from time deposits
Miscellaneous deposits		<b>2,618,109</b>	Rent deposit
Accrued Expenses Payable		<b>931,126</b>	Accrued expenses payable from various expenses
Interest income	<b>₱30,056,029</b>		Interest income from savings and time deposits
Miscellaneous expenses	<b>7,512,328</b>		Audit fees, rent, power, retainer's, light, membership & dues

## F. Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. The Group may adjust the amount of dividend payment to shareholders, or issue capital securities in order to maintain or adjust its capital structure. The Group has taken into consideration the impact of regulatory requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

## G. Regulatory Qualifying Capital

On March 29, 2021, First Metro received the approval of the BSP for the surrender of the company's QB license effective March 25, 2021. Effective April 1, 2021, the regulatory capital is now based on the SEC-prescribed Risk Based Capital Adequacy (RBCA) rules.

The Amended Implementing Rules and Regulations of the SRC effective February 28, 2004 include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows:

- a. to allow a net capital of ₱2.5 million or 2.5% of aggregate indebtedness (AI), whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities;
- b. to allow the SEC to set a different net capital requirement for those authorized to use the RBCA model; and
- c. to require unimpaired paid-up capital of ₱100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; ₱10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.5 million for broker dealers dealing only in proprietary shares and not holding securities.

RBCA ratio of a broker dealer, computed by dividing the Net Liquid Capital (NLC) by the Total Risk Capital Requirement (TRCR), should not be less than 110.0%. NLC and TRCR are computed based on the existing SRC. NLC consists of total equity adjusted for allowance for market decline, subordinated liabilities, deferred tax assets, revaluation reserves, deposits for future stock subscription, minority interest, if any, contingencies and guarantees, and the total ineligible assets. Also, the AI of every stockbroker should not exceed 2,000.0% of its NLC and at all times shall have and maintain NLC of at least ₱5.0 million or 5.0% of the AI, whichever is higher.

As of September 30, 2023, the Parent Company is in compliance with the RBCA ratio. The RBCA ratio of the Parent Company as reported to the SEC as of September 30, 2023 as shown in the table below:

	<b>September 30, 2023</b> <b>(Unaudited)</b>
Equity Eligible for Net Liquid Capital	<b>₱15,884,414,276</b>
Ineligible Assets	<b>(11,632,612,404)</b>
Contingent Liability	<b>(500,006)</b>
<b>Net Liquid Capital (NLC)</b>	<b>₱4,251,301,866</b>
Position Risk Requirement	<b>141,962,112</b>
Operational Risk Requirement	<b>115,732,793</b>
Counterparty Risk Requirement	<b>-</b>
Large Exposure Risk Requirement	<b>-</b>
<b>Total Risk Capital Requirement (TRCR)</b>	<b>₱257,694,905</b>
<b>Aggregate Indebtedness (AI)</b>	<b>₱535,312,919</b>
5.00% of AI	<b>₱26,765,646</b>
Required NLC	<b>26,765,646</b>
Net Risk-Based Capital Excess	<b>4,224,536,220</b>
Ratio of AI to NLC	<b>12.59%</b>
RBCA ratio (NLC/TRCR)	<b>1,649.74%</b>

Further, SEC Memorandum Circular No. 16 dated November 11, 2004 provides the guidelines on the adoption in the Philippines of the RBCA Framework for all registered brokers dealers in accordance with SRC. These guidelines cover the following risks:

- a. position or market risk,
- b. credit risks such as counterparty, settlement, large exposure, and margin financing risks, and
- c. operational risk.

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

*Ineligible assets*

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

*Operational risk requirement*

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

*Position risk requirement*

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

*Counterparty risk requirement*

This is the amount 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.

*Aggregate Indebtedness (AI)*

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

Minimum Capital Requirements

As required by the Omnibus Rules and Regulations for Investment Houses and Universal Banks Registered as Underwriters of Securities, investment houses shall have a minimum initial paid-in capital of ₱300.0 million or such amount as the BSP may prescribe at the time of incorporation. Further, BSP requires a ₱200.0 million minimum paid-in capital for investment houses to be established in Metro Manila.

