COVER SHEET

0	2	3	2	6	9					

S.E.C. Registration Number

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES

(Company's Full Name)

45TH FLOOR GT TOWER INTERNATIONAL AYALA AVENUE CORNER HV DE LA COSTA STREET MAKATI CITY

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

JOSE PATRICIO A. DUMLAO
Contact Person

8858-7900
Company Telephone Number

Not later than last week of April

Fiscal Year		Form Type	Annual Meeting	
Month	Day		Month	Day
12	**31**	**SEC FORM 17-A**		

IHU - GSED
Secondary License type, if applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
1,258		

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = Pls. use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended: **December 31, 2023**

2. SEC Identification Number: **23269**

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 Flr GT Tower Int'l., Ayala Ave 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 formal fiscal year, if changed since last report: **Not Applicable**

10. Securities registered pursuant to Section 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	:	**Common Stock**
Number of Shares of Common Stock Outstanding	:	**7,448,689 shares***

**Net of 968,696 treasury shares as of December 31, 2023*

11. Are any or all of these securities listed on a Stock Exchange?

Yes **[]** No [**x**]

If yes, state the name of the stock exchange and the classes of securities listed therein.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes **[x]** No [ ]

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

Yes **[x]** No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. **Not Applicable**

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Description of Business

1. Business Development

First Metro Investment Corporation (First Metro) was incorporated on August 30, 1972 in Metro Manila and started business operations as an investment house with quasi-banking functions in May 1974.

In 1999, the management of First Metro agreed on a vision of first, becoming a leading and respected financial institution specializing in investment banking services and second, of being a prime mover in the development of capital markets.

In 2000, Metropolitan Bank & Trust Company (Metrobank) bought majority stake in Solidbank and subsequently decided to merge the bank with its investment banking subsidiary, First Metro Investment Corporation. The said merger, which was approved by the Securities and Exchange Commission (SEC) on September 22, 2000, provided that Solidbank shall be the surviving entity to be renamed First Metro Investment Corporation. The former Solidbank was incorporated on June 25, 1963.

The merged corporation retained its quasi-banking license but gave up its license to engage in commercial banking activities. It also increased its authorized capital stock from ₱3,200,000,000.0 divided into 30,000,000 common shares and 2,000,000 preferred shares, both with a par value of ₱100.0 to ₱8,000,000,000.0 divided into 78,000,000 common shares and 2,000,000 preferred shares, both with a par value ₱100.0.

The Bangko Sentral ng Pilipinas (BSP) officially gave its nod on the merger on November 8, 2000 but instructed that the 2,000,000 preferred shares be converted to common shares thereby bringing the authorized capital stock of the corporation to 80,000,000 common shares.

As a result of the merger, Metrobank's stake in First Metro was slightly diluted from 100.0% to 98.7% but the merger further reinforced First Metro's hold to being the country's largest investment bank.

In June 2005, the stockholders ratified the approval by the board of directors (BOD) of First Metro for the amendment to its Articles of Incorporation. The amendment pertains to the reduction of the par value from ₱100.0 to ₱10.0 each of the shares of First Metro and increasing the number of the common shares from 80,000,000 to 800,000,000.

In 2011, the BOD approved the amendment of Article Four of the Articles of Incorporation to extend the corporate life of First Metro for another fifty (50) years from June 25, 2013. The extension of the corporate term of First Metro was approved and ratified by its stockholders on April 26, 2012.

Subsequently, on October 12, 2012, the SEC approved the extension of the corporate term of First Metro Investment Corporation for another fifty (50) years from June 25, 2013 to June 25, 2063.

Also, on that same date, First Metro filed a disclosure with the Philippine Stock Exchange (PSE) on its intention to voluntarily delist its shares and buy back all of its publicly-owned shares via a tender offer following the decision of its Board of Directors to operate as a non-listed entity. The delisting of the Company's shares from the Official Registry of the Exchange was subsequently approved by PSE effective December 21, 2012.

In 2013, First Metro also made history when it listed the first-ever exchange traded fund in the country, the First Metro Philippine Equity Exchange-Traded Fund, on the Philippine Stock Exchange. First Metro is the ETF's proponent and fund sponsor while its subsidiaries, First Metro Asset Management, Inc. and First Metro Securities Brokerage Corporation are the fund manager and principal distributor, and lead authorized participant and market maker, respectively.

In June 2016, the trust and other fiduciary business of the Parent Company ceased its operations.

On March 25, 2021, First Metro's application to return its quasi-banking (QB) license was approved by the Bangko Sentral ng Pilipinas. The return of the company's QB license was part of its transformation plan to strengthen its core business of investment banking, further develop its brokering and distribution of capital markets issuances and forge greater synergy with its subsidiaries, FirstMetroSec and FAMI, and parent, Metrobank. This new strategy will allow the company to better serve the needs of its clients, respond aptly to the changing demands of the market and contribute more effectively in the development of the Philippine capital markets.

The Certificate of Filing of Amended Articles of Incorporation of First Metro Investment Corporation was issued by the Securities and Exchange Commission on September 15, 2023. The Amendment to the Articles of Incorporation pertains to the Primary Purpose in the Articles of Incorporation to delete the provisions pertaining to quasi-banking and trust activities in view of the recent approval of the BSP of the surrender of the quasi-bank license and seventh paragraph of the Articles of Incorporation increasing the par value from PhP10 to PhP500 per share and decreasing the number of authorized common shares from 800,000,000 common shares to 16,000,000 common share.

2. Business of Registrant

Description of Registrant

<u>Principal Products and Services</u>

First Metro is primarily engaged in investment banking and has a quasi-banking license. The company and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, government securities and corporate debt trading, equity brokering, online trading, asset management and research. It operates through its two main strategic business units:

1. **Investment Banking Group (IBG) -** The Group manages the investment banking business of the company. First Metro stands at the forefront of the Philippine capital markets as the investment bank of choice for prominent corporations and government agencies. Its track record in debt and equity underwriting rests on its key strength in origination, structuring and execution. The investment bank perennially engages in the lion's share of transactions in the debt and equities markets.

   Debt Capital Markets - First Metro is widely recognized as a leader in debt capital market issuances. The company provides debt financing solutions to help achieve client objectives that normally include expansion plans, refinancing, strategic acquisitions or buy-outs, or complex project financing.
   - Bonds
   - Corporate Notes
   - Project Finance Facilities
   - Corporate Term Loans
   - Perpetual Preferred Shares
   - Commercial Papers
   - Acquisition Finance

Equity Capital Markets **-** For years, First Metro has been actively involved in originating and underwriting Philippines equity issuances, whether private placement or public offering. The investment bank integrates its expertise and experience in structuring, execution, and distribution to provide optimal solutions for its clients' capital requirements.

- Initial Public Offerings
- Follow-on Offerings
- Stock Rights Offerings
- Private Placements
- Real Estate Investment Trust (REIT)

Financial Advisory **-** First Metro is a Philippine Stock Exchange-accredited financial advisor providing strategic advice on enhancing corporate value, selecting optimal fundraising structure, and addressing valuation issues.

- Capital & Corporate Restructuring
- Mergers and Acquisitions
- Valuation
- Fairness Opinion

2. Sales & Distribution Group (SDG) - The Group is primarily responsible for offering the various First Metro underwritten products to the investing public. As an active brokering participant, SDG makes available to its clients the wide range of tradeable fixed income securities in the market.

Driving the success of our underwritten deals is the dynamic synergy between the Investment Banking Group and SDG. First Metro's underwriting strength is complemented by its ability to distribute securities widely.

- Primary Issuances
- Government Securities
- Corporate Debt

<u>Contribution to Sales/Revenues</u>

Net interest income from financial markets, investing, lending and borrowing operations represent 34.5%, 21.2% and 17.9% of the total revenue of the Group in 2023, 2022 and 2021, respectively. Other operating income which includes Net trading and securities gain, service charges, fees and commission, dividend income, gain on sale of assets and miscellaneous income represents 28.7%, 39.6% and 46.0% of the total revenue of the Group in 2023, 2022 and 2021, respectively. Share in net income of associates represents 36.8%, 39.2% and 36.1% of the total revenue of the Group in 2023, 2022 and 2021, respectively.

<u>Contribution of Foreign Offices</u>

First Metro has no revenue or income derived from foreign market during the year.

<u>Significant Subsidiaries and Affiliates</u>

- *<u>First Metro Securities Brokerage Corporation (FirstMetroSec)</u>*, is a leading and trusted online financial services partner in the Philippines with steadfast focus on helping individuals and institutions attain their financial goals through investment products, technology, research, and education. It was incorporated on October 16, 1987 and established in June 1994 as a stock brokerage house licensed to trade in the Philippine Stock Exchange. Over the past 35 years, FirstMetroSec has been reinventing itself to provide customers with a one-stop shop experience. Today, it provides easy access to mutual funds and unit investment trust funds managed by different fund providers in the Philippines, and bonds issued by the Philippine government.

- *PBC Capital Investment Corporation (PBC Capital)*, a wholly-owned subsidiary, was incorporated on March 1, 1996 and started commercial operations on March 8, 1996. Metrobank acquired PBC Capital as part of the acquisition of the Philippine Banking Corporation. It was incorporated primarily to perform basic investment banking activities, such as equity and debt underwriting, loan arrangement and syndication, financial advisory services and other corporate finance work.

- *First Metro Asset Management, Inc. (FAMI)*, was incorporated on April 21, 2005 to manage, provide and render management and technical advice/services for partnerships, corporations and other entities. FAMI is registered and authorized by the SEC to act as an investment company adviser and manager, administrator, and principal distributor of SALFIF, SALEF, SALBF, SALDBF, FMAFEF, FMETF and SALMMF. FAMI is 70.00% owned by First Metro, while 30.00% is shared equally by the Catholic Educational Association of the Philippine (CEAP) and by the Marist (Marist Brothers) Development Foundation.

- *First Metro Save and Learn Dollar Bond Fund, Inc. (SALDBF)*, formerly First Metro Save and Learn Money Market Fund, Inc., 26.06% owned by First Metro, was incorporated on November 4, 2008. SALDBF is an open-end mutual fund engaged in selling its capital to the public and investing the proceeds in selected high-grade stocks and fixed–income securities. It can also redeem its outstanding capital stock at net asset value per share at any time upon redemption of its investors.

- *First Metro Philippine Equity Exchange Traded Fund, Inc. (FMETF)*, 27.70% owned by First Metro, was incorporated on January 15, 2013 and subsequently registered under the Philippine Investment Company Act and the Securities Regulation Code as an open-end investment company engaged in the business of investing, reinvesting and trading in and issuing and redeeming its shares of stock in creation unit in exchange for basket of securities representing an index.

- *Cathay International Resources Corporation*, 34.74% owned by FMIC, was incorporated on April 26, 2005 primarily to acquire by purchase or exchange and use for investment or otherwise sell or transfer properties. It owns Marco Polo Cebu Plaza Hotel.

- *AXA Philippines Life and General Insurance Corporation (AXA)*, 28.18% owned by First Metro, is a life insurance company incorporated in November 1962.

- *Orix Metro Leasing and Finance Corporation (ORIX Metro)*, 20.00% owned by First Metro was incorporated and registered with SEC on June 28, 1977. Its primary purpose is to engage in financing by leasing of all kinds of real and personal property, extending credit facilities to consumers and enterprises by discounting commercial papers or accounts receivable, or by buying or selling evidences of indebtedness, and underwriting of securities.

- *Lepanto Consolidated Mining Company (LCMC)*, 13.45% owned by First Metro, was incorporated in 1936 and started only operating an enargite copper mine located in Mankayan, Benguet in 1997. LCMC shifted to gold bullion production in 1997 through its Victoria Project and continues to produce gold from its Victoria and Teresa operations, both located in Mankayan, Benguet.

Distribution Methods of Products and Services

For our distribution business, we look at expanding our channels by developing the Corporate and High Net Worth sectors, in addition to our existing institutional and MBT branch channels. We likewise plan to increase our distribution network to allow us to sell not only First Metro products but also all available products through the distribution platform of subsidiary First Metro Securities Brokerage Corporation. We continue to strengthen our relationship with MBT Sales and Investment Distribution Division (IDD) by collaborating on cross-selling initiatives for both First Metro and MBT products.

Competition

We are the only full-fledged investment bank in the Philippines with sales & trading and equity investments complementing our investment banking business.

Major competitors of First Metro in the investment banking space include: BDO Capital & Investment Corp., BPI Capital Corp., China Bank Capital, SB Capital, RCBC Capital Corp., State Investment Trust Corp., AB Capital and Investment Corp. and Multinational Investment Bancorporation.

We believe that we can effectively contend with other companies in the investment banking industry because we are the largest capitalized investment house in the country with consolidated capital funds of ₱16.5 billion and consolidated total assets of ₱32.2 billion as of December 31, 2023. We are the investment banking arm of the Metrobank Group and are considered to be the largest investment bank in the country, recognized by our peers, clients, international financial organizations and regulators.

Principal Suppliers and Major Clients

First Metro has no raw materials for its business. Hence, it is not dependent upon one or a limited number of suppliers for essential raw materials, energy or other items. First Metro has no major existing supply contracts.

The business of First Metro is not dependent upon a single client or a few clients. The loss of one or more would not have any material or adverse effect on First Metro and its subsidiaries taken as a whole. Clients are diversified and distributed out that no single client or a few clients will account for twenty percent (20.0%) or more of its business.

Transactions with and/or Dependence on Related Parties

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 subsidiaries, associated companies, affiliates, and with certain related interests collectively referred to as directors, officers, stockholders and other related interests (DOSRI). 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.

Existing BSP regulations limit the amount of individual loans to DOSRI, of which 70.0% must be secured, to the total amount of their respective deposits and book value of their respective investments in the Parent Company. In the aggregate, loans to DOSRI generally should not exceed 100.0% of the Parent Company's combined capital accounts, net of deferred income tax, unbooked valuation reserves and other capital adjustments as may be required by the BSP.

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

The following table provides the total amount of transactions that have been entered into by First Metro with its related parties for the year ended 2023 and 2022:

	Consolidated and Parent Company					
	2023					
	Deposits	**Withdrawals**	**Sale of securities**	**Purchase of securities**	**Issuance of term loans**	**Borrowings**
Ultimate Parent Company	**₱473,788,938,849**	**₱473,448,167,609**	**₱36,436,903,846**	**₱54,125,656,214**	**₱–**	**₱248,175,792**
Subsidiaries	**–**	**–**	**434,789,806**	**132,860,995**	**–**	**–**
Associates	**–**	**–**	**3,577,699,450**	**109,307,571**	**–**	**–**
Affiliates	**3,099,169,134**	**3,290,835,512**	**1,097,235,048**	**–**	**–**	**–**
	₱476,888,107,983	**₱476,739,003,121**	**₱41,546,628,150**	**₱54,367,824,780**	**₱–**	**₱248,175,792**

	Consolidated and Parent Company					
	2022					
	Deposits	Withdrawals	Sale of securities	Purchase of securities	Issuance of term loans	Borrowings
Ultimate Parent Company	₱774,226,454,586	₱777,549,875,423	₱19,025,506,877	₱43,101,755,537	₱–	₱108,811,835
Subsidiaries	–	–	1,557,341,728	578,741,666	50,000,000	–
Associates	–	–	3,929,963,619	201,702,309	–	–
Affiliates	6,812,664,852	5,988,241,292	–	150,147,892	–	–
	₱781,039,119,438	₱783,538,116,715	₱24,512,812,224	₱44,032,347,404	₱50,000,000	₱108,811,835

Government Approval of Principal Products of Services

The renewal of license granted by SEC to First Metro as an investment house and as government securities eligible dealer was issued on December 29, 2014 and the license to act as Investment Company Adviser of First Metro Save and Learn Equity Fund, Inc. was issued on May 6, 2015. Both shall remain valid unless suspended or revoked for cause or cancelled by the Commission or voluntarily surrendered by the registrant. This authorizes First Metro to operate as an investment house and to distribute and sell government securities on a public or private placement basis. It also empowers First Metro to enter into a contract with another entity to further distribute the securities that it has underwritten.

The exemption fee it paid to the SEC for the issuance of short and long-term commercial papers covers the calendar year 2023 and is renewable on an annual basis. Other than its license as an investment house engaged in dealing in government securities and its registration exemption for the issuance of short and long-term commercial papers, other First Metro's products and services do not require government approval.

Effective or Existing or Probable Government Regulations

First Metro is subject to various laws, rules and regulations issued by the SEC, PDEx, BSP, Bureau of Internal Revenue (BIR), National Privacy Commission and Anti-Money Laundering Council (AMLC).

Being an investment house company, First Metro's business and operations are governed by the Investment Houses Law or Presidential Decree 129.

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes (DST).

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.0% to 25.0% depending on the criteria set by the law effective July 1, 2020. With the implementation of this Act, interest expense allowed as deductible expenses shall be reduced by 20.0% of the interest income subject to final tax, compared to the 33.0% reduction prior to the Act.

The regulations also provide for an MCIT of 2.0% (prior to CREATE) and 1.0% from (July 2020 to June 30, 2023 before reverting to 2.0%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's and Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulations (RR) No. 25-2020.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

Since the approval of the surrender of its quasi-banking license, BSP supervision and regulatory requirement over First Metro has become limited to its being a subsidiary of Metrobank.

First Metro is committed to strictly observe and comply with existing laws, rules and regulations issued by the regulators. First Metro endeavored to create policies that will enhance and strengthen internal controls based on the abovementioned BSP Manual of Regulations for Non-Bank Financial Institutions, the 2015 Securities Regulation Code (SRC) Rules and PDEx Rules and Regulations.

Pursuant to RA 10173, otherwise known as the Data Privacy Act of 2012, the National Privacy Commission issued its Implementing Rules and Regulations (IRR) which took effect on September 8, 2016. First Metro and its subsidiaries are covered by this IRR as it process personal and sensitive personal information of more than one thousand (1,000) individuals.

As a covered institution, both being regulated and supervised by AMLC, SEC, PDEx, NPC and BSP, First Metro has to conduct due diligence of its clients in obtaining funds from the public as a requirement by Anti-Money Laundering Law, which includes Terrorist Financing and Proliferation Financing and its Implementing Rules and Regulations. More stringent due diligence and verification procedures are required for high-risk clients, if necessary. Among the notable laws related to Anti-Money Laundering Terrorist Financing and Proliferation Financing issued previously and being implemented by First Metro are the following: R.A. 11521 (2021) or An Act Further Strengthening the Anti-Money Laundering Law, Amending for the Purpose R.A. 9160, R.A. 10167 or Law to Further Strengthen the AMLA, R.A. 10168 or Terrorist Financing Prevention and Suppression Act of 2012, R.A. 10365 (An Act Further Strengthening the Anti-Money Laundering Law, Amending for the Purpose R.A. 9160, As Amended) and its Implementing Rules and Regulations and the latest 2018 RIRR of RA 9160, as amended, and other applicable laws, among others, the R.A. No. 11930 otherwise known as the Anti-Online Sexual Abuse or Exploitation of Children and Anti-Child Sexual Abuse or Exploitation Materials Act, R.A. 10175 otherwise known as the Cybercrime Prevention Act of 2012, R.A. 9208 or the Anti-Trafficking in Persons Act of 2003, as amended, R.A. No. 7610 of the Special Protection of Children against Abuse, Exploitation and Discrimination Act. BSP also issued, among others, Memorandum No. M-2023-013 (2023) Guidance Paper for an Effective Anti-Money Laundering/Countering Terrorism and Proliferation Financing (AML/CTPF) Transaction Monitoring System, Circular Letter CL-2021-102 Anti-Money Laundering Council (AMLC) Regulatory Issuance (ARI) No. 7, Series of 2021 - Assessments on Late Submission of Action Plans and/or Updates on Actions Taken on AMLC Directives and Circular Letter No. CL-2021-103, Anti-Money Laundering Council (AMLC) Regulatory Issuance (ARI) No. 8 – Guidelines on the Preservation, Management, and Disposal of Assets Subject of a Freeze Order, Asset Preservation Order, and Judgment of Forfeiture, Circular Letter CL-2021-078 Anti-Money Laundering Council's (AMLC) "Analysis of Suspicious Transaction Reports (STR) with Possible Links to Tax Crimes" and "Real Estate Sector: A Money Laundering/Terrorism Financing/Proliferation Financing (ML/TF/PF) Assessment", Circular Letter No. CL-2021-061 Anti-Money Laundering Council (AMLC) Regulatory Issuance No. 5 Series of 2021 - Guidance for De-Listing and Unfreezing Procedures, Circular Letter CL-2021-056 the 2021 Anti-Money Laundering Council (AMLC) Regulatory Issuance (ARI) No. 4 – 2021 AMLC Registration and Reporting Guidelines (ARRG), Memorandum No. M-2021-015 Guidance Papers on Managing Terrorist Financing (TF) and Proliferation Financing (PF) Risks and Implementation of Targeted Financial Sanctions (TFS), various AMLC Sanction Freeze Orders, Circular Letter No. CL-2021-013 Anti-Money Laundering Council (AMLC) Regulatory Issuances on the Amendments to Certain Provisions of the 2018 Implementing Rules and Regulations (IRR) of the AMLA, as amended, Targeted Financial Sanctions (Related to Proliferation of Weapons of Mass Destruction Circular No.1022 dated November 26, 2018 which amends Part Eight or the Anti-Money Laundering Regulations of the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions.

Other than these, First Metro is not aware of any existing or probable government regulation that affects or is affecting its business.

Compliance with Environmental Laws

Pursuant to the Company's environmental and social responsibilities, First Metro continues to support the government's advocacy to protect our natural resources. First Metro has not incurred any penalty resulting from non-compliance with environmental and social laws.

Research and Development Costs

First Metro has not undergone, and therefore has not incurred costs, into any research and development activities during the last three years.

Employees

As of December 31, 2023, First Metro has a total of 86 employees. Rank and file employees represent 15.12% of the total work force. None of them are subjected to any collective bargaining agreement (CBA) and had not been in any dispute with management for the past three years. The table below shows the number of employees for the past two years (2023 and 2022) and First Metro's projection for the year 2024.

	2024 (Projection)	2023 (Actual)	2022 (Actual)
Officers	88	73	75
Rank and File	13	13	8
	101	**86**	**83**

Manpower headcount excludes Chairman and seconded employees.

Major Risks Involved

The Group has exposures to the following risks from the use of financial instruments: (a) Operational risk; (b) Regulatory Compliance risk; (c) Credit risk; (d) Liquidity risk; (e) Market risk. Detailed discussions and analysis on Risk Management of the Group are disclosed in Note 4 of the Audited Financial Statements as presented in Exhibit 3.

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, such as equity prices, interest rate and foreign currency, and liquidity, as well as credit and operations 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 data management, risk event database maintenance, risk assessment, key risk indicator monitoring and contingent legal liability reporting. 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, on the other hand, thru 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 borrower or counterparty, as well as the purpose and structure of the credit, risks and risk mitigants and its source of repayment. Credit ratings of counterparties are likewise periodically tracks and reported to board committee level. The Parent Company gathers sufficient information to enable a comprehensive assessment of the true risk profile of the borrower or counterparty through the use of Internal Credit Risk Rating System (ICRRS) as well as rating information from independent credit rating providers. The policy and procedure manual on the Loan Loss Methodology and Provisioning provides guidance on the methodology and calculation of the impairment provision; models are assessed and recalibrated as needed.

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.

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. Majority of the Parent Company's loan portfolio have no repricing rate arrangements. The determination of the applicable rates is sourced from the Parent Company's approved lending rates. Lending rates are determined based on funding cost plus certain spreads.

Another 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.

The Group slots its interest rate sensitive assets or liabilities according to maturity or repricing date, whichever comes first. Interest rate risk in the company book is measured through the Interest Rate Gap, measured and reported monthly.

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 club 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.

Item 2. DESCRIPTION OF PROPERTIES

Please refer to Exhibit 1 for the location and condition of the principal properties that First Metro and its subsidiaries owned and the limitations to their ownership, if any.

First Metro leases its office space in 45th Floor of GT Tower in Makati City at monthly rentals, inclusive of 12% VAT, amounting to ₱2.18 million, subject to increases as provided. The leases are renewable every three years unless sooner terminated as provided in the contract of lease.

First Metro terminated the office premises it leases in 43rd of GT Tower, Makati City last July 31, 2021

First Metro has no major planned capital expenditure for the year 2024.

Item 3. LEGAL PROCEEDINGS

There are no material legal proceedings filed by or against First Metro, its directors and executive officers nor any petition for bankruptcy, or violation of the Securities Regulation Code has been filed, issued or committed, up to the latest date that are material to evaluation.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There are no matters submitted during the fourth quarter of the calendar year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET PRICE OF AND DIVIDENDS ON ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Parent Company's shares of stock (originally Solidbank) were listed in the Philippine Stock Exchange, Inc. (PSE) on October 25, 1963 and were subsequently delisted effective December 21, 2012.

Holders

As of December 31, 2023, there are 1,258 shareholders of First Metro's common stock. Shown below are the top twenty (20) shareholders, including the number of shares and percentage of ownership held by each as of the same date.

Name of Stockholders	No. of Common Shares Held	Percentage of Ownership*
Metropolitan Bank & Trust Co.	7,394,739	99.2670%
Cuaycong, Jose G.	1,706	0.0229
Per, Apolinario O.	1,216	0.0163
Yu, Juan G. &/or Grace C. Yu	1,147	0.0154
Dudan, Lea Lee	990	0.0133
Yu, John Peter C. &/or Juan G.	776	0.0104
Asilo de San Vicente de Paul	761	0.0102
Yu, Juan &/or John Philip Yu	669	0.0090
Madrigal, A. P. ITF	652	0.0088
Aco, Pura Lim	618	0.0083
Calingo, Esperanza M.	615	0.0083
Ramirez, Trinidad	522	0.0070
Montinola, Antonio J.	495	0.0066
Inter-Islands Insurance Agency	494	0.0066
Archbishop Jose Ma. Cuenco Fou	488	0.0066
Rodriguez, Jose, Jr.	424	0.0057
Suarez, Ma. Encarnacion	422	0.0057
Trusteeship, Inc.	400	0.0054
Tuason, Maria Lourdes	384	0.0052
King, Judy T.	346	0.0047

**Computed based on outstanding shares*

Dividends

There are no dividend declarations made for the last two (2) years.

The BOD of First Metro can authorize the declaration of its dividends. The President, as authorized by the BOD, sets the record and payment dates on such dividend declaration.

Aside from the preconditions above-mentioned, there are no other restrictions that limit the ability of First Metro to pay dividends on its common equity.

Recent Sale of Unregistered Securities

There are no securities of the registrant sold by it within the past three (3) years which were not registered under the Code.

Item 6. MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The Group’s Financial Statements as of and for the years ended December 31, 2023, 2022 and 2021 are presented below.

Financial Highlights

Consolidated Statements of Financial Position

(In Millions)

	December 31			**2023 vs. 2022**		2022 vs. 2021	
	2023	2022	2021	**Amount**	%	Amount	%
ASSETS							
Cash and other cash items	**₱6,345**	₱6,945	₱7,159	**(₱600)**	**(8.6)**	(₱214)	(3.0)
Investment Securities at							
Financial assets at FVPL	**8,005**	7,924	8,830	**81**	**1.0**	(906)	(10.3)
FVOCI	**6,217**	5,358	1,288	**859**	**16.0**	4,070	316.1
Amortized Cost	**2,136**	2,068	5,288	**68**	**3.3**	(3,220)	(60.9)
Loans and receivables	**1,324**	1,719	2,821	**(395)**	**(23.0)**	(1,102)	(39.1)
Property and equipment	**114**	142	148	**(28)**	**(19.7)**	(6)	(4.0)
Investments in associates	**6,776**	6,431	6,445	**345**	**5.4**	(14)	(0.2)
Investment properties	**179**	179	181	**-**	**-**	(2)	(1.0)
Deferred tax assets	**36**	30	42	**6**	**20.0**	(12)	(27.8)
Other Assets	**1,108**	985	926	**123**	**12.5**	59	6.3
	₱32,240	₱31,781	₱33,128	**₱459**	**1.4**	(₱1,347)	(4.1)
LIABILITIES AND EQUITY							
LIABILITIES							
Accounts payable	**₱5,016**	₱5,576	₱6,256	**(₱560)**	**(10.0)**	(₱680)	(10.9)
Accrued taxes, interest and other expenses	**206**	133	159	**73**	**54.9**	(26)	(16.4)
Income taxes payable	**3**	5	11	**(2)**	**(40.0)**	(6)	(56.1)
Deferred tax liability	**2**	3	–	**(1)**	**(33.3)**	3	100
Puttable instruments for mutual fund subsidiaries classified as liabilities	**10,260**	10,139	10,619	**121**	**1.2**	(480)	(4.5)
Other liabilities	**285**	333	451	**(48)**	**(14.4)**	(118)	(26.2)
	15,772	16,189	17,496	**(417)**	**(2.6)**	(1,307)	(7.5)
EQUITY							
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY							
Common stock	**4,209**	4,209	4,209	**–**	**–**	–	–
Capital paid in excess of par value	**2,066**	2,066	2,066	**–**	**–**	–	–
Retained earnings	**13,271**	12,804	12,438	**467**	**3.6**	366	2.9
Treasury stock	**(2,663)**	(2,662)	(2,662)	**(1)**	**0.0**	–	–
Net unrealized loss on FVOCI	**(552)**	(787)	(506)	**233**	**29.7**	(281)	(55.5)
Cumulative translation adjustment	**24**	21	25	**3**	**14.3**	(4)	(16.0)
Remeasurements of retirement liability	**(40)**	7	38	**(47)**	**(671.4)**	(31)	(81.0)
Equity in other comprehensive income of associates	**81**	(165)	(79)	**246**	**149.1**	(86)	(108.9)
	16,396	15,493	15,529	**903**	**5.8**	(36)	(0.2)
Equity attributable to non-controlling interests	**72**	99	103	**(27)**	**(27.3)**	(4)	(4.0)
	16,468	15,592	15,632	**876**	**5.6**	(40)	(0.3)
	₱32,240	₱31,781	₱33,128	**₱459**	**1.4**	(₱1,347)	(4.1)

Consolidated Statements of Income
(In Millions)

	Years Ended December 31			2023 vs. 2022		2022 vs. 2021	
	2023	2022	2021	**Amount**	**%**	Amount	%
OPERATING INCOME							
Interest Income	**₱789**	₱378	₱272	**₱411**	**108.7**	₱106	39.0
Interest Expense	**3**	9	27	**(6)**	**(66.7)**	(18)	(66.7)
NET INTEREST INCOME	**786**	369	245	**417**	**113.0**	124	50.6
Service charges, fees and commissions	**497**	535	757	**(38)**	**(7.1)**	(222)	(29.3)
Dividends	**238**	189	143	**49**	**25.9**	46	32.2
Trading and securities gains (losses)	**(107)**	(150)	128	**43**	**28.7**	(278)	(217.2)
Gain on sale of assets	**1**	79	–	**(78)**	**(98.7)**	79	100
Foreign exchange gains (losses)	**(2)**	7	4	**(9)**	**(128.6)**	3	75.0
Miscellaneous	**26**	29	28	**(3)**	**(10.3)**	1	3.6
	653	689	1,060	**(36)**	**(5.2)**	(371)	(35.0)
TOTAL OPERATING INCOME BEFORE OPERATING EXPENSES	**1,439**	1,058	1,305	**381**	**36.0**	(247)	(18.9)
OPERATING EXPENSES							
Compensation and Fringe Benefits	**532**	504	559	**28**	**5.6**	(55)	(9.8)
Provision for (recovery from) impairment, credit and other probable losses	**439**	169	129	**270**	**159.8**	40	31.0
Professional Fees	**88**	59	60	**29**	**49.2**	(1)	(1.7)
Online Trading, Transfer and Exchange Fees	**79**	76	108	**3**	**3.9**	(32)	(29.6)
Depreciation of property and equipment and investment properties	**62**	64	66	**(2)**	**(3.1)**	(2)	(3.0)
Advertising and Communication Expenses	**47**	92	53	**(45)**	**(48.9)**	39	73.6
Information Technology and Related Expenses	**41**	50	38	**(9)**	**(18.0)**	12	31.6
Broker's Commissions	**39**	67	66	**(28)**	**(41.8)**	1	1.5
Taxes & Licenses	**39**	40	60	**(1)**	**(2.5)**	(20)	(33.3)
Representation & Travelling Expenses	**14**	14	14	**–**	**–**	–	–
Rent, Light and Water Expenses	**12**	11	9	**1**	**9.1**	2	22.2
Other Expenses	**175**	141	209	**33**	**23.2**	(58)	(27.8)
	1,567	1,287	1,371	**280**	**21.8**	(84)	(6.1)
Loss before Share in NI of Investees	**(128)**	(229)	(66)	**101**	**44.1F**	(163)	(247.0)
Share In Net Income of Investees	**838**	683	495	**155**	**22.7**	188	38.0
Income before Income Tax	**710**	454	429	**256**	**56.4**	25	5.8
Provision for Income Tax	**155**	90	81	**65**	**72.2**	9	11.1
Net Income	**₱555**	₱364	₱348	**₱191**	**52.5**	₱16	4.6
Attributable to:							
Equity holders of the Parent Company	**₱552**	₱364	₱340	**₱188**	**51.6**	₱24	7.1
Non-controlling interest	**3**	–	8	**3**	**100.0**	(8)	(100.0)
	₱555	₱364	₱348	**₱191**	**52.5**	₱16	4.6

Consolidated Statements of Comprehensive Income
(In Millions)

	Years Ended December 31			2023 vs. 2022		2022 vs. 2021	
	2023	2022	2021	**Amount**	**%**	Amount	%
Net income for the year	**₱555**	₱364	₱348	**₱191**	**52.5**	₱16	4.6
Other comprehensive income (loss)							
Items that recycle to profit or loss in subsequent periods:							
Changes in net unrealized gain/(loss) on FVOCI investments	**72**	(44)	1	**116**	**263.6**	(45)	(4,500)
Income tax effect	**–**	–	–	**–**	**–**	–	–
	72	(44)	1	**116**	**263.6**	(45)	(4,500)
Cumulative translation adjustment	**3**	(4)	14	**7**	**175**	(18)	(128.6)
Changes in cash flow hedge reserve	**–**	–	–	**–**	**–**	–	–
Share in other comprehensive income of associates	**251**	(505)	(249)	**756**	**149.7**	(256)	(102.8)
Other comprehensive income of puttable instruments	**–**	–	(1)	**–**	**–**	(1)	(100.0)
	326	(553)	(235)	**879**	**159.0**	(318)	(135.3)
Items that do not recycle to profit or loss in subsequent periods:							
Remeasurement of retirement liability	**(47)**	(32)	58	**(90)**	**(155.2)**	(90)	(155.2)
Income tax effect	**1**	1	(14)	**–**	**–**	15	107.1
	(46)	(31)	44	**(15)**	**(48.4)**	(75)	(170.5)
Changes in net unrealized gain/(loss) on FVOCI investments	**76**	(236)	79	**312**	**132.2**	(315)	(398.7)
Share in other comprehensive income (loss) of associates	**(4)**	419	305	**(423)**	**(101.0)**	114	37.4
	26	152	428	**(126)**	**(82.9)**	(276)	(64.5)
Total Comprehensive Income (Loss), Net of Tax	**₱907**	(₱37)	₱541	**₱944**	**2,551.4**	(₱578)	(106.8)
Attributable to:							
Equity holders of the Parent Company	**₱904**	(₱36)	₱534	**₱940**	**2,611.1**	(₱570)	(106.7)
Non-controlling interest	**3**	(1)	7	**4**	**360.0**	(8)	(114.3)
	₱907	(₱37)	₱541	**₱944**	**2,550.3**	(₱578)	(106.8)

2023 Performance

Results of Operations

First Metro ended the year 2023 with ₱555 million consolidated net income attributable to equity holders of the Parent Company. This is 52.5% or ₱191 million higher than last year's result of ₱364 million.

Total consolidated gross revenues of the Group which comprised of net interest income, other operating income and share in net income of investees amounted to ₱2,277 million, 30.8% or ₱536 million higher than the ₱1,741 million recorded last year.

Net interest income derived from investing, lending and borrowing activities amounting to ₱786 million represents 34.5% of the total revenues. This account increased by 113.0% or ₱417 million compared with last year's revenue of ₱369 million mainly due to increase in trading and investment securities of the Group this year. Interest income earned on investments increased to 108.8% or ₱411 million while interest expense incurred on borrowings was reduced by 62.3% or ₱6 million during the year.

Other operating income totaled ₱653 million and represents 28.7% of the total revenues. It is composed of service charges, fees and commissions, dividend income, net trading and securities gains, gain on sale of assets, net foreign exchange loss, and miscellaneous income. The decrease of 5.2% or ₱36 million compared with last year's result of ₱689 million was mainly due to lower fee income and gain on sale of assets.

Compensation and Fringe Benefits consist of the gross remuneration and other benefits granted to employees for services rendered. The increase of ₱28 million from last year's expense of ₱504 million to ₱532 million was mainly due to higher compensation and other benefits paid during the period.

Provision for Impairment, Credit and Other Probable Losses totaled ₱439 million provision this year, 159.3% or ₱270 million higher than last year's provision of ₱169 million mainly due to the additional provision for impairment losses on our investment in associates.

Professional Fees pertain to expenses incurred for services rendered by individuals/firms on a retainer or contractual basis. This account increased by ₱29 million, from ₱59 million to ₱88 million this year mainly due to increase in management fees incurred by the Group during the period.

