C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 0 2 3 2 6 9

COMPANY NAME

F I R S T   M E T R O   I N V E S T M E N T   C O R P O R A T I O N

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

4 5 t h   F l o o r ,   G T   T o w e r   I n t e r n a t i o n a l ,   A y a l a   A v e n u e   C o r n e r   H . V .   d e l a   C o s t a   S t r e e t ,   M a k a t i   C i t y

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,255	Not later than last working day of April	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
Antonio R. Ocampo Jr.	antonio.ocampo@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.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Metro Investment Corporation (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2024, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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 Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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 32 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, the information is fairly stated, in all material respects, in relation 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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10465259, January 2, 2025, Makati City

March 7, 2025

FIRST METRO INVESTMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Cash and other cash items (Note 6)	**₱1,961,715,424**	₱1,245,649,420
Investment securities at Fair value through other comprehensive income (FVOCI) (Note 7)	**5,129,751,707**	4,556,076,107
Loans and receivables (Notes 8, 13 and 25)	**39,469,150**	320,861,573
Property and equipment (Note 9)	**31,655,714**	47,481,689
Investments in subsidiaries and associates (Notes 10, 13 and 25)	**8,197,289,816**	9,895,801,037
Investment properties (Notes 11 and 13)	**178,376,091**	178,854,985
Other assets (Notes 12 and 25)	**713,983,028**	707,970,824
	₱16,252,240,930	₱16,952,695,635
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable (Notes 14 and 25)	**₱232,699,719**	₱218,561,122
Accrued taxes, interest and other expenses (Notes 14 and 25)	**135,074,856**	121,022,654
Income taxes payable (Note 24)	**–**	2,420,895
Deferred tax liabilities (Note 24)	**2,470,014**	2,470,014
Other liabilities (Notes 15 and 25)	**180,400,397**	212,954,357
	550,644,986	557,429,042
EQUITY		
Common stock (Note 17)	**4,208,692,500**	4,208,692,500
Capital paid in excess of par value	**2,065,694,361**	2,065,694,361
Retained earnings (Note 17)	**12,527,944,957**	13,270,644,989
Treasury stock (Note 17)	**(2,663,485,816)**	(2,663,351,704)
Net unrealized loss on FVOCI investments (Notes 7 and 25)	**(393,937,216)**	(535,879,940)
Remeasurements of retirement liability (Note 20)	**(26,814,749)**	(28,910,386)
Equity in other comprehensive income (loss) of subsidiaries and associates (Note 10)	**(16,498,093)**	78,376,773
	15,701,595,944	16,395,266,593
	₱16,252,240,930	₱16,952,695,635

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31		
	2024	2023	2022
INCOME			
Interest income (Note 18)	**₱330,097,042**	₱285,796,175	₱116,121,164
Service charges, fees and commissions (Notes 21 and 25)	**151,722,215**	279,340,055	266,886,925
Dividends (Notes 7 and 25)	**28,816,472**	26,529,598	27,663,729
Trading and securities gain (loss) (Notes 7 and 25)	**4,944,212**	25,406,278	21,554,696
Foreign exchange gain (loss)	**223,092**	(1,846,444)	119,227
Gain (loss) on sale of assets (Notes 9, 10 and 11)	**(76,520,900)**	222,636	78,694,971
Miscellaneous	**1,385,273**	3,714,728	3,984,284
TOTAL OPERATING INCOME	**440,667,406**	619,163,026	515,024,996
EXPENSES			
Compensation and fringe benefits (Notes 20 and 25)	**289,557,587**	315,057,069	324,119,529
Provision for impairment, credit and other probable losses (Note 13)	**157,782,031**	438,528,073	169,592,316
Taxes and licenses	**33,396,517**	30,782,504	22,670,078
Depreciation of property and equipment and investment properties (Notes 9 and 11)	**27,282,022**	37,871,117	39,837,043
Information technology and related expenses (Notes 12 and 23)	**24,657,230**	32,206,044	40,434,746
Professional fees	**23,485,368**	68,769,890	24,574,628
Rent, light and water	**17,244,700**	7,169,374	6,624,727
Advertising and communication expenses	**14,115,456**	16,131,107	18,845,389
Representation and entertainment (Note 25)	**8,644,089**	8,319,079	7,061,897
Interest expense (Note 19)	**4,171,641**	864,019	5,758,591
Broker's commissions	**3,313,006**	–	445,054
Online trading, transfer and exchange fees	**2,669,052**	10,375,575	4,325,126
Miscellaneous (Notes 11 and 23)	**52,778,415**	49,237,496	59,216,413
	659,097,114	1,015,311,347	723,505,537
LOSS BEFORE SHARE IN NET INCOME (LOSS) OF SUBSIDIARIES AND ASSOCIATES	**(218,429,708)**	(396,148,321)	(208,480,541)
SHARE IN NET INCOME (LOSS) OF SUBSIDIARIES (Note 10)	**193,792,698**	177,688,533	(65,486,801)
SHARE IN NET INCOME OF ASSOCIATES (Note 10)	**960,474,414**	828,452,538	677,100,843
INCOME BEFORE INCOME TAX	**935,837,404**	609,992,750	403,133,501
PROVISION FOR INCOME TAX (Note 24)	**81,127,807**	58,107,844	39,115,563
NET INCOME	**₱854,709,597**	₱551,884,906	₱364,017,938

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2024	2023	2022
NET INCOME	**₱854,709,597**	₱551,884,906	₱364,017,938
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 7)	**(13,927,795)**	73,419,090	(42,633,918)
Share in other comprehensive income (loss) of subsidiaries (Note 10)	**(24,564,690)**	2,110,047	(5,956,364)
Share in other comprehensive income (loss) of associates (Note 10)	**10,177,977**	250,679,818	(505,320,432)
	(28,314,508)	326,208,955	(553,910,714)
Items that do not recycle to profit or loss in subsequent periods:			
Changes in net unrealized gain (loss) on FVOCI equity investments (Note 7)	**58,460,890**	(24,547,713)	(198,250,608)
Remeasurements of retirement liability (Note 20)	**2,095,637**	(38,945,519)	(28,141,358)
Share in other comprehensive income (loss) of subsidiaries (Note 10)	**(3,820,949)**	93,470,144	(39,241,143)
Share in other comprehensive income (loss) of associates (Note 10)	**(76,667,204)**	(3,904,431)	419,310,920
	(19,931,626)	26,072,481	153,677,811
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(48,246,134)**	352,281,436	(400,232,903)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱806,463,463**	₱904,166,342	(₱36,214,965)

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION

STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 17)	Capital Paid in Excess of Par Value (Note 17)	Retained Earnings (Note 17)	Treasury Stock (Note 17)	Net Unrealized Gain (Loss) on FVOCI Investments (Notes 7 and 25)	Remeasurements of Retirement Liability (Note 20)	Equity in Other Comprehensive Income (Loss) of Subsidiaries and Associates (Note 10)	Total Equity
Balance at January 1, 2024	**₱4,208,692,500**	**₱2,065,694,361**	**₱13,270,644,989**	**(₱2,663,351,704)**	**(₱535,879,940)**	**(₱28,910,386)**	**₱78,376,773**	**₱16,395,266,593**
Total comprehensive income (loss)	–	–	**854,709,597**	–	**44,533,095**	**2,095,637**	**(94,874,866)**	**806,463,463**
Dividends declared	–	–	**(1,500,000,000)**	–	–	–	–	**(1,500,000,000)**
Acquisition of treasury shares (Note 17)	–	–	–	**(134,112)**	–	–	–	**(134,112)**
Realized loss on disposal charged against retained earnings (Note 7)	–	–	**(97,409,629)**	–	**97,409,629**	–	–	–
Balance at December 31, 2024	**₱4,208,692,500**	**₱2,065,694,361**	**₱12,527,944,957**	**(₱2,663,485,816)**	**(₱393,937,216)**	**(₱26,814,749)**	**(₱16,498,093)**	**₱15,701,595,944**
Balance at January 1, 2023	₱4,208,692,400	₱2,065,694,042	₱12,803,987,348	(₱2,662,030,617)	(₱669,978,582)	₱10,035,133	(₱263,978,805)	₱15,492,420,919
Total comprehensive income (loss)	–	–	551,884,906	–	48,871,377	(38,945,519)	342,355,578	904,166,342
Issuance of common stock (Note 17)	100	319	–	–	–	–	–	419
Acquisition of treasury shares (Note 17)	–	–	–	(1,321,087)	–	–	–	(1,321,087)
Realized loss on disposal charged against retained earnings (Note 7)	–	–	(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)	(₱535,879,940)	(₱28,910,386)	₱78,376,773	₱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)	(₱427,396,056)	₱38,176,491	(₱132,771,786)	₱15,528,635,884
Total comprehensive income (loss)	–	–	364,017,938	–	(240,884,526)	(28,141,358)	(131,207,019)	(36,214,965)
Realized gain on disposal charged against retained earnings (Note 7)	–	–	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)	(₱669,978,582)	₱10,035,133	(₱263,978,805)	₱15,492,420,919

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱935,837,404**	₱609,992,750	₱403,133,501
Adjustments for:			
Share in net income of associates (Note 10)	**(960,474,414)**	(828,452,538)	(677,100,843)
Share in net (income) loss of subsidiaries (Note 10)	**(193,792,698)**	(177,688,533)	65,486,801
Provision for (recovery from) impairment, credit, and other probable losses (Note 13)	**157,782,031**	438,528,073	169,592,316
Loss (gain) from redemption of Investment in subsidiaries and associates (Note 10)	**77,088,152**	–	(59,553,541)
Depreciation and amortization (Notes 9, 11 and 12)	**30,621,742**	42,921,485	48,742,779
Dividend income (Notes 7 and 10)	**(28,816,472)**	(26,529,598)	(27,663,729)
Amortization of premium or discount on financial assets	**(18,737,724)**	(10,989,911)	(3,444,839)
Gain on sale of:			
Property and equipment (Note 9)	**(567,251)**	(222,636)	(3,397,981)
Investment properties (Note 11)	**–**	–	(16,100,980)
Interest expense on lease liability (Notes 19 and 20)	**88,521**	799,790	1,573,691
Gain on sale of FVOCI debt investments (Note 7)	**–**	16,174	(33,473)
Unrealized foreign exchange loss (gain)	**–**	25,902	(8,189,532)
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Investment securities at FVTPL	**–**	–	813,246,005
Loans and receivables	**3,209,049**	19,511,336	353,552,096
Other assets	**(3,670,359)**	(14,731,365)	902,710
Increase (decrease) in the amounts of:			
Accounts payable	**14,138,597**	9,038,057	(20,460,164)
Accrued taxes, interest and other expenses	**27,608,052**	22,786,393	(4,695,029)
Other liabilities	**(31,097,541)**	5,393,152	(15,816,176)
Net cash generated from operations	**9,217,089**	90,398,531	1,019,773,612
Income taxes paid	**(83,548,701)**	(57,484,193)	(24,695,086)
Net cash provided by (used in) operating activities	**(74,331,612)**	32,914,338	995,078,526
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment securities at FVOCI	**(1,743,928,901)**	**(1,073,116,292)**	(8,337,142,653)
Property and equipment (Note 9)	**(12,473,038)**	**(19,064,787)**	(8,236,477)
Software licenses (Note 12)	**(5,681,565)**	**(506,092)**	(4,940,150)
Capital infusion to subsidiaries (Note 10)	**(464,967,689)**	**(50,000,001)**	(417,727,457)
Proceeds from sale/redemption/ maturities of:			
Investment in subsidiaries and associates (Note 10)	**2,431,697,347**	50,000,001	417,727,457
Investment securities at FVOCI	**1,233,524,901**	935,702,716	4,935,977,348
Property and equipment (Note 9)	**2,063,139**	839,327	4,854,427
Investment properties	–	–	17,228,000
Dividends received from subsidiaries and associates (Note 10)	**834,486,218**	100,350,000	468,548,095
Dividends received from investment securities	**28,816,472**	26,529,598	27,663,729
Net cash provided by (used in) investing activities	**2,303,536,884**	(29,265,530)	(2,896,047,681)

(Forward)

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	**(₱1,501,025,896)**	(₱146,829)	₱–
Proceeds from issuance of bills payable	**683,322,000**	170,161,364	7,408,836,475
Payments of bills payable	**(683,322,000)**	(170,187,266)	(7,409,195,148)
Payments of lease liability (Note 22)	**(11,979,260)**	(25,677,161)	(22,727,398)
Acquisition of treasury shares (Note 17)	**(134,112)**	(1,321,087)	–
Issuance of common shares	–	419	–
Net cash used in financing activities	**(1,513,139,268)**	(27,170,560)	(23,086,071)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**716,066,004**	(23,521,752)	(1,924,055,226)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,245,649,420**	1,269,171,172	3,193,226,398
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,961,715,424**	₱1,245,649,420	₱1,269,171,172

OPERATIONAL CASH FLOWS FROM INTEREST

	Years Ended December 31		
	2024	2023	2022
Interest paid	**₱4,083,120**	₱64,229	₱5,758,5919
Interest received	**331,852,360**	276,977,329	105,177,382

See accompanying Notes to Financial Statements

FIRST METRO INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

First Metro Investment Corporation (the Company or the Parent Company) is an investment house incorporated on August 30, 1972 in Metro Manila. On September 22, 2000, the Company was merged with Solidbank Corporation (Solidbank) with Solidbank as the surviving entity and subsequently renamed as First Metro Investment Corporation. The 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 Company is a 99.3%-owned subsidiary of Metropolitan Bank & Trust Company (MBTC or the Ultimate Parent Company).