The Parent Company's paid-in capital is ₱6.3 billion, which is above the required externally imposed minimum paid-in capital.

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## **H. Other Information**

- **Seasonality or Cyclicity of Interim Operations**

The Parent Company's operations is driven mainly by prevailing market and economic conditions, as well as, by the demands and or needs of the investors and borrowers and is not influenced by seasonal or cyclical pulls.

- No Unusual Items

There are no items affecting assets, liabilities, equity, net income or cash flows, which may be considered unusual by virtue of their nature, size or incidence.

- Use of Estimates in the Preparation of Financial Statements

The preparation of the financial statements in accordance with PFRS requires the Group's Management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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

- Issuances, Repurchases and Repayments of Securities

There were no additional issuances of the Parent Company's debt and equity securities for the period.

- Dividends

There was no dividend declaration during the period ended September 30, 2023.

- Material Events

There were no material events that took place during the period ended September 30, 2023.

- Subsequent Events

There were no subsequent events that took place after the period ended September 30, 2023.

- Commitments and Contingent Accounts

As of September 30, 2023, the Group has outstanding contingent liability from legal cases amounting to ₱0.5 million.

In the normal course of business, the Group is involved in various contingencies which, in the opinion of the management, will not have a material effect on the Group's consolidated financial statements. It does not recognize any provision for probable losses as of September 30, 2023.

- Earnings (Loss) Per Share

Earnings (Loss) per share is determined by dividing the net income (loss) for the period by the weighted average number of common shares issued and outstanding during the period, computed as follows:

	January to September	
	2023	2022
a. Net income (loss)*	<b>₱162,467,732</b>	₱156,215,658
b. Weighted average number of common shares	<b>372,464,586</b>	372,465,962
c. Earnings (loss) per share (a/b)	<b>₱0.44</b>	₱0.42

*\*Attributable to Equity holders of the Parent Company*

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION  
(September 30, 2023 vs. December 31, 2022) AND RESULTS OF OPERATIONS (January 1 –  
September 30, 2023 vs. January 1 - September 30, 2022)**

**FINANCIAL POSITION**

As of September 30, 2023, the consolidated total assets of the Group stood at ₱31.2 billion, lower by 1.9% or ₱0.6 billion from ₱31.8 billion as of December 31, 2022.

The changes in consolidated total assets were primarily due to the movements in the following accounts:

*Cash and Other Cash Items* ended at ₱6.5 billion, decreased by 5.8% or ₱0.4 billion mainly due to lower outstanding time deposit and deposit in bank account balances as of reporting date.

*Financial Assets at Fair Value Through Profit or Loss (FVTPL)* decreased by 6.3% or ₱0.5 billion from ₱7.9 billion to ₱7.4 billion as of this period. The decrease was mainly due to lower equity securities portfolio during the period. As of September 30, 2023, this account consists of government securities, private debt and equity securities amounting to ₱0.9 billion, ₱0.3 billion and ₱6.2 billion, respectively.

*Fair Value Through Other Comprehensive Income (FVOCI)* represents investments in government securities and equity securities. This account increased by ₱0.3 billion from ₱5.4 billion to ₱5.7 billion mainly due additional purchase of government securities and increase in the market value of government and equity securities during the period.

*Amortized Cost* consists of investments in government and private debt securities. This account remained at ₱2.1 billion during the quarter.

*Loans and Receivables* consist of unquoted debt securities classified as loans (UDSCL), and other receivable accounts. This account decreased by 17.6% or ₱0.3 billion from ₱1.7 billion to ₱1.4 billion this period.

UDSCL which consists of debt instruments issued by private corporations decreased by ₱203.9 million from ₱646.8 million to ₱442.9 million mainly due to maturities during the period.

Loans and Discount remained at ₱40.0 million during the quarter.