Online Trading, Transfer and Exchange Fees totaled ₱79 million, 3.9% or ₱3 million higher than last year's ₱76 million mainly due to increase in online trading fees incurred during the period.

Depreciation of property and equipment and investment properties represents the monthly/periodic depreciation of the Group's condominium units, furniture, fixtures and equipment, leasehold rights and improvements and right-of-use assets. The decrease of 3.1% or ₱2 million from ₱64 million to ₱62 million this year was mainly due to retirement and sale of some property and equipment during the period.

Advertising and Communication Expenses totaled ₱47 million, 48.9% or ₱45 million lower than last year's ₱92 million mainly due to lower advertising expenses incurred during the period from stocks brokering related activities.

Information Technology and Related Expenses decreased by ₱9 million, from ₱50 million to ₱41 million this year mainly due to lower information technology expenses recognized during the period.

Broker's Commissions totaled ₱39 million, 41.8% or ₱28 million lower than last year's ₱67 million mainly due to lower commissions incurred on stock trading transactions.

Taxes and Licenses totaled ₱39 million, 2.5% or ₱1 million lower than last year's ₱40 million mainly due to lower DST during the period.

Representation and Traveling Expenses was flat at ₱14 million from the 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.

Rent, Light and Water Expenses pertains to expenses incurred for utilities, office spaces and/or equipment leased by the Group. This account totaled ₱12 million this year, 9.1% or ₱1 million higher than last year's ₱11 million.

Miscellaneous Expenses includes expenses incurred on assets acquired, referral and service fees, contractual services, membership fees and dues, insurance and other expenses. This account increased by 24.1% or ₱34 million from ₱141 million to ₱175 million this year mainly due to higher contractual services and miscellaneous expenses incurred during the period.

Share in net income of investees represents 36.8% of the total revenues amounting to ₱838 million. This is 22.7% or ₱155 million higher than last year's results of ₱683 million. This year's share in net earnings mostly came from AXA.

Provision for income taxes consists of provision for final tax and income tax of the Group. The increase of 73.3% or ₱66 million from last year's ₱90 million to ₱156 million was mainly due to higher income subjected to final tax of the Group this year.

Total comprehensive income totaled ₱907 million this year, higher by 2,551.4% or ₱944 million compared with last year's total comprehensive loss of ₱37 million mainly due to higher changes in net unrealized gain(loss) on FVOCI investments and share in other comprehensive income(loss) of Parent Company's Associates. For the year ended December 31, 2023, total comprehensive income attributable to equity holders of the Parent Company increased by 2,611.1% or ₱940 million from a loss of ₱36 million to a gain of ₱904 million this year.

In terms of return on equity, First Metro achieved 3.5% in 2023 as compared to 2.4% in 2022.

Financial Position

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

Cash and Cash Equivalents

Cash and other cash items, which comprises of due from other banks and other cash items, decreased by 8.6% or ₱600 million from ₱6,945 million to ₱6,345 million mainly due to lower outstanding time deposit and demand/current account balances this year.

Investment Securities

Financial Assets at Fair Value Through Profit or Loss (FVTPL) consists of investments in government securities and private debt and equity securities. The account was almost flat with a decrease of only 1.0% or ₱81 million from ₱7,924 million level to ₱8,005 in 2023. This account includes fair value gain of ₱101 million in 2023 and fair value loss of ₱287 million in 2022.

Fair Value Through Other Comprehensive Income (FVOCI) represents investments in government securities and private debt and equity securities. The increase of 16.0% or ₱859 million from ₱5,358 million to ₱6,217 million was mainly due to additional acquisitions of government securities during the year. As of

December 31, 2023, and 2022, FVOCI investments include net unrealized loss of ₱552 million and ₱785 million, respectively.

Amortized Cost consists of investments in government securities and private debt securities. The increase of 3.3% or ₱68 million from ₱2,068 million to ₱2,136 million this year was mainly due to the additional acquisitions during the year.

Loans and Receivables consist of unquoted commercial papers, loans and discount and other receivable accounts. The decrease of 23.0% or ₱395 million from ₱1,719 million to ₱1,324 million this year was mainly due to the maturities of unquoted commercial papers account and collection of account receivables.

> *Unquoted Commercial Papers* consists of debt instruments issued by private corporations. The decrease of 31.5% or ₱204 million from ₱647 million to ₱443 million was mainly due to the maturities during the year.
>
> *Other Receivables* consists of accrued interest receivable, dividend receivable, accounts receivable and other receivables. The decrease of 19.0% or ₱195 million from ₱1,025 million to ₱830 million was mainly due to the decrease in receivable from brokers from the sale of equity securities as of reporting date.

Property and Equipment
This account pertains to condominium units and improvements, furniture, fixtures and equipment owned by the Group. The decrease of 19.7% or ₱28 million from ₱142 million to ₱114 million was mainly due to the depreciation expense recorded during the year.

Investments in Associates
This represents the costs of investments in shares of stocks in allied/non-allied undertakings. The ₱345 million increase from ₱6,431 million to ₱6,776 million this year was mainly due to the net effect of ₱838 million share in net earnings, ₱2,501 million equity share in other comprehensive income of Associates, ₱282 million share in cash dividend and ₱458 million additional provision for impairment losses during the year.

Investment Properties
This account consists of land and condominium units held for sale or for lease. The amount was flat at ₱179 million this year.

Deferred Tax Assets
This account consists of net deductible temporary differences of the Group. The increase of 20.0% or ₱6 million from ₱30 million to ₱36 million was mainly due to the additional deferred tax recognized on accrued expenses as of reporting date.

Other Assets
This account includes prepayments, intangible assets, refundable deposits, deferred charges, unissued office supplies, input taxes and others. This account increased by ₱123 million from ₱985 million to ₱1,108 million this year mainly due to higher creditable withholding taxes and prepayments this year.

Accounts Payable
This account decreased by 10.0% or ₱560 million from ₱5,576 million to ₱5,016 million this year mainly due to the lower unsettled purchases of equity shares of subsidiaries' participants and customers as of reporting date.

Accrued Taxes, Interest and Other Expenses
This account consists of expenses incurred on taxes, licenses, interests on borrowings, retirement liability and other expenses which have remained unpaid as of reporting date. The increase of 54.9% or ₱73 million from

₱133 million to ₱206 million this year was mainly due to higher accrued other expenses, accrued taxes and retirement liability as of reporting date.

Income Taxes Payable
This account decreased by 40.0% or ₱2 million from ₱5 million to ₱3 million this year mainly due to lower taxable income of the Group. During the year, the Group already paid a total of ₱156 million in income tax and final tax.

Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability
This account pertains to the ownership interest of other shareholders outside the Group in the puttable instruments issued by mutual fund subsidiaries. This account increased by 1.2% or ₱121 million from ₱10,139 million to ₱10,260 million this year mainly due to increase in value of these puttable instruments.

Other Liabilities
This account consists of unsettled purchases of equity shares of subsidiaries' participants and customers, withholding taxes, dividends, subscription and premium payables, lease liability and other miscellaneous liabilities. This account decreased by 14.4% or ₱48 million from ₱333 million to ₱285 million this year mainly due to lower outstanding lease liability and miscellaneous liabilities as of reporting date.

Equity
First Metro's capital funds ended at ₱16,396 million, ₱903 million higher from last year's ₱15,493 million, which translates to 1,782.3% risk-based capital adequacy ratio (RBCA). The changes of this account were primarily due to the following:

Retained Earnings increased by ₱467 million from ₱12,804 million to ₱13,271 million mainly due to Group's results of operations recognized during the year.

Net Unrealized Loss on FVOCI decreased by 29.7% or ₱233 million from ₱727 million loss to ₱552 million this year mainly due to the improvement in market value of Parent Company's investment in FVOCI during the year.

Cumulative Translation Adjustment increased by 14.3% or ₱3 million from ₱21 million to ₱24 million this year mainly due to the booking of foreign currency adjustment of Parent Company's foreign currency denominated equity investments with FMSALDBF.

Remeasurement of Retirement Liability decreased by 671.4% or ₱47 million from ₱7 million to negative ₱40 million mainly due to the effect of the remeasurements of the post-employment defined benefit plans to be recognized in other comprehensive income this year.

Equity in Other Comprehensive Income of Associates pertains to Equity Share on Decline in Value of Investments Securities, Translation Adjustment, Unrealized Gains (Losses) Arising from Remeasurement of Retirement and Life Insurance Reserves of Parent Company's Associates. This account increased by 149.1% or ₱246 million from ₱165 million loss to ₱81 million gain this year mainly due to the effect of increases in remeasurement of retirement liabilities and life insurance reserves and the increase in the Parent Company's proportionate share in the changes in the fair value of FVOCI investments of Associates.

Equity Attributable to Non-controlling Interest decreased by 27.3% or ₱27 million from ₱99 million to ₱72 million which was attributable to the decrease in capital funds of majority owned subsidiary of the Parent Company.

2022 Performance

Results of Operations

First Metro ended the year 2022 with ₱364 million consolidated net income attributable to equity holders of the Parent Company. This is 7.1% or ₱24 million higher than last year's result of ₱340 million.

Total consolidated gross revenues of the Group which comprised of net interest income, other operating income and share in net income of investees amounted to ₱1,742 million, 3.3% or ₱59 million lower than the ₱1,800 million recorded last year.

Net interest income derived from lending, investing and borrowing activities amounting to ₱369 million represents 21.2% of the total revenues. This account increased by 50.6% or ₱124 million compared with last year's revenue of ₱245 million mainly due to the new investment strategy, reducing our reliance on debt and increase in interest rates/yields. Interest income earned on investments increased to 39.0% or ₱106 million while interest expense incurred on borrowings was reduced by 66.7% or ₱18 million during the year.

Other operating income totaled ₱689 million and represents 39.6% of the total revenues. It is composed of gain on sale of assets, net trading and securities gains, service charges, fees and commissions, dividend income, net foreign exchange gain, and miscellaneous income. The decrease of 35.0% or ₱371 million compared with last year's result of ₱1,060 million was mainly due to lower fees and commissions and net trading and securities loss of the Group this year.

Compensation and Fringe Benefits consist of the gross remuneration and other benefits granted to employees for services rendered. The decrease of ₱55 million from last year's expense of ₱559 million to ₱504 million was mainly due to reduction in the manpower complement of the Group due to the reorganization that was implemented during the first half of 2022.

Provision for / (Recovery from) Impairment, Credit and Other Probable Losses totaled ₱169 million provision this year, 31.5% or ₱40 million higher than last year's provision of ₱129 million mainly due to the additional provision for impairment losses on our investment in associates.

Advertising and Communication Expenses totaled ₱92 million, 73.6% or ₱39 million higher than last year's ₱53 million mainly due to higher advertising expenses incurred during the period from stocks brokering related activities.

Online Trading, Transfer and Exchange Fees totaled ₱76 million, 29.6% or ₱32 million lower than last year's ₱108 million mainly due to decrease in online trading fees incurred during the period.

Broker's Commissions is almost flat at ₱67 million, 1.5% higher than last year's ₱66 million.

Depreciation of property and equipment and investment properties represents the monthly/periodic depreciation of the Group's condominium units, furniture, fixtures and equipment, leasehold rights and improvements and right-of-use assets. The decrease of 3.0% or ₱2 million from ₱66 million to ₱64 million this year was mainly due to retirement and sale of some property and equipment during the period.

Professional Fees pertain to expenses incurred for services rendered by individuals/firms on a retainer or contractual basis. This account decreased by ₱1 million, from ₱60 million to ₱59 million this year mainly due to decrease in management fees incurred by Parent Company's Subsidiary during the period.

Taxes and Licenses totaled ₱40 million, 33.3% or ₱20 million lower than last year's ₱60 million mainly due to lower DST and GRT during the period.

Information Technology and Related Expenses increased by ₱12 million, from ₱38 million to ₱50 million this year mainly due to higher information technology expenses recognized during the period.

Representation and Traveling Expenses was flat at ₱14 million from the 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.

Rent, Light and Water Expenses pertains to expenses incurred for utilities, office spaces and/or equipment leased by the Group. This account totaled ₱11 million this year, 22.2% or ₱2 million higher than last year's ₱9 million.

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 decreased by 27.8% or ₱58 million from ₱209 million to ₱141 million this year mainly due to lower insurance, contractual services, referral and service fees and miscellaneous expenses incurred during the period.

Share in net income of investees represents 39.2% of the total revenues amounting to ₱683 million. This is 38.0% or ₱188 million lower than last year's results of ₱495 million. This year's share in net earnings mostly came from PALIC.

Provision for income taxes consists of provision for final tax and income tax of the Group. The increase of 11.1% or ₱9 million from last year's ₱81 million to ₱90 million was mainly due to higher income subjected to final tax of the Group this year.

Total comprehensive income totaled ₱37 million this year, lower by 106.8% or ₱578 million compared with last year's result of ₱541 million mainly due to the net effect of lower net income recognized by the Group, changes in net unrealized gain(loss) on FVOCI investments and share in other comprehensive income(loss) of Parent Company's Associates. For the year ended December 31, 2022, total comprehensive income attributable to equity holders of the Parent Company decreased by 106.7% or ₱570 million from an income of ₱534 million to a loss of ₱36 million this year.

In terms of return on equity, First Metro achieved 2.4% in 2022 as compared to 2.2% in 2021.

Financial Position

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

<u>*Cash and Cash Equivalents*</u>

Cash and other cash items, which comprises of due from other banks and other cash items, decreased by 3.0% or ₱214 million from ₱7,159 million to ₱6,945 million mainly due to lower outstanding time deposit and demand/current account balances this year.

<u>*Investment Securities*</u>

Financial Assets at Fair Value Through Profit or Loss (FVTPL) consists of investments in government securities and private debt and equity securities. The decrease of 10.3% or ₱906 million from ₱8,830 million to ₱7,924 million was mainly due to lower government securities portfolio this year. This account includes fair value loss of ₱287 million in 2022 and gain of ₱118 million in 2021.

Fair Value Through Other Comprehensive Income (FVOCI) represents investments in government securities and private debt and equity securities. The increase of 316.1% or ₱4,070 million from ₱1,288 million to

₱5,358 million was mainly due to additional acquisitions of government securities during the year. As of December 31, 2022 and 2021, FVOCI investments include net unrealized loss of ₱785 million and ₱505 million, respectively.

Amortized Cost consists of investments in government securities and private debt securities. The decrease of 60.9% or ₱3,220 million from ₱5,288 million to ₱2,068 million this year was mainly due to the maturities during the year.

Loans and Receivables consist of unquoted commercial papers, loans and discount and other receivable accounts. The decrease of 39.1% or ₱1,101 million from ₱2,821 million to ₱1,719 million this year was mainly due to the maturities of loans and other receivable account.

> *Unquoted Commercial Papers* consists of debt instruments issued by private corporations. The decrease of 20.9% or ₱170 million from ₱817 million to ₱647 million was mainly due to the maturities during the year.
>
> *Loans and Discount* decreased by 89.7% or ₱348 million from ₱388 million to ₱40 million mainly due to loan maturities during the year.
>
> *Other Receivables* consists of accrued interest receivable, dividend receivable, accounts receivable and other receivables. The decrease of 36.1% or ₱583 million from ₱1,616 million to ₱1,032 million was mainly due to the decrease in receivable from brokers from the sale of equity securities as of reporting date.

Property and Equipment

This account pertains to condominium units and improvements, furniture, fixtures and equipment owned by the Group. The decrease of 4.1% or ₱6 million from ₱148 million to ₱142 million was mainly due to the ₱4 million net sale and ₱2 million depreciation expense recorded during the year.

Investments in Associates

This represents the costs of investments in shares of stocks in allied/non-allied undertakings. The ₱14 million decrease from ₱6,445 million to ₱6,431 million this year was mainly due to the net effect of ₱683 million share in net earnings, ₱86 million equity share in other comprehensive loss of Associates, ₱400 million share in cash dividend and ₱212 million additional provision for impairment losses during the year.

Investment Properties

This account consists of land and condominium units held for sale or for lease. The decrease of was mainly due to depreciation expense incurred during the year.

Deferred Tax Assets

This account consists of net deductible temporary differences of the Group. The decrease of 28.6% or ₱12 million from ₱42 million to ₱30 million was mainly due to non-recognition of deferred tax on NOLCO as of reporting date.

Other Assets

This account includes prepayments, intangible assets, refundable deposits, deferred charges, unissued office supplies, input taxes and others. This account increased by ₱59 million from ₱926 million to ₱985 million this year mainly due to higher creditable withholding taxes, prepayments and intangible asset this year.

Accounts Payable

This account decreased by 10.9% or ₱680 million from ₱6,256 million to ₱5,576 million this year mainly due to the lower unsettled purchases of equity shares of subsidiaries' participants and customers as of reporting date.

Accrued Taxes, Interest and Other Expenses
This account consists of expenses incurred on taxes, licenses, interests on borrowings, retirement liability and other expenses which have remained unpaid as of reporting date. The decrease of 16.4% or ₱26 million from ₱ 159 million to ₱133 million this year was mainly due to lower other expenses, accrued taxes and accrued fees payable netted by higher retirement liability as of reporting date.

Income Taxes Payable
This account decreased by 56.1% or ₱6 million from ₱11 million to ₱5 million this year mainly due to lower taxable income of the Group. During the year, the Group already paid a total of ₱80 million in income tax and final tax.

Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability
This account pertains to the ownership interest of other shareholders outside the Group in the puttable instruments issued by mutual fund subsidiaries. This account decreased by 4.5% or ₱480 million from ₱10,619 million to ₱10,139 million this year mainly due to decrease in value of these puttable instruments.

Other Liabilities
This account consists of unsettled purchases of equity shares of subsidiaries' participants and customers, withholding taxes, dividends, subscription and premium payables, lease liability and other miscellaneous liabilities. This account decreased by 26.2% or ₱118 million from ₱451 million to ₱333 million this year mainly due to lower outstanding lease liability and miscellaneous liabilities as of reporting date.

Equity
First Metro's capital funds ended at ₱15,493 million, ₱36 million lower from last year's ₱15,529 million, which translates to 1,467.23% risk-based capital adequacy ratio (RBCA). The changes of this account were primarily due to the following:

Retained Earnings increased by ₱366 million from ₱12,438 million to ₱12,804 million mainly due to Group's results of operations recognized during the year.

Net Unrealized Loss on FVOCI decreased by 55.5% or ₱281 million from ₱506 million to ₱787 million this year mainly due to the decrease in market value of Parent Company's investment in FVOCI during the year.

Cumulative Translation Adjustment decreased by 16.0% or ₱4 million from ₱25 million to ₱21 million this year mainly due to the booking of foreign currency adjustment of Parent Company's foreign currency denominated equity investments with FMSALDBF.

Remeasurement of Retirement Liability decreased by 81.6% or ₱31 million from ₱38 million to ₱7 million mainly due to the effect of the remeasurements of the post-employment defined benefit plans to be recognized in other comprehensive income this year.

Equity in Other Comprehensive Income of Associates pertains to Equity Share on Decline in Value of Investments Securities, Translation Adjustment, Unrealized Gains (Losses) Arising from Remeasurement of Retirement and Life Insurance Reserves of Parent Company's Associates. This account decreased by 108.9% or ₱86 million from ₱79 million loss to ₱165 million loss this year mainly due to the effect of decreases in remeasurement of retirement liabilities and life insurance reserves and the decrease in the Parent Company's proportionate share in the changes in the fair value of FVOCI investments of Associates.

Equity Attributable to Non-controlling Interest decreased by 3.9% or ₱4 million from ₱103 million to ₱99 million which was attributable to the decrease in capital funds of majority owned subsidiary of the Parent Company.

<u>2021 Performance</u>

Results of Operations

First Metro ended the year 2021 with ₱340 million consolidated net income attributable to equity holders of the Parent Company. This is 6.6% or ₱24 million lower than last year's result of ₱364 million.

Total consolidated gross revenues of the Group which comprised of net interest income, other operating income and share in net income of investees reached to ₱1,800 million, 13.1% or ₱208 million higher than the ₱1,592 million recorded last year.

Net interest income derived from lending, investing and borrowing activities amounting to ₱245 million represents 13.6% of the total revenues. This account decreased by 31.2% or ₱111 million compared with last year's revenue of ₱356 million mainly due to the substantial reduction on volume of interest-bearing investments coupled with the reduction in interest rates/yields. Interest income earned on investments decreased by 45.6% or ₱228 million while interest expense incurred on borrowings was reduced by 81.3% or ₱ 117 million during the year.

Other operating income totaled ₱1,060 million and represents 58.9% of the total revenues. It is composed of gain on sale of assets, net trading and securities gains, service charges, fees and commissions, dividend income, net foreign exchange gain, and miscellaneous income. The increase of 71.5% or ₱442 million compared with last year's result of ₱618 million was mainly due to higher fees and commissions, dividend income and net trading and securities gains of the Group this year.

Compensation and Fringe Benefits consist of the gross remuneration and other benefits granted to employees for services rendered. The decrease of ₱6 million from last year's expense of ₱565 million to ₱559 million was mainly was mainly due to reduction in the manpower complement of the Group.

Provision for / (Recovery from) Impairment, Credit and Other Probable Losses totaled ₱129 million provision this year, 304.8% or ₱192 million higher than last year's recovery of ₱63 million mainly due to the additional provision for impairment losses on our investment in associates.

Online Trading, Transfer and Exchange Fees totaled ₱108 million, 33.3% or ₱27 million higher than last year's ₱81 million mainly due to increase in online trading fees incurred during the period.

Broker's Commissions totaled ₱66 million, 113.0% or ₱35 million higher than last year's ₱31 million mainly due to higher commissions incurred on stock trading transactions.

Depreciation of property and equipment and investment properties represents the monthly/periodic depreciation of the Group's condominium units, furniture, fixtures and equipment, leasehold rights and improvements and right-of-use assets. The increase of 4.8% or ₱3 million from ₱63 million to ₱66 million this year was mainly due to higher depreciation expense incurred for property and equipment during the period.

Taxes and Licenses totaled ₱60 million, 53.5% or ₱69 million lower than last year's ₱129 million mainly due to lower DST and GRT during the period.

Professional Fees pertain to expenses incurred for services rendered by individuals/firms on a retainer or contractual basis. This account decreased by ₱1 million, from ₱61 million to ₱60 million this year mainly due to decrease in management fees incurred by Parent Company's Subsidiary during the period.

Advertising and Communication Expenses totaled ₱53 million, 23.3% or ₱10 million higher than last year's ₱43 million mainly due to higher advertising expenses incurred during the period.

Information Technology and Related Expenses decreased by ₱1 million, from ₱39 million to ₱38 million this year mainly due to lower information technology expenses recognized during the period.

Representation and Traveling Expenses totaled ₱14 million, 17.6% or ₱3 million lower than last year's expense of ₱17 million mainly due to lower 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.

Rent, Light and Water Expenses pertains to expenses incurred for utilities, office spaces and/or equipment leased by the Group. This account totaled ₱9 million this year, 50.0% or ₱9 million lower than last year's ₱18 million. The decline was mainly due to capitalization of lease or rental payments upon adoption of PFRS 16.

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 45.6% or ₱65 million from ₱144 million to ₱209 million this year mainly due to higher research and other technical cost, contractual services, referral and service fees and miscellaneous expenses incurred during the period.

Share in net income of investees represents 27.5% of the total revenues amounting to ₱495 million. This is 19.9% or ₱123 million lower than last year's results of ₱618 million. This year's share in net earnings mostly came from PALIC.

Provision for income taxes consists of provision for final tax and income tax of the Group. The decrease of 19.0% or ₱19 million from last year's ₱100 million to ₱81 million was mainly due to lower income subjected to final tax of the Group this year.

Total comprehensive income totaled ₱541 million this year, higher by 142.6% or ₱318 million compared with last year's result of ₱223 million mainly due to the net effect of lower net income recognized by the Group, changes in net unrealized gain(loss) on FVOCI investments and share in other comprehensive income(loss) of Parent Company's Associates. For the year ended December 31, 2021, total comprehensive income attributable to equity holders of the Parent Company increased by 140.5% or ₱312 million from ₱222 million to ₱534 million this year.

In terms of return on equity, First Metro achieved 2.2% in 2021 as compared to 2.4% in 2020.

Financial Position

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

<u>*Cash and Cash Equivalents*</u>

Cash and other cash items, which comprises of due from other banks and other cash items, went up by 17.9% or ₱1,086 million from ₱6,073 million to ₱7,159 million mainly due to higher outstanding time deposit and demand/current account balances this year.

Due from Bangko Sentral ng Pilipinas represents the balance of the deposit accounts maintained with BSP to meet the reserve requirements on deposit substitute liabilities and serves as a clearing account for interbank transactions and special deposit accounts. This account decreased from ₱2,507 million to nil mainly due to the surrender of First Metro's QB license this year.

<u>*Securities Purchased Under Resale Agreements (SPURA)*</u>
The decrease from ₱2,593 million to nil as of the reporting period was mainly due to the surrender of First Metro's QB license this year.

Investment Securities

Financial Assets at Fair Value Through Profit or Loss (FVTPL) consists of investments in government securities and private debt and equity securities. The decrease of 8.3% or ₱803 million from ₱9,633 million to ₱8,830 million was mainly due to lower government securities portfolio this year. This account includes fair value gain of ₱118 million and ₱116 million in 2021 and 2020, respectively.

Fair Value Through Other Comprehensive Income (FVOCI) represents investments in government securities and private debt and equity securities. The increase of 5.8% or ₱71 million from ₱1,217 million to ₱1,288 million was mainly due to improvement in the fair value of the investment securities during the year. As of December 31, 2021 and 2020, FVOCI investments include net unrealized loss of ₱505 million and ₱594 million, respectively.

Amortized Cost consists of investments in government securities and private debt securities. The increase of 260.9% or ₱3,823 million from ₱1,465 million to ₱5,288 million this year was mainly due to mainly due to the additional purchases during the year.

Loans and Receivables consist of unquoted commercial papers, loans and discount and other receivable accounts. The increase of 26.3% or ₱587 million from ₱2,234 million to ₱2,821 million this year was mainly due to the increase in the other receivable account.

Unquoted Commercial Papers consists of debt instruments issued by government and private corporations. The increase of 1157.6% or ₱752 million from ₱65 million to ₱817 million was mainly due to purchases during the year.

Loans and Discount decreased by 15.1% or ₱68 million from ₱457 million to ₱388 million mainly due to loan repayments during the year.

Other Receivables consists of accrued interest receivable, dividend receivable, accounts receivable and other receivables. The decrease of 5.6% or ₱96 million from ₱1,712 million to ₱1,616 million was mainly due to the decrease in receivable from brokers from the sale of equity securities as of reporting date.

Property and Equipment
This account pertains to condominium units and improvements, furniture, fixtures and equipment owned by the Group. The increase of 56.1% or ₱53 million from ₱95 million to ₱148 million was mainly due to the ₱119 million net acquisition and ₱66 million depreciation expense recorded during the year.

Investments in Associates
This represents the costs of investments in shares of stocks in allied/non-allied undertakings. The ₱276 million decrease from ₱6,721 million to ₱6,445 million this year was mainly due to the net effect of ₱ 495 million share in net earnings, ₱56 million equity share in other comprehensive gain of Associates, ₱696 million share in cash dividend and ₱132 million additional provision for impairment losses during the year.

Investment Properties
This account consists of land and condominium units held for sale or for lease. The decrease of ₱1 million from ₱182 million to ₱181 million this year was mainly due to depreciation expense incurred during the year.

Deferred Tax Assets
This account consists of net deductible temporary differences of the Group. The decrease of 44.7% or ₱34 million from ₱76 million to ₱42 million was mainly due to non-recognition of deferred tax on NOLCO and lower retirement liability as of reporting date.

Other Assets
This account includes prepayments, intangible assets, refundable deposits, deferred charges, unissued office supplies, input taxes and others. This account increased by ₱19 million from ₱907 million to ₱926 million this year mainly due to higher prepayments and intangible asset this year.

Bills Payable
This account comprises of deposit substitutes and other borrowings obtained from local banks, private firms and individuals. The decrease of 100.0% from ₱3,856 million to nil was mainly due to settlement of this account brought about by First Metro's surrender of its quasi-bank license.

Accounts Payable
This account increased by 6.5% or ₱384 million from ₱5,872 million to ₱6,256 million this year mainly due to the higher unsettled purchases of equity shares of subsidiaries' participants and customers as of reporting date.

Accrued Taxes, Interest and Other Expenses
This account consists of expenses incurred on taxes, licenses, interests on borrowings, retirement liability and other expenses which have remained unpaid as of reporting date. The decrease of 6.5% or ₱11 million from ₱ 170 million to ₱159 million this year was mainly due to lower retirement liability and accrued taxes and accrued interest payable netted by higher other expenses as of reporting date.

Income Taxes Payable
This account decreased by 15.4% or ₱2 million from ₱13 million to ₱11 million this year mainly due to lower taxable income of the Group. During the year, the Group already paid a total of ₱75 million in regular corporate income tax and final tax.

Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability
This account pertains to the ownership interest of other shareholders outside the Group in the puttable instruments issued by mutual fund subsidiaries. This account went up by 27.7% or ₱2,304 million from ₱8,315 million to ₱10,619 million this year mainly due to increase in value of these puttable instruments.

Other Liabilities
This account consists of unsettled purchases of equity shares of subsidiaries' participants and customers, withholding taxes, dividends, subscription and premium payables, lease liability and other miscellaneous liabilities. This account increased by 17.1% or ₱66 million from ₱385 million to ₱451 million this year mainly due to higher outstanding lease liability and unsettled purchases of equity shares of subsidiaries' participants and customers netted by lower miscellaneous liabilities as of reporting date.

Equity
First Metro's capital funds ended at ₱15,529 million, ₱533 million higher from last year's ₱14,996 million, which translates to 622.5% risk-based capital adequacy ratio (RBCA). The changes of this account were primarily due to the following:

Retained Earnings increased by ₱334 million from ₱12,104 million to ₱12,438 million mainly due to Group's results of operations recognized during the year.

Net Unrealized Loss on FVOCI increased by 14.5% or ₱86 million from ₱592 million to ₱506 million this year mainly due to the increase in market value of Parent Company's investment in FVOCI during the year.

Cumulative Translation Adjustment went up by 127.3% or ₱14 million from ₱11 million to ₱25 million this year mainly due to the booking of foreign currency adjustment of Parent Company's foreign currency denominated equity investments with FMSALDBF.

Remeasurement of Retirement Liability increased by 860.0% or ₱43 million from ₱5 million loss to ₱38 million gain mainly due to the effect of the remeasurements of the post-employment defined benefit plans to be recognized in other comprehensive income this year.

Equity in Other Comprehensive Income of Associates pertains to Equity Share on Decline in Value of Investments Securities, Translation Adjustment, Unrealized Gains (Losses) Arising from Remeasurement of Retirement and Life Insurance Reserves of Parent Company's Associates. This account increased by 41.5% or ₱56 million from ₱135 million loss to ₱79 million loss this year mainly due to the effect of increases in remeasurement of retirement liabilities and life insurance reserves netted by the decrease in the Parent Company's proportionate share in the changes in the fair value of FVOCI investments of Associates.

Equity Attributable to Non-controlling Interest increased by 7.3% or ₱7 million from ₱96 million to ₱103 million which was attributable to the increase in capital funds of majority owned subsidiary of the Parent Company.

Subsequent Events

There were no subsequent events that took place after the period ended December 31, 2023.

Other Matters

Other than the information on the consolidated financial positions, results of operations and business prospects discussed over the last three (3) years, the following disclosures are made on matters that affect the past or would have an impact on past and future operations of First Metro:

- First Metro does not have or anticipate having, within the next twelve (12) months, any cash flow or liquidity problems; is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; and has no significant amount of trade payables that have not been paid within the stated trade terms.

- There were no material commitments for capital expenditures during the past years and in the subsequent year.

- There are no known trends, events or uncertainties that First Metro had or that are reasonably expected to cause a material favorable or unfavorable impact on income from continuing operations;

- There are no significant elements of income or loss that did not arise from First Metro's continuing operations.

- There are no seasonal aspects that materially affect First Metro's financial positions and results of operations.

- There are no events that will trigger direct or contingent financial obligation that is material to First Metro, including any default or acceleration of an obligation.

- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of First Metro with unconsolidated entities or other persons created during the reporting period (refer to Note 25, *Commitments and Contingent Accounts* of the audited financial statements as of December 31, 2023 and 2022).

Capital Management

The primary objectives of the Group's capital management are 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 attuned to the changes in economic conditions and the risk characteristics of its activities. The Group may adjust the amount of dividend payments to shareholders or issue capital securities in order to maintain or adjust its capital structure. The Group has taken into consideration the impact of the regulatory requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Regulatory Qualifying Capital

Upon the surrender of the Parent Company's quasi-banking license in 2021, the Parent Company's capital adequacy requirements follow the Risk-Based Capital Adequacy framework for all registered Brokers Dealers in accordance with SRC Rule 28.1 (E) (2) (iv) of the SRC.

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 December 31, 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 December 31, 2023 as shown in the table below:

	December 31, 2023
Equity Eligible for Net Liquid Capital	**₱16,395,266,593**
Ineligible Assets	**(11,812,072,373)**
Net Liquid Capital (NLC)	**₱4,582,694,213**
Position Risk Requirement	**141,383,372**
Operational Risk Requirement	**115,732,793**
Counterparty Risk Requirement	**-**
Large Exposure Risk Requirement	**-**
Total Risk Capital Requirement (TRCR)	**₱257,116,165**
Aggregate Indebtedness (AI)	**₱557,429,043**
5.00% of AI	**₱27,871,452**
Required NLC	**27,871,452**
Net Risk-Based Capital Excess	**4,554,822,761**
Ratio of AI to NLC	**12.16%**
RBCA ratio (NLC/TRCR)	**1782.34%**

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.

Retained Earnings

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following the BSP guidelines.

In the financial statements, a portion of the Parent Company's retained earnings corresponding to accumulated equity in net earnings of the subsidiaries associates amounting to ₱5.6 billion and ₱5.2 billion and as of December 31, 2023 and 2022, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees. In addition, the amount of retained earnings equivalent to the cost of treasury shares being held by the Parent Company is also restricted from being declared and issued as dividends.

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 ₱3.6 billion, which is above the required externally imposed minimum paid-in capital.

Discussion of Key Performance Indicators

In evaluating its performance, First Metro regularly analyzes the results of current operations and compares these against budget and results of prior period. The results of operations reflect the financial end results and effectiveness of assets and liabilities management. This business review is being discussed monthly by Senior Management Committee. The review discloses the causes of any deviation and aids First Metro in controlling costs, evaluating performance and planning future goals.

Monthly results of operations and financial positions are also reported regularly to Metrobank, to the BOD and to the BSP.

The following basic ratios measure the financial performance of First Metro as of and for the years ended December 31, 2023 and 2022 (based on the audited figures) as well as for the interim period January 31, 2024 (based on the unaudited figures):

Performance Indicator	As of		
	Jan 31, 2024 (Unaudited)	Dec 31, 2023 (Audited)	Dec 31, 2022 (Audited)
a) Return on Average Assets	2.51%	1.72%	1.12%
b) Return on Average Equity	4.96	3.46	2.35
c) Cost-to-Income Ratio	68.10	78.73	105.67
d) Risk Based Capital Adequacy (RBCA) Ratio	1,775.04%	1,782.34%	1,467.23%
e) Ratio of Aggregate Indebtedness to Net Liquid Capital	11.99%	12.16%	12.76%

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. Year on year, ROA increased to 1.72% from 1.12% on account of the higher net income attributable to equity holdings of the Parent Company and lower average 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 3.46% this year from 2.35% last year, due to the effect of higher net income attributable to equity holdings of the Parent Company and higher average equity.

- *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 losses). It decreased to 78.73% from 105.67% last year due to the increase in operating income over the expenses this year.

- *Risk Based Capital Adequacy (RBCA) Ratio*
  This represents the ratio of net liquid capital over total risk capital requirements.

- *Ratio of Aggregate Indebtedness to Net Liquid Capital*
  This represents the ratio of aggregate indebtedness over net liquid capital.