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

Amendments on the Articles of Incorporation

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 articles of incorporation, pertaining to (1) removal in the primary purpose to engage in QB and trust activities in view of the recent approval of the BSP of the surrender of the QB license and the surrender of the trust license, and (2) the increase in par value from ₱10.0 per share to ₱500.0 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 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

Basis of Preparation

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 other comprehensive income (FVOCI) . The financial statements are presented in Philippine peso (₱), the functional currency of the Company and all values are rounded to the nearest peso except when otherwise indicated.

The financial statements of the Company provide comparative information in respect of the previous period.

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

Presentation of Financial Statements
The statements of financial position of the 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 16.

Separate Financial Statements
The accompanying financial statements are the separate financial statements of the Parent Company prepared for statutory filing and taxation purposes. As allowed under PFRS 10, *Consolidated Financial Statements*, the Parent Company has elected not to prepare consolidated financial statements since both its financial statements and those of its subsidiaries are included in the consolidated financial statements of its Ultimate Parent Company, MBTC, which are in accordance with PFRS Accounting Standards and are publicly available. Additionally, the Parent Company does not have debt or equity securities traded in an organized financial market and is not in the process of filing its financial statements with securities commissions or other regulatory bodies for the purpose of issuing any class of instruments in an organized financial market.

The registered office address of MBTC is GT Tower International, Ayala Avenue corner H.V. dela Costa Street, Makati City.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Company 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 financial statements.

Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right-of-use it retains. The amendments clarify:

- That the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right-of-use retained by the seller;
- The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in Appendix A of PFRS 16

Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify that:

- An entity’s right to defer settlement of a liability is subject to the entity complying with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period

- Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period
- There is an exception to the requirement that settlement of liabilities by way of own equity instruments impacts the classification of liabilities
- Additional disclosures are required when an entity that classifies liabilities arising from loan arrangements as non-current has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months

Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*
The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments clarify:

- The characteristics of supplier finance arrangements, wherein one or more finance providers pay amounts an entity owes to its suppliers;
- Disclosure requirements about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements;

In the context of quantitative liquidity risk disclosures required by PFRS 7, supplier finance arrangements are included as an example of other factors that might be relevant to disclose.

Material Accounting Policy Information

Foreign Currency Translation
The Company 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 Company is Philippine peso.

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

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

Fair Value Measurement
The Company 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 Company.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by 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 Company 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.

Financial Instruments – Classification and Subsequent Measurement
The Company classifies its financial assets in the following categories: 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 Company 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 Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company'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 Company's original expectations, the Company 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 Company 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 Company 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 Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company's financial assets at FVTPL include 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 Company 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 Company 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.

<u>Financial Liabilities Carried at Amortized Cost</u>
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 Company 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 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.

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

A change in the objective of the Company'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 Company; 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards 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 Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. 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 Company could be required to repay.

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery.

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

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 Company 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.

<u>Investments in Subsidiaries and Associates</u>
Investment in subsidiaries
Subsidiaries pertain to all entities over which the Company has control. Control is achieved when the Company 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.

The Company controls an investee if, and only if, it 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 Company has less than a majority of the voting or similar rights of an investee, it 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 Company’s voting rights and potential voting rights

The Company 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.

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

If the Company 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.

Investment in associates
An associate is an entity over which the Company 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.

Upon loss of significant influence over the associate, the Company 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 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 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 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 Company's OCI. In addition, when there has been a change recognized directly in the equity of the subsidiary or associate, the 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 Company and the subsidiary or associate are eliminated to the extent of the interest in the subsidiary or associate.

The aggregate of the 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 Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the 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 Company determines whether there is objective evidence that the investment in subsidiaries or associates is impaired. If there is such evidence, the 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, credit and other probable losses' in the statement of income.

<u>Property and Equipment</u>
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
Building/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 (loss) 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 Company'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 Company.

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

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

Right-of-use assets

The Company 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 9, "Property and Equipment" and are subject to impairment in line with the Company's policy as described in the next section.

Lease liabilities

At the commencement date of the lease, the Company 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 Company 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 Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease 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 Company 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 Company 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 software licenses
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 Company determines whether it is necessary to recognize an additional impairment loss on the Company's investments in associates. If this is the case, the Company 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 Company 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 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 Company expects to be entitled in exchange for those services.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company 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 Company 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 Company. 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 Company retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Gain (loss) on sale of assets
Gain (loss) 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 (loss) recognized is recorded under 'Gain (loss) on sale of assets' in the statement of income.

<u>*Revenue outside the scope of PFRS 15*</u>

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 Company 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 Company 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 Company 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 Company's right to receive payment is established.

Trading and securities gain (loss)

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'.

Expenses

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

<u>Retirement Benefits</u>

The Company has a funded noncontributory defined benefit retirement plan. The retirement cost of the Company 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 Company, nor can they be paid directly to the Company. 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 Company'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 Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects 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 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 Company 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 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 Company'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
New and amended standards and interpretations that are issued but not yet effective will not have a material impact on the Company's financial statements.

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

Effective beginning on or after January 1, 2026
- Amendments to PFRS 9 and PFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards - Volume 11

Effective beginning on or after January 1, 2027
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

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 Company'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, 2024 and 2023 and for each of the three years in the period ended December 31, 2024.

<u>Judgments</u>
In the process of applying the Company'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 Company 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 Company 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 Company'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 Company 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. *Existence of significant influence over an associate with less than 20.0% ownership*
In determining whether the Company 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 Company a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.0%. The Company 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 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 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 Company has significant influence over LCMC and accounted for the investment in LCMC under the equity method of accounting.

<u>Estimates</u>
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 Company'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 Company's internal grading model, which assigns PDs to individual grades.
- The Company'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 Company'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, 2024 and 2023 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 13.

b. *Impairment of non-financial assets (Investments in subsidiaries and associates)*
The Company 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 Company 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 Company 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 Company and the Company are disclosed in Note 10.

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, 2024 and 2023, the Company did not recognize deferred tax assets on NOLCO and carryforward benefits of MCIT as well on other temporary differences. The Company assessed based on projection of taxable income that it is not probable that these temporary differences will be realized.

The carrying amount of deferred tax assets and liabilities and the unrecognized deferred tax assets, for both the Company and the Company, are disclosed in more detail in Note 24.

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 Company 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, 2024 and 2023, the balance of the Company's present value of defined benefit obligations and other employee benefits and the assumptions used in the actuarial valuation are shown in Note 20.

4. Financial Risk Management

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

- Operational risk
- Credit risk
- Liquidity risk
- Market risk

Risk Management Framework

The Company's implementation of the risk management process involves a top-down approach that starts with the BOD. The 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 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 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) and the Policy Committee (PolCom).

The SMC is responsible for identifying, synchronizing and addressing various operational problems and concerns of the 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 Company which have significant risk responsibilities over the asset and liability management.

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

Operational risk
The 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 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 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 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 Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company 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 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 further supported by various operating manuals from relevant units' subject to periodic review, any changes are elevated to appropriate approving body. The 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. 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 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 Expected Credit Losses under PFRS 9, the Company has an approved documentation in place that guides the methodology and calculation of the impairment provisioning; models are assessed and recalibrated as needed.

Management of credit risk
The 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 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.
- Limiting concentrations of exposures by periodic monitoring of counterparties including what industry they belong to.
- Performance of Vendor Financial Assessments for its service providers.
- 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 Company 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.

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

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:

	2024				2023			
	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	**₱1,390,474**	**₱1,638,000**	**₱1,390,474**	**₱–**	₱1,442,203	₱1,638,000	₱1,442,203	₱–

As of December 31, 2024 and 2023, the Company's maximum exposure for loans and receivables without collateral or other credit enhancements amounted to ₱38.1 million and ₱319.42 million, respectively.

For the other financial assets of the Company not presented in the table above, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2024 and 2023.

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 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 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):

	2024			
	Loans and Receivables	**Cash and other cash items***	**Investment Securities****	**Total**
Philippine government	**₱23,057,551**	**₱–**	**₱4,255,526,932**	**₱4,278,584,483**
Financial intermediaries	**7,409,063**	**1,961,635,424**	**–**	**1,969,044,487**
Others (various industries)	**9,889,786**	**–**	**–**	**9,889,786**
	₱40,356,400	**₱1,961,635,424**	**₱4,255,526,932**	**₱6,257,518,756**

* *Excluding petty cash fund which amounted to ₱80,000.*
** *Comprises of Debt investment securities at FVOCI.*

	2023			
	Loans and Receivables	Cash and other cash items*	Investment Securities**	Total
Philippine government	₱19,643,279	₱–	₱3,583,816,103	₱3,603,459,382
Financial intermediaries	295,454,923	1,245,569,420	–	1,541,024,343
Others (various industries)	6,650,621	–	–	6,650,621
	₱321,748,823	₱1,245,569,420	₱3,583,816,103	₱5,151,134,346

* *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 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 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 Company's Compliance Unit, in collaboration with Legal Unit, is tasked with monitoring adherence to these risk areas.

<u>Cash and Other Cash Items</u>
Cash and other cash items of the Company were rated based on credit risk ratings from published data providers like Moody's, Standard & Poor's and other reputable rating agencies.

<u>Collateral</u>
For the existing real and other properties acquired,estate mortgages, it provides for a separate collateral appraisal by an independent appraisal firm as required by regulators and a re-appraisal 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 Company considers investments in financial assets that are investment grade as low credit risk.

The following tables show the credit quality of the Company and the Company's financial assets, gross of allowance for credit losses, as of December 31, 2024 and 2023, all of which are classified as Stage 1.

	2024				
	High Grade	**Standard Grade**	**Unrated**	**Impaired**	**Total**
Financial assets					
Cash in bank and cash equivalents	**₱1,961,635,424**	**₱–**	**₱–**	**₱–**	**₱1,961,635,424**
Financial assets at FVOCI					
Government securities	**4,255,526,932**	**–**	**–**	**–**	**4,255,526,932**
Loans and receivables:					
Accrued interest receivable	**23,053,351**	**5,441,887**	**–**	**–**	**28,495,238**
Accounts receivables	**29,009**	**390,131**	**7,572,435**	**887,250**	**8,878,825**
Others	**–**	**–**	**2,982,337**	**–**	**2,982,337**
	₱6,240,244,716	**₱5,832,018**	**₱10,554,772**	**₱887,250**	**₱6,257,518,756**

	2023				
	High Grade	Standard Grade	Unrated	Impaired	Total
Financial assets					
Cash in bank and cash equivalents	₱1,245,569,420	₱–	₱–	₱–	₱1,245,569,420
Financial assets at FVOCI					
Government securities	3,583,816,103	–	–	–	3,583,816,103
Loans and receivables:					
Dividend receivable	–	281,794,433	–	–	281,794,433
Accrued interest receivable	19,323,279	10,927,277	–	–	30,250,556
Accounts receivables	28,271	3,024,942	435,932	887,250	4,376,395
Others	–	–	5,327,439	–	5,327,439
	₱4,848,737,073	₱295,746,652	₱5,763,371	₱887,250	₱5,151,134,346

Impaired loans and receivables - are loans and receivables for which the Company 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, 2024 and 2023, the 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 Company's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

For liquidity risk, the Company develops a Contingency Funding Plan to serve as reference in case of an adverse event.

The Office of the Treasurer estimates the Company's cash flow needs based on the actual contractual obligations and under normal and extraordinary circumstances. The plans and strategies in the liquidity risk management are contained in the board-approved Contingency Funding Plan.

Liquidity is monitored by the Company 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 Company can be required to pay.