Other Receivables account decreased by ₱133.4 million from ₱1,032.9 million to ₱899.5 million mainly due to the decrease in receivable from brokers from the sale of equity securities as of reporting date.

*Property and Equipment* pertains to condominium units and improvements, furniture and equipment owned by the Group. The decrease of 12.6% or ₱17.9 million from ₱141.6 million to ₱123.7 million this period was due to the depreciation expense for the period.

*Investments in Associates* represent the costs of investments in shares of stocks in allied/non-allied undertakings. This account increased by 3.6% or ₱230.6 million from ₱6,430.5 million to ₱6,661.1 million this period mainly due to the total share in net earnings of associates recognized during the period.

*Investment Properties* consists of land, building and condominium units held for sale or lease. The decrease of ₱0.4 million from ₱179.4 million to ₱179.0 million was due to the depreciation expense for the period.

*Deferred Tax Assets* consists of deductible temporary differences of the Group. The increase of 20.8% or

₱6.3 million from ₱30.3 million to ₱36.6 million was mainly due to recognition of recoverable asset during the period.

*Other Assets* includes prepayments, intangible assets, refundable deposits, other investments, retirement asset, deferred charges, unissued office supplies, input taxes and others. This account increased by 1.9% or ₱18.7 million from ₱984.2 million to ₱1,002.9 million mainly due to higher prepaid tax during the period.

*Accounts Payable* decreased by 6.6% or ₱369.1 million from ₱5,576.1 million to ₱5,207.0 million mainly due to the settlement of equity securities transactions as of reporting date.

*Accrued Taxes, Interest and Other Expenses* consists of expenses incurred on taxes, licenses, interests on borrowings, retirement liability and other expenses of the Group which have remained unpaid as of reporting date. This account increased by 48.9% or ₱64.8 million from ₱132.6 million to ₱197.4 million mainly due to higher accrued other expenses as of reporting date.

*Income Taxes Payable* decreased by 37.0% or ₱1.7 million from ₱4.6 million to ₱2.9 million this period mainly due to the decrease in the taxable income of the Group during the period.

*Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability* pertains to the ownership interest of other shareholders outside the Group in the puttable instruments issued by mutual fund subsidiaries. This account decreased by 7.9% or ₱0.8 billion from ₱10.1 billion to ₱9.3 billion this year mainly due to decrease in value of these puttable instruments.

*Other Liabilities* consists of payable for securities purchased, withholding taxes, dividends, subscription and premium payables and other miscellaneous liabilities. This account increased by 50.2% or ₱167.5 million from ₱333.5 million to ₱501.0 million mainly due to increase in amount of payable for securities purchased and miscellaneous liabilities as of reporting date.

*Capital Funds* stood at ₱16.0 billion as of September 30, 2023, an increase of ₱0.4 billion which translates to 1,649.74% risk-based capital adequacy ratio (RBCA). The changes on this account were primarily due to the following:

*Retained Earnings* ended at ₱12.9 billion, higher by ₱0.1 billion from ₱12.8 billion last year mainly due to the Group's results of operations recognized during the period.

*Net Unrealized Loss on FVOCI Investments* decreased by 10.9% or ₱86.1 million from ₱786.5 million to ₱700.4 million this period mainly due to changes in market value of investments during the period.

*Cumulative Translation Adjustments* increased by ₱5.8 million from ₱20.6 million to ₱26.4 million mainly due to the booking of foreign currency adjustment of Parent Company's foreign currency denominated equity investments with FMSLDBF.

*Remeasurements of Retirement Liability* ended at ₱7.3 million as of September 30, 2023.

*Equity in Other Comprehensive Loss of Associates* pertains to Equity Share on Decline in Value of Investments Securities, Unrealized Gains (Losses) Arising from Remeasurement of Retirement and Life Insurance Reserves of Parent Company's Associates. This account increased by 134.5% or ₱222.3 million from a loss of ₱165.3 million to a gain of ₱57.0 million this period mainly due to higher equity share in value of investments securities of Parent Company's Associates.