Financial Soundness Indicators

Performance Indicator	Formula	As of December 31	
		2023	2022
a. Current/Liquidity Ratio	Total Current Assets / Total Current Liabilities	**112.44%**	112.73%
b. Solvency Ratio	Total Liabilities / Total Assets	**48.92%**	50.94%
c. Debt to Equity Ratio	Total Liabilities / Total Equity	**96.20%**	104.50%
d. Asset to Equity Ratio	Total Assets / Total Equity	**196.64%**	205.14%
e. Interest Rate Coverage Ratio	Income before Interest Expense and Tax / Interest Expense	**10,462.56%**	(117.32%)
f. Return on Equity	Net Income after Tax / Average Capital	**3.46%**	2.35%
g. Return on Assets	Net Income after Tax / Average Total Assets	**1.72%**	1.12%
h. Net Profit Margin Ratio	Net Income / Net Interest Income and Operating Income	**38.36%**	34.40%
i. Risk Based Capital Adequacy Ratio	Net Liquid Capital / Total Risk Capital Requirement	**1,782.34%**	1,7467.23%
j. Ratio of Aggregate Indebtedness to Net Liquid Capital	Aggregate Indebtedness / Net Liquid Capital	**12.16%**	12.76%

Form and Content of Schedules

Consolidated Statements of Financial Position

1. 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	₱11,083,174	₱5,327,439		
Other borrowers of subsidiaries	40,000,000d	45,755,735		
	51,083,174	51,083,174	₱50,683,174	
Unquoted Commercial Papers:				
Citibank N.A	412,901,500	412,901,500		
Toyota Financial Services Phils Corp.	30,000,000	30,000,000		
	442,901,500	442,901,500	442,901,500	
Other Receivables	864,936,800	864,936,800	830,303,246	
	1,358,921,473	1,358,921,474	1,323,887,919	
Allowance for Credit Losses	(35,033,554)	(35,033,554)		
	1,323,887,919	1,323,887,919	1,323,887,919	₱3,086,216
Financial Assets at FVTPL:				
Government Securities	903,265,593	926,661,182		
Private Debt Securities	280,420,000	272,920,031		
Equity Securities	232,185,861	6,805,899,504		
	1,415,871,454	8,005,480,717	8,005,480,717	130,741,663
FVOCI:				
Government Securities	5,142,819,000	5,135,918,622		
Equity Securities				
Axelum Resources Corp.	176,970,700	424,729,680		
The Philippine Stock Exchange, Inc.	2,806,521	477,108,570		
Eagle Cement Corporation	4,700	79,900		
Other Issuers	50,094,288	178,682,004		
	5,372,695,209	6,216,518,776	6,216,518,776	214,175,861
Amortized Cost:				
Government securities	1,258,990,000	1,261,158,698	1,252,263,277	
Private Debt Securities				
Ayala Corporation	50,000,000	49,142,614	49,087,290	
Ayala Land, Inc.	53,000,000	52,971,358	50,920,160	
Bank of the Philippine Islands	115,100,000	114,986,773	114,823,623	
BDO Unibank Inc.	50,000,000	49,890,853	98,973,236	
China Banking Corp.	40,000,000	40,000,000	21,766,969	
GT Capital Holdings, Inc.	3,000,000	2,994,153	49,087,290	
San Miguel Food and Beverage, Inc.	150,000,000	150,000,000	50,920,160	
Security Bank Philippines	200,000,000	200,000,000	114,823,623	
SM Investments Corp.	92,000,000	91,812,925	49,890,751	
SM Prime Holdings Inc	100,000,000	100,000,000	39,838,267	
SMC Global Power Holdings, Inc.	23,000,000	23,000,000	2,980,517	

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
	2,135,090,000	2,135,957,374	2,099,825,998	114,455,330
	₱10,247,544,582	₱17,681,844,786	₱17,645,713,410	₱462,459,070

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

Loans and receivables are measured in the statement of financial position at amortized cost using the effective interest rate and 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 effective interest rate (EIR).

Amortized Cost investments are measured in the statement of financial position at amortized cost using the effective interest rate and method, less impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

2. 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	₱7,419,896	₱8,134,200	(₱4,470,922)	(₱–)	₱ 932,307	₱ 10,150,866	₱11,083,173

3. 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	Non current	Balance at end of period
FAMI	Subsidiary	₱4,088,463	₱78,561,899	₱80,360,160	₱–	₱2,290,202	₱–	₱2,290,202
FEI	Subsidiary	–	5,000	4,250	–	750	–	750
FMIBC	Subsidiary	–	4,250	4,250	–	–	–	–
FMSBC	Subsidiary	–	7,020,909,317	7,020,495,328	–	413,989	–	413,989
PBC	Subsidiary	–	255,000	255,000	–	–	–	–
PVDC	Subsidiary	–	4,250	4,250	–	–	–	–
RI	Subsidiary	–	4,250	4,250	–	–	–	–
SBC	Subsidiary	–	51,000	51,000	–	–	–	–
SALEF	Subsidiary	6,590,964	76,400,172	76,400,171	–	6,590,965	–	6,590,965
SALBF	Subsidiary	1,644,708	19,001,596	18,784,476	–	1,861,828	–	1,861,828
SALFIF	Subsidiary	1,861,829	23,452,848	23,669,968	–	1,644,709	–	1,644,709
SALDBF	Subsidiary	624,801	7,633,622	7,633,622	–	624,801	–	624,801
FMPEETF	Subsidiary	1,347,530	10,425,598	10,869,165	–	903,963	–	903,963
		₱16,158,295	₱7,236,708,802	₱7,238,535,890	₱–	₱14,331,207	₱–	₱14,331,207

4. Intangible Assets - Other Assets

Movements in intangible assets follow:

	2023
Balance at beginning of year	₱9,537,326
Additions at cost (cash expenditure)	897,163
Charged to cost and expenses	(6,217,388)
Balance at end of the period	₱4,217,101

This account consists of First Metro and FAMI's capitalized computer software with net book value of ₱0.6 million and ₱3.6 million, respectively.

5. Long Term Debt

As of December 31, 2023, First Metro had no long-term debt.

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

As of December 31, 2023, First Metro had no long-term debt to related parties.

7. Guarantees of Securities of Other Issuers

As of December 31, 2023, First Metro had no outstanding guarantees of securities of other issuers.

8. Capital Stock

	Common Stock
Authorized number of shares	16,000,000
Number of shares issued and outstanding as shown under the related statement of financial position caption	7,448,689*
Number of shares reserve for options, warrants, conversion and other rights	–
Number of shares held by affiliates	7,394,739
Number of shares held by directors, officers and employees	30

** Net of 968,696 Treasury Shares as of December 31, 2023*

Consolidated Statements of Income

Interest Expense

The breakdown of interest expense for the year ended December 31, 2023 and 2022 is shown below:

	2023	2022
Borrowings from local banks	₱64,229	₱1,322,318
Others	3,308,575	7,627,228
	₱3,372,804	₱8,949,546

Related Party Transactions

First Metro has transactions with its subsidiaries, associated companies, affiliates, and to DOSRI consisting principally of loan transactions, management contracts and outright purchases and sales of trading and investment securities, business and development support and other regular banking transactions. (Please refer to Note 24, Related Party Transactions of the audited financial statements as of December 31, 2023 and 2022).

Most of these transactions were carried out in the normally stated trade terms as practiced in its ordinary course of business.

Item 7. FINANCIAL STATEMENTS

Statement of Management's Responsibility for Financial Statements

Please refer to Exhibit 2.

Audited Financial Statements

Please refer to Exhibit 3.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

First Metro's external auditor, Sycip, Gorres, Velayo and Co. (SGV), issued an unqualified opinion on the consolidated and parent company financial statements as of and for the years ended December 31, 2023 and 2022.

There are no disagreements between First Metro and SGV on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused SGV to make reference thereto in their respective reports on the financial statements for such years.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

Incorporators

- Antonio P. Madrigal
- Jose P. Madrigal
- Simon R. Paterno
- Fermin Z. Caram
- Claudio Teehankee
- Wilfrido C. Tecson

Directors *(As of December 31, 2023)*

Directors	Term Served	Age	Business Experience
Mary Mylene A. Caparas	2 years (as Chairman)	59	Banking/Finance/Investment
Benedicto Jose R. Arcinas	3 years	67	Banking/Finance/Investment
Jose Patricio Amponin Dumlao	4 years	62	Banking/Management/Finance/Investment
Martin Judson Qua Dy Buncio	29 years	60	Management/Finance/Investment
Joshua Echano Naing	9 years	63	Banking/Finance
Christopher Hector Lim Reyes	2 years	49	Banking/Finance
Angelica S. Reyes	1 year	50	Banking/Management/Finance/Investment
Jose Pacifico Evangelista Marcelo	2 years	64	Banking/Finance /Investment
Luis Juan B. Oreta	1 year	67	Banking/Management/Finance

The directors are elected during the annual stockholders' meeting. Each director holds office until the corresponding BOD's meeting in the succeeding year, or until a successor is elected, appointed or shall have been qualified.

MARY MYLENE A. CAPARAS, 59, Filipino, Chairman of the Board of First Metro. She holds the position of Executive Vice President – Institutional Banking Sector of Metropolitan Bank & Trust Company.

She was also a Director of Orix Metro from 2015 to March 2020. Prior to joining Metrobank, she was the Managing Director, Regional Head of Client Delivery, Treasury & Trade Solutions of Citibank N.A, Hong Kong Branch from May 2013 – March 2014. She also served as Managing Director, Country Head of Citi Transaction Services of Citibank N.A, Manila Branch from March 2011 – May 2013.

She held several positions at Deutsche Bank AG, Manila Branch, Director, Head of Corporate Banking Coverage and Global Transaction Banking from September 2006 – March 2011; Vice President, Head of Corporate Banking Coverage From July 2003 – August 2006; Vice-President, Senior Relationship Manager, Large Local Corporates from June 2001 – June 2003; Vice-President, Senior Relationship Manager, Multinational Corporates Group from January 1998 – May 2001; Assistant Vice-President, Relationship Manager, Multinational Corporates Group from January 1996 – December 1997.

She worked at the Credit Lyonnais of Manila Offshore Banking Unit from August – November 1995. She joined the following companies, Citytrust Banking Corporation from June 1990 – June 1995; Union Bank of the Philippines from October 1986 - June1990; Philippine Commercial International Bank from January – July 1996; from Insular Bank of Asia And America from September 1984 – December 1985.

Ms. Caparas holds a degree in business management, honors program from the Ateneo de Manila University. She graduated Honorable Mention.

BENEDICTO JOSE R. ARCINAS, 67, Filipino, Vice Chairman of the Board of Directors of First Metro. He is currently the President and Managing Director of Arcinas Freres, Inc. and was an Independent Director of Philippine Savings Bank from April 2012 to April 2021.

He began his professional career at Manila Electric Company as Economic Analyst from 1978-1980. He also served as Independent Director of Metrobank Card Corporation from April 2018-December 2019; Consultant of Veda Advantage, Australia from March to August 2012; Executive Vice President (Finance) and Chief Investment Officer Government Service Insurance System (GSIS) from March 2010 to December 2011; Executive Vice President and Treasurer of Export and Industry Bank from June 2007-March 2010; Director of Asia Pacific Recoveries (SPV-AMC) Corporation and Asia Special Situations M3P2 (SVC-AMC), Inc. from September 2005 to March 2010; Consultant of SME e-Financing Project, Development Bank of the Philippines from February to May 2004; Managing Director and Founder of Structured Solutions, Inc. from 2002-2007; Managing Director of ATR-Kim Eng Fixed Income (Philippines) from April 1997 to November 1997; he held various positions in Metropolitan Bank & Trust Co., from January 1991 to March 1997; First Vice President (Funds Management Division, Treasury) of Philippine Banking Corporation from January 1989 to December 1990; AVP Liability Management Group Head of BA Finance Corporation from 1987-1988; SAM Liquidity Mgt. Treasury Group of Philippine Commercial International Bank from 1985-1987; Sr Asst Manager, Head of Domestic Markets of Insular Bank of Asia & America from 1984-1985; Asst. Manager, Corporate Planning Division from 1983-1984.

Mr. Arcinas also had various professional affiliations & Initiatives from 1990-2014.

Mr. Arcinas finished his Bachelor of Science in Business Economics degree from the University of the Philippines (Diliman) and obtained his Master of Science in Management degree from the Arthur D. Little Management Education Institute at Cambridge, Massachusetts USA.

JOSE PATRICIO A. DUMLAO, 62, Filipino, was appointed President and Director of First Metro on June 1, 2020. Mr. Dumlao is an experienced investment and commercial banker. Before joining First Metro, he was the Country Manager and Head of Global Markets of BNP Paribas Manila Offshore Branch, from November 15, 2011, to January 31, 2019. He was also the President and Head of Fixed Income and Equity Sales from 2000 to 2011 for BNP Paribas Investment Philippines, Inc.

Mr. Dumlao was the President and Head of Investment Banking in Paribas Asia Equity Philippines, Inc. from 1997 to 2000. From 1995 to 1997, he was former Head of Institutional Sales for the Philippines for Asia Equity UK Ltd. and also the Chief Operating Officer and Head of Equity Sales of Philippines Asia Equity Securities, Inc.

His investment banking career started in Anscor Capital and Investment Corporation from 1983 to 1990 afterwhich he headed the Investment Banking Group of Corporate Investment Philippines Inc. from 1990 to 1995.

He graduated BS Management Engineering from the Ateneo in 1983.

MARTIN Q. DY BUNCIO, 59, Filipino, has served as a Director since 1995 and brings with him over 28 years of experience in interdisciplinary management.

Currently, he is the Chairman of the Board of Pro-Oil Corp. and Pro-Auto Parts; is currently President of the following:

Proline Sports Center Inc., HJ Marketing, Design Products Manufacturing, Proline II Mercantile, DYBCOM CORP., Integra Development Corp., and the President/Director of Banam Global Holdings Corp.

He holds a Bachelor of Arts degree from De La Salle University.

JOSHUA E. NAING, 63, Filipino, was elected to the Board in April 2015. Mr. Naing is a seasoned banker with over 30 years of experience. He started his career with Bangko Sentral ng Pilipinas until he joined the Metrobank Group in 1989 as OIC. For 11 years since 2002, he took the role of controller. He also held several directorship positions with the following companies: Global Business Power Corporation; Cebu Energy Development Corporation; Metrobank Technology, Inc.; Data Serve, Inc.; Philippine AXA Life Insurance Corporation; Multi Currency FX Corporation; Toyota Manila Bay; Metro Remittance (Spain), S.A.; Metro Remittance (Italia), S.p.A.; and MBTC Remittance GmbH (Vienna); Metro Remittance Center, Inc. (USA) ; MB Remittance Center (Hawaii), Ltd.; and Metro Remittance (Hong Kong) Limited.

From 2013 to present he is assigned as head of the Financial Control Sector. Concurrent to his position as senior executive vice president of the Bank, he also serves as director of Manila Medical Services, Inc. since April 2018.

Mr. Naing earned his BSC Accountancy degree from the Polytechnic University of the Philippines.

CHRISTOPHER HECTOR L. REYES , 49, holds the position of First Vice President – Deputy Head MM, Commercial Banking Group of Metropolitan Bank & Trust Company.

Mr. Reyes held several positions at Metropolitan Bank & Trust Company, Vice President – Division Head/Senior RM, Multinational Corporations Division of Company from April 2014 to March 2015; First Vice President, Center Head, Commercial Banking Group from April 2015 to April 2018.

He began his professional career at Philippine Commercial International Bank (PCIBank) as Research Analyst from September 1995 to April 1997 and held several positions at International Exchange Bank from April 1997 to November 2005. Mr. Reyes also held several positions at Deutsche Bank AG, Account Manager from November 2005 to October 2006; Assistant Vice President (Corporate Banking Coverage) from November 2006 to December 2008; Vice President (Corporate Banking Coverage) from January 2009 to February 2011.
He was also the Vice President, Head Commercial Banking of Maybank Philippines, Inc. from April 2011 to August 2012 and Vice President, Unit Head/Senior RM of Citibank N.A. Manila Branch from August 2012 to April 2014.

Mr. Reyes finished his Bachelor of Science Major in AB Economics degree from the San Beda College in March 1995.

ANGELICA SANTILLAN-REYES, 50, currently serves as Senior Vice President/Head, Trust Banking Group of Metropolitan Bank and Trust Co. She held several key positions in Metrobank: Senior Vice President/Head, Treasury Group from January 2020 to December 2022, Senior Vice President/Head, Markets Sales Group from November 2013 to December 2019, Senior Vice President/Head of Sales and Structuring Division, Treasury Group from February 2010 to November 2013.

Ms. Santillan-Reyes also served as Director / Head of Financial Markets Sales from March 2008 to May 2009 and Director / Head of Global Investor Sales of Standard Chartered Bank, Manila Branch from June 2007 to March 2008; Vice President / Senior Corporate Dealer - Global Markets Sales from April 2005 to January 2006; Associate Director / Senior Regional Structurer - Southeast Asia of Standard Chartered Bank, Singapore Branch from February 2006 to June 2007; Asst. Vice President, Global Markets – Debt Capital Markets and Corporate Coverage of Deutsche Bank AG, Manila Branch from November 2003 to April 2005. She also held several positions in Globe Telecom Inc. from Jun 2001 to Oct 2003; Banco Santander Philippines Inc. from Aug 1995 to Jun 2001; Zaitech Inc. from Jan 1995 to Aug 1995; and Multinational Investment Bancorporation from Jun 1994 to Dec 1994.

Ms. Santillan-Reyes finished her degree in Bachelor of Arts, Major in Management Economics from Ateneo de Manila University, Philippines in 1994 and obtained her Master of Science in International Business and Finance from the University of Reading, UK wherein she graduated with Distinction, Awarded the British Chevening Scholarship.

JOSE PACIFICO E. MARCELO, 63, Filipino, Independent Director. Mr. Marcelo was with First Metro Investment Corporation for 13 years, and held the position as Senior Executive Vice-President and Head of Investment Banking Group (IBG) until December 2019. Starting 1980, he has a total of 29 years experience in Investment Banking including 15 years as Head of Investment Banking. He also had a brief stint as the Chief Finance Officer of a financially-troubled, publicly listed company until its turnaround. Early on in his career, he worked in the Government in various offices for a total of 5 years.

Mr. Marcelo has an MBA from the Asian Institute of Management and a Bachelor's degree in Business Economics from the University of the Philippines.

LUIS JUAN B. ORETA, 67, Filipino, Nominee Independent Director. Mr. Oreta is a fellow of the Institute of Corporate Directors and a life member of the Financial Executives Institute (FINEX).

He currently serves as Vice Chairman of the Board of Quezon Memorial Academy and National Commander of the U.P. Vanguard, Inc.

Mr. Oreta held several key positions at Ayala Corporation from March 1997 to October 2018: He was seconded to Manila Water Company Inc. as Chief Operating Officer and Chief Finance Officer from January 2009 to October 2018, He was also the Interim Chief Finance Officer of Integrated Microelectronics, Inc. (IMI) from July 2008 to December 2008, He was also the Managing Director assigned to Strategic Planning Group of Ayala Corporation from March 1997 to June 2008.

He started his career with the Ayala group at the Bank of the Philippines Islands from October 1983 to March 1997. Prior to that he was a management consultant at Boone, Young & Associates from September 1982 to June 1983. Mr. Oreta was a Financial Analyst of Insular Bank of Asia & America from June 1978 to May 1980.

Mr. Oreta completed his Bachelor of Science in Business Economics at the University of the Philippines in October 1977 and obtained his MBA in Finance: Concentration in Investment Analysis from Rutgers University, Graduate School of Management.

Executive Officers *(As of December 31, 2023)*

Executive Officers	Position	Age	Business Experience
Mary Mylene A. Caparas	Chairman	59	Banking/Finance/Investment
Benedicto Jose R. Arcinas	Vice-Chairman	67	Banking/Finance/Investment
Jose Patricio A. Dumlao	President	62	Banking/Management/Finance/Investment
Daniel D. Camacho	EVP/Investment Banking Group Head	53	Banking/Finance
Maricel L. Madrid	SVP/Controllership Group Head	44	Banking/Finance/Management
Karen Liza M. Roa	SVP/FAMI President	55	Banking/Management/Finance/Investment
Ma. Teresa V. De Vera	SVP/ Client Coverage Head; Coverage and Origination III Division Head	53	Banking/Finance/Management
Abigail B. Magpayo	SVP/ Products and Markets Head; Equity and Capital Markets Division Head; and Concurrent Financial Advisory Head	47	Banking/Finance
Peter Anthony D. Bautista	SVP/Sales & Distribution Group Head	50	Banking/Finance
Nimfa B. Pastrana	FVP/ Corporate Services and Operations Group Head, Concurrent Legal Division Head and Concurrent Human Resources Division Head	62	Banking/Finance/Law
John Wesley M. Peralta	FVP / Debt Capital Market Division Head	46	Banking/Finance/Management
Cristina S. Ulang	FVP/Research Department Head	58	Banking/Finance/Research
Ina B. Pacheco	FVP / Retail Investors Department Head	54	Banking/Finance
Mauro B. Placente	VP / Treasurer	57	Banking/Finance/Management
Alexis K. Javelosa, Jr.	VP / Compliance Division Head, Chief Compliance Officer, Data Protection Officer	55	Banking/Business/Law
Maria Eleanor T. Raz	VP / Debt Capital Markets Deputy Division Head	56	Banking/Finance/Management
Michael Don D. Capistrano	VP / Coverage 1 Division Head	49	Banking/Finance
Jiena D. Dalugdug	VP / Risk Management Division Head	40	Banking
Cristina I. Galvez	VP / Senior Deal Officer, Equity Capital Markets Division	55	
Janice M. Gamos	VP / Equity Capital Markets Division Deputy Head	42	
Martin Paolo L. Marty	VP / Coverage 2 Division Head	47	

Principal Officers are appointed or elected annually by the BOD at its first meeting following the annual meeting of stockholders.

Significant Employees

No person who is not an executive officer is expected by First Metro to make a significant contribution to the business.

Family Relationships

There are no other family relationships among the directors and officers listed above.

Involvement in Certain Legal Proceedings

There are no material legal proceedings filed by or against First Metro, its directors and executive officers nor any petition for bankruptcy, or violation of the Securities Regulation Code has been filed, issued or committed, up to the latest date that are material to evaluation.

Item 10. EXECUTIVE COMPENSATION

Item 6. Compensation of Executive Officers and Directors

	Year	Salary	Bonuses/ Other Remuneration	Total
Aggregate annual compensation of the following:	2024*	29,907,925	12,080,392	41,988,317
	2023	28,215,024	11,412,784	39,627,808
	2022	44,722,056	28,718,029	73,440,085
Jose Patricio A. Dumlao, President Daniel D. Camacho, EVP				
All other executive and directors as a group unnamed	2024*	94,461,741	31,032,980	125,494,721
	2023	96,160,080	33,688,934	129,849,014
	2022	77,677,425	29,644,227	107,321,652

* - Projected

<u>Compensation of Directors</u>

The members of the BOD are compensated under standard remuneration as follows:

Per diem ranging from ₱85,000.00 to ₱100,000.00 and reasonable transportation allowance are granted to directors on regular BOD meetings. Bonuses amounting to ₱200,000.00 to ₱460,000.00 are given to each director during December of each year.

As part of good governance practices, the directors, particularly the Independent Directors, are required to chair board committees created to enhance business operations and processes. The compensation for their participation in these committees is part of their annual package.

<u>Employment Contracts, Termination of Employment and Change-In Control Arrangements</u>

There are no compensatory plans or arrangement with respect to any of First Metro's executive officers that can result to the resignation, retirement or any other termination of such executive officer's employment with First Metro and its subsidiaries. Neither from a change in control of the registrant or a change in the named executive officer's responsibilities.

<u>Warrants and Options Outstanding: Repricing</u>

There are no stock warrants or options that First Metro has awarded to any of its directors or officers. Neither has the registrant's officers or directors own any stock warrants or options.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners

The following stockholder owns more than 5% of the common voting securities as of March 15, 2024:

Title of class	Name and address of owner	Amount and nature of ownership	Percent to outstanding shares
Common shares	Metrobank Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City	7,394,739 r	99.27%

r - Registered

First Metro holds 968,696 treasury shares, which represent 11.51% of the total common shares issued.

Metrobank, a universal banking corporation, is the registered owner of the shares in the books of First Metro. Beneficial owners with at least 10.0% of the voting stocks of said universal bank are GT Capital Holdings, Inc. (37.15%), PCD Nominee (Filipino) (28.66%) and PCD Nominee (Non-Filipino) (20.20%) as of March 15, 2024. The Board of Directors of Metrobank has the power to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of Metrobank is Mr. Arthur V. Ty or anyone of officers nominated/appointed by its Board.

Security Ownership of Management

Following are the securities owned by directors and officers of First Metro as of December 31, 2022:

Title of class	Name of beneficial owners	Amount and nature of ownership	Percentage to outstanding shares
Common shares	Mary Mylene A. Caparas	2 r	0.000
Common shares	Benedicto Jose R. Arcinas*	2 r	0.000
Common shares	Jose Patricio A. Dumlao	2 r	0.000
Common shares	Martin Q. Dy Buncio	22 r	0.000
Common shares	Joshua E. Naing	2 r	0.000
Common shares	Christopher Hector L. Reyes	2 r	0.000
Common shares	Angelica S. Reyes	2 r	0.000
Common shares	Jose Pacifico E. Marcelo *	2 r	0.000
Common shares	Luis Juan B. Oreta*	2 r	0.000

** - Independent Directors*
r - Registered

The Corporation knows of no other person holding more than 5% of common shares under a voting trust or similar agreement.

There is no arrangement that may result in a change in control of the registrant.

No change of control in the Corporation has occurred since the beginning of its last fiscal year.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the related party transactions stated in the notes to financial statements of First Metro as of and for the years ended December 31, 2023 and 2022, there has been no material transactions during the last two years nor is there any material transaction currently proposed to which First Metro was, or is a party, or in which any director or executive officer of First Metro, any nominee for election, any owner of more than five (5.0%) percent of First Metro's voting shares, or any member of the immediate family of any such director or officer, had or is to have a direct or indirect material interest.

PART IV- CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

First Metro Investment Corporation (First Metro) adopted its Manual on Corporate Governance (Manual) on August 30, 2002 which provides for the leading best practices on governance. The Manual of Corporate Governance (Manual) serves as a guide to the directors, management, officers and staff in the performance of their respective duties and responsibilities to all stakeholders and in the development and achievement of First Metro's corporate goals. Pursuant to the mandate laid down in the Manual, various Board Committees have been constituted to aid the Board in complying with the principles of good corporate governance and in the performance of its corporate functions and responsibilities. These are:

- Corporate Governance and Compensation Committee - mainly responsible for ensuring the Board of Directors' effectiveness and observance of corporate governance principles and guidelines
- Related Party Transactions Committee – assist the Board of Directors in ensuring that transactions with related parties are conducted on an arm's length basis and that the corporate/business resources are not misappropriated or misapplied
- Audit Committee - provides effective oversight of internal and external functions and ensures transparency and proper reporting with emphasis on the report's integrity, timeliness and compliance with standards
- Nominations Committee – assists the Board of Directors in defining and assessing board membership criteria and reviews and evaluates the qualifications of persons nominated to the Board including those positions requiring appointment by the Board
- Risk Oversight Committee - primarily responsible for the development and oversight of First Metro's Risk Management System

Each Committee has its own respective charter to define the duties and responsibilities of its members as well as its reporting functions to the Board of Directors. The memberships in these committees are distributed to ensure that they are balanced and effective. First Metro has adopted its own Compliance System to identify relevant laws and regulations and the compliance risks attendant thereto. The Board of Directors has appointed a Compliance Officer to oversee the implementation of the Compliance System and ensure its effectiveness.

The Manual has been revised and updated several times over the years to effect the amendments provided in the various issuances of the Securities and Exchange Commission (SEC) and Bangko Sentral ng Pilipinas (BSP).

First Metro's Manual was last revised in December 2021 in order to incorporate amendments introduced by the revised Code of Corporate Governance for Public Companies issued by the SEC in 2019.

First Metro is substantially in compliance with the leading practices on good corporate governance. It has put in place measures directed at the company's commitment to sound corporate governance. It has adopted a Corporate Governance Scorecard to measure and determine the level of compliance by the Board of Directors and Board Committees with corporate governance standards. It created an internal self-rating system and procedures to determine compliance with the Manual e vis-à-vis good corporate governance principles and practices such that: (1) each director self-rates and collectively rates the board, the President and the Chairman; (2) Board-level Committees respectively rate themselves. The baseline on the effectiveness of the performance of the Board, the individual directors and various Board committees are the duties and responsibilities laid down in the Manual, the First Metro By-laws, various rules and regulations and in the respective Committee charters. As of the preceding calendar year, directors perform self-rating and assessment of the Board and the committees of the company's compliance with corporate governance standards. Results of the assessment are submitted to the Corporate Governance and Compensation Committee and are considered in making recommendations on the directors to be nominated to the Board and appointed to the Board committees for the following year.

All first-time directors must have attended a special seminar on corporate governance for the Board of Directors, conducted by accredited training providers. In addition, First Metro requires continuing education for directors. To ensure that the Board is equipped to provide effective governance and oversight, First Metro shall liaise with external training providers for appropriate and relevant training and seminars for directors. First Metro may also provide its own internal training for directors or coordinate with Metrobank for the conduct of the internal training.

Due to the pandemic in 2021, directors and officers opted to attend webinars, online training sessions, and web-based information offered by various accredited and reputable training providers.

First Metro is committed to instituting and upholding the highest standards of corporate governance. It has always endeavored to improve and enhance the corporate governance practices in the company. Its corporate governance policy is intended to achieve its corporate mission of providing investment banking and related financial solutions to enable its clients to achieve sustainable and optimal returns by observing the highest standards of integrity and efficiency. Existing policies and procedures are constantly being reviewed to enhance the governance, risk management and compliance framework of the company.

PART V - EXHIBITS AND SCHEDULES

Item 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

<u>Exhibits</u>

Exhibit No.	Description of Exhibit
1	Location and Description of Principal Properties Owned
2	Statement of Management Responsibility
3	Audited Financial Statements
4	Independent Auditors Report on Supplementary Schedules
5	Reconciliation of Retained Earnings
6	Summary of Underwriting Activities
7	Transactions with DOSRI
8	Amount of Receivable which are Eliminated in the FS
9	Map of the Conglomerate
10	Financial Soundness Indicators
11	Form and Content of Schedules

Reports on SEC Form 17-C

The following were the reports on SEC Form 17-C filed during 2023:

Date Filed to SEC	Items Reported
February 27, 2023	This is to report that during the regular meeting of the Board of Directors of First Metro Investment Corporation held on February 24, 2023 via remote communication, the following matters were approved: 1. Thursday, 20 April 2023 at 2:00 P.M., as the date and time of the 2023 Annual Stockholders' Meeting; 2. March 10, 2023 as the record date to determine the stockholders entitled to notice and to vote in the April 20, 2023 Annual Stockholders' Meeting. 3. Authorizing the Chairman or the President to change the date, time and place of the stockholder's meeting and the record date, when necessary. 4. In our continued efforts to ensure the safety of our stakeholders, and pursuant to SEC regulations allowing holding of annual meetings online, the annual stockholders' meeting will be conducted by remote communication through a platform that will be announced to the stockholders. The registration and voting procedures will be posted in the company's website and notices will be sent to the stockholders in accordance with the guidelines set by the Securities and Exchange Commission. 5. Approval of the Audited Financial Statement of First Metro Investment Corporation as of the year ended December 31, 2022 and approval for the management to issue and release the same.
March 13, 2023	SEC 17-C Report re: Change in schedule of the 2023 Annual Stockholders' Meeting of First Metro Investment Corporation
April 20, 2023	SEC 17-C Report re: Publication of Notice of the Annual Stockholders Meeting of First Metro (Affidavit of Publication from Malaya Business Insight and The Manila Times, which we have received on April 18, 2023 and April 19, 2023, respectively)
May 5, 2023	SEC 17-C Report re: Matters taken up during the Annual Stockholders' meeting and Organizational meeting of the Board of Directors on May 5, 2023.
May 30, 2023	SEC 17-C Report re: Amendment to the Board Committee (Risk Oversight Committee)
September 19, 2023	SEC 17-C Report re: Certificate of Filing of Amended Articles of Incorporation of First Metro Investment Corporation dated September 15, 2023.
December 27, 2023	SEC 17-C Report re: Resignation of Controller

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on ____________, 2024.

FIRST METRO INVESTMENT CORPORATION
Company

By:

JOSE PATRICIO A. DUMLAO
President

MARICEL L. MADRID
SVP / Controller

NIMFA B. PASTRANA
Corporate Secretary

MAURO B. PLACENTE
Treasurer

APR 12 2024

SUBSCRIBED AND SWORN to before me this ______ day of _______, 2024 affiants exhibiting to me their valid IDs, as follows: CITY OF MANILA

Names	Passport/Driver License/UMID No.	Date of Issue	Place of Issue
Jose Patricio A. Dumlao	P3214283B	July 16, 2019	DFA Manila
Maricel L. Madrid	P3957238B	November 25, 2019	DFA NCR-West
Mauro B. Placente	N03-03-000212	November 13, 2019	
Nimfa B. Pastrana	SSS No. 03-9622438-3	January 15, 2023	

ATTY. GARY CAPITAN AURE
NOTARY PUBLIC CITY OF MANILA
Notary Public

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Series of 2024.

Exhibit No.1

LIST OF PRINCIPAL PROPERTIES

First Metro Investment Corporation

All the properties listed below are wholly owned by First Metro and are in good condition.

NAME OF PROPERTY	LOCATION
Real Properties Used as Office Premises	
Skyland Plaza Condominium (7 units)	Gil Puyat Avenue, Makati City
Real Estate for Sale/Lease	
Skyland Plaza Condominium (1 unit)	Gil Puyat Avenue, Makati City
Tytana Center (4 units)	Tytana Plaza, Binondo, Manila
Skyland Plaza Parking Lots (11 units)	Gil Puyat Avenue, Makati City
Real Properties Owned/Acquired	
Este del Sol Property	Puray, Montalban, Rizal
CHM & Sons Realty Corporation	Barangay Pansol, Calamba, Laguna
Pryce Corporation*	
Ozamiz Memorial Gardens (360 Lots)	Dimaluma, Ozamiz City
Zamboanga Memorial Gardens (360 Lots)	Sinunuc, Zamboanga City
North Zamboanga Gardens (361 Lots)	Polanco, Zamboanga del Norte
Cagayan de Oro Gardens (361 Lots)	Lumbia, Cagayan de Oro
Maria Christina Gardens (361 Lots)	Sta. Felomina, Iligan City

* *Deed of Dacion en Pago*

FIRST METRO
INVESTMENT CORPORATION
Metrobank Group

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

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

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

MARY MYLENE A. CAPARAS
Chairman

JOSE PATRICIO A. DUMLAO
President

GANINE C. OLMEDO
AVP / Controller

Signed this 14th day of March 2024

45th Floor, GT Tower International, 6813 Ayala Ave. cor. H.V. dela Costa St.
1227 Makati City, Philippines
Tel: +632 8858 7900 | Fax: +632 8840 3706
www.firstmetro.com.ph

FIRST METRO
INVESTMENT CORPORATION
Metrobank Group

SUBSCRIBED AND SWORN to before me this ____ day of MAR 25 2024 affiants exhibiting to me their identification, as follows:

Name	Identification	Place of Issue	Date of Expiry
Mary Mylene A. Caparas	Passport No. P2598524B	DFA Manila	07/17/2029
Jose Patricio A. Dumlao	Passport No. P3214283B	DFA NCR South	09/14/2029
Ganine C. Olmedo	Passport No. P4098682C	DFA Manila	05/10/2033

Notary Public

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Atty. Melissa B. Reyes
Notary Public for Makati City until December 31, 2025
Roll No. 41639 / Appointment No. M-114
IBP 363833 / PTR No. MKT9563987
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	2	3	2	6	9					

C O M P A N Y   N A M E

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES

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

45th Floor, GT Tower International, Ayala Avenue Corner H.V. dela Costa Street, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	GSED

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
patricio.dumlao@firstmetro.com.ph	8858-7900	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,258		12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Patricio A. Dumlao	patricio.dumlao@firstmetro.com.ph	8858-7900	

CONTACT PERSON's ADDRESS

45th Floor, GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
First Metro Investment Corporation
45th Floor, GT Tower International
Ayala Avenue corner. H.V. Dela Costa Street
Makati City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of First Metro Investment Corporation and its subsidiaries (the Group), and the parent company financial statements of First Metro Investment Corporation (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2023 and 2022 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for the each of the three years in the period ended December 31, 2023, and notes to the consolidated and parent company financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2023 and 2022, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

SGV
Building a better
working world

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for our audit opinion.