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

	2024								
	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	**₱16,715,424**	**₱1,945,000,000**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,961,715,424**
Investment Securities at FVOCI	–	–	–	–	–	–	–	–	
Government debt securities	–	–	–	**60,922,594**	**965,329,616**	**178,091,643**	**2,612,187,805**	**438,995,274**	**4,255,526,932**
Quoted equity investments	–	–	–	–	–	–	–	**683,299,027**	**683,299,027**
Unquoted equity investments	–	–	–	–	–	–	–	**190,925,748**	**190,925,748**
	16,715,424	**1,945,000,000**	–	**60,922,594**	**965,329,616**	**178,091,643**	**2,612,187,805**	**1,313,220,049**	**7,091,467,131**
Loans and receivables									
Loans and discounts									
Others	–	–	**25,586**	**141,870**	**145,720**	**655,372**	**623,314**	**1,390,475**	**2,982,337**
Accrued interest receivable	–	–	**28,495,239**	–	–	–	–	–	**28,495,239**
Accounts receivable	–	–	**8,878,825**	–	–	–	–	–	**8,878,825**
			37,399,650	**141,870**	**145,720**	**655,372**	**623,314**	**1,390,475**	**40,356,401**
	₱16,715,424	**₱1,945,000,000**	**₱37,399,650**	**₱61,064,464**	**₱965,475,336**	**₱178,747,015**	**₱2,612,811,119**	**₱1,314,610,524**	**₱7,131,723,532**
Financial Liabilities									
Accrued interest and other expenses	**₱–**	**₱–**	**₱60,180,567**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱60,180,567**
Accounts payable	–	–	**232,699,719**	–	–	–	–	–	**232,699,719**
Other liabilities	–	–	**428,793,321**	–	–	–	–	–	**428,793,321**
	₱–	**₱–**	**₱721,673,607**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱721,673,607**

	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
Accrued interest receivable	–	–	30,250,556	–	–	–	–	–	30,250,556
Accounts receivable	–	–	4,376,395	–	–	–	–	–	4,376,395
Dividends receivable	–	–	281,794,433	–	–	–	–	–	281,794,433
	–	3,595	316,489,930	198,464	371,993	731,412	2,371,226	1,582,203	321,748,823
	₱16,424,520	₱630,212,607	₱975,580,514	₱199,644,862	₱86,188,467	₱213,364,958	₱2,253,935,075	₱1,748,123,347	₱6,123,474,350
Financial Liabilities									
Accrued interest and other expenses	₱–	₱–	₱30,335,085	₱–	₱–	₱–	₱–	₱–	₱30,335,085
Accounts payable	–	–	218,561,122	–	–	–	–	–	218,561,122
Lease liabilities	1,793,513	2,007,700	4,032,983	4,056,543	–	–	–	–	11,890,739
Other liabilities	–	–	154,241,886	–	–	–	–	–	154,241,886
	₱1,793,513	₱2,007,700	₱407,171,076	₱4,056,543	₱–	₱–	₱–	₱–	₱415,028,832

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 Company's market risk originates from its holdings of debt securities and equities.

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

Another interest rate risk area where the 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 Company's income before tax (through the impact on interest for floating rate instruments) and the Company's equity (through the impact on unrealized gain (loss) on FVOCI fixed rate debt securities).

	2024						
			Sensitivity of equity				
	Increase (Decrease) in basis points	**Sensitivity of net interest income and trading gains**	**0 up to 6 months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Total**
Currency PhP	**+10**	**₱1,964,618**	**₱–**	**(₱697,499)**	**(₱23,137,970)**	**₱–**	**(₱23,835,469)**
Currency PhP	**-10**	**(1,964,618)**	**-**	**699,570**	**23,332,940**	**-**	**24,032,510**

	2023						
			Sensitivity of equity				
	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	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)
Currency PhP	**-10**	(1,250,897)	–	939,367	19,083,618	–	20,022,985

The impact on the Company'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.

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

The tables below summarize the exposure to foreign currency risk as of December 31, 2024 and 2023:

	2024	2023
Financial assets		
Cash and other cash items	**$16,521**	$22,287
Financial liabilities		
Accounts payable	**15,382**	15,382
Net assets in foreign currency	**$1,139**	$6,905

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

	US Dollar-Philippine Peso
Exchange rate	
2024	**₱57.85 to US$1.0**
2023	₱55.37 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 Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2024 and 2023 (in millions):

	2024		2023	
Increase (Decrease)	**Change in Income Before Tax**	**Change in Equity**	Change in Income Before Tax	Change in Equity
US Dollar				
1.0%	₱0.001	–	₱0.70	–
(1.0%)	(₱0.001)	–	(₱0.70)	–

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 Company's investment portfolio and a few club shares.

The Company's policies and procedures as well as risk limit structures on its equity investment portfolio are approved by the ROC and BOD.

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

	2024		2023	
Changes in PSEi	**9.51%**	**(9.51%)**	12.40%	(12.40%)
Change on equity under:				
Financial industry	**₱13,678,295**	**(₱13,678,295)**	₱18,298,423	(₱18,298,423)
Industrial	**22,620,980**	**(22,620,980)**	38,348,630	(38,348,630)
Total	**₱36,299,275**	**(₱36,299,275)**	₱56,647,053	(₱56,647,053)
As a percentage of the Company's net unrealized gain in OCI for the year	**(9.21%)**	**9.21%**	(10.57%)	10.57%s

The increase or decrease in PSEi will directly impact the equity of the Company.

5. Fair Value Measurement

The methods and assumptions used by the Company 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 nature of the accounts.

Debt securities
Fair value of debt securities (FVOCI) 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

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 (see Note 11).

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:

	2024				
	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	**₱4,255,526,932**	**₱4,255,526,932**	**₱–**	**₱–**	**₱4,255,526,932**
Equity securities	**874,224,775**	**683,299,028**	**40,922,801**	**150,002,946**	**874,224,775**
	₱5,129,751,707	**₱4,938,825,960**	**₱40,922,801**	**₱150,002,946**	**₱5,129,751,707**
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Others	**₱2,982,337**	**₱–**	**₱–**	**₱3,229,862**	**₱3,229,862**
Nonfinancial assets					
Investment properties	**₱178,376,090**	**₱–**	**₱–**	**₱549,565,620**	**₱549,565,620**

	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:					
Others	₱5,327,439	₱–	₱–	₱5,541,521	₱5,541,521
Nonfinancial assets					
Investment properties	₱178,854,985	₱–	₱–	₱560,746,620	₱560,746,620

As of December 31, 2024 and 2023, no transfers were made among the three levels in the fair value hierarchy.

6. Cash and other cash items

Cash and Cash Equivalents
This account consists of:

	2024	2023
Petty cash fund	**₱80,000**	₱80,000
Cash in banks (Note 25)	**16,635,424**	16,344,520
Cash equivalents	**1,945,000,000**	1,229,224,900
	₱1,961,715,424	₱1,245,649,420

Cash in banks bear annual interest rates ranging from 0.1% to 4.0% in 2024 and 2023.
Cash equivalents consists of time deposits that have a term of less than or equivalent to three (3) months. Cash equivalents bear annual interest rates ranging from 3.6% to 6.2% in 2024, 3.8% to 7.5% in 2023 and 0.1% to 5.9% in 2022.

Interest income earned on cash and cash equivalents (see Note 18) follow:

	2024	2023	2022
Cash in banks	**₱991**	₱2,230	₱690
Cash equivalents	**91,598,556**	72,436,331	30,431,695
	₱91,599,547	₱72,438,561	₱30,432,385

7. Investment Securities at Fair Value Through Other Comprehensive Income (FVOCI)

Investment securities at FVOCI as of December 31, 2024 and 2023 consist of the following:

	2024	2023
Debt securities		
Government	**₱4,255,526,932**	₱3,583,816,103
Equity securities		
Listed equity		
The Philippine Stock Exchange, Inc.	**355,830,144**	368,848,320
Axelum Resources Corp.	**327,468,144**	424,729,680
First Metro Philippine Equity Exchange Traded Fund, Inc.	**739**	–
Non-listed equity		
Bonifacio Land Corporation	**150,002,946**	145,028,288
Others	**1,022,802**	2,253,716
Club shares	**39,900,000**	31,400,000
	874,224,775	972,260,004
	₱5,129,751,707	₱4,556,076,107

Peso-denominated debt investment securities at FVOCI bear nominal annual interest rates ranging from 0.0% to 9.5% in 2024, 2023 and 2022.

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 Company where they intend to generate income through dividends and club shares which the Company holds in order to use and enjoy the facilities and services of the club.

Dividends generated by outstanding equity securities at FVOCI amounted ₱28.82 million, ₱26.53 million and ₱27.66 million for the year ended December 31, 2024, 2023 and 2022, respectively.

The changes in the net unrealized gain (loss) on FVOCI for 2024 and 2023 follow:

	2024	2023
Balance at January 1	**(₱535,879,940)**	(₱669,978,582)
Net fair value changes during the year on FVOCI investments	**44,533,095**	48,871,377
Realized gain on disposal charged against surplus	**97,409,629**	85,227,265
Net change during the year	**141,942,724**	134,098,642
Balance at December 31	**(₱393,937,216)**	(₱535,879,940)

<u>Trading and Securities Gains (Losses)</u>
The composition of trading and securities gains (losses) follows:

	2024	2023	2022
Realized gain (loss) from sale of:			
FVTPL securities	**₱4,944,212**	₱25,422,452	₱21,521,223
FVOCI debt securities	–	(16,174)	33,473
	₱4,944,212	₱25,406,278	₱21,554,696

8. Loans and Receivables

This account consists of:

	2024	2023
Accrued interest receivable	**₱28,495,238**	₱30,250,556
Accounts receivable	**8,878,825**	4,376,395
Dividends receivable	–	281,794,433
Others	**2,982,337**	5,327,439
	40,356,400	321,748,823
Allowance for credit losses (Note 13)	**(887,250)**	(887,250)
	₱39,469,150	₱320,861,573

<u>Accrued Interest Receivable</u>
As of December 31, 2024 and 2023, the accrued interest receivable mainly relates to the interest already earned by the Company prior to the next scheduled interest payment date of the cash equivalents and investment securities.

<u>Accounts Receivable</u>
Accounts receivable includes fees and commissions of the Company for services rendered. As of December 31, 2024, this account includes retention receivable amounted to ₱6.0 million to related to the disposal of a subsidiary (see Note 10).

Dividends Receivable
As of December 31, 2023 dividends receivable mainly relates to the dividends declared by an associate, which was fully collected in 2024.

Others
Others consist of fringe benefit loans with fixed annual interest rates of 8.0% and 9.0%.

As of December 31, 2024 and 2023, none of the total loans were subject to periodic interest repricing.

Interest income on loans and receivables follow:

	2024	2023	2022
Corporate lending	**₱–**	₱–	₱8,754,082
Others	**346,320**	366,377	299,949
	₱346,320	₱366,377	₱9,054,031

9. Property and Equipment

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

	2024				
	Leasehold Improvements	**Furniture, Fixtures and Equipment**	**Building**	**Right of Use Asset**	**Total**
Cost					
At January 1	**₱69,195,037**	**₱107,631,094**	**₱47,520,116**	**₱66,382,096**	**₱290,728,343**
Acquisitions	**2,414,846**	**10,058,192**	**–**	**–**	**12,473,038**
Disposals/Adjustments	**–**	**(9,142,402)**	**–**	**(66,382,096)**	**(75,524,498)**
Balance at end of year	**71,609,883**	**108,546,884**	**47,520,116**	**–**	**227,676,883**
Accumulated depreciation and amortization					
Balance at beginning of year	**₱67,843,606**	**₱78,801,209**	**₱41,283,427**	**₱55,318,412**	**₱243,246,654**
Depreciation and amortization	**1,044,254**	**11,526,307**	**3,168,883**	**11,063,684**	**26,803,128**
Disposals/Adjustments	**–**	**(7,646,517)**	**–**	**(66,382,096)**	**(74,028,612)**
Balance at end of year	**68,887,860**	**82,680,999**	**44,452,310**	**–**	**196,021,169**
Net book value at end of year	**₱2,722,023**	**₱25,865,885**	**₱3,067,806**	**₱–**	**₱31,655,714**

	2023				
	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
Acquisitions	500,000	18,564,786	–	–	19,064,786
Disposals/Adjustments	–	(12,928,452)	–	–	(12,928,452)
Balance at end of year	69,195,037	107,631,094	47,520,116	66,382,096	290,728,343
Accumulated depreciation and amortization					
Balance at beginning of year	₱67,427,441	₱79,199,743	₱38,404,959	₱33,191,047	₱218,223,190
Depreciation and amortization	416,165	11,913,226	2,878,468	22,127,365	37,335,224
Disposals/Adjustments	–	(12,311,760)	–	–	(12,311,760)
Balance at end of year	67,843,606	78,801,209	41,283,427	55,318,412	243,246,654
Net book value at end of year	₱1,351,431	₱28,829,885	₱6,236,689	₱11,063,684	₱47,481,689

As of December 31, 2024 and 2023, the cost of fully depreciated property and equipment that are still in use amounted to ₱130.2 million and ₱120.5 million, respectively.