*Equity Attributable to Non-controlling Interests* decreased by 28.3% or ₱28.0 million from ₱99.1 million to ₱71.1 million which was attributable to the decrease in capital funds of majority owned subsidiary of the Parent Company.

## RESULTS OF OPERATIONS

For the period ended September 30, 2023, First Metro had a consolidated net income attributable to equity holders of the Parent Company of ₱164.3 million, 5.0% or ₱7.8 million higher than same period last year's result of ₱156.5 million.

Detailed discussions on the changes in the consolidated statement of income accounts are as follows:

- *Net Interest income* derived from lending and investing and borrowing activities amounting to ₱577.4 million represents 36.1% of the total consolidated revenue of the Group. Interest income earned on investments increased by 158.3% or ₱355.5 million while interest expense incurred on borrowings decreased by 67.1% or ₱5.5 million during the period.
- *Other Operating Income* totaled ₱487.3 million and represents 30.4% of the total revenues. It is comprised of service charges, fees and commissions, dividend income, foreign exchange gain, gain on sale of assets, net trading and securities gains (losses) and miscellaneous income. The increase of ₱97.8 million from last year's ₱389.5 million was mainly due to increase in trading securities gain and dividend income netted by decrease in service charges, fees and commission of the Group during the period.
- *Compensation and Fringe Benefits* consist of the gross remuneration and other benefits granted to employees for services rendered. The increase of ₱17.5 million from last year's expense of ₱353.7 million to ₱371.2 million was mainly due to higher compensation and other benefits paid during the period.
- *Online Trading, Transfer and Exchange Fees* totaled ₱54.4 million, 12.0% or ₱7.4 million lower than same period last year's ₱61.8 million mainly due to reduction in the trading transactions/volume during the period.
- *Professional Fees* pertain to expenses incurred for services rendered by individuals/firms on a retainer or contractual basis which totaled ₱46.8 million, 10.4% or ₱4.4 million higher than same period last year's expense of ₱42.4 million mainly due to increase in management fees incurred by the Group during the period.
- *Depreciation and Amortization* represents the monthly/periodic depreciation of the Group's condominium units, furniture, fixtures and equipment and right-of-use assets, as well as, the monthly amortization of deferred charges, leasehold rights and improvements. The decrease of ₱4.0 million from ₱54.9 million to ₱50.9 million this period was mainly due to retirement and sale of some property and equipment during the period.
- *Broker's Commissions* totaled ₱28.1 million, 25.2% or ₱13.1 million lower than same period last year's ₱51.9 million mainly due to lower commissions incurred on stock trading transactions.
- *Advertising and Communication Expenses* totaled ₱36.2 million, 47.5% or ₱32.8 million lower than same period last year of ₱69.0 million mainly due to lower advertising expenses incurred during the period.



- *Taxes and Licenses* totaled ₱35.5 million, 19.1% or ₱5.7 million higher than same period last year's ₱29.8 million mainly due to higher taxes and licenses of the Group during the period.
- *Information Technology and Related Expenses* totaled ₱27.6 million, 14.0% or ₱4.5 million lower than same period last year of ₱32.1 million mainly due to lower information technology expenses recognized during the period.
- *Rent, Light and Water Expenses* pertains to expenses incurred for utilities, office spaces and/or equipment leased by the Group. This account totaled ₱9.9 million this year, 5.3% or ₱0.5 million higher than same period last year of ₱9.4 million.
- *Representation and Traveling Expenses* totaled ₱12.6 million, 80.0% or ₱5.6 million higher than same period last year expense of ₱7.0 million mainly due to higher expenses incurred for public relations activities which were directly related to the business development and promotion of the various investment products to potential clients of the Group.
- *Provision for / (Recovery from) Impairment, Credit and Other Probable Losses* totaled ₱519.8 million probable loss, 3,497.4% or ₱535.1 million higher than same period last year of ₱15.3 million recovery for the same period.
- *Miscellaneous Expenses* includes expenses incurred on assets acquired, referral and service fees, contractual services, membership fees and dues, supervision fees, insurance and other expenses. This account increased by 9.5% or ₱11.4 million from ₱131.0 million to ₱119.6 million mainly due to higher referral and service fees, insurance expense and contractual service expenses incurred during the period.
- *Share in net income of investees* represents 33.5% of the total consolidated revenues amounting to ₱536.2 million. This is ₱113.4 million higher than same period last year's results of ₱422.8 million. This year's share in net earnings mostly came from PALIC.
- *Provision for Income Tax* includes regular, minimum and deferred corporate income taxes and final taxes on tax-paid investment securities. The increase of 82.4% or ₱46.0 million from ₱55.8 million to ₱101.8 million was mainly due to the higher final tax during the period.