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

Reports on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 31 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of First Metro Investment Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the3elation3onn is fairly stated, in all material respects,3elationn to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

Glenda C. Anisco-Niño
Partner
CPA Certificate No. 114462
Tax Identification No. 225-158-629
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079897, January 5, 2024, Makati City

February 19, 2024

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
ASSETS				
Cash and other cash items (Note 17)	**₱6,344,970,258**	₱6,944,935,883	**₱1,245,649,420**	₱1,269,171,172
Investment securities at				
Fair value through profit or loss (FVTPL) (Notes 6 and 24)	**8,005,480,717**	7,924,057,951	**–**	–
Fair value through other comprehensive income (FVOCI) (Note 6)	**6,216,518,776**	5,358,322,831	**4,556,076,107**	4,274,207,651
Amortized cost (Notes 6, 12 and 24)	**2,135,957,374**	2,068,251,589	**–**	–
Loans and receivables (Notes 7, 12 and 24)	**1,323,887,919**	1,719,241,725	**320,861,573**	58,578,475
Property and equipment (Note 8)	**113,566,671**	141,626,652	**47,481,689**	66,368,819
Investments in subsidiaries and associates (Notes 9, 12 and 24)	**6,775,596,845**	6,430,466,586	**9,895,801,037**	9,472,330,976
Investment properties (Notes 10 and 12)	**178,854,985**	179,390,877	**178,854,985**	179,390,877
Deferred tax assets (Note 23)	**35,506,507**	30,264,557	**–**	–
Other assets (Notes 11 and 24)	**1,109,275,527**	984,174,599	**707,970,824**	697,783,736
	₱32,239,615,579	₱31,780,733,250	**₱16,952,695,635**	₱16,017,831,706
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts payable (Notes 13 and 24)	**₱5,015,806,751**	₱5,576,121,006	**₱218,561,122**	₱209,523,065
Accrued taxes, interest and other expenses (Notes 13 and 24)	**206,052,319**	132,608,334	**121,022,654**	57,925,604
Income taxes payable	**3,421,148**	4,613,713	**2,420,895**	1,797,244
Deferred tax liabilities (Note 23)	**2,470,014**	3,098,338	**2,470,014**	2,470,014
Puttable instruments of mutual fund subsidiaries classified as liability (Note 14)	**10,260,352,772**	10,139,294,090	**–**	–
Other liabilities (Notes 14 and 24)	**284,577,344**	333,493,625	**212,954,357**	253,694,860
	₱15,772,680,348	₱16,189,229,106	**₱557,429,042**	₱525,410,787
EQUITY				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common stock (Note 16)	**4,208,692,500**	4,208,692,400	**4,208,692,500**	4,208,692,400
Capital paid in excess of par value (Note 16)	**2,065,694,361**	2,065,694,042	**2,065,694,361**	2,065,694,042
Retained earnings (Note 16)	**13,270,644,989**	12,803,987,348	**13,270,644,989**	12,803,987,348
Treasury stock (Note 16)	**(2,663,351,704)**	(2,662,030,617)	**(2,663,351,704)**	(2,662,030,617)
Net unrealized loss on FVOCI investments (Notes 6 and 24)	**(552,356,221)**	(786,509,869)	**(552,356,221)**	(786,509,869)
Remeasurements of retirement liability (Note 19)	**(39,592,329)**	7,250,192	**(39,592,329)**	7,250,192
Cumulative translation adjustment	**24,064,432**	20,642,245	**24,064,432**	20,642,245
Equity in other comprehensive loss of associates (Note 9)	**81,470,565**	(165,304,822)	**81,470,565**	(165,304,822)
	16,395,266,593	15,492,420,919	**16,395,266,593**	15,492,420,919
Equity attributable to non-controlling interests	**71,668,638**	99,083,225	**–**	–
	16,466,935,231	15,591,504,144	**16,395,266,593**	15,492,420,919
	₱32,239,615,579	₱31,780,733,250	**₱16,952,695,635**	₱16,017,831,706

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
INTEREST INCOME (Notes 6, 7, 17 and 24)						
Investment securities at FVOCI and at amortized cost	**₱328,631,191**	₱174,461,998	₱71,701,680	**₱212,991,237**	₱66,637,134	₱-
Investment securities at FVTPL	**130,741,663**	105,089,976	128,565,608	–	9,997,614	50,272,411
Other financial assets	**329,943,416**	98,531,020	72,037,918	**72,804,938**	39,486,416	47,001,059
	789,316,270	378,082,994	272,305,206	**285,796,175**	116,121,164	97,273,470
INTEREST EXPENSE (Notes 14, 18, 21 and 24)	**3,372,804**	8,949,546	27,158,029	**864,019**	5,758,591	24,144,189
NET INTEREST INCOME (EXPENSE)	**785,943,466**	369,133,448	245,147,177	**284,932,156**	110,362,573	73,129,281
Service charges, fees and commissions (Notes 20 and 24)	**496,942,327**	534,874,091	756,713,053	**279,340,055**	266,886,925	349,946,977
Dividends (Notes 6 and 24)	**238,169,197**	189,184,985	142,764,017	**26,529,598**	27,663,729	21,154,641
Gain on sale of assets (Notes 8, 9 and 10)	**625,214**	78,991,183	59,514	**222,636**	78,694,971	-
Foreign exchange gain (loss)	**(1,782,027)**	6,779,535	4,191,578	**(1,846,444)**	119,227	669,435
Trading and securities gains (losses) (Notes 6 and 24)	**(107,498,380)**	(149,859,394)	128,434,332	**25,406,278**	21,554,696	36,869,554
Miscellaneous (Note 20)	**26,271,622**	29,071,120	28,341,771	**3,714,728**	3,984,284	3,725,464
TOTAL OPERATING INCOME	**1,438,671,419**	1,058,174,968	1,305,651,442	**618,299,007**	509,266,405	485,495,352
OTHER EXPENSES						
Compensation and fringe benefits (Notes 19 and 24)	**531,861,081**	504,272,188	558,894,293	**315,057,069**	324,119,529	391,401,045
Provision for impairment, credit and other probable losses (Note 12)	**438,613,209**	169,159,028	128,666,709	**438,528,073**	169,592,316	127,734,085
Professional fees	**87,692,006**	59,267,020	59,979,433	**68,769,890**	24,574,628	31,163,695
Online trading, transfer and exchange fees	**79,452,353**	76,358,796	107,812,427	**10,375,575**	4,325,126	6,839,785
Depreciation of property and equipment and investment properties (Notes 8 and 10)	**62,005,894**	63,777,704	65,907,506	**37,871,117**	39,837,043	43,692,217
Advertising and communication expenses	**47,350,911**	91,912,593	53,057,290	**16,131,107**	18,845,389	23,248,650
Information technology and related expenses (Notes 11 and 22)	**40,510,029**	49,723,719	38,238,413	**32,206,044**	40,434,746	31,957,631
Taxes and licenses	**39,224,652**	40,122,742	60,126,128	**30,782,504**	22,670,078	35,027,065
Broker's commissions	**38,827,224**	66,579,261	66,139,514	–	445,054	2,178,003
Representation and entertainment (Note 24)	**13,705,696**	14,207,894	14,516,459	**8,319,079**	7,061,897	9,085,472
Rent, light and water	**11,970,632**	10,703,683	9,004,827	**7,169,374**	6,624,727	5,595,781
Miscellaneous (Notes 10 and 22)	**175,786,813**	140,821,297	209,401,699	**49,237,496**	59,216,413	95,289,428
	1,567,000,500	1,286,905,925	1,371,744,698	**1,014,447,328**	717,746,946	803,212,857
LOSS BEFORE SHARE IN NET INCOME OF SUBSIDIARIES AND ASSOCIATES	**(128,329,081)**	(228,730,957)	(66,093,256)	**(396,148,321)**	(208,480,541)	(317,717,505)
SHARE IN NET INCOME (LOSS) OF SUBSIDIARIES (Note 9)	–	–	––	**177,688,533**	(65,486,801)	174,546,251
SHARE IN NET INCOME OF ASSOCIATES (Note 9)	**838,421,694**	683,419,496	495,120,126	**828,452,538**	677,100,843	497,257,213
INCOME BEFORE INCOME TAX	**710,092,613**	454,688,539	429,026,870	**609,992,750**	403,133,501	354,085,959
PROVISION FOR INCOME TAX (Note 23)	**155,562,996**	90,339,913	81,063,762	**58,107,844**	39,115,563	13,906,296
NET INCOME	**₱554,529,617**	₱364,348,626	347,963,108	**₱551,884,906**	₱364,017,938	₱340,179,663
Attributable to:						
Equity holders of the Parent Company	**₱551,884,906**	₱364,017,938	₱340,179,663			
Non-controlling interests	**2,644,711**	330,688	7,783,445			
	₱554,529,617	₱364,348,626	₱347,963,108			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 26)	**₱74.1**	₱48.9	₱45.7			

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
NET INCOME	**₱554,529,617**	₱364,348,626	₱347,963,108	**₱551,884,906**	₱364,017,938	₱340,179,663
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Changes in net unrealized gain (loss) on FVOCI debt investments (Note 6)	**73,045,394**	(44,393,312)	871,389	**73,419,090**	(42,633,918)	–
Cumulative translation adjustment	**3,422,187**	(4,196,970)	13,892,361	**3,422,187**	(4,196,970)	13,892,361
Share in other comprehensive income (loss) of subsidiaries (Note 9)	**–**	–	–	**(1,312,140)**	(1,759,394)	871,389
Share in other comprehensive income (loss) of associates (Note 9)	**250,679,818**	(505,320,432)	(249,364,872)	**250,679,818**	(505,320,432)	(249,364,872)
Other comprehensive loss attributable to puttable instruments	–	–	(619,982)	–	–	–
	327,147,399	(553,910,714)	(235,221,104)	**326,208,955**	(553,910,714)	(234,601,122)
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurements of retirement liability (Note 19)	**(46,901,819)**	(30,830,688)	43,334,170	**(36,160,578)**	(28,141,358)	38,171,813
Changes in net unrealized gain (loss) on FVOCI equity investments (Note 6)	**75,880,989**	(235,616,218)	79,462,157	**(36,489,572)**	(198,041,596)	40,719,626
Share in other comprehensive income (loss) of subsidiaries (Note 9)	**–**	–	–	**102,627,062**	(39,450,155)	43,814,889
Share in other comprehensive income (loss) of associates (Note 9)	**(3,904,431)**	419,310,920	305,254,334	**(3,904,431)**	419,310,920	305,254,333
	25,074,739	152,864,014	428,050,661	**26,072,481**	153,677,811	427,960,661
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**352,222,138**	(401,046,700)	192,829,557	**352,281,436**	(400,232,903)	193,359,539
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX	**₱906,751,755**	(₱36,698,074)	₱540,792,665	**₱904,166,342**	(₱36,214,965)	₱533,539,202

ATTRIBUTABLE TO:		
Equity holders of the Parent Company	**₱904,166,342**	(₱36,214,965)
Non-controlling interests	**2,585,413**	(483,109)
	₱906,751,755	(₱36,698,074)

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

	Consolidated										
			Equity Attributable to Equity Holders of the Parent Company								
	Common Stock (Note 16)	Capital Paid in Excess of Par Value (Note 16)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Net Unrealized Gain (Loss) on FVOCI Investments (Notes 6 and 24)	Remeasurements of Retirement Liability (Note 19)	Cumulative Translation Adjustment	Equity in Other Comprehensive Income (Loss) of Associates (Note 9)	Total	Non-Controlling Interest	Total Equity
Balance at January 1, 2023	**₱4,208,692,400**	**₱2,065,694,042**	**₱12,803,987,348**	**(₱2,662,030,617)**	**(₱786,509,869)**	**₱7,250,192**	**₱20,642,245**	**(₱165,304,822)**	**₱15,492,420,919**	**₱99,083,225**	**₱15,591,504,144**
Total comprehensive income (loss)	–	–	**551,884,906**	–	**148,926,383**	**(46,842,521)**	**3,422,187**	**246,775,387**	**904,166,342**	**2,585,413**	**906,751,755**
Dividends (Note 16)	–	–	–	–	–	–	–	–	–	**(30,000,000)**	**(30,000,000)**
Issuance of common stock (Note 16)	**100**	**319**	–	–	–	–	–	–	**419**	–	**419**
Acquisition of treasury shares (Note 16)	–	–	–	**(1,321,087)**	–	–	–	–	**(1,321,087)**	–	**(1,321,087)**
Realized loss on disposal charged against surplus (Note 6)	–	–	**(85,227,265)**	–	**85,227,265**	–	–	–	–	–	–
Balance at December 31, 2023	**₱4,208,692,500**	**₱2,065,694,361**	**₱13,270,644,989**	**(₱2,663,351,704)**	**(₱552,356,221)**	**(₱39,592,329)**	**₱24,064,432**	**₱81,470,565**	**₱16,395,266,593**	**₱71,668,638**	**₱16,466,935,231**
Balance at January 1, 2022	₱4,208,692,400	₱2,065,694,042	₱12,438,271,410	(₱2,662,030,617)	(₱505,616,136)	₱38,080,880	₱24,839,215	(₱79,295,310)	₱15,528,635,884	₱103,166,334	₱15,631,802,218
Total comprehensive income (loss)	–	–	364,017,938	–	(279,195,733)	(30,830,688)	(4,196,970)	(86,009,512)	(36,214,965)	(483,109)	(36,698,074)
Dividends (Note 16)	–	–	–	–	–	–	–	–	–	(3,600,000)	(3,600,000)
Realized loss on disposal charged against surplus (Note 6)	–	–	1,698,000	–	(1,698,000)	–	–	–	–	–	–
Balance at December 31, 2022	₱4,208,692,400	₱2,065,694,042	₱12,803,987,348	(₱2,662,030,617)	(₱786,509,869)	₱7,250,192	₱20,642,245	(₱165,304,822)	₱15,492,420,919	₱99,083,225	₱15,591,504,144
Balance at January 1, 2021	₱4,208,692,400	₱2,065,694,042	₱12,104,185,197	(₱2,661,979,203)	(₱591,953,132)	(₱5,253,290)	₱10,946,854	(₱135,184,772)	₱14,995,148,096	₱95,912,871	₱15,091,060,967
Total comprehensive income (loss)	–	–	340,179,663	–	80,243,546	43,334,170	13,892,361	55,889,462	533,539,202	7,253,463	540,792,665
Acquisition of treasury shares (Note 17)	–	–	–	(51,414)	–	–	–	–	(51,414)	–	(51,414)
Realized loss on disposal charged against surplus (Note 6)	–	–	(6,093,450)	–	6,093,450	–	–	–	–	–	–
Balance at December 31, 0221	₱4,208,692,400	₱2,065,694,042	₱12,438,271,410	(₱2,662,030,617)	(₱505,616,136)	₱38,080,880	₱24,839,215	(₱79,295,310)	₱15,528,635,884	₱103,166,334	₱15,631,802,218

Parent Company

	Common Stock (Note 16)	Capital Paid in Excess of Par Value (Note 16)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Net Unrealized Gain (Loss) on FVOCI Investments (Notes 6 and 24)	Remeasurements of Retirement Liability (Note 19)	Cumulative Translation Adjustment (Note 9)	Equity in Other Comprehensive Income (Loss) of Associates (Note 9)	Total Equity
Balance at January 1, 2023	**₱4,208,692,400**	**₱2,065,694,042**	**₱12,803,987,348**	**(₱2,662,030,617)**	**(₱786,509,869)**	**₱7,250,192**	**₱20,642,245**	**(₱165,304,822)**	**₱15,492,420,919**
Total comprehensive income (loss)	**–**	**–**	**551,884,906**	**–**	**148,926,383**	**(46,842,521)**	**3,422,187**	**246,775,387**	**904,166,342**
Issuance of common stock (Note 16)	**100**	**319**	**–**	**–**	**–**	**–**	**–**	**–**	**419**
Acquisition of treasury shares (Note 16)	**–**	**–**	**–**	**(1,321,087)**	**–**	**–**	**–**	**–**	**(1,321,087)**
Realized gain on disposal charged against surplus (Note 6)	**–**	**–**	**(85,227,265)**	**–**	**85,227,265**	**–**	**–**	**–**	**–**
Balance at December 31, 2023	**₱4,208,692,500**	**₱2,065,694,361**	**₱13,270,644,989**	**(₱2,663,351,704)**	**(₱552,356,221)**	**(₱39,592,329)**	**₱24,064,432**	**₱ 81,470,565**	**₱16,395,266,593**
Balance at January 1, 2022	₱4,208,692,400	₱2,065,694,042	₱12,438,271,410	(₱2,662,030,617)	(₱505,616,136)	₱38,080,880	₱24,839,215	(₱79,295,310)	₱15,528,635,884
Total comprehensive income (loss)	–	–	364,017,938	–	(279,195,733)	(30,830,688)	(4,196,970)	(86,009,512)	(36,214,965)
Acquisition of treasury shares (Note 16)	–	–	–	–	–	–	–	–	–
Realized gain on disposal charged against surplus (Note 6)	–	–	1,698,000	–	(1,698,000)	–	–	–	–
Balance at December 31, 2022	₱4,208,692,400	₱2,065,694,042	₱12,803,987,348	(₱2,662,030,617)	(₱786,509,869)	₱7,250,192	₱20,642,245	(₱165,304,822)	₱15,492,420,919
Balance at January 1, 2021	₱4,208,692,400	₱2,065,694,042	₱12,104,185,197	(₱2,661,979,203)	(₱591,953,132)	(₱5,253,290)	₱10,946,854	(₱135,184,772)	₱14,995,148,096
Total comprehensive income	–	–	340,179,663	–	80,243,546	43,334,170	13,892,361	55,889,462	533,539,202
Acquisition of treasury shares (Note 17)	–	–	–	(51,414)	–	–	–	–	(51,414)
Realized loss on disposal charged against surplus (Note6)	–	–	(6,093,450)	–	6,093,450	–	–	–	–
Balance at December 31, 2021	₱4,208,692,400	₱2,065,694,042	₱12,438,271,410	₱2,662,030,617)	(₱505,616,136)	₱38,080,880	₱24,839,215	(₱79,295,310)	₱15,528,35,884

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱710,092,613**	₱454,688,539	₱429,026,870	**₱609,992,750**	₱403,133,501	₱354,085,959
Adjustments for:						
Gain on sale of FVOCI debt investments (Note 6)	**16,174**	(33,473)	(90,000)	**16,174**	(33,473)	(90,000)
Gain from redemption of Investment in subsidiaries and associates (Note 9)	**–**	–	–	**–**	(59,553,541)	–
Share in net income of associates (Note 9)	**(838,421,694)**	(683,419,496)	(495,120,126)	**(828,452,538)**	(677,100,843)	(497,257,213)
Share in net (income) loss of subsidiaries (Note 9)	–	–	–	**(177,688,533)**	65,486,801	(174,546,251)
Dividend income (Notes 6 and 9)	**(238,169,197)**	(189,184,985)	(142,764,017)	**(26,529,598)**	(27,663,729)	(21,154,641)
Depreciation and amortization (Notes 8, 10 and 11)	**68,223,282**	74,346,674	76,616,952	**42,921,485**	48,742,779	52,929,065
Interest expense on lease liability (Notes 18 and 21)	**3,308,574**	3,137,801	2,812,629	**799,790**	1,573,691	1,274,547
Provision for (recovery from) impairment, credit, and other probable losses (Note 12)	**438,613,209**	169,159,028	128,666,709	**438,528,073**	169,592,316	127,734,085
Unrealized foreign exchange loss (gain)	**25,902**	(17,124,718)	(5,707,062)	**25,902**	(8,189,532)	1,286,422
Loss (gain) on sale of:						
Property and equipment (Note 8)	**(625,214)**	(3,336,662)	59,514	**(222,636)**	(3,397,981)	–
Investment properties (Note 10)		(16,100,980)	–		(16,100,980)	–
Amortization of premium or discount on financial assets	**(52,375,946)**	(893,393)	57,282	**(10,989,911)**	(3,444,839)	–
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Investment securities at FVTPL	**(81,422,766)**	905,728,182	464,484,512	**–**	813,246,005	162,185,264
Loans and receivables	**476,769,053**	938,839,825	167,652,073	**19,511,336**	353,552,096	79,668,297
Other assets	**(130,421,153)**	(58,062,795)	(16,146,571)	**(14,731,365)**	902,710	(7,980,109)
Increase (decrease) in the amounts of:						
Accounts payable	**(560,314,255)**	(679,400,475)	493,258,521	**9,038,057**	(20,460,164)	(18,998,092)
Accrued taxes, interest and other expenses	**27,148,986**	(37,920,823)	9,471,411	**22,786,393**	(4,695,029)	(14,494,601)
Other liabilities	**92,819,782**	(582,532,071)	2,265,840,291	**5,393,152**	(15,816,176)	44,586,182
Net cash generated from (used in) operations	**(84,732,650)**	277,890,178	3,378,118,988	**90,398,531**	1,019,773,612	89,228,914
Income taxes paid	**(155,943,978)**	(80,293,446)	(77,712,103)	**(57,484,193)**	(24,695,086)	(18,214,406)
Net cash provided by (used in) operating activities	**(240,676,628)**	197,596,732	3,300,406,885	**32,914,338**	995,078,526	71,014,508
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI	**(2,682,923,228)**	(12,168,113,225)	–	**(1,073,116,292)**	(8,337,142,653)	–
Investment securities at amortized cost	**(1,201,649,493)**	(3,393,411,593)	(4,145,315,148)	**–**	–	–
Property and equipment (Note 8)	**(33,920,930)**	(26,236,954)	(30,816,835)	**(19,064,787)**	(8,236,477)	(16,315,372)
Software licenses (Note 11)	**(897,163)**	(6,292,974)	(7,147,774)	**(506,092)**	(4,940,150)	(2,952,649)
Loans and receivables	**–**	(323,978,000)	(752,450,000)	**–**	–	–
Capital infusion to subsidiaries (Note 9)	**–**	–	–	**(50,000,001)**	(417,727,457)	–

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
Proceeds from sale/redemption/ maturities of:						
Investment securities at FVOCI	₱2,016,515,717	₱7,821,798,205	₱12,071,550	₱935,702,716	₱4,935,977,348	₱–
Investment securities at amortized cost	1,143,822,197	6,613,570,914	670,609,664	–	–	–
Loans and receivables	203,859,500	494,667,000	–	–	–	–
Property and equipment (Note 8)	1,284,407	6,019,976	1,954,303	839,327	4,854,427	1,723,130
Investment in subsidiaries and associates (Note 9)	–	–	–	50,000,001	417,727,457	899,722,842
Investment properties (Note 10)	–	17,228,000	–	–	17,228,000	
Dividends received from investment securities	234,688,882	189,184,985	142,764,017	26,529,598	27,663,729	21,154,641
Dividends received from subsidiaries and associates (Note 9)	–	400,148,095	696,032,250	100,350,000	468,548,095	702,090,750
Net cash used in investing activities	(319,220,111)	(375,415,571)	(3,412,297,973)	(29,265,530)	(2,896,047,681)	1,605,423,342
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuance of bills payable	170,161,364	7,408,836,475	50,310,357,500	170,161,364	7,408,836,475	50,310,357,500
Payments of bills payable	(170,187,266)	(7,409,195,148)	(54,167,937,957)	(170,187,266)	(7,409,195,148)	(54,167,937,957)
Payments of lease liability (Note 21)	(38,575,487)	(36,068,262)	(44,820,274)	(25,677,161)	(22,727,398)	(44,820,274)
Dividends paid	(146,829)	–	(99,290)	(146,829)	–	(99,290)
Issuance of common shares	419	–	–	419	–	–
Acquisition of treasury shares (Note 16)	(1,321,087)	–	(51,414)	(1,321,087)	–	(51,414)
Net cash used in financing activities	(40,068,886)	(36,426,935)	(3,902,551,435)	(27,170,560)	(23,086,071)	(3,902,551,435)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(599,965,625)	(214,245,774)	(4,014,442,523)	(23,521,752)	(1,924,055,226)	(2,213,063,990)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,944,935,883	7,159,181,657	11,173,624,180	1,269,171,172	3,193,226,398	5,406,290,388
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱6,344,970,258	₱6,944,935,883	₱7,159,181,667	₱1,245,649,420	₱1,269,171,172	₱3,193,226,398

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
Interest paid	₱3,372,804	₱9,050,571	₱30,855,262	₱64,229	₱5,758,5919	₱26,530,677
Interest received	780,548,043	345,830,808	279,265,557	276,977,329	105,177,382	103,573,799

See accompanying Notes to Financial Statements

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

First Metro Investment Corporation (the Parent Company) is an investment house incorporated on August 30, 1972 in Metro Manila. On September 22, 2000, the Parent Company was merged with Solidbank Corporation (Solidbank) with Solidbank as the surviving entity and subsequently renamed as First Metro Investment Corporation. The Parent Company's shares of stock (originally Solidbank) were listed in the Philippine Stock Exchange, Inc. (PSE) on October 25, 1963 and were subsequently delisted effective December 21, 2012. The Parent Company is a 99.3%-owned subsidiary of Metropolitan Bank & Trust Company (MBTC or Ultimate Parent Company).

The Parent Company is primarily engaged in investment banking and has a quasi-banking license from the Bangko Sentral ng Pilipinas (BSP). It provides services such as equity and debt underwriting and private placements, loan syndication and arrangements, financial advisory and securities dealership. On November 24, 2020, in line with the transformation initiative of the Parent Company, the Board of Directors (BOD) approved the proposal to return its quasi-banking (QB) license with the BSP on December 21, 2020. On March 29, 2021, the Parent Company received the approval of the BSP for the surrender of its QB license effective March 25, 2021.

<u>Amendments on the Articles of Incorporation</u>
On March 29, 2021 and April 30, 2021, the BOD and the stockholders approved respectively, by majority vote in case of BOD, and by at least two-thirds of outstanding capital stocks in case of stockholders, the amendment of artiles of incorporation, pertaining to (1) removal in the primary purpose to engage in quasi-banking and trust activities in view of the recent approval of the BSP of the surrender of the quasi-bank license and the surrender of the trust licensee, and (2) the increase in part value from ₱10.00 per share to ₱500.00 per share, and decrease the number of authorized common shares from 800.0 million common shares to 16.0 million common shares. On August 2, 2023, the Company had notified the SEC in relation to the amendments of articles of incorporation, as well as the stock split. On September 15, 2023, the SEC approved the amendments of the articles of incorporation. Following the SRC Rule 17.2.3, and as a result of the amendment, the Company now falls outside the definition of a public company.

The Parent Company's principal place of business is located at 45th Floor, GT Tower International, Ayala Avenue corner H.V. dela Costa Street, Makati City.

2. Accounting Policies

<u>Basis of Preparation</u>
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) . 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 and of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Presentation of Financial Statements
The statements of financial position of the Group and of the Parent Company are presented in order of liquidity. An analysis regarding the recovery of assets or settlement of liabilities within twelve (12) months after the statement of financial position date (current) and more than twelve (12) months after the statement of financial position date (noncurrent) is presented in Note 15.

Basis of Consolidation
The Group's consolidated financial statements comprise the financial statements of the Parent Company and the following wholly owned and majority owned subsidiaries.

			Effective Percentage of Ownership	
Subsidiaries	**Principal Activities**	**Country of Incorporation**	**2023**	2022
First Metro Securities Brokerage Corporation (FMSBC)	Stock Brokerage	The Republic of the Philippines	**100.0**	100.0
PBC Capital Investment Corporation (PBC)	Holding Company	-do-	**100.0**	100.0
First Metro Insurance Agency, Inc.	Insurance	-do-	**100.0**	100.0
First Metro Insurance Brokers Corporation (FMIBC)	-do-	-do-	**100.0**	100.0
Prima Ventures Development Corporation (PVDC)	Holding Company	-do-	**100.0**	100.0
FMIC Equities, Inc. (FEI)	Holding Company	-do-	**100.0**	100.0
SBC Properties, Inc. (SPI)	Real Estate	-do-	**100.0**	100.0
Resiliency (SPC), Inc. (Resiliency)	Financial Holding Company	-do-	**100.0**	100.0
First Metro Save and Learn Dollar Bond Fund, Inc. (FMSLDBF)	-do-	-do-	**26.1**	28.6
First Metro Philippine Equity Exchange Traded Fund, Inc. (FMPEETFI)	Exchange Traded Fund	-do-	**27.7**	26.6
First Metro Asset Management, Inc. (FAMI)	Asset Management	-do-	**70.0**	70.0
First Metro Save and Learn Equity Fund, Inc. (FMSALEF)	Mutual Fund	-do-	**13.0**	13.4
First Metro Save and Learn Balanced Fund, Inc. (FMSALBF)	-do-	-do-	**18.9**	17.0
First Metro Save and Learn Fixed Income Fund (FMSLFIF)	-do-	-do-	**7.4**	11.0
First Metro Save and Learn Money Market Fund, Inc. (FMSLMMF)	-do-	-do-	**20.3**	21.0
First Metro Save and Learn F.O.C.C.U.S. Dynamic Dividend Fund, Inc.	-do-	-do-	–	4.7

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 re-assesses 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 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.

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

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

Amendments to PAS 12, *International Tax Reform-Pillar Two Model Rules*
The amendments to PAS 12 have been introduced in response to the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is (substantively) enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes, including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. For example:

a) Qualitative information such as how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and
b) Quantitative information such as:
   - An indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average tax rate applicable to those profits; or
   - An indication of how the entity's overall effective tax rate would have changed if Pillar Two legislation had been effective.

Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in the various jurisdictions in which it operates. The Group has determined that it will not be subject to Pillar Two taxes once the legislation becomes effective since its effective tax rate is above 15% in all the jurisdictions in which it operates. Therefore, as the related Pillar Two disclosures are not required, the amendments will have no impact on the Group's combined financial statements as at December 31, 2023.

Amendments to PAS 12, *Income Taxes, Deferred tax related to assets and liabilities arising from a single transaction*
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of accounting estimates*
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

In applying the materiality requirements of the amendments for accounts and transactions of the Group, the Group considers the test of materiality rules under the Revised SRC Rule 68 (2019) and SEC Memo No. 8, series of 2009.

Material Accounting Policiy Information

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 First Metro Save and Learn Dollar Bond Fund (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 Groupers 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) for the year. 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 or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities valued at FVTPL, the initial measurement of financial instruments includes transaction costs.

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: investment securities at FVTPL, investment securities at FVOCI and investment securities 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 assess 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 gains (losses)' 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
Investment securities 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 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 be affected 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
The Group records 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. The Group considers the impact of forward-looking information based on 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.

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 Group 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 Group 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.

As of December 31, 2023, 2022 and 2021, the Group has no outstanding exposures that qualifies for hedge accounting.

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.

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 or joint control 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 in the 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 or 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 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 presented within Note 8, Property and equipment and 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 Non-financial 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 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, arrangement 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 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. 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 investment securities 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 gains and losses on disposals of financial instruments classified as at fair value through 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 are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements [unless otherwise indicated].

Effective beginning on or after January 1, 2024
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current, Liabilities with Covenants*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7: *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

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*

3. **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.

Unless otherwise stated, below significant judgments and estimates apply as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023.

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 27.7%, 13.0%, 18.9%, and 7.4% in First Metro Philippines Equity Exchange Traded Fund, Inc. (FMPEETFI), First Metro Save and Learn Equity Fund (FMSALEF), First Metro Save and Learn Balanced Fund (FMSALBF) and First Metro Save and Learn Fixed Income Fund (FMSLFIF), respectively, as of December 31, 2023 and 26.6%, 13.4%, 17.0%, and 11.0%, respectively, as of December 31, 2022. The Group assessed that control over FMPEETFI, FMSLFIF, FMSALEF and FMSALBF (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), an Associate, 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 on 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.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2023 and 2022 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 12.

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 the fair value less cost to sell includes assumptions on discount on observable prices due to lack of marketability, and the cost to sell inputs, whiles the 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. The carrying value of investments in subsidiaries and associates of the Group and the Parent Company are disclosed in Note 9.

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).

As of December 31, 2023 and 2022, the Parent Company and certain subsidiaries of the Group did not recognize deferred tax assets on NOLCO and carryforward benefits of MCIT. The Group assessed based on projection of taxable income that it is not probable that these temporary differences will be realized before the three-year expiration for those incurred before 2023 and five-year expiration for those incurred in 2023. The income of these subsidiaries mainly pertains to trading gains and interest income which are not subject to regular corporate income tax.

The carrying amount of deferred tax assets and liabilities and the unrecognized deferred tax assets, for both the Group and the Parent Company, are disclosed in more detail in Note 23.

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.

As of December 31, 2023 and 2022, the balance of the Group's present value of defined benefit obligations and other employee benefits and the assumptions used in the actuarial valuation are shown in Note 19.

4. 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.
- 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 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.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum credit risk exposure (net of allowance) relating to financial assets with collateral or other credit enhancements is shown below:

	Consolidated							
	2023				2022			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Loans and receivables - net								
Loans and discounts								
Others	**5,348,147**	**1,643,955,000**	**5,348,147**	**–**	3,351,141	4,666,528	3,351,141	–
Total	**₱5,348,147**	**₱1,643,955,000**	**₱5,348,147**	**–**	₱3,351,141	₱4,666,528	₱3,351,141	₱–

	Parent Company							
	2023				2022			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Loans and receivables - net								
Loans and discounts								
Others	**1,442,203**	**1,638,000,000**	**1,442,203**	**–**	–	–	–	–
	₱1,442,203	**₱1,638,000,000**	**₱1,442,203**	**₱–**	₱–	₱–	₱–	₱–

As of December 31, 2023 and 2022, the Group's maximum exposure for loans and receivables without collateral or other credit enhancements amounted to ₱1.32 billion and P1.72 billion, respectively, while the Parent Company's maximum exposure for loans and receivables without collateral or other credit enhancements amounted to ₱319.42 million and ₱58.58 million, respectively.

For the other financial assets of the Group and of the Parent Company not presented in the table above, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2023 and 2022.

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. Collateral valuations are monitored periodically by an independent unit of the Parent Company. Collateral, usually, is not held against investment securities and no such collateral was held as of December 31, 2023 and 2022.

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 quarterly 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.

Concentration of risks of financial assets with credit risk exposure
An analysis of concentrations of credit risk by industry at the statement of financial position date is shown below (amounts shown gross of allowance for credit losses):

	Consolidated			
	2023			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Financial intermediaries	**₱826,368,661**	**₱6,344,826,753**	**₱655,965,723**	**₱ 7,827,161,137**
Philippine government	**48,110,978**	–	**7,323,738,503**	**7,371,849,481**
Real estate, renting and business activities	**268,548**	–	**211,844,168**	**212,112,716**
Manufacturing	**2,586,135**	–	**213,915,118**	**216,501,253**
Transportation and storage	**81,825**	–	**42,993,698**	**43,075,523**
Electricity, gas and water	**637,931**	–	**23,000,000**	**23,637,931**
Others (various industries)	**₱480,507,309**	–	–	**480,507,309**
	₱1,358,561,387	**₱6,344,826,753**	**₱8,471,457,210**	**₱16,174,845,350**

* *Comprises of Cash and other cash items excluding petty cash fund which amounted to ₱143,504.*
** *Comprises of Debt investment securities at FVTPL, FVOCI and Amortized cost.*

	Consolidated			
	2022			
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
Financial intermediaries	₱756,194,716	₱6,944,780,557	₱385,342,618	₱8,086,317,891
Philippine government	40,813,790	–	6,161,089,822	6,201,903,612
Real estate, renting and business activities	2,751,995	–	252,155,191	254,907,186
Manufacturing	670,732	–	286,919,026	287,589,758
Transportation and storage	82,394	–	38,827,100	38,909,494
Electricity, gas and water	10,100	–	26,439,796	26,449,896
Others (various industries)	961,203,515	–	–	961,203,515
	₱1,761,727,242	₱6,944,780,557	₱7,150,773,553	₱15,857,281,352

* *Comprises of Cash and other cash items excluding petty cash fund which amounted to ₱155,326.*
** *Comprises of Debt investment securities at FVTPL, FVOCI and Amortized cost.*

	Parent Company			
	2023			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Philippine government	**₱19,643,279**	**₱1,245,569,420**	**₱3,583,816,103**	**₱ 4,849,028,802**
Financial intermediaries	**295,454,923**	**–**	**–**	**295,454,923**
Others (various industries)	**₱6,650,621**	**–**	**–**	**6,650,621**
	₱321,748,823	**₱1,245,569,420**	**₱3,583,816,103**	**₱5,151,134,346**

* *Comprises of Cash and other cash items excluding petty cash fund which amounted to ₱80,000.*
** *Comprises of Debt investment securities at FVOCI.*

	Parent Company			
	2022			
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
Philippine government	₱28,478,186	₱–	₱3,362,009,699	₱3,390,487,885
Financial intermediaries	7,063,748	1,269,091,172	–	1,276,154,920
Electricity, gas and water	10,100	–	–	10,100
Others (various industries)	33,411,295	–	–	33,411,295
	₱68,963,329	₱1,269,091,172	₱3,362,009,699	₱4,700,064,200

* *Comprises of Cash and other cash items excluding petty cash fund which amounted to ₱80,000.*
** *Comprises of Debt investment securities at FVOCI.*

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.

   The assessment is described below:

Component	Description	Credit Factor Weight
Financial Condition	Refers to the financial condition of the borrower as indicated by certain financial ratios.	40.0%
Industry Analysis	Refers to the prospects of the industry as well as the company's performance and position in the industry.	30.0%
Management Quality	Refers to the management's ability to run the company successfully.	30.0%

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.

The following table shows the description of ICRRS grade as well as the mapping of ICRRS to external credit ratings:

Credit Quality	ICRRS Grade	Description	Moody's/S&P/Fitch Rating Notations	MBRR
High Grade	1	Excellent	AAA	AAA
			Aa1/A+	
			Aa2AA	
			Aa3/AA-	
	2	Strong	A1/A+	A+
			A2/A	A
			A3/A-	A-
Standard Grade	3	Good	Baa/BBB+	BBB+
			Baa2/BBB	BBB
			Baa3/BBB-	BBB-
	4	Satisfactory	Ba1/BB+	BB+
			Ba2/BB	BB
			Ba3/BB-	BB-
	5	Acceptable	B1/B+	B+
			B2/B	B
			B3/B-	B-
Substandard Grade	6	Watchlist	Caa/CCC+	CCC+
	7	Especially mentioned	Caa2/CCC	CCC
Impaired	8	Substandard	Caa3/CCC-	CCC-
	9	Doubtful	D	D
	10	Loss	E	E

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.

<u>Risk Rating References - Investment Securities</u>
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.

The following are applied in classifying the credit exposure into the PFRS 9 stages along with the corresponding PD to be assigned:

Stages	Status	PD
Stage 1	Current	12-month PD
Stage 2	Current	Lifetime PD
Stage 3	Item in Litigation ("ITL") or past due	100% PD

The Group considers investments in financial assets that are investment grade as low credit risk.

The following tables show the credit quality of the Group and the Parent Company's financial assets, gross of allowance for credit losses, as of December 31, 2023 and 2022, all of which are classified as Stage 1.