The Company recognized gain from sale of property and equipment amounting to ₱0.6 million, ₱0.2 million and ₱3.0 in 2024, 2023 and 2022, respectively booked under 'Gain (loss) on sale of assets' account in the statements of income.

10. **Investments in Subsidiaries and Associates**

The carrying values and percentage ownership of the Company's investments in subsidiaries and associates are shown below:

	2024		2023	
	% of Ownership	**Carrying value**	% of Ownership	Carrying value
Subsidiaries:				
First Metro Securities Brokerage Corporation (FMSBC)	**100.0**	**₱715,544,878**	100.0	₱728,278,260
PBC Capital Investment Corporation (PBC)	**100.0**	**284,046,165**	100.0	301,133,817
SBC Properties, Inc. (SPI)	**100.0**	**78,041,789**	100.0	74,642,503
Prima Ventures Development Corporation (PVDC)	**100.0**	**63,466,708**	100.0	54,748,471
First Metro Insurance Brokers Corporation (FMIBC)	**100.0**	**2,998,417**	100.0	2,979,384
Resiliency (SPC), Inc. (Resiliency)	**100.0**	**1,807,686**	100.0	1,889,966
FMIC Equities, Inc. (FEI)	–	–	100.0	12,246,153
First Metro Asset Management, Inc. (FAMI)	–	–	70.0	77,011,128
First Metro Philippine Equity Exchange Traded Fund, Inc. (FMPEETFI)	–	–	27.7	548,808,669
First Metro Save and Learn Dollar Bond Fund, Inc. (FMSLDBF)	–	–	26.1	446,669,008
First Metro Save and Learn Money Market Fund, Inc. (FMSLMMF)	–	–	20.3	492,977,536
First Metro Save and Learn Balanced Fund, Inc. (FMSALBF)	–	–	18.9	113,441,677
First Metro Save and Learn Equity Fund, Inc. (FMSALEF)	–	–	13.0	147,916,142
First Metro Save and Learn Fixed Income Fund (FMSLFIF)	–	–	7.4	167,226,827
		1,145,905,643		3,169,969,541
Associates:				
AXA Philippines Life and General Insurance Corporation (AXA)	**28.2**	**4,464,342,253**	28.2	4,221,782,398
Orix Metro Leasing and Finance Corp (OMLFC)	**20.0**	**2,231,288,895**	20.0	2,010,234,942
Lepanto Consolidated Mining Corporation (LCMC)	**13.5**	**355,753,022**	13.5	493,814,153
Cathay International Resources, Corp. (CIRC)	**34.7**	**1**	34.7	1
Skyland Realty Development Corporation (SRDC)	**20.0**	**1**	20.0	1
Dahon Realty Corporation (DRC)	**20.0**	**1**	20.0	1
		7,051,384,173		6,725,831,496
		₱8,197,289,816		₱9,895,801,037

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

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

	2024	2023
Acquisition cost		
Balance at beginning of year	**₱5,388,866,117**	₱5,368,797,334
Additions	**464,967,689**	50,000,001
Disposals	**(2,216,285,889)**	(29,931,218)
Reclass	**(781)**	–
Balance at end of year	**3,637,547,136**	5,388,866,117
Allowance for impairment losses		
Balance at beginning of year	**(1,240,639,551)**	(782,367,163)
Provision for impairment losses during the year	**(161,393,091)**	(458,272,388)
Balance at end of year	**(1,402,032,642)**	(1,240,639,551)

(Forward)

	2024	2023
Accumulated equity in net earnings		
Balance at beginning of year	**₱5,669,197,698**	₱5,155,973,056
Equity share in net earnings	**1,154,267,112**	1,006,141,071
Cash dividends	**(552,691,785)**	(382,144,433)
Disposals	**(292,499,610)**	(104,678,549)
Adjustment	**–**	(6,093,447)
Balance at end of year	**5,978,273,415**	5,669,197,698
Equity in net unrealized gain (loss) on FVOCI		
Balance at beginning of year	**(197,870,446)**	(548,605,269)
Equity share in changes in fair value of FVOCI investments	**5,856,770**	350,734,823
Balance at end of year	**(192,013,676)**	(197,870,446
Equity in translation adjustment		
Balance at beginning of year	**24,064,432**	20,642,245
Share in changes in translation adjustment	**(24,064,432)**	3,422,187
Balance at end of year	**–**	24,064,432
Equity in remeasurement of insurance reserves		
Balance at beginning of year	**262,665,975**	280,555,354
Share in changes in remeasurement of insurance reserves	**(32,305,982)**	(17,889,379)
Balance at end of year	**230,359,993**	262,665,975
Equity in remeasurement of retirement liability		
Balance at beginning of year	**(10,483,188)**	(16,571,135)
Share in changes in remeasurement of retirement liability	**(44,361,222)**	6,087,947
Balance at end of year	**(54,844,410)**	(10,483,188)
	₱8,197,289,816	₱9,895,801,037

A summary of the relevant financial information of the Company's subsidiaries and associates is presented below (amounts in thousands):

	As of and for the year ended December 31, 2024*			
	Total Assets	**Total Liabilities**	**Revenues**	**Net Income (Loss)**
Subsidiaries:				
FMSBC	**₱5,159,416**	**₱4,459,558**	**₱486,333**	**₱103,721**
PBC	**310,891**	**26,845**	**12,156**	**16,830**
SPI	**78,106**	**64**	**4,516**	**3,399**
PVDC	**63,683**	**216**	**9,146**	**9,003**
FMIBC	**3,051**	**52**	**132**	**48**
Resiliency	**1,873**	**65**	**1**	**(82)**
Associates:				
AXA	**185,999,380**	**170,103,056**	**19,351,319**	**2,487,240**
OMLFC	**18,208,954**	**7,050,393**	**4,567,053**	**1,203,020**
LCMC	**8,303,713**	**3,971,140**	**2,776,862**	**173,423**
CIRC	**1,909,018**	**2,113,159**	**529,989**	**(130,953)**
TSI	**271,187**	**89,648**	**111,514**	**34,963**
SRDC	**2,401**	**3,176**	**1**	**1**
DRC	**606,674**	**285,137**	**50,572**	**24,095**

	As of and for the year ended December 31, 2023			
	Total Assets	Total Liabilities	Revenues	Net Income (Loss)
Subsidiaries:				
FMSBC	₱5,330,878	₱4,623,841	₱522,368	₱130,844
FMSALEF	4,372,582	18,902	127,396	(10,143)
FMPEETFI	2,141,422	1,656	43,483	24,134
FMSLFIF	1,278,379	3,000	78,131	33,538
FMSALBF	956,175	4,659	30,916	(4,426)
PBC	322,808	4,967	8,770	7,683
FMSLDBF	7,878	18	547	375
FAMI	372,099	41,954	172,058	2,470
SPI	74,685	42	1,107	775
PVDC	54,953	204	7,480	7,348

(Forward)

	As of and for the year ended December 31, 2023			
	Total Assets	Total Liabilities	Revenues	Net Income (Loss)
FEI	₱2,875	₱4	₱2	(₱68)
FMSLMMF	3,247,352	7,612	122,540	82,504
FMIBC	3,029	52	132	37
Resiliency	1,952	62	1	(110)
Associates:				
AXA	177,843,055	162,855,446	38,998,948	2,631,251
OMLFC	18,321,465	8,267,979	4,698,720	463,001
LCMC	15,682,215	10,683,990	2,488,701	(107,502)
CIRC	1,843,520	1,916,708	492,560	(64,854)
TSI	264,809	118,233	109,205	35,448
SRDC	2,400	3,176	1	(14)
DRC	608,498	318,868	50,572	22,455

	As of and for the year ended December 31, 2022			
	Total Assets	Total Liabilities	Revenues	Net Profit (Loss)
Subsidiaries:				
FMSALEF	₱4,264,693	₱21,418	(₱204,277)	(₱348,549)
FMPEETFI	2,206,690	2,169	(107,773)	(130,003)
FMSBC	6,043,277	5,428,115	396,064	56,554
FMSLFIF	1,286,650	2,867	27,909	(20,601)
FMSALBF	1,066,886	6,085	(20,034)	(59,695)
PBC	307,473	4,961	(879)	(3,209)
FMSLDBF	7,743	55	(877)	(1,151)
FAMI	267,925	30,973	177,432	8,351
SPI	64,377	39	(2,995)	(3,201)
PVDC	47,589	201	10,436	10,307
FEI	2,978	38	2	(170)
FMSLMMF	2,836,891	10,179	78,034	43,046
FMIBC	2,929	44	132	60
Resiliency	2,064	64	1	(131)
Associates:				
AXA	157,294,191	144,736,306	40,543,484	2,467,604
OMLFC	23,376,817	13,730,109	4,979,414	235,219
LCMC	15,709,912	10,600,165	1,858,286	(494,807)
CIRC	2,001,403	1,520,357	334,619	(98,514)
TSI	241,757	99,679	84,021	18,111
SRDC	2,414	3,176	2	(15)
DRC	614,508	350,770	50,572	21,805

Disposal and dissolution of Subsidiaries

In 2024, the Company disposed/dissolved its entire equity interest in the following subsidiaries as part of its strategic decision to streamline operations and focus on core businesses:

Subsidiary Name	Principal Activities	Percentage of Ownership	Date of Disposal/Dissolution
FAMI	Asset Management	70.0%	December 18, 2024
FMPEETFI	Exchange Traded Fund	25.7%	August 22, 2024
FMSLMMF	Mutual Fund	16.9%	August 22, 2024
FMSALEF	-do-	10.3%	August 22, 2024
FMSALBF	-do-	15.6%	August 22, 2024
FMSLDBF	-do-	26.1%	August 22, 2024
FMSLFIF	-do-	6.0%	August 22, 2024
FEI	Holding Company	100.0%	June 28, 2024

Following the disposal/dissolution, the Company no longer has control or significant over these entities. As such, the results of the Subsidiary for the period up to the date of disposal have been included in the statement of profit or loss and other comprehensive income.

Consideration Received

The total consideration received in connection with the disposal/dissolution were as follows:

Particulars	FAMI	FMPEETFI	FMSLMMF	FMSALEF	FMSALBF	FMSLDBF	FMSLFIF	FEI	TOTAL
# of Shares	1,050,000	5,384,902	862,228,406	96,606,942	59,248,691	82,346,836	31,398,907	125,000	
Average Price per Share	₱57.333	₱107.004	₱1.124	₱4.851	₱2.560	₱1.426	₱2.469	₱97.972	
Total	₱60,200,000	₱576,205,765	₱969,332,634	₱468,681,692	₱151,657,496	₱117,460,800	₱77,523,845	₱12,246,515	₱2,433,308,747

Gain (Loss) on Disposal/Dissolution

The gain (loss) arising from the disposal/dissolution of the subsidiaries are calculated as follows:

Particulars	FAMI	FMPEETFI	FMSLMMF	FMSALEF	FMSALBF	FMSLDBF	FMSLFIF	FEI	TOTAL
Consideration Received	₱60,200,000	₱576,205,765	₱969,332,634	₱468,681,692	₱151,657,496	₱117,460,800	₱77,523,845	₱12,246,515	₱2,433,308,747
Carrying Value of the Investment	162,885,480	576,205,765	969,332,634	468,681,692	151,657,496	117,460,800	77,523,845	12,246,515	2,535,994,227
Other Related Charges	1,611,400	–	–	–	–	–	–	–	1,611,400
Reclassification of Exchange Differences	–	–	–	–	–	(27,208,728)	–	–	(27,208,728)
Gain/(Loss) on Disposal	(₱104,296,880)	₱–	₱–	₱–	₱–	₱27,208,728	₱–	₱–	(₱77,088,152)

The net loss on disposal is recognized in the statement of income under “Gain/(loss) on sale of assets”

Foreign currency translation differences were reclassified from the “Cumulative translation adjustment” to “Gain (loss) on sale of assets”

Cash Flow Impact

Cash inflows related to the disposal/dissolution were as follows:

Particulars	FAMI	FMPEETFI	FMSLMMF	FMSALEF	FMSALBF	FMSLDBF	FMSLFIF	FEI	TOTAL
Cash consideration received	₱58,588,600*	₱576,205,765	₱969,332,634	₱468,681,692	₱151,657,496	₱117,460,800	₱77,523,845	₱12,246,515	₱2,431,697,347
Less: Transaction costs paid	22,737,987	5,127,983	–	–	–	–	–		27,865,970
Net cash inflow on disposal	₱35,850,613	₱571,077,782	₱969,332,634	₱468,681,692	₱151,657,496	₱117,460,800	₱77,523,845	₱12,246,515	₱2,403,831,377

**net of other related charges*

Transaction costs include the retention fee and taxes associated with the sale, such as donor’s tax, gross receipts tax and capital gains tax.