## DISCUSSION OF KEY PERFORMANCE INDICATORS

The following basic ratios measure the comparative financial performance of the Group for the period ended September 30, 2023 and 2022 as well as, for the year-ended December 31, 2022:

Performance Indicator	As of		
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	December 31, 2022 (Audited)
a. Return on Average Assets	<b>1.46%</b>	0.82%	1.12%
b. Return on Average Equity	<b>2.93%</b>	1.74%	2.35%
c. Cost-to-Income Ratio	<b>76.65%</b>	137.84%	105.67%
d. Risk Based Capital Adequacy (RBCA) Ratio	<b>1,649.74%</b>	1,048.78%	1,482.32%
e. Ratio of Aggregate Indebtedness to Net Liquid Capital	<b>12.59%</b>	14.67%	12.34%

Detailed discussions on some of the key performance indicators of the Company are as follows:

- Return on Assets*  
Return on Assets (ROA) or the ratio of annualized net income to average total assets, measures the return on money provided by both stockholders and creditors, as well as how efficiently all assets are managed. ROA increased to 1.46% from 0.82% of same period last year, due to the effect of higher annualized net income and lower average total assets.
- Return on Equity*  
Return on Equity (ROE) or the ratio of annualized net income to average capital funds, measures the return on capital provided by the stockholders. ROE rose to 2.93% from 1.74% of same period last year, due to the effect of higher annualized net income.
- Cost-to-Income Ratio*  
This represents the ratio of total operating expenses (excluding provisions for credit and impairment losses and income tax) to total operating income (excluding share in net income of associates and recovery from impairment and credit losses). It decreased to 76.65% from 137.84% resulting from higher operating income during the quarter mainly due to increase in net interest income.
- Risk Based Capital Adequacy (RBCA) Ratio*  
This represents the ratio of net liquid capital over total risk capital requirements. It went up from 1,048.78% to 1,649.74% mainly due to lower operational risk requirement.
- Ratio of Aggregate Indebtedness (AI) to Net Liquid Capital*  
This represents the ratio of aggregate indebtedness over net liquid capital. AI went down to 12.59% from 14.67% mainly due to decrease in liabilities.

## COMMITMENTS, MATERIAL EVENTS AND UNCERTAINTIES

1. To date, the Group has no plans of entering into any material commitments for capital expenditures in the future.
2. To the knowledge and information of the Group, there are no events or uncertainties that will have a material impact on the Group's liquidity.
3. There are no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
4. Also, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
5. Likewise, there are no known trends, events or uncertainties that have had or that are reasonably expected to cause a material favorable or unfavorable impact on income from continuing operations.
6. Similarly, there were no significant elements of income or loss that did not arise from the Group's continuing operations.
7. Lastly, there were no seasonal aspects that had any material effect on the financial condition or results of operations of the Group.

**FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**

Performance Indicator	Formula	As of September 30	
		2023	2022
a. Current/Liquidity Ratio	Total Current Assets	<b>63.89%</b>	114.57%
	Total Current Liabilities		
b. Solvency Ratio	Total Liabilities	<b>48.81%</b>	51.92%
	Total Assets		
c. Debt to Equity Ratio	Total Liabilities	<b>95.33%</b>	107.98%
	Total Equity		
d. Asset to Equity Ratio	Total Assets	<b>195.33%</b>	207.98%
	Total Equity		
e. Interest Rate Coverage Ratio	Income before Interest Expense and Tax	<b>14,158.04%</b>	(1,425.53%)
	Interest Expense		
f. Return on Equity	Net Income after Tax	<b>2.93%</b>	1.74%
	Average Capital		
g. Return on Assets	Net Income after Tax	<b>1.46%</b>	0.82%
	Average Total Assets		
h. Net Profit Margin Ratio	Net Income	<b>15.72%</b>	26.18%
	Net Interest Income and Operating Income		
i. Risk Based Capital Adequacy Ratio	Net Liquid Capital	<b>1,649.74%</b>	1,048.78%
	Total Risk Capital Requirement		
j. Ratio of Aggregate Indebtedness to Net Liquid Capital	Aggregate Indebtedness	<b>12.59%</b>	14.67%
	Net Liquid Capital		

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES  
**FORM AND CONTENT OF SCHEDULES**

**A. Financial Assets**

Name of issuing entity	Number of Shares/Principal amount of bonds/notes	Amount shown in the statement of financial position	Valued based in market quotation at end of reporting period	Income/(Loss) received and accrued
Loans and Receivables:				
Loans and Discount:				
Other loans	₱10,598,759	₱10,598,759		
Other borrowers of subsidiaries	40,000,000	40,000,000		
	₱50,598,759	₱50,598,759	₱50,598,759	
Unquoted Debt Securities Classified as				
Loans:				
Citibank, N.A.	₱412,901,500	₱412,901,500	₱412,901,500	
Toyota Financial Services Phil. Corp.	30,000,000	30,000,000	30,000,000	
	442,901,500	442,901,500	442,901,500	
Other Receivables	931,255,458	931,255,458	888,888,627	
	1,424,755,717	1,424,755,717	1,381,988,886	
Allowance for Credit Losses	(42,766,831)	(42,766,831)		
	₱1,381,988,886	₱1,381,988,886	₱1,381,988,886	₱2,286,877
Financial Assets at FVTPL:				
Government Securities	₱867,704,368	₱866,402,961		
Private Debt Securities	282,830,000	272,116,481		
Equity Securities	134,936,518	6,247,556,928		
	₱1,285,470,886	₱7,386,076,370	₱7,386,076,370	₱96,861,898
FVOCI:				
Government Securities	₱4,801,271,000	₱4,744,719,779		
Equity Securities				
Axelum Resources Corp.	176,970,700	361,020,228		
The Philippine Stock Exchange, Inc.	2,806,521	491,421,827		
Eagle Cement Corporation	4,700	79,900		
Other issuers	50,094,289	130,019,820		
	₱5,031,147,210	₱5,727,261,554	₱5,727,261,554	₱160,768,391

Amortized Cost:

Government securities	₱1,162,850,000	₱1,165,462,103	₱1,147,874,597	
Private Debt Securities				
Ayala Corporation	50,000,000	48,966,576	48,966,887	
Ayala Land, Inc.	53,000,000	52,961,920	50,749,558	
BDO Unibank Inc.	50,000,000	49,563,247	49,798,572	
Bank of The Philippine Island	115,100,000	114,645,018	114,600,196	
China Banking Corp.	40,000,000	40,000,000	39,544,510	
Del Monte Phil	75,000,000	75,000,000	74,827,140	
GT Capital Holdings, Inc.	3,000,000	2,992,499	2,972,649	
SM Prime Holdings, Inc.	100,000,000	100,000,000	99,043,624	
Security Banking Corp.	200,000,000	200,000,000	195,550,223	
SMC Global Power	23,000,000	23,000,000	21,555,767	
San Miguel Food And Beverages, Inc.	150,000,000	149,969,711	130,092,306	
SM Investments Corporation	92,000,000	91,642,111	89,668,656	
Union Bank of the Philippines	25,000,000	24,884,272	24,962,748.57	
	₱2,138,950,000	₱2,139,087,457	₱2,090,207,433	₱82,959,109
	₱9,837,556,982	₱16,634,414,267	₱16,585,534,243	₱342,876,275

Financial assets at FVTPL and FVOCI investments are measured in the statement of financial position at fair value.