	2023		2022	
	Consolidated	**Parent**	Consolidated	Parent
Due from Other Banks				
High Grade	**₱6,042,517,784**	**₱1,245,569,420**	₱6,711,707,201	₱1,269,091,172
Unrated	**302,308,969**	**–**	233,073,357	–
	6,344,826,753	**1,245,569,420**	6,944,780,558	1,269,091,172
Total Loans and Advances to Banks				
High Grade	**6,042,517,784**	**1,245,569,420**	6,711,707,201	1,269,091,172
Unrated	**302,308,969**	**–**	233,073,357	–
	₱6,344,826,753	**₱1,245,569,420**	₱6,944,780,558	₱1,269,091,172
FVOCI Investments				
Government				
High Grade	**₱5,135,918,622**	**₱3,583,816,103**	₱4,344,956,380	₱3,362,009,699
Standard Grade	**–**	**–**	550,149	–
	5,135,918,622	**3,583,816,103**	4,345,506,529	3,362,009,699
Total FVOCI Investments				
High Grade	**5,135,918,622**	**3,583,816,103**	4,344,956,380	3,362,009,699
Standard Grade	**–**	**–**	550,149	–
	₱5,135,918,622	**₱3,583,816,103**	₱4,345,506,529	₱3,362,009,699
Investment Securities at Amortized Cost				
Government				
High Grade	**₱1,261,158,698**	**₱–**	₱1,127,925,227	₱–
Standard Grade	**–**	**–**	138,574,244	–
	1,261,158,698	**–**	1,266,499,471	–

(Forward)

	2023		2022	
	Consolidated	**Parent**	Consolidated	Parent
Private				
High Grade	₱243,949,692	₱–	₱72,279,106	₱–
Standard Grade	630,848,984	–	729,473,012	–
	874,798,676	–	801,752,118	–
Total Investment Securities at Amortized Cost				
High Grade	1,505,108,391	–	1,200,204,333	–
Standard Grade	630,848,984	–	868,047,256	–
	2,135,957,375	–	2,068,251,589	–
Total Investment Securities				
High Grade	6,641,027,013	–	5,545,160,713	–
Standard Grade	630,848,984	–	868,597,404	–
	₱7,271,875,997	₱3,583,816,103	₱6,413,758,117	₱–
Loans and Discount				
Standard Grade	₱40,000,000	₱–	₱40,000,000	₱–
Unrated	11,083,174	5,327,439	7,419,896	2,500,324
	51,083,174	5,327,439	47,419,896	2,500,324
Unquoted commercial papers				
High Grade	412,901,500	–	616,761,000	–
Standard Grade	30,000,000	–	30,000,000	–
	442,901,500	–	646,761,000	–
Accounts Receivable				
High Grade	28,271	28,271	16,394	16,394
Standard Grade	3,024,942	3,024,942	10,100	10,100
Substandard Grade	33,746,204		31,700,663	–
Unrated	456,718,859	1,323,182	958,700,178	45,004,802
	493,518,276	4,376,395	990,427,335	45,031,296
Accrued Interest Receivable				
High Grade	52,491,273	19,323,279	42,299,065	18,482,915
Standard Grade	24,610,991	10,927,277	29,484,966	2,948,794
Unrated	4,582,502	–	1,132,508	–
	81,684,766	30,250,556	72,916,539	21,431,709
Dividend Receivables				
High Grade	3,081,723	-	–	–
Standard Grade	284,569,812	281,794,433	–	–
Unrated	–	–	2,376,787	–
	287,651,535	281,794,433	2,376,787	–
Other Receivables				
Unrated	2,082,222	–	1,825,685	–
	2,082,222	–	1,825,685	–
Total Loans and Receivables				
High Grade	468,502,767	19,351,550	659,076,459	18,499,309
Standard Grade	382,205,745	295,746,652	99,495,066	2,958,894
Substandard Grade	33,746,204	–	31,700,663	–
Unrated	474,466,757	6,650,621	971,455,054	47,505,126
	₱1,358,921,473	₱321,748,823	₱1,761,727,242	₱68,963,329

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.

As of December 31, 2023 and 2022, the Group and the Parent Company has no outstanding past due but not impaired loans and receivables.

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 a 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.

The table below shows the maturity profile of the financial instruments:

	Consolidated 2023								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Assets									
Loans and advances									
Cash and other cash items	₱784,473,003	₱3,485,265,293	₱1,924,352,304	₱150,879,658	₱–	₱–	₱–	₱–	₱6,344,970,258
Financial assets at FVTPL									
Government debt securities	–	926,661,182	–	–	–	–	–	–	926,661,182
Private debt securities	–	272,920,031	–	–	–	–	–	–	272,920,031
Equity securities	–	6,805,899,504	–	–	–	–	–	–	6,805,899,504
Investment Securities at FVOCI									
Government debt securities	–	21,945	128,973,820	389,913,654	197,754,128	1,224,093,118	2,419,053,230	776,108,727	5,135,918,622
Private debt securities	–	–	–	–	–	–	–	–	–
Quoted equity investments	–	–	–	–	–	–	–	901,918,150	901,918,150
Unquoted equity investments	–	–	–	–	–	–	–	178,682,004	178,682,004
Investment Securities at amortized cost									
Government debt securities	–	–	350,051,887	217,502,819	205,963,175	339,045,263	29,301,798	119,293,756	1,261,158,698
Private debt securities	–	264,877,626	40,000,000	91,812,925	5,965,511	322,142,614	150,000,000	–	874,798,676
	–	8,270,380,288	519,025,707	699,229,398	409,682,814	1,885,280,995	2,598,355,028	1,976,002,637	16,357,956,867
Loans and receivables									
Loans and discounts									
Corporate lending	–	–	40,000,000	–	–	–	–	–	40,000,000
Others	287,500	7,051	79,257	299,702	546,297	2,314,920	5,966,243	1,582,204	11,083,174
	287,500	7,051	40,079,257	299,702	546,297	2,314,920	5,966,243	1,582,204	51,083,174
Unquoted commercial papers	–	–	15,000,000	15,000,000	–	412,901,500	–	–	442,901,500
Accrued interest receivable	–	–	81,684,766	–	–	–	–	–	81,684,766
Accounts receivable	–	–	493,518,276	–	–	–	–	–	493,518,276
Dividends receivable	–	–	287,651,535	–	–	–	–	–	287,651,535
Other receivables	–	–	2,082,222	–	–	–	–	–	2,082,222
	287,500	7,051	920,016,056	15,299,702	546,297	415,216,420	5,966,243	1,582,204	1,358,921,473
	₱784,760,503	₱11,755,652,632	₱3,363,394,067	₱865,408,758	₱410,229,111	₱2,300,497,415	₱2,604,321,271	₱1,977,584,841	₱24,061,848,598

(Forward)

	Consolidated 2023								
	On Demand	**Up to 1 Month**	**More than 1 Month**	**More than 3 Months**	**More than 6 Months**	**More than 1 Year**	**More than 2 Years**	**Beyond 5 Years**	**Total**
Financial Liabilities									
Accrued interest and other expenses	**₱–**	**₱–**	**₱87,309,745**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱87,309,745**
Accounts payable	–	–	**5,015,806,751**	–	–	–	–	–	**5,015,806,751**
Lease liabilities	–	–	**44,649,971**	–	–	–	–	–	**44,649,971**
Other liabilities	–	–	**159,252,374**	–	–	–	–	–	**159,252,374**
	–	–	**5,307,018,841**	–	–	–	–	–	**5,307,018,841**
Puttable instruments classified as liability	**10,260,352,772**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,260,352,772**
	₱10,260,352,772	**₱–**	**₱5,307,018,841**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱15,567,371,613**

	Consolidated 2022								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Assets									
Loans and advances									
Cash and other cash items	₱967,882,016	₱2,485,227,670	₱1,455,286,827	₱1,976,539,370	₱60,000,000	₱–	₱–	₱–	₱6,944,935,883
Financial assets at FVTPL									
Government debt securities	–	549,083,823	–	–	–	–	–	–	549,083,823
Private debt securities	–	187,931,612	–	–	–	–	–	–	187,931,612
Equity securities	–	7,187,042,516	–	–	–	–	–	–	7,187,042,516
Investment Securities at FVOCI									
Government debt securities	–	246,079,708	473,789,605	550,149	210,907,773		630,648,453	2,783,530,841	4,345,506,529
Private debt securities	–	–	–	–	–	–	–	–	
Quoted equity investments	–	–	–	–	–	–	–	889,396,482	889,396,482
Unquoted equity investments	–	–	–	–	–	–	–	123,419,820	123,419,820
Investment Securities at amortized cost									
Government debt securities	–	130,720,187	148,076,459	138,574,244	261,196,698	309,585,103	156,914,598	121,432,182	1,266,499,471
Private debt securities	–	–	30,199,340	–	278,439,796	270,112,982	223,000,000	–	801,752,118
	–	8,300,857,846	652,065,404	139,124,393	750,544,267	579,698,085	1,010,563,051	3,917,779,325	15,350,632,371
Loans and receivables									
Loans and discounts									
Corporate lending	–	–	40,000,000	–	–	–	–	–	40,000,000
Others	–	3,109	52,108	23,863	450,250	1,542,752	5,347,814	–	7,419,896
	–	3,109	40,052,108	23,863	450,250	1,542,752	5,347,814	–	47,419,896

(Forward)

	Consolidated 2022								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Unquoted commercial papers	₱–	₱–	₱203,859,500	₱–	₱–	₱442,901,500	₱–	₱–	₱646,761,000
Accrued interest receivable	–	–	72,916,539	–	–	–	–	–	72,916,539
Accounts receivable	–	–	990,427,335	–	–	–	–	–	990,427,335
Dividends receivable	–	–	2,376,787	–	–	–	–	–	2,376,787
Other receivables	–	–	1,825,685	–	–	–	–	–	1,825,685
	–	3,109	1,311,457,954	23,863	450,250	444,444,252	5,347,814	–	1,761,727,242
	₱967,882,016	₱10,786,088,625	₱3,418,810,185	₱2,115,687,626	₱810,994,517	₱1,024,142,337	₱1,015,910,865	₱3,917,779,325	₱24,057,295,496

	Consolidated 2022								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Liabilities									
Accrued interest and other expenses	₱–	₱–	₱70,175,034	₱–	₱–	₱–	₱–	₱–	₱70,175,034
Accounts payable	–	–	5,576,121,006	–	–	–	–	–	5,576,121,006
Lease liabilities	–	–	79,916,884	–	–	–	–	–	79,916,884
Other liabilities	–	–	315,523,876	–	–	–	–	–	315,523,876
	–	–	6,041,736,800	–	–	–	–	–	6,041,736,800
Puttable instruments classified as liability	10,139,294,090	–	–	–	–	–	–	–	10,139,294,090
	₱10,139,294,090	₱–	₱6,041,736,800	₱–	₱–	₱–	₱–	₱–	₱16,181,030,890

(Forward)

	Parent Company								
	2023								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Assets									
Loans and advances									
Cash and other cash items	₱16,424,520	₱630,187,067	₱549,037,833	₱50,000,000	₱–	₱–	₱–	₱–	₱1,245,649,420
Investment Securities at FVOCI									
Government debt securities	–	21,945	110,052,751	149,446,398	85,816,474	212,633,546	2,251,563,849	774,281,140	3,583,816,103
Quoted equity investments	–	–	–	–	–	–	–	793,578,000	793,578,000
Unquoted equity investments	–	–	–	–	–	–	–	178,682,004	178,682,004
	16,424,520	630,209,012	659,090,584	199,446,398	85,816,474	212,633,546	2,251,563,849	1,746,541,144	5,801,725,527
Loans and receivables									
Loans and discounts									
Others	–	3,595	68,546	198,464	371,993	731,412	2,371,226	1,582,203	5,327,439
	–	3,595	68,546	198,464	371,993	731,412	2,371,226	1,582,203	5,327,439
Accrued interest receivable	–	–	30,250,556	–	–	–	–	–	30,250,556
Accounts receivable	–	–	4,376,395	–	–	–	–	–	4,376,395
	–	3,595	34,695,497	198,464	371,993	731,412	2,371,226	1,582,203	39,954,390
	₱16,424,520	₱630,212,607	₱693,786,081	₱199,644,862	₱86,188,467	₱213,364,958	₱2,253,935,075	₱1,748,123,347	₱5,841,679,917
Financial Liabilities									
Accrued interest and other expenses	₱–	₱–	₱30,335,085	₱–	₱–	₱–	₱–	₱–	₱30,335,085
Accounts payable	–	–	218,561,122	–	–	–	–	–	218,561,122
Lease liabilities	–	–	11,890,739	–	–	–	–	–	11,890,739
Other liabilities	–	–	154,241,886	–	–	–	–	–	154,241,886
	₱–	₱–	₱415,028,832	₱–	₱–	₱–	₱–	₱–	₱415,028,832

	Parent Company								
	2022								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Assets									
Loans and advances									
Cash and other cash items	₱47,171,172	₱177,000,000	₱795,000,000	₱250,000,000	₱–	₱–	₱–	₱–	₱1,269,171,172
Investment Securities at FVOCI									
Government debt securities	–	1,999,298	–	–	196,919,590	–	381,334,312	2,781,756,499	3,362,009,699
Quoted equity investments	–	–	–	–	–	–	–	788,778,132	788,778,132
Unquoted equity investments	–	–	–	–	–	–	–	123,419,820	123,419,820
	–	1,999,298	–	–	196,919,590	–	381,334,312	3,693,954,451	4,274,207,651
Loans and receivables									
Loans and discounts									
Others	–	1,247	19,897	23,863	367,109	702,291	1,385,917	–	2,500,324
	–	1,247	19,897	23,863	367,109	702,291	1,385,917	–	2,500,324
Accrued interest receivable	–	–	21,431,709	–	–	–	–	–	21,431,709
Accounts receivable	–	–	45,031,296	–	–	–	–	–	45,031,296
	–	1,247	66,482,902	23,863	367,109	702,291	1,385,917	–	68,963,329
	₱47,171,172	₱179,000,545	₱861,482,902	₱250,023,863	₱197,286,699	₱702,291	₱382,720,229	₱3,693,954,451	₱5,612,342,152
Financial Liabilities									
Accrued interest and other expenses	₱–	₱–	₱17,516,060	₱–	₱–	₱–	₱–	₱–	₱17,516,060
Accounts payable	–	–	209,523,065	–	–	–	–	–	209,523,065
Lease liabilities	–	–	36,768,110	–	–	–	–	–	36,768,110
Other liabilities	–	–	256,850,128	–	–	–	–	–	256,850,128
	₱–	₱–	₱520,657,363	₱–	₱–	₱–	₱–	₱–	₱520,657,363

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. Majority of the Parent Company's loan portfolio have no repricing rate arrangements. The determination of the applicable rates is sourced from the Parent Company's approved lending rates. Lending rates are determined based on funding cost plus certain spreads. As of December 31, 2023 and 2022, total loans and discounts earned fixed annual interest rates ranging from 6.0% to 9.0% for both the Group and the Parent Company.

Another 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.

The tables below demonstrate the sensitivity to a reasonable possible change in interest rates with all other variables held constant, of the Group's income before tax (through the impact on interest for floating rate instruments and financial debt assets at FVTPL) and the Group's equity (through the impact on unrealized gain (loss) on FVOCI fixed rate debt securities).

	Consolidated						
	2023						
	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity 0 up to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	**+10**	**₱6,395,510**	**₱–**	**₱–**	**(₱3,526,105)**	**(₱31,006,131)**	**(₱34,532,236)**
USD	**+10**	**–**	**–**	**–**	**–**	**–**	**–**
Currency							
PhP	**-10**	**(6,395,510)**	**–**	**–**	**3,536,507**	**31,256,549**	**34,793,056**
USD	**-10**	**–**	**–**	**–**	**–**	**–**	**–**

	Consolidated						
	2022						
	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity				
			0 up to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	+10	₱16,697,272	₱–	₱–	(₱3,997,234)	(₱24,646,804)	(₱28,644,038)
USD	+10	–	–	–	(51,648)	(1,045,642)	(1,097,290)
Currency							
PhP	-10	(16,797,128)	–	–	4,009,349	24,852,385	28,861,734
USD	-10	–	–	–	51,724	1,056,505	1,108,229

	Parent Company						
	2023						
	Increase (Decrease) in basis points	**Sensitivity of net interest income and trading gains**	**Sensitivity of equity**				
			0 up to 6 months	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Total**
Currency							
PhP	**+10**	**₱1,250,897**	**₱–**	**(₱936,013)**	**(₱18,924,895)**	**₱–**	**(₱19,860,908)**
USD	**+10**	**–**	**–**	**–**	**–**	**–**	**–**
Currency							
PhP	**-10**	**(1,250,897)**	**–**	**939,367**	**19,083,618**	**–**	**20,022,985**
USD	**-10**	**–**	**–**	**–**	**–**	**–**	**–**

	Parent Company						
	2022						
	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity				
			0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	**+10**	**₱4,700,710**	**₱–**	**(₱926,487)**	**(₱18,065,439)**	**₱–**	**(₱18,991,926)**
USD	**+10**	**–**	**–**	**–**	**–**	**–**	**–**
Currency							
PhP	**-10**	**(16,797,128)**	**–**	**929,797**	**18,214,399**	**–**	**19,144,196**
USD	**-10**	**–**	**–**	**–**	**–**	**–**	**–**

The impact on the Group's equity already excludes the impact on transactions affecting the statement of income. The sensitivity to predetermined basis points of 10.0 is considered stressful enough for this purpose.

Market risk weighted assets
There are no interest rate and foreign exchange exposures for the Group as of December 31, 2023.

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.

The tables below summarize the Group and the Parent Company's exposure to foreign currency risk as of December 31, 2023 and 2022:

	Consolidated	
	2023	2022
Financial assets		
Loans and advances		
Cash and other cash items	**$440,632**	$1,260,070
Investment securities at FVTPL		
Government securities	**206**	211
Accounts receivable	**1,856**	1,722
	442,694	1,262,003
Financial liabilities		
Accounts payable	**314,879**	981,757
Net assets in foreign currency	**$127,815**	$280,246

	Parent Company	
	2023	2022
Financial assets		
Loans and advances		
Cash and other cash items	**$22,287**	$28,170
Financial liabilities		
Accounts payable	**15,382**	15,682
Net assets in foreign currency	**$6,905**	$12,488

The exchange rates used to convert the Group's US Dollar-denominated and Euro-denominated assets and liabilities into Philippine Peso follow:

	US Dollar-Philippine Peso
Exchange rate	
2023	**₱55.37 to US$1.0**
2022	₱55.76 to US$1.0

The following tables set forth the impact of the range of possible changes in the US Dollar-Philippine Peso exchange rate and Euro-Philippine Peso exchange rate on the Group's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2023 and 2022 (in millions):

	Consolidated and Parent Company			
	2023		2022	
Increase (Decrease)	**Change in Income Before Tax**	**Change in Equity**	Change in Income Before Tax	Change in Equity
US Dollar				
1.0%	**₱0.70**	**–**	₱0.16	–
(1.0%)	**(₱0.70)**	**–**	(₱0.16)	–

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 club 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.

The following tables set forth, for the period indicated, the impact of a reasonable possible change in the PSE index (PSEi), with all other factors being held constant, on the Group's unrealized gain or loss on held for trading securities:

	Consolidated			
	2023		2022	
Changes in PSEi	**12.40%**	**(12.40%)**	14.22%	(14.22%)
Change on trading income under:				
Holding firm industry	**₱271,188,294**	**(₱271,188,294)**	₱343,195,512	(₱343,195,512)
Property industry	**180,436,176**	**(180,436,176)**	210,502,725	(210,502,725)
Financial industry	**148,260,846**	**(148,260,846)**	159,968,891	(159,968,891)
Services industry	**114,537,687**	**(114,537,687)**	143,698,479	(143,698,479)
Industrial industry	**134,283,996**	**(134,283,996)**	168,977,008	(168,977,008)
Mining and oil industry	**3,821,816**	**(3,821,816)**	10,886,791	(10,886,791)
Total	**₱852,528,815**	**(₱852,528,815)**	₱1,037,229,406	(₱1,037,229,406)
As a percentage of the Group's net unrealized trading gain or loss for the year	**(5160.18%)**	**5160.18%**	(169.22%)	169.22%

The increase or decrease in PSEi will directly impact the statement of income of the Group.

As of December 31, 2023 and 2022, the Parent Company does not have equity investments measured at FVTPL.

The following tables set forth, for the period indicated, the impact of changes in the PSEi to the Group's and the Parent Company's unrealized gain or loss in OCI on FVOCI investments:

	Consolidated			
	2023		2022	
Changes in PSEi	**12.40%**	**(12.40%)**	14.22%	(14.22%)
Change on equity under:				
Financial industry	**₱23,669,172**	**(₱23,669,172)**	₱25,849,257	(₱25,849,257)
Industrial	**38,358,341**	**(38,358,341)**	43,117,110	(43,117,110)
Total	**₱62,027,513**	**(₱62,027,513)**	₱68,966,367	(₱68,966,367)
As a percentage of the Group's net unrealized gain in OCI for the year	**(11.23%)**	**11.23%**	(8.77%)	8.77%

	Parent Company			
	2023		2022	
Changes in PSEi	**12.40%**	**(12.40%)**	14.22%	(14.22%)
Change on equity under:				
Financial industry	**₱18,298,423**	**(₱18,298,423)**	₱19,983,827	(₱19,983,827)
Industrial	**38,348,630**	**(38,348,630)**	43,117,110	(43,117,110)
Total	**₱56,647,053**	**(₱56,647,053)**	₱63,100,937	(₱63,100,937)
As a percentage of the Parent Company's net unrealized gain in OCI for the year	**(10.26%)**	**10.26%**	(9.42%)	9.42%

The increase or decrease in PSEi will directly impact the equity of both the Group and the Parent Company.

5. **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 amortized 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 'Gordon Growth Model' of Dividend Discount Model (DDM) valuation technique. This approach derives the current value of the investment according to its estimated future cash flows arising from dividends. Dividends are discounted to present value using the Company's Weighted Average Costs of Capital (WACC). The assumptions reflect that the company will continue to distribute dividends to its stakeholders.

Club shares classified as financial assets at FVTPL are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period

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 are 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 (Note 10).

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

	Consolidated				
	2023				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial assets					
Financial assets at FVTPL:					
Debt securities:					
Government	**₱926,661,182**	**₱₱926,661,182**	**₱–**	**₱–**	**₱926,661,182**
Private	**272,920,031**	**272,920,031**	**–**	**–**	**272,920,031**
Equity securities	**6,805,899,504**	**6,805,899,504**	**–**	**–**	**6,805,899,504**

(Forward)

	Consolidated				
	2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Investment securities at FVOCI:					
Debt securities:					
Government	**₱5,135,918,622**	**₱5,135,918,622**	**₱–**	**₱–**	**₱5,135,918,622**
Equity securities	**1,080,600,154**	**901,918,150**	**33,653,716**	**145,028,288**	**1,080,600,154**
	₱14,221,999,493	**₱14,043,317,489**	**₱33,653,716**	**₱145,028,288**	**₱14,221,999,493**
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Corporate lending	**₱40,000,000**	**₱–**	**₱–**	**₱41,947,436**	**₱41,947,436**
Others	**11,083,174**	**–**	**–**	**11,297,256**	**11,297,256**
Other receivables:					
Unquoted commercial papers	**442,901,500**	**–**	**–**	**456,126,752**	**456,126,752**
Investment securities at Amortized Cost					
Government	**1,334,205,256**	**1,252,263,277**	**–**	**–**	**1,252,263,277**
Private	**801,752,118**	**847,562,721**	**–**	**–**	**847,562,721**
	₱2,629,942,048	**₱2,099,825,998**	**₱–**	**₱509,371,444**	**₱2,609,197,442**
Financial liabilities					
Puttable instruments classified as financial liability at FVTPL	**₱10,260,352,772**	**₱–**	**₱10,260,352,772**	**₱–**	**₱10,260,352,772**
Nonfinancial assets					
Investment properties	**₱178,854,985**	**₱–**	**₱–**	**₱560,746,620**	**₱560,746,620**

	Consolidated				
	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial assets					
Financial assets at FVTPL:					
Debt securities:					
Government	₱549,083,823	₱549,083,823	₱–	₱–	₱549,083,823
Private	187,931,612	187,931,612	–	–	187,931,612
Equity securities	7,187,042,516	7,187,042,516	–	–	7,187,042,516
Investment securities at FVOCI:					
Debt securities:					
Government	₱4,345,506,529	₱4,345,506,529	₱–	₱–	₱4,345,506,529
Private					
Equity securities	1,012,816,302	1,012,816,302	–	–	1,012,816,302
	₱13,282,380,782	₱13,282,380,782	₱–	₱–	₱13,282,380,782
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Corporate lending	₱40,000,000	₱–	₱–	₱42,059,579	₱42,059,579
Others	7,419,896	–	–	7,418,356	7,418,356
Other receivables:					
Unquoted commercial papers	646,761,000	–	–	658,131,903	658,131,903
Investment securities at Amortized Cost					
Government	1,266,499,471	1,240,172,056	–	–	1,240,172,056
Private	801,752,118	768,730,641	–	–	768,730,641
	₱2,762,432,485	₱2,008,902,697	₱–	₱707,609,838	₱2,716,512,535

(Forward)

	Consolidated				
	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial liabilities					
Puttable instruments classified as financial liability at FVTPL	₱10,139,294,090	₱–	₱10,139,294,090	₱–	₱10,139,294,090
Nonfinancial assets					
Investment properties	₱179,390,877	₱–	₱–	₱469,511,070	₱469,511,070

	Parent Company				
	2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value:					
Financial assets					
Investment securities at FVOCI:					
Debt securities:					
Government	**₱3,583,816,103**	**₱3,583,816,103**	**₱–**	**₱–**	**₱3,583,816,103**
Equity securities	**972,260,004**	**793,578,000**	**33,653,716**	**145,028,288**	**972,260,004**
	₱4,556,076,107	**₱4,377,394,103**	**₱33,653,716**	**₱145,028,288**	**₱4,556,076,107**
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Others	**₱5,327,439**	**₱–**	**₱–**	**₱5,541,521**	**₱5,541,521**
	₱5,327,439	**₱–**	**₱–**	**₱5,541,521**	**₱5,541,521**
Nonfinancial assets					
Investment properties	**₱178,854,985**	**₱–**	**₱–**	**₱560,746,620**	**₱560,746,620**

	Parent Company				
	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial assets					
Financial assets at FVTPL:					
Debt securities:					
Government					
Private					
Investment securities at FVOCI:	₱3,362,009,699	₱441,535,303	₱2,920,474,396	₱–	₱3,362,009,699
Equity securities	912,197,952	788,778,132	27,053,716	112,733,656	928,565,504
	₱4,274,207,651	₱1,230,313,435	₱2,947,528,112	₱112,733,656	₱4,290,575,203
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Corporate lending					
Others	₱2,500,324	₱–	₱–	₱2,498,784	₱2,498,784
	₱2,500,324	₱–	₱–	₱2,498,784	₱2,498,784
Nonfinancial assets					
Investment properties	₱179,390,877	₱–	₱–	₱469,511,070	₱469,511,070

As of December 31, 2023 and 2022, no transfers were made among the three levels in the fair value hierarchy.

6. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Investment securities at				
FVTPL	**₱8,005,480,717**	₱7,924,057,951	**₱–**	₱–
FVOCI	**6,216,518,776**	5,358,322,831	**4,556,076,107**	4,274,207,651
Amortized cost	**2,135,957,374**	2,068,251,589	**–**	–
	₱16,357,956,867	₱15,350,632,371	**₱4,556,076,107**	₱4,274,207,651

Investment securities at FVTPL
Investment securities at FVTPL consist of the following held-for-trading equity and debt securities:

	Consolidated	
	2023	2022
Debt securities:		
Government	**₱926,661,182**	₱549,083,823
Private	**272,920,031**	187,931,612
	1,199,581,213	737,015,435
Equity securities	**6,805,899,504**	7,187,042,516
	₱8,005,480,717	₱7,924,057,951

As of December 31, 2023 and 2022, the Parent Company has no investment securities at FVTPL.

Financial assets at FVTPL include fair value gain (loss) of ₱100.9 million, (₱287.4 million) and ₱118.2 million in 2023, 2022 and 2021, respectively, for the Group.

Peso-denominated debt securities bear nominal annual interest rates ranging from 3.4% to 9.3%, from 2.6% to 9.3% and from 2.4% to 8.1% in 2023, 2022 and 2021, respectively, for the Group. US dollar-denominated debt securities bear nominal annual interest rates ranging from 1.4% to 6.4%, from 1.4% to 5.5% and from 1.4% to 4.8% in 2023, 2022 and 2021, respectively, for the Group.

Dividends earned from FVTPL equity securities amounted to ₱205.3 million, ₱154.5 million and ₱121.6 millionin 2023, 2022 and 2021, respectively, for the Group.

Investment securities at FVOCI

Investment securities at FVOCI as of December 31, 2023 and 2022 consist of the following:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Debt securities				
Government	**₱5,135,918,622**	₱4,345,506,529	**₱3,583,816,103**	₱3,362,009,699
	5,135,918,622	4,345,506,529	**3,583,816,103**	3,362,009,699
Equity securities				
Listed Equity				
Axelum Resources Corp.	**424,729,680**	445,966,164	**424,729,680**	445,966,164
The Philippine Stock Exchange, Inc.	**477,108,570**	443,430,318	**368,848,320**	342,811,968
Non-listed Equity				
Bonifacio Land Corporation	**145,028,288**	96,366,104	**145,028,288**	96,366,104
Eagle Cement Corporation	**79,900**	–	**–**	–
Others	**2,253,716**	2,253,716	**2,253,716**	2,253,716
Club Shares	**31,400,000**	24,800,000	**31,400,000**	24,800,000
	1,080,600,154	1,012,816,302	**972,260,004**	912,197,952
	₱6,216,518,776	₱5,358,322,831	**₱4,556,076,107**	₱4,274,207,651

Peso-denominated debt investment securities at FVOCI bear nominal annual interest rates ranging from 0.0% to 9.5% in 2023 and 2022 and from 2.8% to 8% in 2021, for the Group, and from 0.0% to 9.5% in 2023 and 2022 and nil in 2021, for the Parent Company.

The equity securities are irrevocably designated at FVOCI on the basis that they are not held for trading. These include listed equity securities and some non-listed equity securities which are strategic investments of the Group where they intend to generate income through dividends and club shares which the Group holds in order to use and enjoy the facilities and services of the club.

In 2022, as part of risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱6.8, which generated dividends of ₱0.2 million and with recognized loss in OCI reclassified to retained earnings amounting to ₱1.7 million.

Dividends generated by outstanding equity securities at FVOCI amounted to ₱32.9 million, ₱34.7 million and ₱21.2 million for the year ended December 31, 2023 2022 and 2021, respectively for the Group, and ₱26.53 million and ₱27.66 million for the year ended December 31, 2023 and 2022, respectively for the Parent Company.

The changes in the net unrealized gain (loss) on FVOCI of the Group and the Parent Company for 2023 and 2022 follow:

	Consolidated		
	2023		
	Equity Holders of the Parent Company	**Non-controlling interest and puttable instruments**	**Total**
Balance at January 1	**(₱786,509,869)**	**₱198,004**	**(₱786,311,865)**
Net fair value changes during the year on FVOCI investments, net of tax	**148,910,209**	**–**	**148,910,209**
Realized gain on disposal charged against surplus	**85,227,266**	**–**	**85,227,266**
Realized loss on sale of FVOCI debt investments	**16,174**	**–**	**16,174**
Net change during the year	**234,153,649**	**–**	**234,153,649**
Balance at December 31	**(₱552,356,220)**	**₱198,004**	**(₱552,158,216)**

	Consolidated		
	2022		
	Equity Holders of the Parent Company	Non-controlling interest and puttable instruments	Total
Balance at January 1	(₱505,616,136)	₱204,836	(₱505,411,300)
Net fair value changes during the year on FVOCI investments, net of tax	(279,162,260)	(6,832)	(279,169,092)
Realized loss on disposal charged against surplus	(1,698,000)	–	(1,698,000)
Realized gain on sale of FVOCI debt investments	(33,473)	–	(33,473)
Net change during the year	(280,893,733)	(6,832)	(280,900,565)
Balance at December 31	(₱786,509,869)	₱198,004	(₱786,311,865)

	Parent Company	
	2023	2022
Balance at January 1	**(₱786,509,869)**	(₱505,616,136)
Net fair value changes during the year on FVOCI investments, net of tax	**148,926,383**	(279,195,733)
Realized gain on disposal charged against surplus	**85,227,265**	(1,698,000)
Net change during the year	**234,153,648**	(280,893,733)
Balance at December 31	**(₱552,356,221)**	(₱786,509,869)

Investment securities at amortized cost

Investment securities at amortized cost consist of the following:

	Consolidated	
	2023	2022
Investment Securities at Amortized Cost		
Debt securities		
Government	**₱1,261,158,698**	₱1,266,499,471
Private	**874,798,676**	801,752,118
	₱2,135,957,374	₱2,068,251,589

As of December 31, 2023 and 2022, the Parent Company has no investment securities at amortized cost.

As of December 31, 2023, 2022 and 2021 the unamortized premium (discount) related to investment securities at amortized cost of the Group amounted to ₱0.9 million, (₱8.6 million) and (₱16.2 million), respectively. Amortized cost investment securities bear nominal annual interest rates ranging from 0.0% to 8.0% in 2023, 2022 and 2021, for the Group.

Trading and Securities Gains (Losses)

The composition of trading and securities gains (losses) follows:

	Consolidated		
	2023	2022	2021
Realized gain (loss) from sale of:			
FVTPL securities	**(₱84,360,997)**	(₱325,514,551)	₱162,554,053
FVOCI debt securities	**16,174**	(33,473)	90,000
	(84,344,823)	(325,548,024)	162,644,053
Changes in fair value of financial instruments at FVTPL:			
FVTPL securities	**100,882,291**	(287,441,443)	118,229,463
Gain (loss) from increase (decrease) in NAV of puttable instruments (Note 15)	**(124,035,848)**	463,130,073	(152,439,184)
	(₱107,498,380)	(₱149,859,394)	₱128,434,332

	Parent Company		
	2023	2022	2021
Realized gain (loss) from sale of:			
FVTPL securities	**₱25,422,452**	₱21,521,223	₱41,539,330
FVOCI debt securities	**(16,174)**	33,473	–
	25,406,278	21,554,696	41,539,330
Change in fair value of financial instruments at FVTPL			
FVTPL securities	–	–	(4,669,776)
	₱25,406,278	₱21,554,696	₱36,869,554

7. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Loans and discounts:				
Corporate lending	**₱40,000,000**	₱40,000,000	**₱–**	₱–
Others	**11,083,174**	7,419,896	**5,327,439**	2,500,324
	51,083,174	47,419,896	**5,327,439**	2,500,324
Unquoted commercial papers	**442,901,500**	646,761,000	**–**	–
Accounts receivable	**493,518,276**	990,427,335	**4,376,395**	45,031,296
Dividends receivable	**287,651,535**	2,376,787	**281,794,433**	–
Accrued interest receivable	**81,684,766**	72,916,539	**30,250,556**	21,431,709
Other receivables	**2,082,222**	1,825,685	**–**	–
	1,358,921,473	1,761,727,242	**321,748,823**	68,963,329
Allowance for credit losses (Note 12)	**(35,033,554)**	(42,485,517)	**(887,250)**	(10,384,854)
	₱1,323,887,919	₱1,719,241,725	**₱320,861,573**	₱58,578,475

As of December 31, 2023 and 2022, none of the total loans and discounts were subject to periodic interest repricing for the Group and the Parent Company. As of December 31, 2023 total loans and discounts earned fixed annual interest rates ranging from 6.0% to 9.0%, and from 3.5% to 10.8% in 2022 and 2021, for both the Group and the Parent Company.

Interest income on loans and receivables follow:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Loans and discounts:						
Corporate lending	**₱2,433,334**	₱10,341,724	₱41,070,378	**₱–**	₱8,754,082	₱39,817,080
Others	**652,882**	557,644	697,938	**366,377**	299,949	488,561
Loans and receivables	**₱3,086,216**	₱10,899,368	₱41,768,316	**₱366,377**	₱9,054,031	

Unquoted Commercial Papers
This account consists of various debt instruments issued by private corporations. As of December 31, 2023 and 2022, the nominal annual interest for these securities ranges from 3.5% to 3.9% for the Group.

Accounts Receivable
As of December 31, 2023 and 2022, the Group's accounts receivable is comprised mainly of receivables from customers, clearing house, and other brokers arising from the brokerage services, rendered by FMSBC amounting to ₱459.7 million and ₱916.4 billion, respectively. The Parent Company's accounts receivable includes fees and commissions of the Parent Company for services rendered and various advances to its subsidiaries.

Dividends Receivable
As of December 31, 2023 and 2022, the dividends receivable amounting to ₱287.65 million and ₱2.38 million, respectively, for the Group, and ₱281.79 million and nil, respectively, for the Parent Bank, mainly relates to the dividends declared by the associates and investee companies but remains to be unpaid as of December 31.

Accrued Interest Receivable
As of December 31, 2023 and 2022, the accrued interest receivable amounting to ₱81.68 million and ₱72.92 million, respectively, for the Group, and ₱30.25 million and ₱21.43 million, respectively, for the Parent Bank, mainly relates to the interest already earned by the Group and the Parent Company prior to the next scheduled interest payment date of the loans and investment securities.