Dividends
Details of FMSBC's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
April 15, 2024	₱59.17	₱100,000,000	April 15, 2024	July 12, 2024
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

Details of PBC Capital's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
April 30, 2024	₱10.0	₱30,000,000	April 30, 2024	May 31, 2024

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

Investment in LCMC
As of December 31, 2024 and 2023, the Company's direct ownership in LCMC is 13.5%. The 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, 2024 and 2023, LCMC-A shares are trading at ₱0.067 per share and ₱0.080 per share, respectively and LCMC-B shares are trading at ₱0.067 per share and ₱0.078 per share, respectively.

As of December 31, 2024, the fair value of the Company's investment in LCMC amounted to ₱355.8 million. The Company 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, 2024 and 2023, the fair value less cost to sell is higher than the VIU, and based on the impairment assessment, additional impairment allowance of ₱138.1 million is required in 2023 and ₱458.3 million in 2023. 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.

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
2024	**AXA**	**₱7,757,095**	**₱25,113,484**	**₱1,770,049**	**₱1,171,006**	**₱141,242,995**	**₱367,650**
	OMLFC	**612,760**	**1,108**	**–**	**12,337,502**	**–**	**3,109,590**
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

The Company received dividends from AXA amounting to ₱422.7 million and ₱281.8 million in 2024 and 2023, respectively.

The additional unrecognized share in losses of the Company from its investment in DRC is nil in 2024 and 2023 and ₱32.9 million in 2022. There was no additional unrecognized share in losses from its investment in SRDC in 2024, 2023 and 2022.

The cumulative unrecognized share of losses of the Company from its investment in SRDC and DRC amounted to ₱3.17 million as of December 31, 2024, 2023 and 2022.

FAMI is deemed to have a non-controlling interest that is material to the Company. 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 and 2022 amounted to ₱2.6 million and ₱0.3 million, respectively.

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 ₱1.5 billion and ₱1.0 billion in 2024 and 2023, respectively.

Commitments, contingencies, and guarantees
As of December 31, 2024 and 2023, the Company has no share on commitments and contingencies of its associates.

As of December 31, 2024 and 2023, there were no guarantees or other requirements entered into by the subsidiaries of the 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 Company.

11. Investment Properties

The composition of and movements in this account follow:

	2024			2023		
	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	₱19,373,604	₱222,117,360
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	**–**	**17,906,453**	**17,906,453**	–	17,370,561	17,370,561
Depreciation	**–**	**478,894**	**478,894**	–	535,892	535,892
Balances at end of year	**–**	**18,385,347**	**18,385,347**	–	17,906,453	17,906,453
Sub-total	**202,743,756**	**988,257**	**203,732,013**	202,743,756	1,467,151	204,210,907
Allowance for impairment losses (Note 13)	**(25,355,922)**	**–**	**(25,355,922)**	(25,355,922)	–	(25,355,922)
Net book value at end of year	**₱177,387,834**	**₱988,257**	**₱178,376,091**	₱177,387,834	₱1,467,151	₱178,854,985

The aggregate fair value of investment properties as of December 31, 2024 and 2023 amounted to ₱549.6million and ₱560.7 million, respectively (see Note 5).

In 2022, the Company recognized gain from the disposal of investment properties amounting to ₱16.1 million, booked under ‘Gain/(loss) on sale of assets’ account in the 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 ₱2.0 million, ₱1.9 million and ₱2.0 million in 2024, 2023 and 2022, respectively.

12. Other Assets

This account consists of:

	2024	2023
Creditable withholding tax	**₱458,833,359**	₱455,622,310
Escrow account	**209,889,875**	196,525,319
Other investments	**25,766,880**	25,766,880
Prepaid expenses	**9,033,093**	12,170,365
Security deposits	**6,133,789**	7,982,704
Software licenses	**2,967,404**	625,559
Miscellaneous (Note 24)	**1,358,628**	9,277,687
	₱713,983,028	₱707,970,824

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.

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.

Other investments include certificates for memorial lot investments.

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).

Movements in software licenses follow:

	2024	2023
Cost		
Balance at beginning of year	**₱265,159,344**	₱264,653,253
Additions	**5,681,565**	506,091
Balance at end of year	**270,840,909**	265,159,344
Accumulated amortization		
Balance at beginning of year	**264,533,785**	259,483,418
Amortization	**3,339,720**	5,050,367
Balance at end of year	**267,873,505**	264,533,785
Net book value at end of year	**₱2,967,404**	₱625,559

Security deposits represent refundable amounts paid related to office rentals, parking slots, internet and other utility lease lines.

Miscellaneous assets include unused office supplies.

13. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses follow:

	2024	2023
Balance at beginning of year		
Investment in associates	**₱1,240,639,551**	₱782,367,163
Loans and receivables	**887,250**	10,384,854
Investment properties	**25,355,922**	25,355,922
	1,266,882,723	818,107,939
Provision for impairment and credit losses during the year	**161,393,091**	448,774,784
Balance at end of year		
Investment in associates (Note 10)	**1,402,032,642**	1,240,639,551
Loans and receivables (Note 8)	**887,250**	887,250
Investment properties (Note 11)	**25,355,922**	25,355,922
	₱1,428,275,814	₱1,266,882,723

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 statements of income.

	2024	2023	2022
Provision for (recovery from) impairment and credit losses			
Investment in associates	**₱161,393,091**	₱458,272,388	₱211,606,834
Loans and receivables	–	(9,497,604)	(7,006,228)
	161,393,091	448,774,784	204,600,606
Reversal of provisions for other probable losses	**(3,611,060)**	(10,246,711)	(35,008,290)
	₱157,782,031	₱438,528,073	₱169,592,316

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

In 2024 and 2023, all financial assets of the Company are classified as Stage 1 and there were no transfers between stages during the year.

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

	2024	2023
At January	**₱887,250**	₱10,384,854
Recovery from credit losses	–	(9,497,604)
At December 31	**₱887,250**	₱887,250

A reconciliation of the allowance for impairment losses on investments in associates and investment properties in 2024 and 2023 follows:

	2024	
	Investment in Associates	**Investment Properties**
At January 1, 2024	**₱1,240,639,551**	**₱25,355,922**
Provision for impairment losses	**161,393,091**	**–**
At December 31, 2024	**₱1,402,032,642**	**₱25,355,922**

	2023	
	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

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

Accounts Payable

As of December 31, 2024 and 2023, the Company's accounts payable is comprised mainly matured money market placements (MMP) which pertains to the unclaimed funds of the investors.

Accrued, Taxes, Interest and Other Expenses

This account consists of:

	2024	2023
Financial liabilities:		
Accrued other expenses payable	**₱53,379,686**	₱24,184,972
Accrued fees payable	**6,768,640**	6,138,662
Accrued rent payable	**32,241**	11,451
	60,180,567	30,335,085
Nonfinancial liabilities:		
Accrued taxes and licenses	**7,729,938**	9,967,368
Retirement liability (Note 20)	**67,164,351**	80,720,201
	74,894,289	90,687,569
	₱135,074,856	₱121,022,654

15. **Other Liabilities**

This account consists of the following:

	2024	2023
Financial liabilities:		
Dividends payable	**₱88,373,690**	₱89,399,586
Premiums payable	**475,831**	671,960
Lease liabilities (Note 22)	**–**	11,890,739
Subscriptions payable	**–**	9,375,000
Miscellaneous	**47,063,514**	54,795,340
	135,913,035	166,132,625
Nonfinancial liabilities:		
Withholding taxes payable	**4,679,125**	11,132,960
Miscellaneous	**39,808,237**	35,688,772
	44,487,362	46,821,732
	₱180,400,397	₱212,954,357

Miscellaneous liabilities
Miscellaneous liabilities consist of provisions for other probable losses (see Note 13) and other government-related payables.

16. **Maturity Analysis of Financial and Nonfinancial Assets and Liabilities**

The following tables present the assets and liabilities of the Company by contractual maturity or for equity based on the expected date of which these assets will be realized and settlement dates as of December 31, 2024 and 2023:

	2024			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	**₱1,961,715,424**	**₱–**	**₱1,961,715,424**	₱1,245,649,420	₱–	₱1,245,649,420
Investment securities at FVOCI	**1,026,252,210**	**4,103,499,497**	**5,129,751,707**	345,337,569	4,210,738,538	4,556,076,107
Loans and receivables - at gross (Note 8)	**37,687,239**	**2,669,161**	**40,356,400**	317,063,982	4,684,841	321,748,823
	3,025,654,873	**4,106,168,658**	**7,131,823,531**	1,908,050,971	4,215,423,379	6,123,474,350
Nonfinancial Assets						
Property and equipment	**–**	**31,655,714**	**31,655,714**	–	47,481,689	47,481,689
Investments in subsidiaries and associates - at gross of allowance for impairment (Note 10)	**–**	**9,599,322,458**	**9,599,322,458**	–	11,136,440,588	11,136,440,588
Investment properties - at gross of allowance for impairment (Note 11)	**–**	**203,732,013**	**203,732,013**	–	204,210,907	204,210,907
Deferred tax assets	**–**			–	–	–
Other assets	**9,345,013**	**704,638,015**	**713,983,028**	12,582,550	695,388,274	707,970,824
	9,345,013	**10,539,348,200**	**10,548,693,213**	12,582,550	12,083,521,458	12,096,104,008
Allowance for impairment and credit losses (Note 13)	**(887,250)**	**(1,427,388,564)**	**(1,428,275,814)**	(887,250)	(1,265,995,473)	(1,266,882,723)
	₱3,034,112,636	**₱13,218,128,294**	**₱16,252,240,930**	₱1,919,746,271	₱15,032,949,364	₱16,952,695,635
Financial Liabilities						
Accounts payable	**₱232,699,719**	**₱–**	**₱232,699,719**	₱218,561,122	₱–	₱218,561,122
Accrued interest and other expenses payable (Note 14)	**60,180,567**	**–**	**60,180,567**	30,335,085	–	30,335,085
Lease liabilities (Note 15)	**–**	**–**	**–**	11,890,739	–	11,890,739
Other liabilities (Note 15)	**135,913,035**	**–**	**135,913,035**	154,241,886	–	154,241,886
	428,793,321	**–**	**428,793,321**	415,028,832	–	415,028,832
Nonfinancial Liabilities						
Accrued taxes and other expenses payable (Note 14)	**7,729,938**	**67,164,351**	**74,894,289**	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	**–**	**–**	**–**	2,420,895	–	2,420,895
Other liabilities (Note 15)	**44,487,362**	**–**	**44,487,362**	46,821,732	–	46,821,732
	52,217,300	**69,634,365**	**121,851,665**	59,209,995	83,190,215	142,400,210
	₱481,010,621	**₱69,634,365**	**₱550,644,986**	₱474,238,827	₱83,190,215	₱557,429,042

17. Equity

Details of the Company's capital stock as of December 31, 2024 and 2023 follow:

	2024		2023	
	Shares	**Amount**	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**	8,417,385	₱4,208,692,500
Less: Treasury shares	**968,760**	**2,663,485,816**	968,696	2,663,351,704
Total issued and outstanding at end of year	**7,448,625**	**₱1,545,206,684**	7,448,689	₱1,545,340,796

P(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)

As of December 31, 2024 and 2023, there are 1,255 and 1,258 shareholders, respectively, of the Company's common shares.

Amendments on the Articles of Incorporation

On September 15, 2023, the SEC approved the amendments of the 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 2024 and 2023, the Company bought back 64 shares and 31,522 shares, respectively, of its own shares for a total cost of ₱0.13 million, ₱1.32 million, respectively.