Loans and receivables and Amortized cost are measured in the statement of financial position at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR.

**B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties) in the ordinary course of business**

Name of and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at end of period
Officers and staff	₱ 7,644,200	₱5,854,200	(₱4,465,337)	(₱–)	₱1,081,037	₱9,517,722	<b>₱10,598,759</b>

**C. Amounts of Receivable/Payable from Related Parties which are Eliminated during the Consolidation of Financial Statements**

Name of debtor	Relationship	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Current	Noncurrent	Balance at end of period
FAMI	Subsidiary	₱4,008,463	₱91,489,038	(₱22,885,783)	₱–	₱72,691,718	₱–	<b>₱72,691,718</b>
FMSBC	Subsidiary	–	1,092,061,966	(1,091,961,966)	–	100,000	–	<b>100,000</b>
SALEF	Subsidiary	6,590,964	57,649,183	(58,259,738)	–	5,980,409	–	<b>5,980,409</b>
SALBF	Subsidiary	1,644,708	14,591,829	(14,332,325)	–	1,904,212	–	<b>1,904,212</b>
SALFIF	Subsidiary	1,861,829	17,684,962	(18,063,799)	–	1,482,992	–	<b>1,482,992</b>
SALDBF	Subsidiary	624,801	5,733,848	(5,710,958)	–	647,691	–	<b>647,691</b>
FMPEETF	Subsidiary	1,347,530	7,841,753	(8,369,380)	–	819,903	–	<b>819,903</b>
		<b>₱ 16,158,295</b>	<b>₱1,287,052,579</b>	<b>(₱1,219,583,949)</b>	<b>₱–</b>	<b>₱83,626,925</b>	<b>₱–</b>	<b>₱83,626,925</b>

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**D. Intangible Assets - Other Assets**

Movements in intangible assets follow:

	<b>2023</b>
Balance at beginning of year	<b>₱ 309,472,953</b>
Additions at cost (cash expenditure)	<b>897,163</b>
Charged to cost and expenses	<b>(304,792,897)</b>
Balance at end of the period	<b>₱5,577,219</b>

This account consists of First Metro and FAMI's capitalized computer software with net book value of ₱1.7 million and ₱3.9 million, respectively.

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**E. Long Term Debt**

As of September 30, 2023, First Metro had no long-term debt.

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**F. Indebtedness to Related Parties (Long Term Loans from Related Companies)**

As of September 30, 2023, First Metro had no long-term debt to related parties.

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**G. Guarantees of Securities of Other Issuers**

As of September 30, 2023, First Metro had no outstanding guarantees of securities of other issuers.

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**H. Capital Stock**

	<b>Common Stock</b>
Authorized number of shares	800,000,000
Number of shares issued and outstanding as shown under the related statement of financial position caption	372,463,532*
Number of shares reserve for options, warrants, conversion and other rights	—
Number of shares held by affiliates	369,736,960
Number of shares held by directors, officers and employees	1,920

\* Net of 48,405,718 Treasury Shares as of September 30, 2023

**FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE**

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No. of Days Outstanding	As of September 30, 2023
01-90	₱778,881,796
91-180	67,982
181-360	143,768
Over 360	42,627,322
Total	₱ 821,720,868



SIGNATURES



Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST METRO INVESTMENT CORPORATION

Issuer

By:

  
JOSE PATRICIO A. DUMLAO  
President

  
MARICEL L. MADRID  
SVP/Controller 

November 10, 2023

Date