8. Property and Equipment

The composition of and movements in property and equipment account follow:

	Consolidated									
	2023					2022				
	Leasehold Improvements	**Furniture, Fixtures and Equipment**	**Building**	**Right of Use Asset**	**Total**	Leasehold Improvements	Furniture, Fixtures and Equipment	Building	Right of Use Asset	Total
Cost										
At January 1	**₱103,576,113**	**₱184,958,177**	**₱54,411,147**	**₱121,531,959**	**₱464,477,396**	₱97,431,873	₱197,168,812	₱54,411,147	₱119,743,596	₱468,755,428
Acquisitions	**2,581,766**	**31,339,165**	**–**	**–**	**33,920,931**	6,144,240	20,092,714	–	33,654,970	59,891,924
Disposals/Adjustments	**–**	**(14,204,345)**	**–**	**7,385,306**	**(6,819,039)**	–	(32,303,349)	–	(31,866,607)	(64,169,956)
Balance at end of year	**106,157,879**	**202,092,997**	**54,411,147**	**128,917,265**	**491,579,288**	103,576,113	184,958,177	54,411,147	121,531,959	464,477,396
Accumulated depreciation and amortization										
Balance at beginning of year	**91,276,526**	**139,887,971**	**45,289,520**	**46,396,727**	**322,850,744**	87,918,758	148,516,718	42,064,748	42,745,619	321,245,843
Depreciation and amortization	**4,237,509**	**20,419,143**	**2,884,937**	**33,928,413**	**61,470,002**	3,357,768	20,991,288	3,224,772	35,517,715	63,091,543
Disposals/Adjustments	**–**	**(13,545,151)**	**–**	**7,237,022**	**(6,308,129)**	–	(29,620,035)	–	(31,866,607)	(61,486,642)
Balance at end of year	**95,514,035**	**146,761,963**	**48,174,457**	**87,562,162**	**378,012,617**	91,276,526	139,887,971	45,289,520	46,396,727	322,850,744
Net book value at end of year	**₱10,643,844**	**₱55,331,034**	**₱6,236,690**	**₱41,355,103**	**₱113,566,671**	₱12,299,587	₱45,070,206	₱9,121,627	₱75,135,232	₱141,626,652

	Parent Company									
	2023					2022				
	Leasehold Improvements	**Furniture, Fixtures and Equipment**	**Building**	**Right of Use Asset**	**Total**	Leasehold Improvements	Furniture, Fixtures and Equipment	Building	Right of Use Asset	Total
Cost										
At January 1	**₱68,695,037**	**₱101,994,760**	**₱47,520,116**	**₱66,382,096**	**₱284,592,009**	₱68,695,037	₱116,771,823	₱47,520,116	₱66,382,096	₱299,369,072
Acquisitions	**500,000**	**18,564,786**	**–**	**–**	**19,064,786**	–	8,236,477	–	–	8,236,477
Disposals	**–**	**(12,928,452)**	**–**	**–**	**(12,928,452)**	–	(23,013,540)	–	–	(23,013,540)
Balance at end of year	**69,195,037**	**107,631,094**	**47,520,116**	**66,382,096**	**290,728,343**	68,695,037	101,994,760	47,520,116	66,382,096	284,592,009

(Forward)

	Parent Company									
	2023					2022				
	Leasehold Improvements	**Furniture, Fixtures and Equipment**	**Building**	**Right of Use Asset**	**Total**	Leasehold Improvements	Furniture, Fixtures and Equipment	Building	Right of Use Asset	Total
Accumulated depreciation and amortization										
Balance at beginning of year	**₱67,427,441**	**₱79,199,743**	**₱38,404,959**	**₱33,191,047**	**₱218,223,190**	₱66,979,241	₱86,702,456	₱35,526,491	₱11,063,682	₱200,271,870
Depreciation and amortization	**416,165**	**11,913,226**	**2,878,468**	**22,127,365**	**37,335,224**	448,200	13,696,849	2,878,468	22,127,365	39,150,882
Disposals	**–**	**(12,311,760)**	**–**	**–**	**(12,311,760)**	–	(21,199,562)	–	–	(21,199,562)
Balance at end of year	**67,843,606**	**78,801,209**	**41,283,427**	**55,318,412**	**243,246,654**	67,427,441	79,199,743	38,404,959	33,191,047	218,223,190
Net book value at end of year	**₱1,351,431**	**₱28,829,885**	**₱6,236,689**	**₱11,063,684**	**₱47,481,689**	₱1,267,596	₱22,795,017	₱9,115,157	₱33,191,049	₱66,368,819

As of December 31, 2023 and 2022, the cost of fully depreciated property and equipment that are still in use amounted to ₱193.9 million and ₱177.8 million, respectively, for the Group, and ₱120.5 million and ₱115.5 million, respectively, for the Parent Company.

The Group recognized gain from sale of property and equipment amounting to ₱0.6 million, ₱3.3 million and ₱0.1 million in 2023, 2022 and 2021, respectively and the Parent Company recognized gain from sale of property and equipment amounting to ₱0.2 million, ₱3.0 million and nil in 2023, 2022 and 2021, respectively booked under 'Gain on sale of assets' account in the consolidated and parent company statements of income.

9. Investments in Subsidiaries and Associates

The Group's and the Parent Company's percentage ownership in subsidiaries are shown in Note 2.

The Group's percentage ownership in its investment in associates follow:

	Effective Percentage of Ownership	
	2023	2022
Associates:		
Cathay International Resources, Corp. (CIRC)	**34.7**	34.7
Travel Services, Inc. (TSI)	**30.0**	30.0
AXA Philippines Life and General Insurance Corporation (AXA)	**28.2**	28.2
Skyland Realty Development Corporation (SRDC)	**20.0**	20.0
Orix Metro Leasing and Finance Corp (OMLFC)	**20.0**	20.0
Dahon Realty Corporation (DRC)	**20.0**	20.0
LCMC	**13.5**	13.5

The principal place of business of these subsidiaries and associates is in Metro Manila.

The movements in 'Investment in subsidiaries and associates' account follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	**2022**
Acquisition cost				
Balance at beginning of year	**₱3,079,818,020**	₱3,079,818,020	**₱5,368,797,334**	₱5,318,731,212
Additions	**–**	–	**50,000,001**	417,727,457
Disposals	**–**	–	**(29,931,218)**	(367,661,335)
Balance at end of year	**3,079,818,020**	3,079,818,020	**5,388,866,117**	5,368,797,334
Allowance for impairment losses				
Balance at beginning of year	**(782,367,163)**	(570,760,329)	**(782,367,163)**	(570,760,329)
Provision for impairment losses during the year	**(458,272,388)**	(211,606,834)	**(458,272,388)**	(211,606,834)
Balance at end of year	**(1,240,639,551)**	(782,367,163)	**(1,240,639,551)**	(782,367,163)

(Forward)

	Consolidated		Parent Company	
	2023	2022	**2023**	**2022**
Accumulated equity in net earnings				
Balance at beginning of year	**₱4,298,320,551**	₱4,015,049,150	**₱5,155,973,056**	₱5,001,721,690
Equity share in net earnings	**838,421,694**	683,419,496	**1,006,141,071**	611,614,042
Cash dividends	**(281,794,433)**	(400,148,095)	**(382,144,433)**	(468,548,095)
Disposals	**–**	–	**(104,678,550)**	11,185,419
Balance at end of year	**4,854,947,812**	4,298,320,551	**5,675,291,144**	5,155,973,056
Equity in net unrealized gain (loss) on FVOCI				
Balance at beginning of year	**(432,073,981)**	72,510,168	**(554,698,716)**	(11,067,081)
Equity share in changes in fair value of FVOCI investments	**250,679,818**	(504,584,149)	**350,734,823**	(543,631,635)
Balance at end of year	**(181,394,163)**	(432,073,981)	**(203,963,893)**	(554,698,716)
Equity in translation adjustment				
Balance at beginning of year	**–**	–	**20,642,246**	24,839,217
Share in changes in translation adjustment	**–**	–	**3,422,187**	(4,196,971)
Balance at end of year	**–**	–	**24,064,433**	20,642,246
Equity in remeasurement of insurance reserves				
Balance at beginning of year	**280,555,354**	(122,178,525)	**280,555,354**	(122,178,525)
Share in changes in remeasurement of insurance reserves	**(17,889,379)**	402,733,878	**(17,889,379)**	402,733,879
Balance at end of year	**262,665,975**	280,555,353	**262,665,975**	280,555,354
Equity in remeasurement of retirement liability				
Balance at beginning of year	**(13,786,194)**	(29,626,953)	**(16,571,135)**	(30,458,844)
Share in changes in remeasurement of retirement liability	**13,984,946**	15,840,759	**6,087,947**	13,887,709
Balance at end of year	**198,752**	(13,786,194)	**(10,483,188)**	(16,571,135)
	₱6,775,596,845	₱6,430,466,586	**₱9,895,801,037**	₱9,472,330,976

The carrying values of the Group's and the Parent Company's investments in investee companies are shown below:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Carrying value:				
Subsidiaries:				
FMSALEF	**₱–**	₱–	**₱446,669,008**	₱449,247,322
FMPEETFI	**–**	–	**548,808,669**	544,570,850
FMSBC	**–**	–	**728,278,260**	634,240,564
FMSLFIF	**–**	–	**77,011,128**	124,546,836
FMSALBF	**–**	–	**147,916,142**	148,456,396
PBC	**–**	–	**301,133,817**	285,583,977
FMSLDBF	**–**	–	**113,441,677**	108,842,684
FAMI	**–**	–	**167,226,827**	230,935,554
SPI	**–**	–	**74,642,503**	64,337,734
PVDC	**–**	–	**54,748,471**	44,799,734
FEI	**–**	–	**12,246,153**	12,314,332
FMSLMMF	**–**	–	**492,977,536**	428,720,293
FMIBC	**–**	–	**2,979,384**	2,885,308
Resiliency	**–**	–	**1,889,966**	2,000,212
	–	**–**	**3,169,969,541**	3,081,481,796
Associates:				
AXA	**4,221,782,398**	3,498,117,074	**4,221,782,398**	3,498,117,074
OMLFC	**2,010,234,942**	1,930,386,916	**2,010,234,942**	1,930,386,916
LCMC	**493,814,153**	962,086,542	**493,814,153**	962,086,542
CIRC	**1**	1	**1**	1
TSI	**49,765,349**	39,876,051	**–**	–
SRDC	**1**	1	**1**	1
DRC	**1**	1	**1**	1
	6,775,596,845	6,430,466,586	**6,725,831,496**	6,390,590,534
	₱6,775,596,845	₱6,430,466,586	**₱9,895,801,037**	₱9,472,072,330

Investments in mutual funds
In 2023 and 2022, the Parent Company disposed of its holdings in Mutual Funds. The percentage of holdings disposed and redemption price follows:

	2023		2022	
	% of Holdings	**Redemption Price**	% of Holdings	Redemption Price
Subsidiaries				
FMSLFIF	**3.6%**	**50.0 million**	–	–
FMSLDBF	–	**₱–**	32.3%	₱317.7 million
FMSALBF	–	–	6.5%	100.0 million
		₱50.0 million		₱417.7 million

As of December 31, 2023, FMIC owns 6.0%, 10.3%, 15.6%, 25.7% and 26.1% interest in FMSLFIF, FMSALEF, FMSALBF, FMPEETFI and FMSLDBF, respectively.

Investment in LCMC
As of December 31, 2023 and 2022, the Group's direct ownership in LCMC is 13.5%. The Parent Company has the ability to exercise significant influence through a collaboration agreement with another investor to jointly vote their 16.7% ownership. As of December 31, 2023 and 2022, LCMC-A shares are trading at ₱0.080 per share and ₱0.109 per share, respectively and LCMC-B shares are trading at ₱0.078 per share and ₱0.107 per share, respectively.

As of December 31, 2023, the fair value of the Group's and the Parent Company's investment in LCMC amounted to ₱494 million. The Group performed an assessment of the recoverability of its investment in LCMC which is determined using the higher of the VIU or the fair value less cost to sell. The fair value less cost to sell is measured based on Level 1 quoted (unadjusted) market price quotation, in active market.

As of December 31, 2023 and 2022, the fair value less cost to sell is higher than the VIU, and based on the impairment assessment, additional impairment allowance of ₱458.3 million is required in 2023 and ₱211.6 million in 2022. The fair value is based on the closing prices as published by the PSE, adjusted with discount on observable prices due to lack of marketability, and the cost to sell inputs.

The following tables present the financial information of significant associates with classified statements of financial position as of and for the years ended December 31, 2023, 2022 and 2021 (amounts in thousands):

		Statement of Financial Position					Statement of Comprehensive Income				
Year	Name of Company	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Carrying amount of the investment	Revenue	Costs and Expenses	Net Income (Loss)	Total Comprehensive Income (Loss)	Share in net earnings (losses) for the year
2023	**LCMC**	**₱1,397,234**	**₱7,006,986**	**₱3,065,269**	**₱1,029,143.00**	**₱493,814**	**₱2,470,196**	**₱2,456,853**	**₱18,866**	**₱18,866**	**(₱10)**
	CIRC	**640,908**	**1,173,070**	**545,789**	**896,000**	**1**	**484,066**	**593,005**	**(108,946)**	**(108,946)**	–
2022	LCMC	1,500,385	7,150,522	3,228,312	1,207,407	962,087	1,841,850	2,288,490	(373,613)	(373,613)	(56,886)
	CIRC	816,593	1,205,317	596,015	962,058	1	334,339	449,593	(115,262)	(115,262)	(32,851)
2021	LCMC	2,103,767	14,435,657	2,906,233	8,145,347	1,241,458	1,180,435	1,487,007	(298,289)	(298,289)	(48,155)
	CIRC	1,010,440	1,129,201	918,768	742,836	35,254	67,244	207,514	(148,876)	(148,876)	(96,542)

The following tables present the financial information of significant associates with unclassified statements of financial position as of and for the years ended December 31, 2023, 2022 and 2021 (amounts in thousands):

		Statement of Financial Position			Statement of Income					
Year	**Name of Company**	**Total Assets**	**Total Liabilities**	**Carrying amount of the investment**	**Gross Income**	**Operating Income**	**Net Income**	**Other Comprehensive Income (OCI)**	**Total OCI**	**Share in net earnings**
2023	**AXA**	**₱177,538,803**	**₱162,503,201**	**₱4,221,782**	**₱18,745,531**	**₱3,435,654**	**₱2,646,743**	**₱830,973**	**₱3,477,716**	**₱745,852**
	OMLFC	**18,321,465**	**8,267,979**	**2,010,235**	**4,698,720**	**612,164**	**463,001**		**463,001**	**92,600**
2022	AXA	157,227,208	144,817,885	3,498,117	16,445,776	3,399,171	2,535,479	(280,105)	2,255,374	719,794
	OMLFC	23,376,817	13,730,109	1,930,387	4,979,414	461,857	235,219	–	235,219	47,044
2021	AXA	177,280,406	165,713,172	3,257,410	23,085,263	3,044,950	2,253,583	(282,026)	1,971,557	632,125
	OMLFC	26,791,059	17,383,870	1,878,240	5,473,817	11,431	48,636	–	48,636	9,830

Major assets of significant associates with unclassified statements of financial position include the following (amounts in thousands):

Year	Name of Company	Cash and cash equivalents	FVOCI investments	Financial assets at FVTPL	Receivables-net of allowance for credit losses	Investment in unit-linked funds	Equipment for lease
2023	**AXA**	**₱9,342,167**	**₱20,361,875**	**₱1,896,278**	**₱1,667,540**	**₱135,434,076**	**₱461,057**
	OMLFC	**1,143,123**	**1,107**	**–**	**11,985,539**	**–**	**2,742,586**
2022	AXA	6,665,164	15,669,446	₱1,832,116	₱878,353	123,456,942	522,952
	OMLFC	1,556,459	1,129	–	16,582,549	–	2,766,866
2021	AXA	5,786,533	16,363,085	1,995,626	1,028,426	–	682,732
	OMLFC	446,748	1,145	–	20,338,967	–	2,466,980

The Group received dividends from AXA amounting to ₱281.8 million and ₱400.1 million in 2023 and 2022, respectively.

Aggregate financial information of associates that are not individually significant follows:

	2023	2022	2021
Associates			
Statements of Financial Position			
Total assets	**₱610,898,577**	₱616,921,922	₱607,972,894
Total liabilities	**322,043,724**	353,988,608	374,030,059
Statements of Income			
Gross income	**50,573,465**	50,573,492	50,575,034
Operating income	**30,256,359**	29,387,864	28,562,665
Net income/Total OCI	**22,441,244**	21,747,587	21,129,968

The additional unrecognized share in losses of the Group from its investment in DRC amounted ₱32.9 million, ₱96.5 million and nil in 2023, 2022 and 2021, respectively. There was no additional unrecognized share in losses of the Group from its investment in SRDC in 2023, 2022 and 2021.

The cumulative unrecognized share of losses of the Group from its investment in SRDC and DRC amounted to ₱129.6 million, and ₱96.7 million, ₱0.2 million as of December 31, 2023, 2022 and 2021.

FAMI is deemed to have a non-controlling interest that is material to the Group. The proportion of equity interest held by the non-controlling interest is 30.0% as of December 31, 2023 and 2022. The accumulated balance of the non-controlling interest in FAMI as of December 31, 2023 and 2022 amounted to ₱71.7 million and ₱99.0 million, respectively. Profit (loss) allocated to non-controlling interest in 2023, 2022 and 2021 amounted to ₱2.6 million, ₱0.3 million and ₱7.8 million, respectively.

The following table presents the financial information of FAMI as of and for the years ended December 31, 2023, 2022 and 2021 (amounts in thousands and before eliminating entries):

	2023	2022	2021
Statement of Financial Position			
Cash and other cash items	**₱1,157,460**	₱1,371,372	₱821,493
Financial assets at FVTPL	**100,028**	301,425	455,492
FVOCI investments	**−**	550	525
Investments securities at amortized cost	**1,751,669**	1,149,481	1,215,898
Unquoted debt securities	**129,860**	333,720	393,010
Loans and receivables	**29,236**	32,258	28,030
Other assets	**307,770**	193,940	181,682
Total liabilities	**40,460**	52,115	17,696
Statement of Income			
Gross income	**284,289**	220,477	180,759
Operating income	**284,261**	218,031	13,080
Net income	**8,816**	2,441	2,732
Net income attributable to non-controlling interests	**79,023**	20,729	9,340
Total comprehensive income	**15,867**	1,736	24,662
Statement of Cash Flows			
Net cash provided by operating activities	**492,651**	496,139	894,725
Net cash provided by (used in) investing activities	**(600,809)**	70,745	(855,760)
Net cash used in financing activities	**(105,755)**	(17,004)	(12,990)
Net increase (decrease) in cash and cash equivalents	**(213,912)**	549,880	25,975
Cash and other cash items at beginning of year	**1,371,372**	821,493	795,518
Cash and other cash items at end of year	**1,157,460**	1,371,372	821,493

Material ownership interest of shareholders outside the Group in mutual fund subsidiaries that issue equity instruments redeemable by the holders at the net asset value per unit of the mutual funds are classified as ‘Puttable instruments of mutual fund subsidiaries classified as liability’ (Note 14). Movement in the accumulated balances due to changes in the net asset value per unit of the mutual funds are recognized as trading and securities gain in the consolidated and parent company statements of income.

Investment in AXA
On December 18, 2023, the SEC approved the change in corporate name of Philippine AXA Life Insurance Corporation to AXA Philippines Life and General Insurance Corporation.

AXA applied the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts* issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2023.

The assessment for whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities.

The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting date after March 31, 2015 and before April 1, 2016. Applying the requirements, AXA performed the predominance assessment using the statement of financial position as of December 31, 2015 and concluded that it qualified for the temporary exemption from PFRS 9. Since December 31, 2015, there has been no change in the activities of the Group that requires reassessment of the use of the temporary exemption.

Fair value disclosures
The table below presents an analysis of the fair value of classes of financial assets as of December 31, 2023 and 2022, as well as the corresponding changes in fair value for the years ended December 31, 2023 and 2022. In the table below, the amortized cost of cash and cash equivalents and short-term receivables has been used as a reasonable approximation to fair value.

The financial assets are divided into two categories:
- Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis)

	2023			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
Cash and cash equivalents	**₱9,341,668,910**	**₱–**	**₱498,000**	**₱–**
Insurance receivables	**1,804,461,473**	–	–	–
Financial asset at FVTPL	–	–	**1,896,277,849**	–
AFS financial assets	**20,165,380,317**	**796,412,803**	**196,494,689**	**(33,213,681)**
Loans and receivables	**2,369,321,818**	–	–	–
Accrued income	**326,107,704**	–	–	–
	₱34,006,940,222	**₱796,412,803**	**₱2,093,270,538**	**(₱33,213,681)**

	2022			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Cash and cash equivalents	₱6,664,664,348	₱–	₱490,000	₱–
Insurance receivables	1,899,495,695	–	–	–
Financial asset at FVTPL	–	–	1,832,115,900	–
AFS financial assets	15,428,254,622	(1,708,119,298)	236,601,488	4,433,128
Loans and receivables	878,046,972	–	–	–
Accrued income	264,064,766	–	–	–
	₱25,134,526,403	(₱1,708,119,298)	₱2,069,207,388	₱4,433,128

Credit risk disclosures
The following table shows the carrying amount of the SPPI assets included in the table above by credit risk rating grades reported to key management personnel. The carrying amount is measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is gross of impairment allowance.

	2023			
SPPI Financial asset	**Investment grade**	**Non-investment grade: Satisfactory**	**Unrated**	**Total**
Cash and cash equivalents	**₱9,333,169,976**	**₱8,447,381**	**₱51,552**	**₱9,341,668,910**
Insurance receivables	**–**	**1,804,461,473**	**–**	**1,804,461,473**
AFS financial assets	**20,165,380,317**	**–**	**–**	**20,165,380,317**
Loans and receivables	**–**	**1,634,410,469**	**33,129,866**	**1,667,540,335**
Accrued income	**310,561,603**	**15,546,103**	**–**	**326,107,706**
	₱29,809,111,896	**₱3,462,865,426**	**₱33,181,418**	**₱33,305,158,741**

	2022			
SPPI Financial asset	Investment grade	Non-investment grade: Satisfactory	Unrated	Total
Cash and cash equivalents	₱6,647,383,278	₱17,229,518	₱51,552	₱6,664,664,348
Insurance receivables	–	1,899,495,695	–	1,899,495,695
AFS financial assets	15,428,254,622	–	–	15,428,254,622
Loans and receivables	–	848,974,829	29,072,143	878,046,972
Accrued income	250,626,843	13,437,923	–	264,064,766
	₱22,326,264,743	₱2,779,137,965	₱29,123,695	₱25,134,526,403

Financial assets that passed the SPPI test have low credit risk as of December 31, 2023 and 2022.

Limitation on dividend declaration of subsidiaries and associates
AXA
Section 195 of the Insurance Code provides that a domestic nonlife insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes

AXA declared dividends amounting to ₱1.0 billion and ₱1.42 billion in 2022 and 2022, respectively.

Commitments, contingencies, and guarantees
As of December 31, 2023 and 2022, the Parent Company has no share on commitments and contingencies of its associates.

As of December 31, 2023 and 2022, there were no guarantees or other requirements entered into by the subsidiaries of the Parent Company that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from other entities within the Group.

10. Investment Properties

The composition of and movements in this account for the Group and the Parent Company follow:

	Consolidated and Parent Company					
	2023			2022		
	Land	**Building/land improvements/ condominium for sale/lease**	**Total**	Land	Building/land improvements/ condominium for sale/lease	Total
Cost						
Balances at beginning of year	**₱202,743,756**	**₱19,373,604**	**₱222,117,360**	₱202,743,756	₱25,504,585	₱228,248,341
Disposals	**–**	**–**	**–**	–	(6,130,981)	(6,130,981)
Balances at end of year	**202,743,756**	**19,373,604**	**222,117,360**	202,743,756	19,373,604	222,117,360
Accumulated depreciation						
Balances at beginning of year	**–**	**17,370,561**	**17,370,561**	–	21,688,361	21,688,361
Depreciation	**–**	**535,892**	**535,892**	–	686,161	686,161
Disposals	**–**	**–**	**–**	–	(5,003,961)	(5,003,961)
Balances at end of year	**–**	**17,906,453**	**17,906,453**	–	17,370,561	17,370,561
Allowance for impairment losses (Note 12)	**(25,355,922)**	**–**	**(25,355,922)**	(25,355,922)	–	(25,355,922)
Net book value at end of year	**₱177,387,834**	**₱1,467,151**	**₱178,854,985**	₱177,387,834	₱2,003,043	₱179,390,877

The aggregate fair value of investment properties as of December 31, 2023 and 2022 amounted to ₱554.3 million and ₱469.5 million, respectively, for the Group and the Parent Company (Note 5).

In 2023, 2022 and 2021, the Group and the Parent Company recognized gain from the disposal of investment properties amounting to nil, ₱16.1 million and nil, respectively, booked under 'Gain on sale of assets' accounts in the consolidated and parent company statements of income.

There are no investment properties that generate rental or under lease arrangement. Direct operating expenses on investment properties during the period and are included under 'Miscellaneous expenses' in the statements of income amounted to ₱1.9 million, ₱2.0 million and ₱2.1 million in 2023, 2022 and 2021, respectively.

11. Other Assets

This account consists of:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Creditable withholding tax	**₱695,488,025**	₱642,712,902	**₱455,622,310**	₱448,559,664
Escrow account	**196,525,319**	196,525,319	**196,525,319**	196,525,319
Prepaid expenses	**28,960,586**	25,827,892	**12,170,365**	10,601,942
Other investments	**25,766,880**	25,766,880	**25,766,880**	25,766,880
Software licenses	**4,217,101**	9,537,326	**625,559**	5,169,835
Tax credit certificates	**183,751**	183,751	**183,751**	183,751
Miscellaneous (Note 24)	**158,133,865**	83,620,529	**17,076,640**	10,976,345
	₱1,109,275,527	₱984,174,599	**₱707,970,824**	₱697,783,736

The Escrow account has been established to account for the company's matured money market placements (MMP) which pertains to the unclaimed funds of the investors.

Movements in software licenses follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Cost				
Balance at beginning of year	**₱309,472,951**	₱303,342,049	**₱264,653,253**	₱259,713,103
Additions	**897,163**	6,292,974	**506,091**	4,940,150
Adjustments	**–**	(162,072)	**–**	–
Balance at end of year	**310,370,114**	309,472,951	**265,159,344**	264,653,253
Accumulated amortization				
Balance at beginning of year	**299,935,625**	289,229,035	**259,483,418**	250,577,682
Amortization	**6,217,388**	10,568,970	**5,050,367**	8,905,736
Adjustments	**–**	137,620	**–**	–
Balance at end of year	**306,153,013**	299,935,625	**264,533,785**	259,483,418
Net book value at end of year	**₱4,217,101**	₱9,537,326	**₱625,559**	₱5,169,835

Creditable withholding taxes arise from income such as service charges, fees and commissions, interest income and rental income, in which customers are required to withhold taxes.

Prepaid expenses consist of prepaid taxes (i.e., real estate tax, documentary stamp tax) and other prepaid expenses (i.e., licenses, insurance and membership fees).

Miscellaneous assets include receivables for contributions to Clearing and Trade Guarantee Funds (CTGF), unused office supplies and rental and other deposits.

12. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Balance at beginning of year				
Investment in associates	**₱782,367,163**	₱570,760,329	**782,367,163**	₱570,760,329
Loans and receivables	**42,485,517**	50,017,469	**10,384,854**	17,391,081
Investment properties	**25,355,922**	25,355,922	**25,355,922**	25,355,922
Financial assets at amortized cost	**–**	329,003	**–**	–
	850,208,602	646,462,723	**818,107,939**	613,507,332
Provision for impairment and credit losses	**450,820,425**	203,745,879	**448,774,784**	204,600,607
	450,820,425	203,745,879	**448,774,784**	204,600,607
Balance at end of year				
Investment in associates (Note 9)	**1,240,639,551**	782,367,163	**1,240,639,551**	782,367,163
Loans and receivables (Note 7)	**35,033,554**	42,485,517	**887,250**	10,384,854
Investment properties (Note 10)	**25,355,922**	25,355,922	**25,355,922**	25,355,922
	₱1,301,029,027	₱850,208,602	**₱1,266,882,723**	₱818,107,939

Below is the breakdown of the provision for (recovery from) impairment and credit losses, including provision (reversal of provision) for other probable losses recognized in the consolidated and parent company statements of income.

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Provision for (recovery from) impairment and credit losses						
Loans and receivables	**(₱7,451,963)**	(₱7,531,952)	₱9,931,048	**(₱9,497,604)**	(₱7,006,228)	₱9,497,604
Financial assets at amortized cost	**–**	(329,003)	9,757	**–**	–	–
Investment in associates	**458,272,388**	211,606,834	131,522,124	**458,272,388**	211,606,834	131,522,124
	450,820,425	203,745,879	141,462,929	**448,774,784**	204,600,606	141,019,728
Provision (reversal of provisions) for other probable losses (Note 25)	**(12,207,216)**	(34,586,851)	(12,796,220)	**(10,246,711)**	(35,008,290)	(13,285,643)
	₱438,613,209	₱169,159,028	₱128,666,709	**₱438,528,073**	₱169,592,316	₱127,734,085

With the foregoing level of allowance for impairment and credit losses, management believes that the Group and the Parent Company have sufficient allowance to cover any losses that the Group and the Parent Company may incur from the non-collection or nonrealization of receivables and other risk assets.

In 2023 and 2022, all financial assets of the Group are classified as Stage 1 and there were no transfers between stages during the year.

A reconciliation of the allowance for credit losses on financial assets at amortized cost follows:

	Consolidated	
	2023	2022
At January 1	**₱–**	₱329,003
Provision for (recovery from) impairment losses	**–**	(329,003)
At December 31	**₱–**	₱–

A reconciliation of the allowance for credit losses on loans and receivables by class follows:

	Consolidated		
	2023		
	Corporate lending	**Accounts receivable**	**Total**
At January 1	**₱400,000**	**₱42,085,517**	**₱42,485,517**
Provision for credit losses	**–**	**(7,451,963)**	**(7,451,963)**
At December 31	**₱400,000**	**₱34,633,554**	**₱35,033,554**

	Parent Company		
	2023		
	Corporate lending	**Accounts receivable**	**Total**
At January	**₱–**	**₱10,384,854**	**₱10,384,854**
Provision for credit losses	**–**	**(9,497,604)**	**(9,497,604)**
At December 31	**₱–**	**₱887,250**	**₱887,250**

	Consolidated 2022		
	Corporate lending	Accounts receivable	Total
At January 1	₱7,886,228	₱42,131,241	₱50,017,469
Provision for credit losses	(7,486,228)	(45,724)	(7,531,952)
At December 31	₱400,000	₱42,085,517	₱42,485,517

	Parent Company 2022		
	Corporate lending	Accounts receivable	Total
At January 1	₱7,006,228	₱10,384,854	₱17,391,082
Provision for credit losses	(7,006,228)	–	(7,006,228)
At December 31	₱–	₱10,384,854	₱10,384,854

A reconciliation of the allowance for impairment losses on investments in associates and investment properties in 2023 and 2022 follows:

	Consolidated and Parent Company	
	Investment in Associates	**Investment Properties**
At January 1, 2023	**₱782,367,163**	**₱25,355,922**
Provision for impairment losses	**458,272,388**	**–**
At December 31, 2023	**₱1,240,639,551**	**₱25,355,922**

	Consolidated and Parent Company	
	Investment in Associates	Investment Properties
At January 1, 2022	₱570,760,329	₱25,355,922
Provision for impairment losses	211,606,834	–
At December 31, 2022	₱782,367,163	₱25,355,922

13. **Accounts Payable and Accrued Taxes, Interest and Other Expenses**

Accounts Payable

As of December 31, 2023 and 2022, the Group's accounts payable is comprised mainly of payables to customers arising from brokerage services rendered by FMSBC during the last three (3) trading days prior to balance sheet date amounting to ₱4.0 billion and ₱5.0 billion, respectively.

Accrued, Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial liabilities:				
Accrued other expenses payable	**₱78,308,690**	₱48,889,440	**₱24,184,972**	₱6,476,325
Accrued fees payable	**8,989,604**	16,954,599	**6,138,662**	6,923,850
Accrued rent payable	**11,451**	141,394	**11,451**	3,277
	87,309,745	65,985,433	**30,335,085**	13,403,452
Nonfinancial liabilities:				
Accrued taxes and licenses	**10,014,275**	4,189,601	**9,967,368**	4,112,608
Retirement liability (Note 19)	**108,728,299**	62,433,300	**80,720,201**	40,409,544
	118,742,574	66,622,901	**90,687,569**	44,522,152
	₱206,052,319	₱132,608,334	**₱121,022,654**	₱57,925,604

14. Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability and Other Liabilities

Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability

The Parent Company has mutual fund subsidiaries that issue shares of stock that are redeemable by the holders at the net asset value per unit of the mutual funds. ‘Puttable instruments of mutual fund subsidiaries classified as liability’ carried at fair value through profit or loss represents the ownership interest of other shareholders outside the Group in these mutual fund subsidiaries. As of December 31, 2023 and 2022, the balances amounted to ₱10,260.4 million and ₱10,139.3 million, respectively. The changes in the net asset value per unit of the puttable instruments recognized in ‘Trading and securities gains (losses)’ in the statement of income (loss) amounted to ₱124.0 million, ₱463.1 million and (₱152.4 million) in 2023, 2022 and 2021, respectively (see Note 6).

Other Liabilities

This account consists of the following:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial liabilities:				
Dividends payable	**₱89,399,586**	₱89,546,415	**₱89,399,586**	₱89,546,415
Lease liabilities (Note 22)	**44,649,971**	79,916,884	**11,890,739**	36,768,110
Premiums payable	**1,566,967**	1,201,997	**671,960**	579,244
Subscriptions payable	**–**	–	**9,375,000**	9,375,000
Miscellaneous	**68,285,821**	82,713,232	**54,795,340**	78,772,082
	203,902,345	253,378,528	**166,132,625**	215,040,851
Nonfinancial liabilities:				
Withholding taxes payable	**24,728,733**	10,725,548	**11,132,960**	5,021,428
Miscellaneous	**55,946,266**	69,389,549	**35,688,772**	33,632,581
	80,674,999	80,115,097	**46,821,732**	38,654,009
	₱284,577,344	₱333,493,625	**₱212,954,357**	₱253,694,860

Miscellaneous liabilities

Miscellaneous liabilities consist of provisions for other probable losses (Note 12) and other government-related payables.