Dividend Declaration
Details of the Company's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
April 1, 2024	₱201.38	₱1,500,000,000	April 30, 2024	June 28, 2024

Capital Management
The primary objectives of the Company'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 Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. The Company may adjust the amount of dividend payment to shareholders, or issue capital securities in order to maintain or adjust its capital structure. The Company 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 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, 2024 and 2023, the Company is in compliance with the RBCA ratio. The RBCA ratio of the Company as reported to the SEC as of December 31, 2024 and 2023 as shown in the table below:

	2024	2023
Equity Eligible for Net Liquid Capital	**₱15,701,595,943**	₱16,395,266,593
Contingencies and Guarantees	**(500,006)**	(500,006)
Ineligible Assets	**(10,025,302,587)**	(11,812,072,374)
Net Liquid Capital (NLC)	**₱5,675,793,350**	₱4,582,694,213
Position Risk Requirement	**₱144,479,128**	₱141,383,372
Operational Risk Requirement	**109,899,823**	115,732,793
Counterparty Risk Requirement	**–**	–
Large Exposure Risk Requirement	**–**	–
Total Risk Capital Requirement (TRCR)	**254,378,951**	257,116,165
Aggregate Indebtedness (AI)	**₱550,644,986**	₱557,429,043
5.00% of AI	**27,532,249**	27,871,452
Required NLC	**27,532,249**	27,871,452
Net Risk-Based Capital Excess	**5,648,261,100**	4,554,822,761
Ratio of AI to NLC	**9.70%**	12.16%
RBCA ratio (NLC/TRCR)	**2,231.24%**	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.

<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 Company's retained earnings corresponding to accumulated equity in net earnings of the subsidiaries and associates amounting to ₱6.0 billion and ₱5.7 billion and as of December 31, 2024 and 2023, 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 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 Company's paid-in capital is ₱6.3 billion, which is above the required externally imposed minimum paid-in capital.

18. Interest Income

This account consists of interest income on:

	2024	2023	2022
Investment securities at FVOCI	**₱238,151,175**	₱212,991,237	₱66,637,134
Cash and cash equivalents	**91,599,547**	72,438,561	30,432,385
Investment securities at FVTPL	**–**	–	9,997,614
Loans and receivables	**346,320**	366,377	9,054,031
	₱330,097,042	₱285,796,175	₱116,121,164

19. Interest Expense

This account consists of interest expense on:

	2024	2023	2021
Borrowings from other banks	**₱232,313**	₱64,229	₱1,322,318
Lease liability (Note 22)	**88,521**	799,790	1,573,691
Others	**3,850,807**	–	2,862,582
	₱4,171,641	₱864,019	₱5,758,591

Others include interest on tax deficiencies paid in 2024.

20. Retirement Plans

The Company 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 MBTC.

The Company'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:

	2024	2023	2022
Retirement age	**55**	55	55
Average remaining working life	**7 years**	7 years	7 years
Discount rate	**6.12%**	6.0%	7.0%
Expected rate of salary increase	**6.0%**	6.0%	5.8%
Employee turnover rate	**16%**	16%	16%

Movements in net pension liability follows:

2024

	January 1, 2024	Net benefit cost: Current service cost	Net benefit cost: Past service Cost	Net benefit cost: Net interest	Net benefit cost: Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets (excluding amount included in net interest)	Remeasurements in other comprehensive income: Actuarial changes arising from experience adjustments	Remeasurements in other comprehensive income: Actuarial changes arising from changes in financial assumptions	Remeasurements in other comprehensive income: Actuarial changes arising from changes in demographic assumptions	Subtotal	Contributions paid	December 31, 2024
Present value of defined benefit obligation	**₱269,045,500**	**₱22,844,168**	**(₱10,347,123)**	**₱14,359,089**	**₱26,856,134**	**(₱68,185,646)**	**₱–**	**(₱1,837,166)**	**(₱864,336)**	**₱–**	**(₱2,701,502)**	**₱–**	**₱225,014,486**
Fair value of plan assets	**(188,325,299)**	**–**	**–**	**(10,474,552)**	**(10,474,552)**	**68,185,646**	**605,865**	**–**	**–**	**–**	**605,865**	**(27,841,795)**	**(157,850,135)**
Net pension liability (Note 14)	**₱80,720,201**	**₱22,844,168**	**(₱10,347,123)**	**₱3,884,537**	**₱16,381,582**	**₱–**	**₱605,865**	**(₱1,837,166)**	**(₱864,336)**	**₱–**	**(₱2,095,637)**	**(₱27,841,795)**	**₱67,164,351**

2023

	January 1, 2023	Net benefit cost: Current service cost	Net benefit cost: Net interest	Net benefit cost: Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets (excluding amount included in net interest)	Remeasurements in other comprehensive income: Actuarial changes arising from experience adjustments	Remeasurements in other comprehensive income: Actuarial changes arising from changes in financial assumptions	Remeasurements in other comprehensive income: 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 14)	₱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

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:

	2024	2023
Cash and cash equivalents	**₱2,225,254**	₱2,336,748
Equity instruments		
Services	**24,518,000**	33,716,900
Debt instruments		
Government securities	**100,773,835**	126,812,438
Below AAA and unrated private debt securities	**1,966,945**	9,437,670
Investment in mutual funds/UITF	**27,035,488**	14,513,872
Loans and receivables	**1,503,047**	1,875,052
	158,022,569	188,692,680
Less other payables	**172,434**	367,381
Fair value of plan assets	**₱157,850,135**	₱188,325,299

As of December 31, 2024 and 2023, equity securities included in the plan assets include shares from the other related parties amounting to ₱21.7 million and ₱14.9 million, respectively (see Note 25).

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:

		Increase (Decrease)	
	Possible fluctuations	**2024**	2023
Discount rates	**+1.0%**	**(8,899,656)**	(11,692,807)
	-1.0%	**9,715,797**	12,803,061
Turnover rate	**+2.0%**	**(2,112,420)**	(3,061,143)
	-2.0%	**2,324,639**	3,360,647
Future salary increase rate	**+1.0%**	**10,839,426**	13,997,818
	-1.0%	**(10,119,617)**	(13,016,673)

The Company expect to contribute ₱30.7 million to its defined benefit pension plan in 2025.

The average duration of the defined benefit retirement liability at the end of the reporting period is 5.62 years.

21. Service Charges, Fees and Commissions

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

	2024	2023	2022
Underwriting and loan syndication	**₱103,738,763**	₱133,261,552	₱165,431,852
Advisory fees	**11,633,020**	81,459,378	40,897,606
Commission and selling fees	**8,746,932**	14,833,268	36,819,778
Others	**27,603,500**	49,785,857	23,737,689
	₱151,722,215	₱279,340,055	₱266,886,925

'Others' pertains to management fees, incentive fees and other service fees.

22. **Lease**

The Company 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.

During the financial year ended 2024, the Company reassessed its lease arrangement for its office premises. Leases previously classified as finance leases were reclassified as operating leases following the expiry of the original lease contract on June 30, 2024. As of December 31, 2024, the lease agreement had not yet been renewed and no longer met the criteria for finance lease classification.

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

	2024	2023
Depreciation expense of right-of-use assets included in property and equipment (Note 9)	**₱11,063,683**	₱22,127,365
Expenses relating to short-term leases	**13,533,231**	3,289,070
Interest expense on lease liabilities (Note 19)	**88,521**	799,790
Total amount recognized in the statements of income	**₱24,685,435**	₱26,216,225

The rollforward analysis of lease liabilities follows:

	2024	2023
Balance at beginning of year	**₱11,890,739**	₱36,768,110
Interest expense	**88,521**	799,790
Payments	**(11,979,260)**	(25,677,161)
Balance at end of year	**₱–**	₱11,890,739

23. **Miscellaneous Expenses**

This account consists of:

	2024	2023	2022
Insurance	**₱8,242,069**	₱8,336,778	₱10,844,580
Membership dues	**6,437,501**	5,722,603	5,789,560
Security, messengerial and janitorial	**6,419,977**	8,489,081	7,268,298
Fuel and lubricants	**4,984,020**	5,066,197	5,743,107
Bank service charges and other service fees	**4,329,226**	4,059,391	4,059,391
Transportation and travel	**2,840,681**	3,781,775	2,395,868
Research and other technical cost	**2,100,000**	2,275,000	1,925,000
Repairs and maintenance	**1,694,459**	1,467,925	2,233,918
Litigation/asset-acquired expenses	**892,181**	892,181	892,181
Stationery and supplies used	**535,745**	682,767	515,442
Custodianship, collateral agent, and maintenance fees	**504,872**	269,835	269,835
Referral and service fees	**277,697**	2,000,000	344,560
Donations	**100,000**	459,856	672,000
Others	**13,419,987**	5,734,107	16,262,673
	₱52,778,415	₱49,237,496	₱59,216,413

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

24. Income and Other Taxes

The provision for income tax consists of:

	2024	2023	2022
Current			
Final tax	**₱80,680,372**	₱55,686,949	₱24,276,676
Corporate	**447,435**	2,420,895	1,797,244
	81,127,807	58,107,844	26,073,920
Deferred	**–**	–	13,041,643
	₱81,127,807	₱58,107,844	₱39,115,563

Under Philippine tax laws, the Company 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 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 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 Company and its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

The Company's outstanding deferred tax liabilities amounting to ₱2.47 million in 2024 and 2023.

The Company did not set up deferred tax assets on the following:

	2024	2023
Temporary differences on:		
NOLCO	**₱968,114,410**	₱624,625,583
Retirement liability	**67,164,351**	80,720,201
Allowance on investment property	**25,355,922**	25,355,922
Unamortized past service cost	**6,052,897**	8,672,256
Carryforward benefits of MCIT	**4,665,574**	7,106,563
Unrealized loss on FVOCI	**2,236,404**	2,948,069
	₱1,073,589,558	₱749,428,594

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

As of December 31, 2024 and 2023, deferred tax liabilities have not been recognized on the undistributed earnings of certain subsidiaries and associates (Note 10).

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, 2024, the Company has incurred NOLCO as follows:

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
2024	2025-2027	343,488,827	–	–	–	343,488,827
		₱1,003,528,566	₱–	₱–	₱35,414,156	₱968,114,410

Details of MCIT for the Company as of December 31, 2024 are as follows:

Inception Year	Amount	Used	Expired	Balance	Expiry Year
2021	₱2,888,424	₱–	₱2,888,424	₱–	2024
2022	1,797,244	–	–	1,797,244	2025
2023	2,420,895	–	–	2,420,895	2026
2024	447,435	–	–	447,435	2027
	₱7,553,998	₱–	₱2,888,424	₱4,665,574	

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

	2024	2023	2022
Statutory income tax rate	**25.0%**	25.0%	25.0%
Tax effects of:			
Equity in net earnings of subsidiaries and associates	**(30.8)**	(41.28)	(37.9)
Change in unrecognized deferred tax assets	**9.2**	10.83	33.7
Non-deductible expenses	**7.1**	31.12	3.4
Tax-exempt and tax-paid income	**(1.8)**	(16.10)	(14.5)
Effective income tax rate	**8.7%**	9.6%	9.7%

25. 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 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 Company settles its 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 2024 and 2023:

	2024				
	Deposits	**Withdrawals**	**Sale of securities**	**Purchase of securities**	**Borrowings**
Ultimate Parent Company	**₱158,919,831,974**	**₱157,280,338,593**	**₱13,221,709,645**	**₱12,735,312,682**	**₱683,322,000**
Subsidiaries	**–**	**–**	**517,035,442**	**1,142,163,480**	**–**
Associates	**–**	**–**	**908,287,901**	**357,913,306**	**–**
Affiliates	**5,770,998,563**	**6,170,745,630**	**607,100,152**	**–**	**–**
	₱164,690,830,537	**₱163,451,084,223**	**₱15,254,133,140**	**₱14,235,389,468**	**₱683,322,000**

	2023				
	Deposits	Withdrawals	Sale of securities	Purchase of securities	Borrowings
Ultimate Parent Company	₱355,225,714,347	₱355,186,641,365	₱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	2,989,325,363	3,175,578,296	1,097,235,048	–	–
	₱358,215,039,710	₱358,362,219,661	₱41,546,628,150	₱54,367,824,780	₱248,175,792

The following are the balances of the Company's related party transactions as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, 2023 and 2022 (amounts in thousands):