15. Maturity Analysis of Financial and Nonfinancial Assets and Liabilities

The following tables present the assets and liabilities of the Group and of the Parent Company by contractual maturity or for equity and debt securities at FVTPL based on the expected date of which these assets will be realized and settlement dates as of December 31, 2023 and 2022:

	Consolidated			Parent Company		
	2023			2023		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets						
Cash and other cash items	**₱6,344,970,258**	**₱–**	**₱6,344,970,258**	**₱1,245,649,420**	**₱–**	**₱1,245,649,420**
Investment securities at						
FVTPL	**8,005,480,717**	**–**	**8,005,480,717**	**–**	**–**	**–**
FVOCI	**716,663,547**	**5,499,855,229**	**6,216,518,776**	**345,337,569**	**4,210,738,538**	**4,556,076,107**
Amortized cost – at gross (Note 6)	**1,176,173,943**	**959,783,431**	**2,135,957,374**	**–**	**–**	**–**
Loans and receivables - at gross (Note 7)	**1,348,785,018**	**10,136,455**	**1,358,921,473**	**317,063,982**	**4,684,841**	**321,748,823**
	17,592,073,483	**6,469,775,115**	**24,061,848,598**	**1,908,050,971**	**4,215,423,379**	**6,123,474,350**
Nonfinancial Assets						
Property and equipment	**–**	**113,566,671**	**113,566,671**	**–**	**47,481,689**	**47,481,689**
Investments in subsidiaries and associates - at gross of allowance for impairment (Note 9)	**–**	**8,016,236,396**	**8,016,236,396**	**–**	**11,136,440,588**	**11,136,440,588**
Investment properties - at gross of allowance for impairment (Note 10)	**–**	**204,210,907**	**204,210,907**	**–**	**204,210,907**	**204,210,907**
Deferred tax assets	**–**	**35,506,507**	**35,506,507**	**–**	**–**	**–**
Other assets	**29,372,772**	**1,079,902,755**	**1,109,275,527**	**12,582,550**	**695,388,274**	**707,970,824**
	29,372,772	**9,449,423,236**	**9,478,796,008**	**12,582,550**	**12,083,521,458**	**12,096,104,008**
Allowance for impairment and credit losses (Note 12)	**(35,033,554)**	**(1,265,995,473)**	**(1,301,029,027)**	**(887,250)**	**(1,265,995,473)**	**(1,266,882,723)**
	₱17,586,412,701	**₱14,653,202,878**	**₱32,239,615,579**	**₱1,919,746,271**	**₱15,032,949,364**	**₱16,952,695,635**
Financial Liabilities						
Accounts payable	**₱5,015,806,751**	**₱–**	**₱5,015,806,751**	**₱218,561,122**	**₱–**	**₱218,561,122**
Accrued interest and other expenses payable (Note 14)	**87,309,745**	**–**	**87,309,745**	**30,335,085**	**–**	**30,335,085**
Puttable instruments of mutual fund subsidiaries classified as liability (Note 15)	**10,260,352,772**	**–**	**10,260,352,772**	**–**	**–**	**–**
Lease liabilities (Note 15)	**23,651,782**	**20,998,189**	**44,649,971**	**11,890,739**	**–**	**11,890,739**
Other liabilities (Note 15)	**159,252,374**	**–**	**159,252,374**	**154,241,886**	**–**	**154,241,886**
	15,546,373,424	**20,998,189**	**15,567,371,613**	**415,028,832**	**–**	**415,028,832**
Nonfinancial Liabilities						
Accrued taxes and other expenses payable (Note 14)	**10,014,275**	**108,728,299**	**118,742,574**	**9,967,368**	**80,720,201**	**90,687,569**
Deferred tax liabilities	**–**	**2,470,014**	**2,470,014**	**–**	**2,470,014**	**2,470,014**
Income taxes payable	**3,421,148**	**–**	**3,421,148**	**2,420,895**	**–**	**2,420,895**
Other liabilities (Note 15)	**80,674,999**	**–**	**80,674,999**	**46,821,732**	**–**	**46,821,732**
	94,110,422	**111,198,313**	**205,308,735**	**59,209,995**	**83,190,215**	**142,400,210**
	₱15,640,483,846	**₱132,196,502**	**₱15,772,680,348**	**₱474,238,827**	**₱83,190,215**	**₱557,429,042**

	Consolidated			Parent Company		
	2022			2022		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets						
Cash and other cash items	₱6,944,935,883	₱–	₱6,944,935,883	₱1,269,171,172	₱–	₱1,269,171,172
Investment securities at						
FVTPL	7,924,057,951	–	7,924,057,951	–	–	–
FVOCI	931,327,235	4,426,995,596	5,358,322,831	–	4,274,207,651	4,274,207,651
Amortized cost – at gross (Note 6)	987,206,724	1,081,044,865	2,068,251,589	–	–	–
Loans and receivables - at gross (Note 7)	1,311,935,176	449,792,066	1,761,727,242	66,875,121	2,088,208	68,963,329
	18,099,462,969	5,957,832,527	24,057,295,496	1,336,046,293	4,276,295,859	5,612,342,152

(Forward)

	Consolidated			Parent Company		
	2022			2022		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Nonfinancial Assets						
Property and equipment	₱–	₱141,626,652	₱141,626,652	₱–	₱66,368,819	₱66,368,819
Investments in subsidiaries and associates at gross of allowance for impairment (Note 9)	–	7,212,833,749	7,212,833,749	–	10,254,698,139	10,254,698,139
Investment properties - at gross of allowance for impairment (Note 10)	–	204,746,799	204,746,799	–	204,746,799	204,746,799
Deferred tax assets	–	30,264,557	30,264,557	–	–	–
Other assets	26,220,918	957,953,681	984,174,599	10,985,697	686,798,039	697,783,736
	26,220,918	8,547,425,438	8,573,646,356	10,985,697	11,212,611,796	11,223,597,493
Allowance for impairment and credit losses (Note 12)	–	(850,208,602)	(850,208,602)	–	(818,107,939)	(818,107,939)
	₱18,125,683,887	₱13,655,049,363	₱31,780,733,250	₱1,347,031,990	₱14,670,799,716	₱16,017,831,706
Financial Liabilities						
Accounts payable	₱5,576,121,006	₱–	₱5,576,121,006	₱209,523,065	₱–	₱209,523,065
Accrued interest and other expenses payable (Note 14)	65,985,433	–	65,985,433	13,403,452	–	13,403,452
Puttable instruments of mutual fund subsidiaries classified as liability (Note 15)	10,139,294,090	–	10,139,294,090	–	–	–
(Forward)						
Lease liabilities (Note 15)	35,622,639	44,294,245	79,916,884	24,669,024	12,099,086	36,768,110
	173,461,644	–	173,461,644	178,272,740	–	178,272,740
Other liabilities (Note 15)	15,990,484,812	44,294,245	16,034,779,057	425,868,281	12,099,086	437,967,367
Nonfinancial Liabilities						
Accrued taxes and other expenses payable (Note 14)	4,189,601	62,433,300	66,622,901	4,112,608	40,409,544	44,522,152
Deferred tax liabilities	-	3,098,338	3,098,338	–	2,470,014	2,470,014
Income taxes payable	4,613,713	-	4,613,713	1,797,244	–	1,797,244
Other liabilities (Note 15)	80,115,097	–	80,115,097	38,654,008	–	38,654,008
	88,918,411	65,531,638	154,450,049	44,563,860	42,879,558	87,443,418
	₱16,079,403,223	₱109,825,883	₱16,189,229,106	₱470,432,143	₱54,978,644	₱525,410,787

16. Equity

Details of the Parent Company’s capital stock as of December 31, 2023 and 2022 follow:

	2023	
	Shares	**Amount**
Common stock - ₱500 par value		
Authorized - 16,000,000 shares		
Issued – 8,417,385 shares		
Issued and paid-up capital	**8,417,385**	**₱4,208,692,500**
Less: treasury shares	**968,696**	**2,663,351,704**
Total issued and outstanding at end of year	**7,448,689**	**₱1,545,340,796**

[(1)]The SEC approved the amendments of articles of incorporation on September 15, 2023, increasing the part value per shares from ₱10 to ₱500, and reducing the number of authorized and issued capital stocks (See note 1)

	2022	
	Shares	Amount
Common stock - ₱10 par value		
Authorized - 800,000,000 shares		
Issued - 420,869,240 shares		
Issued and paid-up capital	420,869,240	₱4,208,692,400
Less: treasury shares	48,403,278	2,662,030,617
Total issued and outstanding at end of year	372,465,962	₱1,546,661,783

As of December 31, 2023 and 2022, there are 1,258 and 1,376 shareholders, respectively, of the Parent Company’s common shares.

Amendments on the Articles of Incorporation

On September 15, 2023, the SEC approved the amendments of the Parent Company's articles of incorporation as follows:

1. To delete paragraphs "m" and "n" in the Primary Purpose pertaining to the quasi-banking and trust activities in view of the approval of BSP of the surrender of the quasi-bank license and the surrender of the trust license; and,

2. The Seventh Article on the Capital Stock to increase the par value from ₱10.00 to ₱500.00 per share and decreasing the number of authorized common shares from 800,000,000 to 16,000,000

Acquisition of Treasury Shares
In 2023 and 2021, the Parent Company bought back 31,522 shares and 1,254 shares, respectively, of its own shares for a total cost of ₱1.32 million, ₱0.01 million, respectively. No acquisition of treasury shares in 2022.

Dividend Declaration
Details of FAMI's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
June 22, 2023	₱67.00	₱100,000,000	June 30, 2023	December 15, 2023
September 14, 2022	₱8.00	₱12,000,000	September 30, 2022	December 28, 2022
August 25, 2021	5.77	8,655,000	August 31, 2021	September 15, 2021

Details of FMSBC's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
May 31, 2023	₱17.75	₱30,000,000	May 31, 2023	August 29, 2023
May 27, 2022	₱35.50	₱60,000,000	May 31, 2022	August 25, 2022

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.

Regulatory Qualifying Capital
On March 29, 2021, the Parent Company received the approval of the BSP for the surrender of its 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 December 31, 2023 and 2022, the Parent Company is in compliance with the RBCA ratio. The RBCA ratio of the Parent Company as reported to the SEC as of December 31, 2023 and 2022 as shown in the table below:

	2023	2022
Equity Eligible for Net Liquid Capital	**₱16,395,266,593**	₱15,492,420,919
Ineligible Assets	**(11,812,072,373)**	(11,375,603,980)
Net Liquid Capital (NLC)	**₱4,582,694,213**	₱4,116,316,933
Position Risk Requirement	**₱141,383,372**	₱164,817,810
Operational Risk Requirement	**115,732,793**	115,732,793
Counterparty Risk Requirement	**–**	–
Large Exposure Risk Requirement	**–**	–
Total Risk Capital Requirement (TRCR)	**257,116,165**	280,550,603
Aggregate Indebtedness (AI)	**₱557,429,043**	₱525,410,787
5.00% of AI	**27,871,452**	26,270,539
Required NLC	**27,871,452**	26,270,539
Net Risk-Based Capital Excess	**4,554,822,761**	4,090,046,393
Ratio of AI to NLC	**12.16%**	12.76%
RBCA ratio (NLC/TRCR)	**1782.34%**	1,467.23%

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.

<u>Retained Earnings</u>
The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following the BSP guidelines.

In the financial statements, a portion of the Parent Company's retained earnings corresponding to accumulated equity in net earnings of the subsidiaries associates amounting to ₱5.7 billion and ₱5.2 billion and as of December 31, 2023 and 2022, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees. In addition, the amount of retained earnings equivalent to the cost of treasury shares being held by the Parent Company is also restricted from being declared and issued as dividends.

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 ₱3.6 billion, which is above the required externally imposed minimum paid-in capital.

17. Interest Income

This account consists of interest income on:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Deposits in banks	**₱326,857,200**	₱87,631,623	₱24,151,321	**₱72,438,561**	₱30,432,385	₱577,137
Investment at FVOCI (Note 6)	**214,175,861**	68,061,032	2,309,172	**212,991,237**	66,637,134	–
Investment securities at FVTPL (Note 6)	**130,741,663**	105,089,976	128,565,608	–	9,997,614	50,272,411
Investment at Amortized Cost (Note 6)	**114,455,330**	106,400,966	69,392,508	–	–	–
Loans and receivables (Note 7)	**3,086,216**	10,899,368	41,768,316	**366,377**	9,054,031	40,305,641
SPURA	–	–	3,884,281	–	–	3,884,281
Due from BSP	–	–	2,234,000		–	2,234,000
	₱789,316,270	₱378,082,965	₱272,305,206	**₱285,796,175**	₱116,121,164	₱97,273,470

Deposit in banks earns annual interest ranging from 0.1% to 7.5% in 2023, 0.1% to 6.0% in 2022, and from 0.1% to 0.9% in 2021 for the Group and 0.1% to 7.5% in 2023, 0.1% to 5.9% in 2022 and from 0.2% to 0.3% in 2021 for the Parent Company.

18. Interest Expense

This account consists of interest expense on:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Borrowings from other banks (Note 13)	**₱64,229**	₱1,322,318	₱19,649,707	**₱64,229**	₱1,322,318	₱19,649,708
Deposit substitutes: Promissory notes issued	–	–	1,989,760	–	–	1,989,760
Interbank call loans	–	–	1,230,174	–	–	1,230,174
Others	**3,308,575**	7,627,228	4,288,388	**799,790**	4,436,273	1,274,547
	₱3,372,804	₱8,949,546	₱27,158,029	**₱864,019**	₱5,758,591	₱24,144,189

19. Retirement Plans

The Parent Company, FMSBC and FAMI have funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The plan is administered and managed by Metropolitan Bank and Trust Company (MBTC).

The Parent Company's, FMSBC's and FAMI's annual contribution to the retirement plan consists of a payment covering the current service cost, amortization of the unfunded actuarial accrued liability and interest on such unfunded actuarial liability.

The costs of defined benefit retirement plans as well as the present value of the retirement liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining the retirement liability for the defined benefit retirement plans are shown below:

	Consolidated			**Parent Company**		
	2023	2022	2021	**2023**	2022	2021
Retirement age	**55**	55	55	**55**	55	55
Average remaining working life	**8 years**	8 years	7 years	**7 years**	7 years	7 years
Discount rate	**6.0-6.1%**	7.0-7.2%	4.8-5.1%	**6.0%**	7.0%	4.8%
Expected rate of salary increase	**6.0%**	5.8-6.0%	4.0-5.0%	**6.0%**	5.8%	4.0%
Employee turnover rate	**16% - 23%**	16% - 23%	16%-23%	**16%**	16%	16%

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The amounts recognized in the Group's and the Parent Company's statements of financial position follows:

Consolidated

	January 1, 2023	Net benefit cost: Current service cost	Past service Cost	Net interest	Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Subtotal	Contributions paid	December 31, 2023
Present value of defined benefit obligation	**₱292,736,256**	**₱32,874,626**	**₱–**	**₱19,382,473**	**₱52,257,099**	**(₱26,827,080)**	**₱–**	**₱19,564,345**	**₱16,153,868**	**₱5,056,636**	**₱40,774,849**	**₱–**	**₱358,941,124**
Fair value of plan assets	**(230,302,956)**	**–**	**–**	**(16,927,772)**	**(16,927,772)**	**26,827,080**	**9,117,332**	**–**	**–**	**–**	**9,117,332**	**(38,926,509)**	**(250,212,825)**
Net pension liability	**₱62,433,300**	**₱32,874,626**	**₱–**	**₱2,454,701**	**₱35,329,327**	**₱–**	**₱9,117,332**	**₱19,564,345**	**₱16,153,868**	**₱5,056,636**	**₱49,892,181**	**(₱38,926,509)**	**₱108,728,299**

**The Parent Company, FMSBC and FAMI are in a net liability position amounting to ₱80.7 million, ₱23.8 million and ₱4.2 million, respectively and presented under 'Accrued Taxes, Interest and Other Expenses' (Note 13).*

Parent Company

	January 1, 2023	Net benefit cost: Current service cost	Past service Cost	Net interest	Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Subtotal	Contributions paid	December 31, 2023
Present value of defined benefit obligation	**₱217,371,388**	**₱21,793,474**	**₱–**	**₱14,271,618**	**₱36,065,092**	**(₱17,457,410)**	**₱–**	**₱19,124,406**	**₱13,942,024**	**₱–**	**₱33,066,430**	**₱–**	**₱269,045,500**
Fair value of plan assets	**(176,961,844)**	**–**	**–**	**(12,788,857)**	**(12,788,857)**	**(17,457,410)**	**5,879,089**	**–**	**–**	**–**	**5,879,089**	**(21,911,097)**	**(188,325,299)**
Net pension liability (Note 13)	**₱40,409,544**	**₱21,793,474**	**₱–**	**₱1,482,761**	**₱23,276,235**	**₱–**	**₱5,879,089**	**₱19,124,406**	**₱13,942,024**	**₱–**	**₱38,945,519**	**(₱21,911,097)**	**₱80,720,201**

Consolidated

	January 1, 2022	Net benefit cost: Current service cost	Past service Cost	Net interest	Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Subtotal	Contributions paid	December 31, 2021
Present value of defined benefit obligation	₱324,436,067	₱35,964,877	(₱16,848,368)	₱15,026,146	₱34,142,655	(₱71,435,001)	₱–	₱12,925,261	(₱7,332,726)	₱–	₱5,592,535	₱–	₱292,736,256
Fair value of plan assets	(273,510,812)	–	–	(13,699,535)	(13,699,535)	71,435,001	26,428,166	–	–	–	26,428,166	(40,955,776)	(230,302,956)
Net pension liability	₱50,925,255	₱35,964,877	(₱16,848,368)	₱1,326,611	₱20,443,120	₱–	₱26,428,166	₱12,925,261	(₱7,332,726)	₱–	₱32,020,701	(₱40,955,776)	₱62,433,300

**The Parent Company, FMSBC and FAMI are in a net liability position amounting to ₱28.99 million, ₱18.4 million and ₱3.6 million, respectively and presented under 'Accrued Taxes, Interest and Other Expenses' (Note 13).*

Parent Company												
		Net benefit cost				Remeasurements in other comprehensive income						
	January 1, 2022	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Subtotal	Contributions paid	December 31, 2022
Present value of defined benefit obligation	₱255,473,198	₱25,662,953	(₱16,848,368)	₱11,601,770	₱20,416,355	(₱66,207,594)	₱–	₱10,655,528	(₱2,966,099)	₱–	₱7,689,429	₱–
Fair value of plan assets	(226,480,970)	–	–	(11,017,913)	(11,017,913)	66,207,594	20,451,929	–	–	–	20,451,929	(26,122,484)
Net pension liability (Note 13)	₱28,992,228	₱25,662,953	(₱16,848,368)	₱583,857	₱9,398,442	₱–	₱20,451,929	₱10,655,528	(₱2,966,099)	–	₱28,141,358	(₱26,122,484)

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	Consolidated	
	2023	2022
Cash and cash equivalents	**₱2,879,092**	₱18,206,931
Equity instruments		
Services	**37,916,117**	89,056,152
Debt instruments		
Government securities	**162,763,192**	100,035,828
Below AAA and unrated private debt securities	**9,633,421**	10,145,293
Investment in mutual funds/UITF	**35,372,253**	11,480,691
Loans and receivables	**2,335,432**	1,585,779
Other Assets	**88,294**	80,246
	250,987,801	230,590,920
Less: Other Payables	**774,976**	287,964
Fair value of plan assets	**₱250,212,825**	₱230,302,956

	Parent Company	
	2023	2022
Cash and cash equivalents	**₱2,336,748**	₱3,768,255
Equity instruments		
Services	**33,716,900**	67,819,320
Debt instruments		
Government securities	**126,812,438**	83,839,211
Below AAA and unrated private debt securities	**9,437,670**	9,467,104
Investment in mutual funds/UITF	**14,513,872**	10,913,949
Loans and receivables	**1,875,052**	1,356,563
	188,692,680	177,164,402
Less: Other Payables	**367,380**	202,558
Fair value of plan assets	**₱188,325,300**	₱176,961,844

As of December 31, 2023 and 2022, equity securities included in the plan assets include shares from the other related parties amounting to ₱45.3 million and ₱81.8 million, respectively (Note 24).

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

	2023		
		Increase (Decrease)	
	Possible fluctuations	Consolidated	Parent Company
Discount rates	**+1.0%**	**(17,923,398)**	**(11,692,807)**
	-1.0%	**19,881,583**	**12,803,061**
Turnover rate	**+2.0%**	**(6,277,904)**	**(3,061,143)**
	-2.0%	**6,978,455**	**3,360,647**
Future salary increase rate	**+1.0%**	**21,428,247**	**13,997,818**
	-1.0%	**(19,668,434)**	**(13,016,673)**

	2022		
		Increase (Decrease)	
	Possible fluctuations	Consolidated	Parent Company
Discount rates	+1.0%	277,717,554	207,027,086
	-1.0%	309,344,965	228,704,493
Turnover rate	+2.0%	288,131,425	214,929,992
	-2.0%	297,797,523	220,023,786

(Forward)

		2022	
		Increase (Decrease)	
	Possible fluctuations	**Consolidated**	**Parent Company**
Future salary increase rate	+1.0%	310,799,091	229,781,927
	-1.0%	276,134,296	205,858,334

The Group and the Parent Company expect to contribute ₱46.4 million and ₱32.6 million, respectively, to its defined benefit pension plan in 2023.

The average duration of the defined benefit retirement liability at the end of the reporting period ranges from 6.6 years to 11.4 years for the Group and 6.6 years for the Parent Company.

20. Service Charges, Fees and Commissions and Miscellaneous Income

Service Charges, Fees and Commissions

The table below presents the disaggregation of service charges, fees and commission by type of fee:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Commission and selling fees	**₱245,539,941**	₱323,308,039	₱477,868,739	**₱14,833,268**	₱36,819,778	₱51,813,262
Underwriting and loan syndication	**133,261,552**	165,431,852	181,267,382	**133,261,552**	165,431,852	181,267,382
Advisory fees	**70,982,937**	29,919,737	76,924,495	**81,459,378**	40,897,606	89,367,775
Others	**47,157,897**	16,214,463	20,652,437	**49,785,857**	23,737,689	27,498,558
	₱496,942,327	₱534,874,091	₱756,713,053	**₱279,340,055**	₱266,886,925	₱349,946,977

'Others' pertains to management fees, incentive fees, stand-by letter of credit fees and other service fees.

Miscellaneous Income

Breakdown of Miscellaneous income is as follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Sales load and redemption fees	**₱1,774,260**	₱4,700,743	₱7,685,669	**₱–**	₱–	₱–
Rental income (Note 21)	**–**	–	1,727,458	**–**	–	1,727,458
Others	**24,497,362**	24,370,377	18,928,644	**3,714,728**	3,984,284	1,998,006
	₱26,271,622	₱29,071,120	₱28,341,771	**₱3,714,728**	₱3,984,284	₱3,725,464

21. Lease

Group as a lessee

The Group has lease contracts for its office premises for a period of 3 years renewable by mutual agreement of the parties at the end of term of the lease.

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Depreciation expense of right-of-use assets included in property and equipment (Note 8)	**₱33,928,413**	₱35,517,715	**₱22,127,365**	₱22,127,365
Expenses relating to short-term leases	**6,539,468**	5,898,344	**3,289,070**	3,342,860
Interest expense on lease liabilities (Note 18)	**3,308,574**	3,137,801	**799,790**	1,573,691
Total amount recognized in the statements of income	**₱43,776,455**	₱44,553,860	**₱26,216,225**	₱27,043,916

The rollforward analysis of lease liabilities follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Balance at beginning of year	**₱79,916,884**	₱79,192,375	**₱36,768,110**	₱57,921,817
Additions	**–**	33,654,970	**–**	–
Interest expense	**3,308,574**	3,137,801	**799,790**	1,573,691
Payments	**(38,809,482)**	(36,068,262)	**(25,677,161)**	(22,727,398)
Lease modification/Adjustments	**233,995**	–	**–**	–
Balance at end of year	**₱44,649,971**	₱79,916,884	**₱11,890,739**	₱36,768,110

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2023 and 2022:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
1 year	**₱25,567,869**	₱38,627,446	**₱11,979,261**	₱25,433,525
more than 1 year to 2 years	**9,799,836**	25,811,505	**–**	12,222,897
more than 2 years to 3 years	**8,620,486**	9,799,836	**–**	–
more than 3 years to 4 years	**4,415,368**	8,620,486	**–**	–
more than 4 years to 5 years	**–**	4,415,368	**–**	–

22. **Miscellaneous Expenses**

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Insurance	**₱18,329,245**	₱19,867,120	₱21,711,867	**₱8,336,778**	₱10,844,580	₱12,703,823
Research and other technical cost	**17,617,719**	14,553,809	15,298,248	**2,275,000**	1,925,000	4,160,000
Referral and service fees	**15,477,135**	18,403,499	55,165,611	**2,000,000**	344,560	36,000,000
Security, messengerial and janitorial	**14,394,934**	11,840,848	13,651,003	**8,489,081**	7,268,298	8,889,788
Transportation and travel	**11,633,282**	8,815,923	6,547,492	**3,781,775**	2,395,868	2,330,346
Bank service charges and other service fees	**8,940,850**	8,706,322	8,008,061	**4,059,391**	4,059,391	4,677,936
Membership dues	**7,020,790**	6,757,845	7,713,883	**5,722,603**	5,789,560	6,939,606
Fuel and lubricants	**5,066,197**	5,743,107	4,599,282	**5,066,197**	5,743,107	4,599,282
Repairs and maintenance	**4,350,659**	6,326,862	7,185,918	**1,467,925**	2,233,918	4,013,857
Custodianship, collateral agent, and maintenance fees	**3,128,286**	3,911,749	3,332,877	**269,835**	269,835	301,757
Stationery and supplies used	**1,756,173**	1,628,289	1,557,704	**682,767**	515,442	738,208
Litigation/asset-acquired expenses	**892,181**	892,181	892,181	**892,181**	892,181	892,181
Donations	**459,856**	672,000	360,100	**459,856**	672,000	360,100
Periodical and magazine subscriptions	**34,567**	52,026	54,963	**34,567**	52,026	54,963
Supervision fees	**–**	–	1,739,117	**–**	–	1,739,117
Others	**66,684,939**	32,649,717	61,583,392	**5,699,540**	16,210,647	6,888,464
	₱175,786,813	₱140,821,297	₱209,401,699	**₱49,237,496**	₱59,216,413	₱95,289,428

Others consist mostly of expenses for company sponsorships, corporate social responsibility initiatives, corporate giveaways, maintenance and administrative costs.

23. Income and Other Taxes

The provision for income tax consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Current						
Final tax	**₱148,110,659**	₱68,875,578	₱33,758,659	**₱55,686,949**	₱24,276,676	₱15,326,993
Corporate	**6,012,430**	8,616,524	41,334,558	**2,420,895**	1,797,244	1,679,780
	154,123,089	77,492,102	75,093,217	**58,107,844**	26,073,920	17,006,773
Deferred	**1,439,907**	12,847,811	5,970,545	**–**	13,041,643	(3,100,477)
	₱155,562,996	₱90,339,913	₱81,063,762	**₱58,107,844**	₱39,115,563	₱13,906,296

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to various taxes, including income taxes and gross receipts tax (GRT). The taxes are presented as 'Taxes and licenses' in the statements of income, with gross receipts tax (GRT) being the principal component.

Income taxes include regular corporate income tax (RCIT), as discussed below, as well as final withholding taxes paid at the rates of 20% of gross interest income from peso-denominated debt instruments and other deposit substitutes, 15% of gross interest income from foreign currency deposits in a depository bank under the expanded foreign currency deposit system and a 15% final tax imposed on net capital gains realized during the taxable year from the disposition of shares of stock in a domestic corporation not traded in the stock exchange.

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.0% to 25.0% depending on the criteria set by the law effective July 1, 2020. With the implementation of this Act, interest expense allowed as deductible expenses shall be reduced by 20.0% of the interest income subject to final tax, compared to the 33.0% reduction prior to the Act.

The regulations also stipulate an MCIT of 2.0% (prior to CREATE) and 1.0% from July 2020 to June 30, 2023, before reverting to 2.0% on gross income, along with the provision for a Net Operating Loss Carryover (NOLCO). Both the MCIT and NOLCO can be applied against the Group's and Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception. However, for the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulations (RR) No. 25-2020. Additionally, starting July 1, 2023, the MCIT rate will revert to 2%.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

The components of the net deferred tax assets follow:

	Consolidated	
	2023	2022
Deferred tax assets on:		
Retirement liability	**₱7,058,930**	₱4,358,620
Accrued expenses	**11,532,048**	3,570,444
NOLCO	**–**	3,131,068
Unamortized past service cost	**3,962,203**	2,108,909
MCIT	**–**	1,134,488
(Forward)		

	Consolidated	
	2023	2022
Allowance on ECL	**₱–**	₱197,836
Unrealized loss on FVTPL investments	**59,669**	75,891
Others	**15,687,301**	15,687,301
	38,300,150	30,264,557
Deferred tax liabilities on:		
Unrealized gain on FVOCI investments	**296,704**	–
Lease liability	**2,496,939**	–
	2,793,643	–
	₱35,506,507	₱30,264,557

The components of the net deferred tax liabilities follow:

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
Deferred tax assets on:				
Accrued expenses	**₱–**	₱3,571,493	**₱–**	₱–
Unamortized past service cost	**–**	297,218	**–**	–
	–	3,868,711	**–**	–
Deferred tax liabilities on:				
Retirement asset	**–**	1,842,892	**–**	–
Unrealized foreign exchange gain	**–**	89,321	**–**	–
Others	**2,470,014**	5,034,835	**2,470,014**	2,470,014
	2,470,014	6,967,048	**2,470,014**	2,470,014
	₱2,470,014	₱3,098,337	**₱2,470,014**	₱2,470,014

Provision for (benefit from) deferred tax recognized in other comprehensive income (loss) follow:

	Consolidated			Parent Company		
	2023	2022	2022	**2023**	2022	2021
Unrealized gain on FVOCI debt investments	**₱59,669**	₱59,669	₱84,066	**₱–**	₱–	₱–
Remeasurements of retirement liability	**7,058,930**	7,058,930	1,190,013	**–**	–	(12,723,626)
	₱7,118,599	₱7,118,599	₱1,274,079	**₱–**	₱–	(₱12,723,626)

The Parent Company and certain subsidiaries did not set up deferred tax assets on the following:

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
Temporary differences on:				
NOLCO	**₱1,507,642,336**	₱972,290,365	**₱595,141,809**	₱333,718,339
Retirement liability	**83,456,116**	40,409,544	**80,720,201**	40,409,544
Allowance on investment property	**25,355,922**	25,355,922	**25,355,922**	25,355,922
Unamortized past service cost	**10,980,930**	15,203,234	**8,672,256**	15,203,234
Allowance on ECL	**–**	10,384,854	**–**	10,384,854
Carryforward benefits of MCIT	**13,578,354**	8,707,480	**10,207,289**	7,572,992
Unrealized loss on FVOCI	**2,948,069**	6,153,074	**2,948,069**	6,153,074
	₱1,643,961,727	₱1,078,504,473	**₱723,045,546**	₱438,797,959

The Group believes that it is not probable that these temporary differences will be realized before the three-year expiration.

As of December 31, 2023 and 2022, deferred tax liabilities have not been recognized on the undistributed earnings of certain subsidiaries and associates (Note 9), and the related equity in translation adjustment since such amounts are not taxable (Note 9).

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 (bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2023, the Group and the Parent Company has incurred NOLCO as follows:

Consolidated

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱226,309,802	₱–	₱–	₱36,684,402	₱189,625,400
2021	2022-2026	267,335,011	–	–	293,112	267,041,899
2022	2023-2025	517,626,949	–	–	–	517,626,949
2023	2024-2026	561,268,504	–	–	–	561,268,504
		₱1,572,540,266	₱–	₱–	₱36,977,514	₱1,535,562,752

Parent Company

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱115,410,235	₱–	₱–	₱35,414,156	₱79,996,079
2022	2023-2025	253,722,260	–	–	–	253,722,260
2023	2024-2026	290,907,244	–	–	–	290,907,244
		₱660,039,739	₱–	₱–	₱35,414,156	₱624,625,583

Details of MCIT for the Group and the Parent Company as of December 31, 2023 are as follows:

Consolidated

Inception Year	Amount	Used	Expired	Balance	Expiry Year
2020	₱5,531,937	₱2,644,609	₱–	₱2,887,328	2023
2021	2,888,420	–	–	2,888,420	2024
2022	3,390,331	–	–	3,390,331	2025
2023	4,198,873	–	–	4,198,873	2026
	₱16,009,561	₱2,644,609	₱–	₱13,364,952	

Parent Company

Inception Year	Amount	Used	Expired	Balance	Expiry Year
2020	₱2,887,328	₱–	₱–	₱2,887,328	2023
2021	2,888,420	–	–	2,888,420	2024
2022	1,797,244	–	–	1,797,244	2025
2023	2,420,895	–	–	2,420,895	2026
	₱9,993,887	₱–	₱–	₱9,993,887	

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

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Statutory income tax rate	**25.0%**	25.0%	25.0%	**25.0%**	25.0%	25.0%
Tax effects of:						
Tax-exempt and tax-paid income	**(22.87)**	(28.3)	(28.3)	**(16.10)**	(14.5)	(3.3)
Equity in net earnings of subsidiaries and associates	**(29.54)**	(37.6)	(28.8)	**(41.28)**	(37.9)	(47.6)
Non-deductible expenses	**(33.26)**	37.1	46.4	**(31.12)**	3.4	27.3
Change in unrecognized deferred tax assets	**16.10**	23.7	4.6	**10.83**	33.7	2.5
Effective income tax rate	**21.96%**	19.9%	18.9%	**9.57%**	9.7%	3.9%

24. 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 subsidiaries, associated companies, affiliates, and with certain related interests collectively referred to as directors, officers, stockholders and other related interests. 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 table provides the total amounts of transactions that have been entered into with related parties during the year 2023 and 2022:

	Consolidated and Parent Company					
	2023					
	Deposits	**Withdrawals**	**Sale of securities**	**Purchase of securities**	**Issuance of term loans**	**Borrowings**
Ultimate Parent Company	**₱473,788,938,849**	**₱473,448,167,609**	**₱36,436,903,846**	**₱54,125,656,214**	**₱–**	**₱248,175,792**
Subsidiaries	**–**	**–**	**434,789,806**	**132,860,995**	**–**	**–**
Associates	**–**	**–**	**3,577,699,450**	**109,307,571**	**–**	**–**
Affiliates	**3,099,169,134**	**3,290,835,512**	**1,097,235,048**	**–**	**–**	**–**
	₱476,888,107,983	**₱476,739,003,121**	**₱41,546,628,150**	**₱54,367,824,780**	**₱–**	**₱248,175,792**

	Consolidated and Parent Company					
	2022					
	Deposits	Withdrawals	Sale of securities	Purchase of securities	Issuance of term loans	Borrowings
Ultimate Parent Company	₱774,226,454,586	₱777,549,875,423	₱19,025,506,877	₱43,101,755,537	₱–	₱108,811,835
Subsidiaries	–	–	1,557,341,728	578,741,666	50,000,000	–
Associates	–	–	3,929,963,619	201,702,309	–	–
Affiliates	6,812,664,852	5,988,241,292	–	150,147,892	–	–
	₱781,039,119,438	₱783,538,116,715	₱24,512,812,224	₱44,032,347,404	₱50,000,000	₱108,811,835

The following are the balances of the Group's related party transactions as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, 2022 and 2021 (amounts in thousands):

	As of and for the year ended December 31, 2023		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Ultimate Parent Company			
Cash and other items	**₱–**	**₱1,359,471**	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%
Investment securities at FVTPL	–	**66,154**	Investments in the Ultimate Parent Company's shares of stock
Loans and receivables	–	**688**	Accrued interest receivables from Time Deposits
Property and Equipment	–	**197**	Right-of-use Asset

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2023		
Other assets	**₱–**	**₱204,395**	Escrow account and lease deposits
Accounts payable and other liabilities	**–**	**21,931**	Consist of payables arising out of trading transactions in behalf of customers; and internal audit fees
Other liabilities	**–**	**248**	Lease liability
Interest income	**26,003**	**–**	From savings and time deposit accounts
Interest expense	**95**	**–**	From term borrowings
Service charges, fees commissions	**44**	**–**	Arranger, selling fees and commission income from brokering transactions
Trading and securities gain	**5,911**	**–**	Realized and unrealized loss from investments in debt and equity securities
Rent, light and water	**18**	**–**	Rent and utilities expense
Depreciation of property and equipment and investment properties	**394**	**–**	Depreciation of right-of-use asset
Professional fees	**1,989**	**–**	Internal audit and retainer's fee for the current year
Miscellaneous expense	**1,857**	**–**	Bank charges
Associates			
Loans and receivables	**–**	**79**	Consist of receivables arising out of trading transactions in behalf of customers
Other assets	**–**	**1,404**	Various prepaid expenses
Service charges, fees and commissions	**1,128**	**–**	Commission income from brokering transactions
Trading and securities gains	**824**	**–**	Realized gain from sale of debt securities
Miscellaneous expense	**3,817**	**–**	Insurance expenses
Other Related Parties			
Cash and other cash items	**–**	**807,271**	Savings, current and time deposits with interest rate ranging from 0.05% to 5.8% per annum
Investment securities at FVTPL	**–**	**203,787**	Investments in equity securities
Investment at Amortized Cost	**–**	**2,994**	Investments in debt securities with 10-years term and average interest rates of 5.4%
Loans and receivables	**–**	**36,709**	Includes unquoted debt securities with term of 2 years and interest rate ranging from 3.5% to 3.9%; rent receivables and accrued interest receivable from loans; Fringe benefit loans to employees with terms ranging from 1.0 to 5.0 years and interest rates of 8.0%
Property and equipment	**–**	**47,289**	Right-of-use Asset
Other assets	**–**	**11,103**	Rent deposits
Accounts payable and other liabilities	**–**	**126**	Rent payable and accounts payable
Other liabilities	**–**	**35,288**	Lease liability
Interest income	**38,127**	**–**	Interest income from investment in debt securities; unquoted debt securities, savings and time deposits and fringe benefit loans
Interest expense	**2,820**	**–**	From lease liability
Service charges, fees and commissions	**41,035**	**–**	Arranger and financial advisory fees; Brokering fees
Trading and securities loss	**34,696**	**–**	Realized and unrealized gain/(loss) on investments in debt and equity securities
Rent, light and water	**7,750**	**–**	Rental payments for office premises
Depreciation of property and equipment and investment properties	**28,858**	**–**	Depreciation of right-of-use asset
Information technology and related expenses	**1,385**	**–**	Information technology project
Professional fees	**2,623**	**–**	Other service fees

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2023		
Miscellaneous expense	**₱13,025**	**₱–**	Insurance expense, membership dues, maintenance fee and other service fees
Key Management Personnel			
Loans and receivables	**–**	**1,152**	Fringe benefit loans with terms ranging from 3.0 years to 5.0 years and interest rate of 8.0%
Interest income	**95**	**–**	Interest income from fringe benefit loans
Miscellaneous expense	**16,972**	**–**	Per diems given to directors during board meetings

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2022		
Ultimate Parent Company			
Cash and other items	₱–	₱722,830	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%
Investment securities at FVTPL	–	71,738	Investments in the Ultimate Parent Company's shares of stock
Loans and receivables	–	234	Accrued interest receivables from Time Deposits
Other assets	–	196,654	Escrow account and lease deposits
Accounts payable and other liabilities	–	7,183	Consist of payables arising out of trading transactions in behalf of customers; and internal audit fees
Other liabilities	–	710	Lease liability
Interest income	12,381	–	From savings and time deposit accounts
Interest expense	69	–	From term borrowings
Service charges, fees commissions	9,336	–	Arranger, selling fees and commission income from brokering transactions
Trading and securities gain	(4,762)	–	Realized and unrealized loss from investments in debt and equity securities
Rent, light and water	70	–	Rent and utilities expense
Depreciation of property and equipment and investment properties	394	–	Depreciation of right-of-use asset
Professional fees	15,975	–	Internal audit and retainer's fee for the current year
Miscellaneous expense	392	–	Bank charges
Associates			
Other assets	–	208	Various prepaid expenses
Accounts payable and other liabilities		30	Consist of payables arising out of trading transactions in behalf of customers
Service charges, fees and commissions	1,404	–	Commission income from brokering transactions
Trading and securities gains	139	–	Realized gain from sale of debt securities
Miscellaneous expense	2,294	–	Insurance expenses
Other Related Parties			
Cash and other cash items	–	3,064,161	Savings, current and time deposits with interest rate ranging from 0.05% to 5.8% per annum
Investment securities at FVTPL	–	161,652	Investments in equity securities
Investment at Amortized Cost	–	8,124	Investments in debt securities with 10-years term and average interest rates of 5.4%
Loans and receivables	–	44,424	Includes unquoted debt securities with term of 2 years and interest rate ranging from 3.5% to 3.9%; rent receivables and accrued interest receivable from loans; Fringe benefit loans to employees with terms ranging from 1.0 to 5.0 years and interest rates of 8.0%

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2022		
Property and equipment	₱–	₱39,431	Right-of-use Asset
Other assets	–	11,240	Rent deposits
Accounts payable and other liabilities	–	67,840	Lease liability, rent payable and accounts payable
Interest income	43,719	–	Interest income from investment in debt securities; unquoted debt securities, savings and time deposits and fringe benefit loans
Service charges, fees and commissions	38,934	–	Arranger and financial advisory fees; Brokering fees
Trading and securities loss	(14,372)	–	Realized and unrealized gain/(loss) on investments in debt and equity securities
Interest expense	2,707	–	From lease liability
Rent, light and water	7,808	–	Rental payments for office premises
Depreciation of property and equipment and investment properties	28,669	–	Depreciation of right-of-use asset
Information technology and related expenses	1,385	–	Information technology project
Miscellaneous expense	3,911	–	Insurance expense, membership dues, maintenance fee and other service fees
Key Management Personnel			
Loans and receivables	–	990	Fringe benefit loans with terms ranging from 3.0 years to 5.0 years and interest rate of 8.0%
Interest income	86	–	Interest income from fringe benefit loans
Miscellaneous expense	15,815	–	Per diems given to directors during board meetings

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2021		
Ultimate Parent Company			
Cash and other items	₱–	₱4,045,589	Peso and US dollar-denominated demand, savings and time deposit accounts. Peso deposits carry interest from 0.1% to 1.25% while US dollar deposits carry interest from 0.0% to 1.25%.
Investment securities at FVTPL	–	120,560	Investments in the Ultimate Parent Company's shares of stock
Other assets	–	201,667	Escrow account and lease deposits
Accounts payable and other liabilities	–	21,996	Consist of payables arising out of trading transactions in behalf of customers; and internal audit fees
Other liabilities	–	1,121	Lease liability
Interest income	833	–	From savings and time deposit accounts
Interest expense	81	–	From lease liabilities
Service charges, fees commissions	18,809	–	Arranger, selling fees and commission income from brokering transactions
Trading and securities gain	835	–	Realized and unrealized loss from investments in debt and equity securities
Rent, light and water	41	–	Rent and utilities expense
Professional fees	14,090	–	Internal audit and retainer's fee for the current year
Miscellaneous expense	448	–	Bank charges

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2021		
Associates			
Other assets	₱–	₱346	Various prepaid expenses
Accounts payable and other liabilities		239	Consist of payables arising out of trading transactions in behalf of customers
Service charges, fees and commissions	1,107	–	Commission income from brokering transactions
Trading and securities gains	904	–	Realized gain from sale of debt securities
Miscellaneous expense	2,649	–	Insurance expenses
Other Related Parties			
Cash and other cash items	–	2,204	Savings, current and time deposits with interest rate ranging from 0.05% to 0.125% per annum
Investment securities at FVTPL	–	213,215	Investments in equity securities
Investment at Amortized Cost	–	7,922	Investments in debt securities with 10-years term and average interest rates of 5.4%
Loans and receivables	–	79,190	Includes unquoted debt securities with term of 2 years and interest rate of 2.6%; rent receivables and accrued interest receivable from loans; Fringe benefit loans to employees with terms ranging from 1.0 to 5.0 years and interest rates ranging from 8.0% to 9.0%.
Property and equipment	–	55,318	Right-of-use Asset
Other assets	–	16,388	Rent deposits
Accounts payable and other liabilities	–	62,575	Lease liability, rent payable and accounts payable
Interest income	11,736	–	Interest income from investment in debt securities; unquoted debt securities, savings and time deposits and fringe benefit loans
Service charges, fees and commissions	100,693	–	Arranger and financial advisory fees; Brokering fees
Trading and securities loss	(9,373)	–	Realized and unrealized gain/(loss) on investments in debt and equity securities
Interest expense	1,927	–	From lease liability
Rent, light and water	6,097	–	Rental payments for office premises
Depreciation of property and equipment and investment properties	30,840	–	Depreciation of right-of-use asset
Information technology and related expenses	1,421	–	Information technology project
Miscellaneous expense	8,604	–	Insurance expense, membership dues, maintenance fee and other service fees
Key Management Personnel			
Loans and receivables	–	2,611	Fringe benefit loans with terms ranging from 3.0 years to 15.0 years and interest rates ratings 8.0% to 9.0%
Interest income	209	–	Interest income from fringe benefit loans
Miscellaneous expense	11,819	–	Per diems given to directors during board meetings

As of December 31, 2023 and 2022, undrawn commitments/facilities is nil for the Group and the Parent Company.