	As of and for the year ended December 31, 2024		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Ultimate Parent Company			
Cash and other items	**₱–**	**₱1,725,533**	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%
Loans and receivables	–	**4,699**	Accrued interest receivables from Time Deposits
Other assets	–	**209,890**	Escrow account and lease deposits
Accounts payable and other liabilities	–	**4,661**	Internal audit fees
Interest income	**25,241**	–	From savings and time deposit accounts
Interest expense	**232**	–	From dollar term borrowings
Service charges, fees commissions	**14,332**	–	Arranger and selling fees
Trading and securities gain	**1,695**	–	Realized gain from investments in debt securities
Professional fees	**4,663**	–	Internal audit fees
Miscellaneous	**275**	–	Service fees and bank charges
Subsidiaries			
Accounts payable	–	**392**	Ceeded fees
Service charges, fees and commissions	**29,385**	–	Management fees and advisory fees for services rendered to subsidiaries
Trading and Securities Gain/(Loss)	**16**	–	Realized gain from sale of debt securities
Other Income	**203**	–	Service fees
Professional fees	**470**	–	Reseach and analyst fees
Associates			
Other assets	–	**211**	Various prepaid expenses
Accounts payable	–	**31**	Life insurance
Miscellaneous expense	**1,144**		Insurance expenses
Other Related Parties			
Cash and other cash items	–	**236,000**	Savings, current and time deposits with interest rate ranging from 0.05% to 5.8% per annum
Loans and receivables	–	**743**	Accrued interest receivables from Time Deposits
Property and equipment	–	**2,450**	Company vehicles
Other assets	–	**6,112**	Rent deposits
Accounts payable and other liabilities	–	**2,859**	Rent payable and accounts payable
Interest income	**44,120**	–	Interest income from investment in debt securities; unquoted debt securities, savings and time deposits and fringe benefit loans
Interest expense	**89**	–	From lease liability
Service charges, fees and commissions	**30,797**	–	Arranger and financial advisory fees; Brokering fees
Trading and securities loss	**18**	–	Realized and unrealized gain/(loss) on investments in debt and equity securities
Rent, light and water	**15,765**	–	Rental payments for office premises
Depreciation of property and equipment and investment properties	**11,064**	–	Depreciation of right-of-use asset
Taxes and licenses	**15**	–	
Miscellaneous expense	**5,058**	–	Insurance expense, membership dues, maintenance fee and other service fees
Key Management Personnel			
Loans and receivables	–	**507**	Fringe benefit loans with terms ranging from 3.0 years to 5.0 years and interest rate of 8.0%
Interest income	**91**	–	Interest income from fringe benefit loans
Miscellaneous expense	**11,320**	–	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, 2023		
Ultimate Parent Company			
Cash and other items	₱–	₱86,040	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%
Loans and receivables	–	121	Accrued interest receivables from Time Deposits
Other assets	–	204,395	Escrow account and lease deposits
Accounts payable and other liabilities	–	14,190	Consist of payables arising out of trading transactions in behalf of customers; and internal audit fees
Interest income	15,158	–	From savings and time deposit accounts
Interest expense	64	–	From term borrowings
Service charges, fees commissions	8,864	–	Arranger and selling fees
Professional fees	604	–	Internal audit and retainer's fee for the current year
Miscellaneous expense	806	–	Bank charges
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
Associates			
Trading and securities gains	824	–	Realized gain from sale of debt securities
Miscellaneous expense	2,328	–	Insurance expenses
Other Related Parties			
Cash and other cash items		635,747	Savings, current and time deposits with interest rate ranging from 0.05% to 5.8% per annum
Loans and receivables		2,817	Accrued interest receivables from Time Deposits
Property and equipment		23,450	Right-of-use Asset
Other assets		8,485	Rent deposits
Accounts payable and other liabilities		126	Rent payable and accounts payable
Other liabilities		9,643	Lease liability
Interest income	31,880		Interest income from time deposits
Interest expense	800	–	From lease liability
Service charges, fees and commissions	38,057	–	Arranger and financial advisory fees
Trading and securities loss	(647)	–	Realized loss on sale of investments in debt securities
Rent, light and water	2,127	–	Rental payments for office premises
Depreciation of property and equipment and investment properties	22,127	–	Depreciation of right-of-use asset
Information technology and related expenses	1,385	–	Information technology project
Miscellaneous expense	6,666	–	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	11,135	–	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	₱–	₱46,967	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%
Other assets	–	196,525	Escrow account and lease deposits
Accounts payable and other liabilities	–	5,050	Internal audit fees
Interest income	10,238		From savings and time deposit accounts
Interest expense	11		From term borrowings
Service charges, fees commissions	6,485		Arranger, selling fees and commission income from brokering transactions
Trading and securities loss	(4,445)		Realized loss from sale of investments in debt securities
Professional fees	11,944		Internal audit and retainer's fee for the current year
Miscellaneous expense	97		Bank charges
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
Associates			
Other assets	–	145	Various prepaid expenses
Accounts payable and other liabilities		15	Insurance
Trading and securities gains	139	–	Realized gain from sale of debt securities
Miscellaneous expense	1,298	–	Insurance expenses
Other Related Parties			
Cash and other cash items	–	822,000	Savings, current and time deposits with interest rate ranging from 0.05% to 5.8% per annum
Loans and receivables	–	2,495	Acrued interest receivables from Time deposit placements
Property and equipment	–	39,431	Right-of-use Asset
Other assets	–	9,582	Rent deposits
Accounts payable and other liabilities	–	36,768	Lease liability, rent payable and accounts payable
Interest income	15,099	–	Interest income from savings and time deposits
Service charges, fees and commissions	38,934	–	Arranger and financial advisory fees; Brokering fees
Interest expense	1,574	–	From lease liability
Rent, light and water	1,689	–	Rental payments for office premises
Depreciation of property and equipment and investment properties	22,127	–	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	10,465	–	Per diems given to directors during board meetings

As of December 31, 2024 and 2023, undrawn commitments/facilities is nil for the Company.

Terms of Transactions with other related parties

<u>*Ultimate Parent Company's Trust Banking Group (TBG)*</u>

Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Company's retirement plans are being managed by the Ultimate Parent Company's Trust Banking Group (TBG). The total carrying amount and fair value of the retirement plan amounted to ₱157.9 million as of December 31, 2024, and ₱188.3 million as of December 31, 2023. The details of the assets of the fund as of December 31, 2024 and 2023 are disclosed in Note 20. The Company'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 Company.

The following are the balances of the retirement fund's related party transactions as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024:

		Elements of Transactions				
		Statements of Financial Position		Statements of Income		
Counterparty		**2024**	2023	**2024**	2023	2022
Metrobank	Cash and other cash items	**₱4,417**	₱1,073,804	**₱–**	₱–	₱–
	Accrued interest receivable	**–**	–	**–**	–	–
	Accrued trust fee payable	**251,834**	846,208	**–**	–	–
	Interest income	**–**	–	**705**	219,700	3,250
	Trust fee expense	**–**	–	**1,103,748**	1,957,489	1,544,226
FMSLBF	Investment in mutual funds	**–**	7,493,100	**–**	–	–
	Unrealized trading gain	**–**	–	**–**	(10,500)	176,400
FMPEETFI	Equity investments	**–**	45,326,100	**–**	–	–
	Unrealized trading gain	**–**	–	**–**	3,689,125	746,885
MBTC-UITF	Investment in UITF	**21,707,442**	14,869,203	**–**	–	–
	Realized trading gain	**–**	–	**253,347**	181,601	38,473
	Unrealized trading gain	**–**	–	**55,125**	160,929	56,751

The President of the 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 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:

	2024	2023	2022
Short-term employee benefits	**₱159,323,319**	₱169,476,822	₱180,761,736
Post-employment benefits	**13,941,515**	12,411,124	11,930,143
	₱173,264,834	₱181,887,946	₱192,691,879

Transactions with Subsidiaries

Management fees

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

Management fee charged by the Company to the subsidiaries amounted to ₱15.5 million and ₱14.8 million in 2024 and 2023, respectively.

The following table shows the breakdown of loans and receivables from related parties as of December 31, 2024 and 2023:

	2024	2023
Accrued interest receivable	**₱5,441,724**	₱2,909,672
Accounts receivable	**–**	2,733,213
Others	**5,327,439**	5,327,439
	₱10,769,163	₱10,970,324

Accrued other expenses payable to related parties amounted to ₱7.5 million and ₱14.3 million as of December 31, 2024 and 2023 (see Note 10), respectively.

26. Commitments and Contingent Accounts

Commitments
As of December 31, 2024, the Company has outstanding contingent liability from legal cases amounting to ₱0.5 million.

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

27. Earnings Per Share

As a result of the reverse stock split by the Company, 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:

	2024	2023	2022*
a. Net income attributable to equity holders of the Company	**₱854,709,597**	₱551,884,906	₱364,017,938
b. Weighted average number of common shares	**7,448,659**	7,449,121	7,449,121
c. Basic/Diluted EPS (a/b)	**₱114.8**	₱74.1	₱48.9

**Restated to consider the effect of reverse stock split in 2023*

In 2024, 2023 and 2022, there are no potential shares that have a dilutive effect on the basic EPS of the Company.

28. Offsetting of Financial Assets and Liabilities

PFRS 7 requires the Company 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, 2024 and 2023, the Company has no similar arrangements.

29. Notes to Statements of Cash Flows

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

	2024			
	January 1, 2024	**Cash flows**	**Amortization of discount**	**December 31, 2024**
Dividends payable	**₱89,399,586**	**(₱1,025,896)**	**₱–**	**₱88,373,690**
Lease liability	**11,890,739**	**(11,979,260)**	**88,521**	–
Total liabilities from financing activities	**₱101,290,325**	**(₱13,005,156)**	**₱88,521**	**₱88,373,690**

	2023				
	January 1, 2023	Cash flows	Foreign exchange movement	Amortization of discount	December 31, 2023
Bills payable	₱–	(₱25,902)	₱25,902	₱–	₱–
Dividends payable	89,546,415	(146,829)	–	–	89,399,586
Lease liability	36,768,110	(25,677,161)	–	799,790	11,890,739
Total liabilities from financing activities	₱126,314,525	(₱25,849,892)	₱25,902	₱799,790	₱101,290,325

30. Other Matters

The Company has no significant matters to report in 2024 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 Company during the year, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

31. Approval of the Financial Statements

The accompanying financial statements were authorized for issue by the Company's BOD on March 7, 2025.

32. 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 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 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 2024:

GRT	₱25,031,044
Donor's tax	6,324,987
Local taxes	893,321
Real estate tax	556,232
Licenses, fees and others	218,437
Fringe benefit tax	63,089
DST	49,315
Others	260,092
	₱33,396,517

Withholding Taxes
Details of total remittances and balances as of December 31, 2024 are as follows:

	Total remittances	Outstanding balance
Withholding taxes on compensation and benefits	₱60,947,983	₱3,321,525
Expanded withholding taxes	6,170,554	1,357,600
Final withholding tax - others	1,030,352	–
	₱68,148,889	₱4,679,125

Tax assessment
As of December 31, 2024, the Company did not have outstanding preliminary or final assessment.

Tax cases
As at reporting date, the Company has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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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 financial statements of First Metro Investment Corporation (the Company) as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, on which we have rendered the attached report dated March 7, 2025.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company 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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10465259, January 2, 2025, Makati City

March 7, 2025

SyCip Gorres Velayo & Co.
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1226 Makati City
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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 financial statements of First Metro Investment Corporation (the Company) as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated March 7, 2025. Our audits were made for the purpose of forming an opinion on the basic 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 financial statements. This has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