Terms of Transactions with other related parties
Ultimate Parent Company's Trust Banking Group (TBG)
Transactions with retirement plans
Under PFRS, certain post-employment benefit plans are considered as related parties. The Group and the Parent Company's retirement plans are being managed by the Ultimate Parent Company's Trust Banking Group (TBG). The total carrying amount and fair va lue of the retirement plan amounted to ₱250.2 million and ₱188.3 million for the Group and the Parent Company, respectively, as of December 31, 2023, and ₱230.3 million and ₱177.0 million for the Group and the Parent Company, respectively, as of December 31, 2022. The details of the assets of the fund as of December 31, 2023 and 2022 are disclosed in Note 19. The Group's retirement funds may hold or trade its related parties' shares or securities.

Transactions with related parties are approved by all members of the Retirement Committee whom are senior officers of the Parent Company.

The following are the balances of the consolidated retirement fund's related party transactions as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023:

		Elements of Transactions				
		Statements of Financial Position		Statements of Income		
Counterparty		**2023**	2022	**2023**	2022	2021
Metrobank	Cash and other cash items	**₱1,073,804**	₱19,038,921	**₱–**	₱–	₱–
	Accrued interest receivable	**–**	16,274	**–**	–	–
	Accrued trust fee payable	**846,208**	390,720	**–**	–	–
	Interest income	**–**	–	**219,700**	27,000	3,250
	Trust fee expense	**–**	–	**1,957,489**	1,545,322	1,544,226
FMSLBF	Investment in mutual funds	**7,493,100**	7,503,600	**–**	–	–
	Unrealized trading gain	**–**	–	**(10,500)**	(451,500)	176,400
FMPEETFI	Equity investments	**45,326,100**	81,751,218		–	–
	Unrealized trading gain	**–**	–	**3,689,125**	(5,650,661)	746,885
MBTC-UITF	Investment in UITF	**14,869,203**	3,804,047		–	–
	Realized trading gain	**–**	–	**181,601**	112,243	38,473
	Unrealized trading gain	**–**	–	**160,929**	(2,110)	56,751

The president of the Parent Company exercises the voting rights for their equity shares in its subsidiaries and Metrobank.

Stock and transfer agent
TBG is the stock and transfer agent of the Parent company. It records changes of ownership and maintain the security holder records, cancel and issuer certificates, and distribute dividends.

Compensation of key management personnel
The compensation of key management personnel are as follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Short-term employee benefits	**₱248,099,908**	₱255,366,320	₱296,712,684	**₱169,476,822**	₱180,761,736	₱230,473,454
Post-employment benefits	**17,693,642**	16,919,901	20,385,051	**12,411,124**	11,930,143	14,008,565
	₱265,793,550	₱272,286,221	₱317,097,735	**₱181,887,946**	₱192,691,879	₱244,482,019

Transactions with Subsidiaries
The following are the balances of the Parent Company's related party transactions as of and for the years ended December 31, 2023 and 2022 that have been eliminated at the consolidated level (amounts in thousands):

	As of and for the year ended December 31, 2023		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Subsidiaries			
Loans and receivables	**₱–**	**₱2,705**	Accounts receivables from management/advisory fees and advances for various expenses
Accrued taxes, interest and other expenses	**–**	**6**	Ceded fee for trading participants
Other liabilities		**9,375**	Subscriptions payable
Service charges, fees and commissions	**29,815**	–	Management fees and advisory fees for services rendered to subsidiaries
Trading and Securities Gain/(Loss)	**20**	–	Realized gain from sale of debt securities
Other Income	**676**	–	Service fees
Professional fees	**12,865**	–	Reseach and analyst fees

	As of and for the year ended December 31, 2022		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Loans and receivables	₱–	₱4,079	Accounts receivables from management/advisory fees and advances for various expenses
Other liabilities	–	9,375	Subscriptions payable
Interest income	1,280	–	From short-term loan
Service charges, fees and commissions	29,594	–	Management fees and advisory fees for services rendered to subsidiaries

Management fees
The Parent Company and its subsidiaries executed a management contract for a monthly fee. Management fee represents payments for services rendered by seconded employees from the Parent Company such as accounting, taxation, financial control, legal and related services, administrative services and government reportorial requirements.

Management fee charged by the Parent Company to the subsidiaries amounted to ₱14.8 million for 2023 and 2022.

The following table shows the breakdown of loans and receivables from related parties as of December 31, 2023 and 2022:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Loans and discounts:				
Corporate lending	**₱30,000,000**	₱30,000,000	**₱–**	₱–
Others	**11,083,174**	7,419,896	**5,327,439**	2,500,324
Accrued interest receivable	**7,368,687**	14,641,070	**2,909,672**	2,478,792
Accounts receivable	**107,007**	16,541	**2,733,213**	4,095,585
	₱48,558,868	₱52,077,507	**₱10,970,324**	₱9,074,701

The following table shows the breakdown of accrued taxes, interest and other expenses to related parties as of December 31, 2023 and 2022 for the Group and the Parent Company:

	Consolidated		Parent Company	
	2023	2022	**2023**	**2022**
Accrued other expenses payable	**22,056,359**	₱6,200,016	**14,321,332**	**₱4,030,645**

25. Commitments and Contingent Accounts

Commitments
As of December 31, 2023, the Group has outstanding contingent liability from legal cases amounting to ₱0.5 million.

Contingencies
In the normal course of business, the Group and the Parent Company are involved in various contingencies which, in the opinion of the management, will not have a material effect on the Group's consolidated financial statements.

26. Earnings Per Share

As a result of the reverse stock split by the Parent, which was included in the Articles of Incorporation filed with the SEC on September 15, 2023, the weighted average number of outstanding common shares have been adjusted retrospectively for the effect of the reverse stock split as required under PFRS.

EPS are computed as follows:

	2023	2022 (As restated)	2021 (As restated)
a. Net income attributable to equity holders of the Parent Company	**₱551,884,906**	₱364,017,938	₱340,179,663
b. Weighted average number of common shares	**7,449,121**	7,449,121	7,449,121
c. Basic/Diluted EPS (a/b)	**₱74.1**	₱48.9	₱45.7

In 2023, 2022 and 2021, there are no potential shares that have a dilutive effect on the basic EPS of the Parent Company.

27. Offsetting of Financial Assets and Liabilities

PFRS 7 requires the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements.

As of December 31, 2023 and 2022, the Group and the Parent Company has no similar arrangements.

28. Notes to Statements of Cash Flows

The table below provides for the changes in liabilities arising from financing activities of the Group and the Parent Company:

	Consolidated					
	January 1, 2023	**Cash flows**	**Foreign exchange movement**	**Amortization of discount**	**Others**	**December 31, 2023**
Bills payable	**₱–**	**(₱25,902)**	**₱25,902**	**₱–**	**₱–**	**₱–**
Dividends payable	**89,546,415**	**–**	**–**	**–**	**–**	**89,546,415**
Lease liability	**79,916,884**	**(38,575,487)**	**–**	**3,308,574**	**–**	**44,649,971**
Total liabilities from financing activities	**₱169,463,299**	**(₱38,601,389)**	**₱25,902**	**₱3,308,574**	**₱–**	**₱134,196,386**

	Parent Company					
	January 1, 2023	**Cash flows**	**Foreign exchange movement**	**Amortization of discount**	**Others**	**December 31, 2023**
Bills payable	**₱–**	**(₱25,902)**	**₱25,902**	**₱–**	**₱–**	**₱–**
Dividends payable	**89,546,415**	**–**	**–**	**–**	**–**	**89,546,415**
Lease liability	**36,768,110**	**(25,677,161)**	**–**	**799,790**	**–**	**11,890,739**
Total liabilities from financing activities	**₱126,314,525**	**(₱25,703,063)**	**₱25,902**	**₱799,790**	**₱–**	**101,437,154**

	Consolidated					
	January 1, 2022	Cash flows	Foreign exchange movement	Amortization of discount	Others	December 31, 2022
Bills payable	₱–	(₱358,673)	₱358,673	₱–	₱–	₱–
Dividends payable	89,546,415	–	–	–	–	89,546,415
Lease liability	79,192,375	(36,068,262)	–	3,137,801	33,654,970	79,916,884
Total liabilities from financing activities	₱168,738,790	(₱36,426,935)	₱358,673	₱3,137,801	₱33,654,970	₱169,463,299

	Parent Company					
	January 1, 2022	Cash flows	Foreign exchange movement	Amortization of discount	Others	December 31, 2022
Bills payable	₱–	(₱358,673)	₱358,673	₱–	₱–	₱–
Dividends payable	89,546,415	–	–	–	–	89,546,415
Lease liability	57,921,817	(22,727,398)	–	1,573,691	–	36,768,110
Total liabilities from financing activities	₱147,468,232	(₱23,086,071)	₱358,673	₱1,573,691	₱–	₱126,314,525

29. Other Matters

The Group has no significant matters to report in 2023 on the following:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.
b. Explanatory comments about seasonality or cyclicality of operations.
c. Issuance, repurchase and repayments of debt and equity securities.
d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows; and
e. Effect of changes in the composition of the Group during the year, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

30. **Approval of the Financial Statements**

The accompanying financial statements were authorized for issue by the Parent Company's BOD on February 19, 2024

31. **Supplementary Information Under Revenue Regulations (RR) No. 15-2010**

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

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

GRT and DST
Under the Philippine tax laws, financial institutions are subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid by the Parent Company consist principally of GRT and DST.

Taxes and Licenses
This includes all other taxes, DST, local tax, fringe benefit tax including licenses and permit fees in 2023:

GRT	₱27,921,414
Local taxes	1,615,094
Licenses, fees and others	771,877
Real estate tax	371,211
Fringe benefit tax	88,056
DST	14,852
	₱30,782,504

Withholding Taxes
Details of total remittances and balances as of December 31, 2023 are as follows:

	Total remittances	Outstanding balance
Withholding taxes on compensation and benefits	₱59,010,646	₱9,632,774
Expanded withholding taxes	12,237,897	1,500,186
Final withholding tax - others	6,477	–
	₱71,255,020	₱11,132,960

SGV
Building a better working world

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1226 Makati City
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
First Metro Investment Corporation
45th Floor, GT Tower International
Ayala Avenue corner. H.V. Dela Costa Street
Makati City

We have audited the accompanying consolidated financial statements of First Metro Investment Corporation and its subsidiaries (the Group), and the parent company financial statements of First Metro Investment Corporation (the Parent Company), as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, on which we have rendered the attached report dated February 19, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that First Metro Investment Corporation has 115 stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

Glenda C. Anisco-Niño
Partner
CPA Certificate No. 114462
Tax Identification No. 225-158-629
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079897, January 5, 2024, Makati City

February 19, 2024

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INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION

The Stockholders and the Board of Directors
First Metro Investment Corporation
45th Floor, GT Tower International
Ayala Avenue corner. H.V. Dela Costa Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of First Metro Investment Corporation and its subsidiaries (the Group), and the parent company financial statements of First Metro Investment Corporation (the Parent Company), as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 19, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated and parent company financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated and parent company financial statements. This has been subjected to the auditing procedures applied in the audit of the basic consolidated and parent company financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated and parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

Glenda C. Anisco-Niño
Partner
CPA Certificate No. 114462
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February 19, 2024

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

FIRST METRO INVESTMENT CORPORATION
45th Floor GT Tower International, Ayala Ave., cor. H.V. Dela Costa St., Makati City
Computation of Retained Earnings Available for Dividend Declaration
As of December 31, 2023

Unappropriated Retained Earnings (RE), *beginning of reporting period*	**P**	**4,974,405,617**
Less: Items that are directly debited to Unappropriated Retained Earning		
Realized trading losses on derecognition of FVOCI-Equities		**(85,227,266)**
Unappropriated Retined Earnings, as adjusted		**4,889,178,351**
Add: Net Income for the period	**P**	**551,884,906**
Less: Unrealized income recognized in profit or loss during the reporting period (net of tax0		
Equity in net income from investments in subsidiaries and associates, net of dividends declared		**(519,318,088)**
Adjusted Net income		**32,566,818**
Less: other items that should be excluded from the determination of the amount of available for dividend distribution		
Net movement in treasury shares (except for reacquisition of redeemable shares)		**(1,321,087)**
Total Retained Earnings, end of the reporting period available for dividend	**P**	**4,920,424,082**

Certified correct by:

GANINE C. OLMEDO
AVP / Controller

FIRST METRO INVESTMENT CORPORATION

SUMMARY OF UNDERWRITING ACTIVITIES

For the year ended December 31, 2023

(In Thousand Pesos)

Underwriting Activity	Client/Issuer	Nature of Commitment	Amount of Issue	Fees Earned	Basis of computation
A. Equity Underwriting					
	Upson International Corporation	Firm	1,800,000	27,002	based on the percentage of underwritten amount
B. Debt Underwriting					
	SM Prime Holdings, Inc.	Firm	4,500,000	12,631	based on the percentage of underwritten amount
	Ayala Land Inc.	Firm	3,200,000	6,794	based on the percentage of underwritten amount
	Robinsons Land Corporation	Firm	3,000,000	9,310	based on the percentage of underwritten amount
	Aboitiz Equity Ventures Inc.	Firm	4,400,000	13,245	based on the percentage of underwritten amount
	Filinvest Land, Inc.	Firm	1,250,000	7,714	based on the percentage of underwritten amount

Ganine C. Olmedo
AVP / Controller

FIRST METRO INVESTMENT CORPORATION
45th Floor GT Tower International, Ayala Ave., cor. H.V. Dela Costa St., Makati City
Transactions with DOSRI

In the ordinary course of business, the Parent Company has transactions with its directors, officers, stockholders and other related interests (DOSRI). The following table shows information on loans to DOSRI as of December 31, 2023:

		Amount of transactions for the year		
Counterparty	**Transaction**	**Additions**	**Collections**	**Carrying value of loan with collateral**
Officers	Fringe Benefit Loans	5,144,200	2,543,064	1,442,203

Loans to officers have maturities of 1.0 to 15 years and are collected through salary deductions.

Certified correct by:

GANINE C. OLMEDO
AVP/Controller

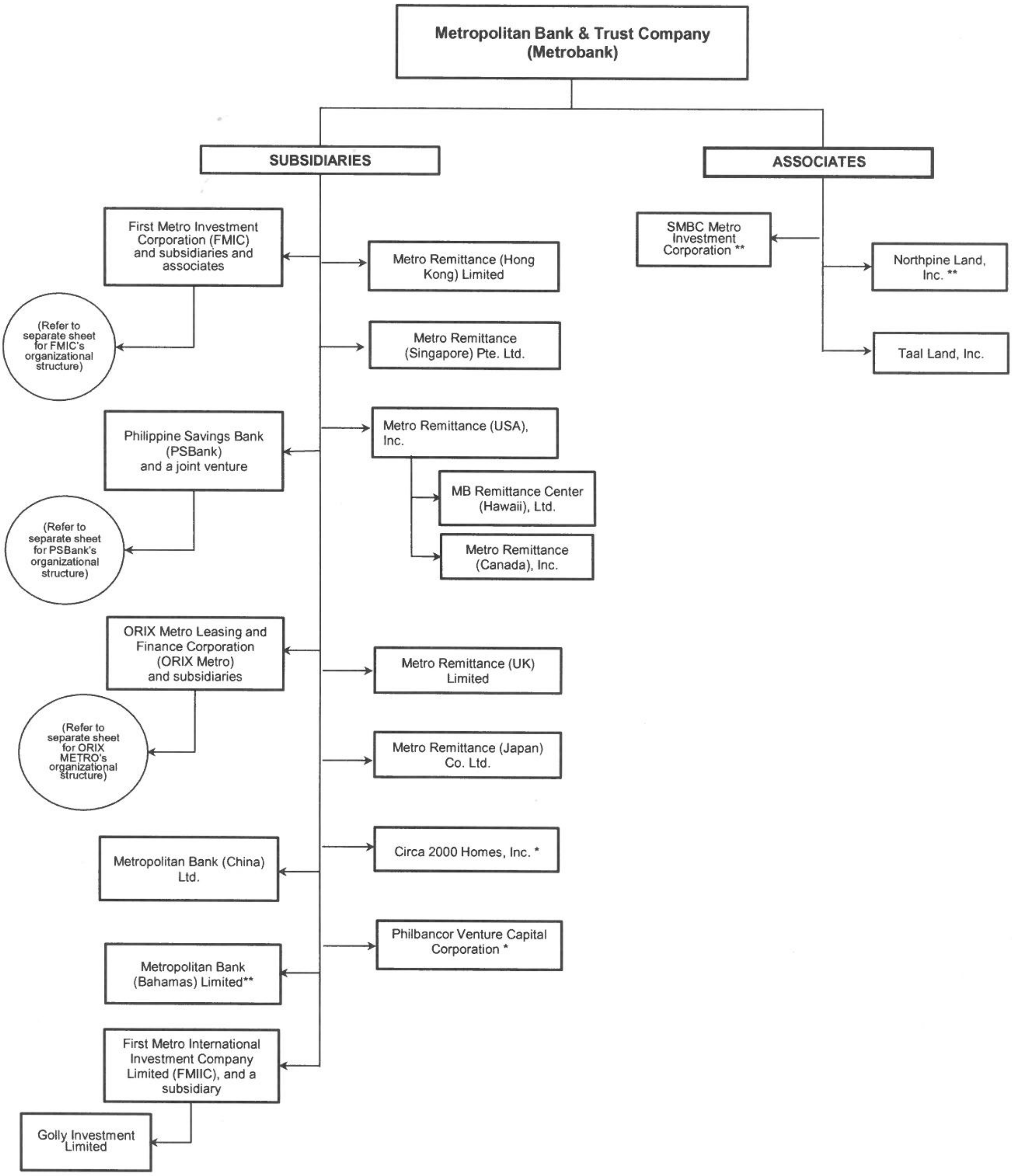
FIRST METRO INVESTMENT CORPORATION
SCHEDULE OF AMOUNT OF RECEIVABLES ELIMINATED
As of December 31, 2023

Name of debtor	Relationship	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at end of period
FAMI	Subsidiary	4,088,463	78,561,899	80,360,160	-	2,290,202	-	2,290,202
FEI	Subsidiary	-	5,000	4,250	-	750	-	750
FMIBC	Subsidiary	-	4,250	4,250	-	-	-	-
FMSBC	Subsidiary	-	7,020,909,317	7,020,495,328	-	413,989	-	413,989
PBC	Subsidiary	-	255,000	255,000	-	-	-	-
PVDC	Subsidiary	-	4,250	4,250	-	-	-	-
RI	Subsidiary	-	4,250	4,250	-	-	-	-
SBC	Subsidiary	-	51,000	51,000	-	-	-	-
SALEF	Subsidiary	6,590,964	76,400,172	76,400,171	-	6,590,965	-	6,590,965
SALBF	Subsidiary	1,644,708	19,001,596	18,784,476	-	1,861,828	-	1,861,828
SALFIF	Subsidiary	1,861,829	23,452,848	23,669,968	-	1,644,709	-	1,644,709
SALDBF	Subsidiary	624,801	7,633,622	7,633,622	-	624,801	-	624,801
FMPEETF	Subsidiary	1,347,530	10,425,598	10,869,165	-	903,963	-	903,963
		16,158,295	7,236,708,802	7,238,535,890	-	14,331,207	-	14,331,207

Certified correct by:

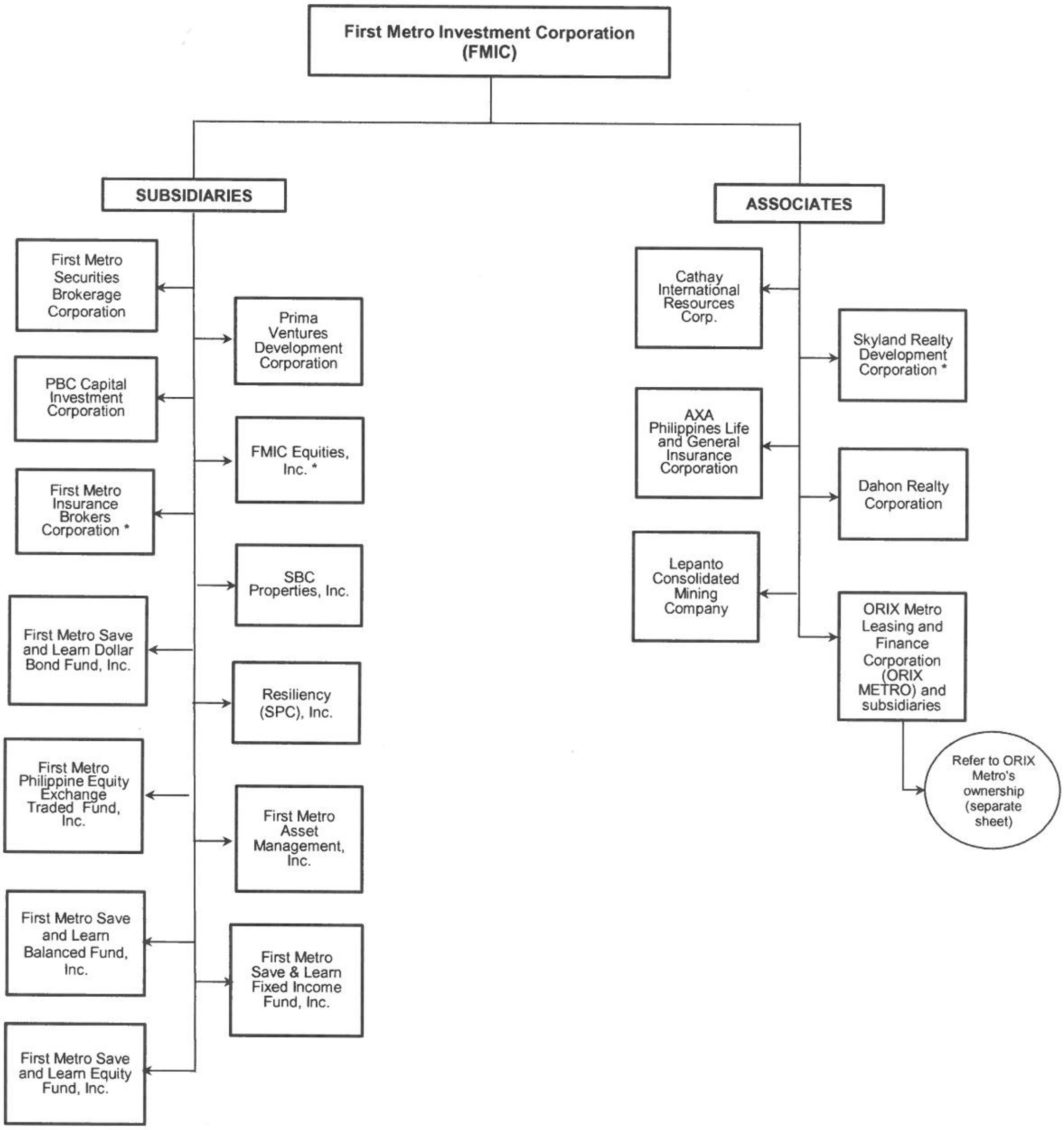
Ganine C. Olmedo
AVP/Controller

Metropolitan Bank & Trust Company
Subsidiaries and Associates
As of December 31, 2023



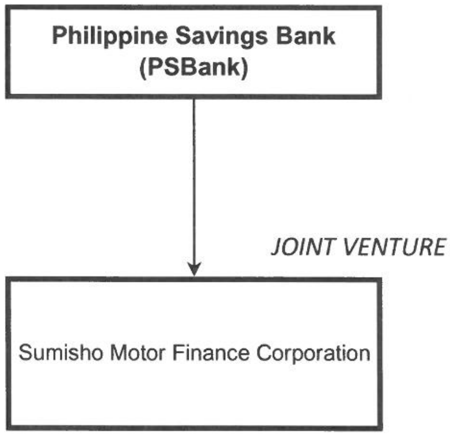
* *In process of dissolution*
** *In process of liquidation*

First Metro Investment Corporation
Subsidiaries and Associates
As of December 31, 2023

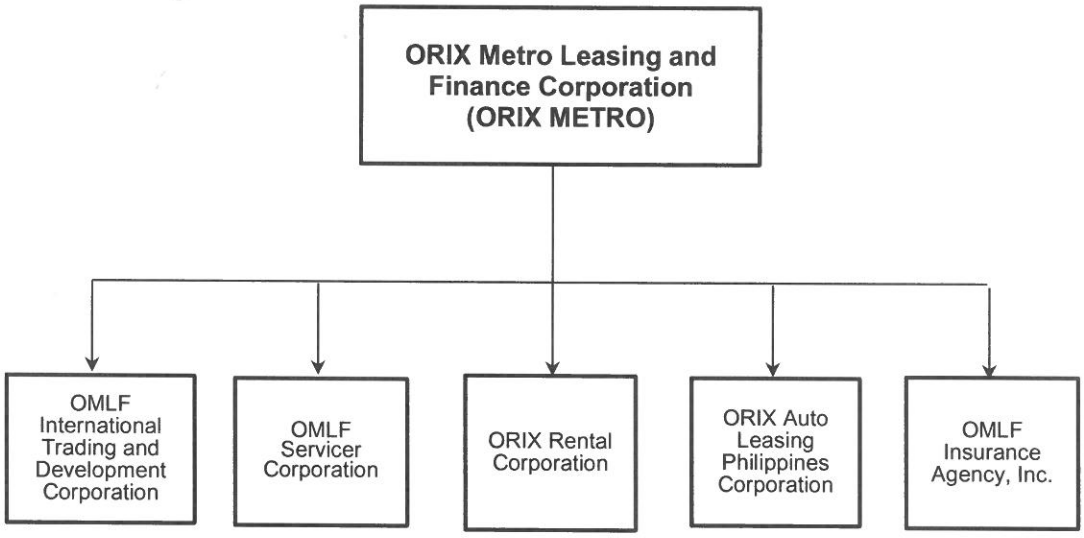


** In process of dissolution*

Philippine Savings Bank
Joint Venture
As of December 31, 2023



ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2023



FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

Performance Indicator	Formula	As of December 31	
		2023	2022
a. Current/Liquidity Ratio	Total Current Assets / Total Current Liabilities	**112.44%**	112.73%
b. Solvency Ratio	Total Liabilities / Total Assets	**48.92%**	50.94%
c. Debt to Equity Ratio	Total Liabilities / Total Equity	**96.20%**	104.50%
d. Asset to Equity Ratio	Total Assets / Total Equity	**196.64%**	205.14%
e. Interest Rate Coverage Ratio	Income before Interest Expense and Tax / Interest Expense	**10,462.56%**	(117.32%)
f. Return on Equity	Net Income after Tax / Average Capital	**3.46%**	2.35%
g. Return on Assets	Net Income after Tax / Average Total Assets	**1.72%**	1.12%
h. Net Profit Margin Ratio	Net Income / Net Interest Income and Operating Income	**38.36%**	34.40%
i. Risk Based Capital Adequacy (RBCA) Ratio	Net Liquid Capital / Total Risk Capital Requirement	**1,782.34%**	1,467.23%
j. Ratio of Aggregate Indebtedness to Net Liquid Capital	Aggregate Indebtedness / Net Liquid Capital	**12.16%**	12.76%

Certified correct by:

GANINE C. OLMEDO
AVP/Controller

Form and Content of Schedules

Consolidated Statements of Financial Position

1. 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	₱11,083,174	₱5,327,439		
Other borrowers of subsidiaries	40,000,000	45,755,735		
	51,083,174	51,083,174	₱50,683,174	
Unquoted Commercial Papers:				
Citibank, N.A.	412,901,500	412,901,500	412,901,500	
Toyota Financial Services Phils Corp.	30,000,000	30,000,000	30,000,000	
	442,901,500	442,901,500	442,901,500	
Other Receivables	864,936,800	864,936,800	830,303,246	
	1,358,921,473	1,358,921,474	1,323,887,919	
Allowance for Credit Losses	(35,033,554)	(35,033,554)		
	1,323,887,919	1,323,887,919	1,323,887,919	₱3,086,216
Financial Assets at FVTPL:				
Government Securities	903,265,593	926,661,182		
Private Debt Securities	280,420,000	272,920,031		
Equity Securities	232,185,861	6,805,899,504		
	1,415,871,454	8,005,480,717	8,005,480,717	130,741,663
FVOCI:				
Government Securities	5,142,819,000	5,135,918,622		
Equity Securities				
Axelum Resources Corp.	176,970,700	424,729,680		
The Philippine Stock Exchange, Inc..	2,806,521	477,108,570		
Eagle Cement Corporation	4,700	79,900		
Other Issuers	50,094,288	178,682,004		
	5,372,695,209	6,216,518,776	6,216,518,776	214,175,861
Amortized Cost:				
Government securities	₱1,258,990,000	₱1,261,158,698	₱1,252,263,277	
Private Debt Securities				
Ayala Corporation	50,000,000	49,142,614	49,087,290	
Ayala Land Inc	53,000,000	52,971,358	50,920,160	
Bank of the Philippine Islands	115,100,000	114,986,773	114,823,623	
BDO Unibank Inc	50,000,000	49,890,853	98,973,236	
China Banking Corp.	40,000,000	40,000,000	21,766,969	
GT Capital Holdings Inc	3,000,000	2,994,153	49,087,290	
San Miguel Food and Beverages, Inc.	150,000,000	150,000,000	50,920,160	
Security Bank Philippines	200,000,000	200,000,000	114,823,623	
SM Investments Corp.	92,000,000	91,812,925	49,890,751	
SM Prime Holdings Inc.	100,000,000	100,000,000	39,838,267	
SMC Global Power Holdings, Inc.	23,000,000	23,000,000	2,980,517	
	₱2,135,090,000	₱2,135,957,374	₱2,099,825,998	₱114,455,330
	₱10,247,544,582	₱17,681,844,786	₱17,645,713,410	₱462,459,070

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

Loans and receivables are measured in the statement of financial position at amortized cost using the effective interest rate and 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 effective interest rate (EIR).

Amortized Cost investments are measured in the statement of financial position at amortized cost using the effective interest rate and method, less impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

2. 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	₱7,419,896	₱8,134,200	(₱4,470,922)	(₱–)	₱ 932,307	₱ 10,150,866	₱11,083,173

3. 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	Non current	Balance at end of period
FAMI	Subsidiary	₱4,088,463	₱78,561,899	₱80,360,160	₱–	₱2,290,202	₱–	₱2,290,202
FEI	Subsidiary	–	5,000	4,250	–	750	–	750
FMIBC	Subsidiary	–	4,250	4,250	–	–	–	–
FMSBC	Subsidiary	–	7,020,909,317	7,020,495,328	–	413,989	–	413,989
PBC	Subsidiary	–	255,000	255,000	–	–	–	–
PVDC	Subsidiary	–	4,250	4,250	–	–	–	–
RI	Subsidiary	–	4,250	4,250	–	–	–	–
SBC	Subsidiary	–	51,000	51,000	–	–	–	–
SALEF	Subsidiary	6,590,964	76,400,172	76,400,171	–	6,590,965	–	6,590,965
SALBF	Subsidiary	1,644,708	19,001,596	18,784,476	–	1,861,828	–	1,861,828
SALFIF	Subsidiary	1,861,829	23,452,848	23,669,968	–	1,644,709	–	1,644,709
SALDBF	Subsidiary	624,801	7,633,622	7,633,622	–	624,801	–	624,801
FMPEETF	Subsidiary	1,347,530	10,425,598	10,869,165	–	903,963	–	903,963
		₱16,158,295	₱7,236,708,802	₱7,238,535,890	₱–	₱14,331,207	₱–	₱14,331,207

4. Intangible Assets - Other Assets

Movements in intangible assets follow:

	2023
Balance at beginning of year	₱9,537,326
Additions at cost (cash expenditure)	897,163
Charged to cost and expenses	(6,217,388)
Balance at end of the period	₱4,217,101

This account consists of First Metro and FAMI's capitalized computer software with net book value of ₱0.6 million and ₱3.6 million, respectively.

5. Long Term Debt

As of December 31, 2023, First Metro had no long-term debt.

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

As of December 31, 2023, First Metro had no long-term debt to related parties.

7. Guarantees of Securities of Other Issuers

As of December 31, 2023, First Metro had no outstanding guarantees of securities of other issuers.

8. Capital Stock

	Common Stock
Authorized number of shares	16,000,000
Number of shares issued and outstanding as shown under the related statement of financial position caption	7,448,689*
Number of shares reserve for options, warrants, conversion and other rights	–
Number of shares held by affiliates	7,394,739
Number of shares held by directors, officers and employees	30

** Net of 968,696 Treasury Shares as of December 31, 2023*

Certified correct by:

GANINE C. OLMEDO
AVP/Controller