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March 7, 2025

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

Supplementary Schedules Required by Revised Securities Regulation Code 68

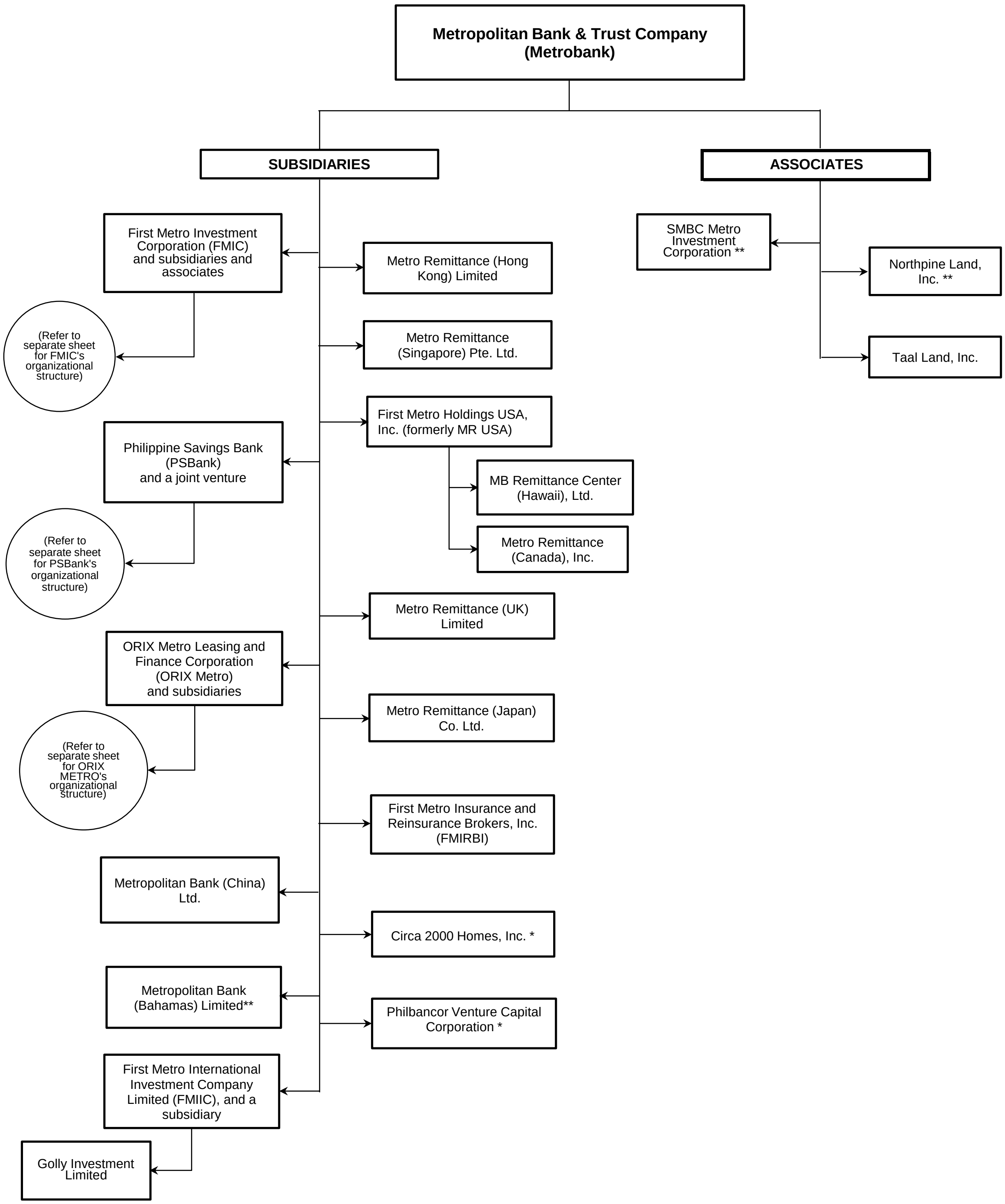
FIRST METRO INVESTMENT CORPORATION
45th Floor GT Tower International, Ayala Ave., cor. H.V. Dela Costa St., Makati City
Computation of Retained Earnings Available for Dividend Declaration
As of December 31, 2024

Unappropriated Retained Earnings (RE), *beginning of reporting period*	**P**	**4,920,424,082**
Less: Items that are directly debited to Unappropriated Retained Earning		
Realized trading losses on derecognition of FVOCI-Equities		**(97,409,629)**
Unappropriated Retined Earnings, as adjusted		**4,823,014,453**
Add: Net Income for the period	**P**	**854,709,597**
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		**(309,075,719)**
Adjusted Net income		**545,633,878**
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)		**(134,112)**
Total Retained Earnings, end of the reporting period available for dividend	**P**	**5,368,514,219**

Certified correct by:

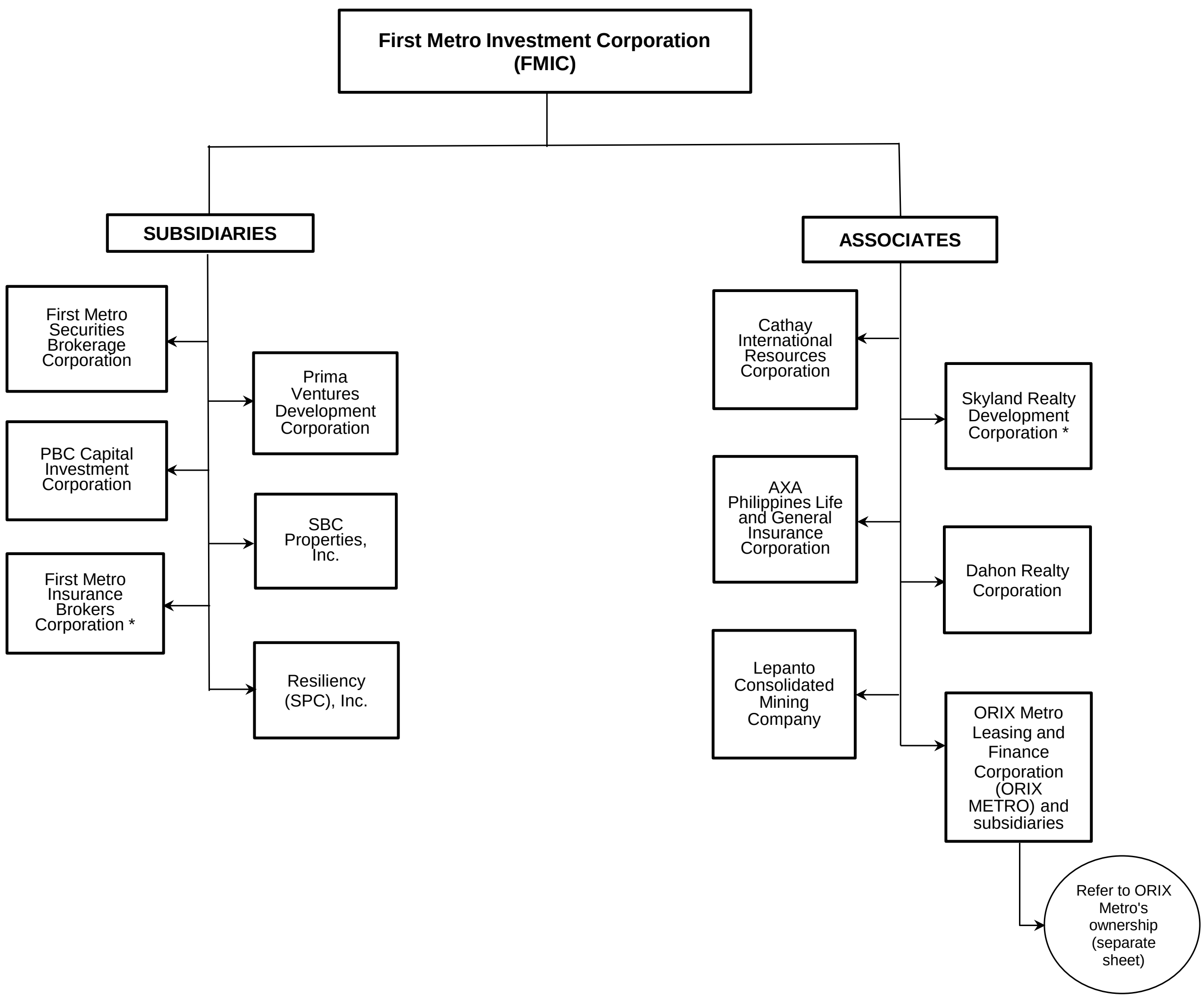
GANINE C. OLMEDO
AVP / Controller

Metropolitan Bank & Trust Company
Subsidiaries and Associates
As of December 31, 2024



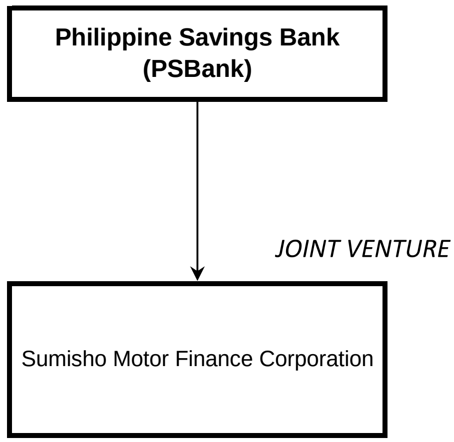
** In process of dissolution*
*** In process of liquidation*

First Metro Investment Corporation
Subsidiaries and Associates
As of December 31, 2024



** In process of dissolution*

Philippine Savings Bank
Joint Venture
As of December 31, 2024



Form and Content of Schedules

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:	₱2,982,337	₱2,982,337	₱2,982,337	
Other Receivables	37,374,064	37,374,064	36,486,814	
	40,356,400	40,356,400	39,469,150	
Allowance for Credit Losses	(887,250)	(887,250)	–	
	39,469,150	39,469,150	39,469,150	₱346,320
FVOCI:				
Government Securities	4,246,871,000	4,255,526,932		
Equity Securities				
Axelum Resources Corp.	126,435,577	327,468,144		
The Philippine Stock Exchange, Inc.	2,169,696	355,830,144		
First Metro Philippine Equity Exchange Traded Fund, Inc.	7	739		
Other Issuers	496,566	190,925,747		
	4,375,972,846	5,129,751,707	5,129,751,707	238,151,175
	₱4,415,441,996	**₱5,169,220,857**	**₱5,169,220,857**	**₱238,497,494**

Financial assets at 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).

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	₱5,327,439	₱960,000	(₱3,305,102)	(₱–)	₱313,176	₱ 2,669,161	₱2,982,337

3. Intangible Assets - Other Assets

Movements in intangible assets follow:

	2024
Balance at beginning of year	₱265,159,345
Additions at cost (cash expenditure)	5,681,564
Charged to cost and expenses	(267,873,505)
Balance at end of the period	₱2,967,404

This account consists of First Metro's capitalized computer software.

4. Long Term Debt

As of December 31, 2024, First Metro had no long-term debt.

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

As of December 31, 2024, First Metro had no long-term debt to related parties.

6. Guarantees of Securities of Other Issuers

As of December 31, 2024, First Metro had no outstanding guarantees of securities of other issuers.

7. 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	7,448,625*
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	38

** Net of 968,760 Treasury Shares as of December 31, 2024*

Certified correct by:

GANINE C. OLMEDO
AVP/Controller

FIRST METRO INVESTMENT CORPORATION
Supplementary Schedule of External Auditor Fee-Related Information
As of December 31, 2024

		December 31, 2024		December 31, 2023
Total Audit Fees	**₱**	**2,600,000**	**₱**	**2,700,000**
Non-audit service fees of the entity				
Other assurance services		-		-
Tax services		-		-
All other service fees		-		-
Total Non-audit service fees		**-**		**-**
Total Audit and Non-audit Fees	**₱**	**2,600,000**	**₱**	**2,700,000**
Total Audit Fees	₱	1,017,580	₱	2,534,400
Total Non-audit service fees		-		-
Total Audit and Non-audit Fees of other related entities	**₱**	**1,017,580**	**₱**	**2,534,400**

Certified correct by:

GANINE C. OLMEDO
AVP / Controller

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

Performance Indicator	Formula	As of December 31	
		2024	2023
a. Current/Liquidity Ratio	Total Current Assets / Total Current Liabilities	**630.78%**	404.81%
b. Solvency Ratio	Total Liabilities / Total Assets	**3.39%**	3.29%
c. Debt to Equity Ratio	Total Liabilities / Total Equity	**3.51%**	3.40%
d. Asset to Equity Ratio	Total Assets / Total Equity	**103.51%**	103.40%
e. Interest Rate Coverage Ratio	Income before Interest Expense and Tax / Interest Expense	**(553.25%)**	8,567.67%
f. Return on Equity	Net Income after Tax / Average Capital	**5.33%**	3.46%
g. Return on Assets	Net Income after Tax / Average Total Assets	**5.15%**	3.35%
h. Net Profit Margin Ratio	Net Income / Net Interest Income and Operating Income	**195.81%**	88.99%
i. Risk Based Capital Adequacy (RBCA) Ratio	Net Liquid Capital / Total Risk Capital Requirement	**2,231.24%**	1,782.34%
j. Ratio of Aggregate Indebtedness to Net Liquid Capital	Aggregate Indebtedness / Net Liquid Capital	**9.70%**	12.16%

Certified correct by:

GANINE C. OLMEDO
AVP/Controller

FIRST METRO INVESTMENT CORPORATION

SUMMARY OF UNDERWRITING ACTIVITIES

For the year ended December 31, 2024

(In Thousand Pesos)

Underwriting Activity	Client / Issuer	Nature of Commitment	Amount of Issue	Fees Earned	Basis of Computation
Debt Underwriting					
	Filinvest Development Corporation	Firm	10,000,000	₱6,001	based on the percentage of underwritten amount
	Metropolitan Bank and Trust Company	Best-effort basis	56,000,000	8,743	based on the percentage of underwritten amount
	SM Prime Holdings, Inc.	Firm	25,000,000	10,954	based on the percentage of underwritten amount
	Maynilad Water Services, Inc.	Firm	15,000,000	9,437	based on the percentage of underwritten amount
	Ayala Land Inc.	Firm	10,000,000	5,306	based on the percentage of underwritten amount

Certified correct by:

Ganine C. Olmedo
AVP | Controller