RCBC Capital Corporation

2024
ANNUAL REPORT

21/F Tower 2, RCBC Plaza, 6819 Ayala Ave., Makati City
Tel. No. 63 (2) 8894-9000, Fax No. 63 (2) 8845-3457

CONTENTS

1. CORPORATE POLICY

a. QB's vision and mission statements

Mission

We are a leading investment house providing the best and most appropriate solutions to the financial problems and requirements of corporate clients and offering a wide variety of safe and high yielding investment alternatives to investors.

We are strongly synergized with the rest of the Yuchengco Group of Companies.

Vision

To be the preferred investment house to deliver the most fitting and useful solutions to the investment banking requirements of corporate clients and offering suitable investment instruments to investors.

b. Introduction of the QB's brand that differentiates it from other QBs

RCBC Capital's branding is aligned with the below branding strategy of our parent bank, RCBC.

The RCBC Brand

The Blue Hexagon is the corporate logo of the Yuchengco Group of Companies, of which RCBC is the financial servicing arm of the conglomerate. It was conceived with synergy in mind. Its six interlocking trapezoidal fields represent the conglomerate's founding businesses: life insurance, non-life insurance, banking and finance, investments, transportation and communication, and manufacturing and construction. The design gives the impression of a dynamo spinning on its hub—dynamic and ever-moving. The hexagon is viewed as a celestial sphere that radiates power, energy, and productivity.

For more than 60 years, RCBC has proudly used the Blue Hexagon to symbolize its union with the YGC conglomerate. However, the Bank recognizes that it needs to be a dynamic brand that will resonate not just with its traditional corporate clients, but with the retail consumers as well. Thus, in 2017, RCBC embarked on a brand refresh.

The new RCBC is anchored on the mission to maintain and further strengthen the Bank's relevance among Filipino depositors amidst the changing banking landscape and shifting dynamics. This is the Bank's way to refresh and reenergize its services to serve its loyal customers who have stood with them for all these years. At the same time, this was also RCBC's way to expand its presence and reach among the younger Filipino depositors.

Having built a solid foundation of service and trust through the years, these became the cornerstones in making the RCBC brand meaningful to consumers in the financial services sector. Bringing to life messages on customer service became central to the Bank's campaign, anchoring it in the reality that client relationships are at the heart of the RCBC brand.

c. Business model of the QB

RCBC Capital Corporation (RCBC Capital or RCAP) offers a full range of investment banking products and services. These services can be grouped into two major segments: corporate finance and advisory. Corporate finance provides a wide array of fundraising alternatives, both debt and equity, that address the diverse financial needs of RCAP's clients. These include Debt Capital Markets, Equity Capital Markets, Project Finance, Syndicated Loans, and Promissory Notes. Advisory engagements include mergers and acquisitions, valuations, joint ventures, tender offers, share buyback and other corporate transactions. RCAP is accredited by the Philippine Stock Exchange to provide Fairness Opinions.

Being part of the RCBC Group and the Yuchengco Group of Companies (YGC), RCAP strives to take advantage of inter-company and group-wide synergies to reduce costs and to increase revenues. Utmost cooperation and coordination are fostered with affiliates in order to tap the wide network of clients of YGC and the RCBC Group. Information flow is crucial in order to stay ahead of competition. In all of its activities, the Company aligns itself with the plans and strategies of the parent, RCBC, in order to deliver the greatest amount of revenues for the least amount of costs.

2. Financial Summary / Highlights (₱ except where indicated)

	Consolidated[1]		Parent Entity (Solo)	
Required Data	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Profitability				
Total Net Interest Income	138,156,138	112,249,396	121,439,324	95,805,491
Total Non-Interest Income	1,415,172,833	1,050,505,726	486,863,902	284,466,415
Total Non-interest Expenses	1,082,120,829	907,009,592	159,808,876	144,633,925
Provision for Income Tax	122,616,069	56,271,944	99,902,277	36,164,394
Net Income	348,592,073	199,473,586	348,592,073	199,473,587
Selected Balance Sheet Data				
Cash and Cash Equivalents	1,485,731,851	1,328,706,555	999,506,536	851,015,211
Trading and Investments Sec.	2,201,190,235	2,018,233,668	2,021,829,816	1,813,024,799
Loans and Other Receivables	286,905,579	136,643,479	52,127,882	28,462,430
Investments in Subsidiaries			606,694,590	621,773,044
Other Assets	327,535,010	388,707,779	37,241,635	54,454,442
Total Assets	4,301,362,675	3,872,291,481	3,717,400,459	3,368,729,925
Total Liabilities	796,690,533	546,149,025	212,728,317	42,587,469
Total Equity	3,504,672,142	3,326,142,456	3,504,672,142	3,326,142,456
Selected Ratios				
Return on equity	9.95%	6.00%	10.21%	6.14%
Return on assets	8.10%	5.15%	9.84%	6.04%
Capital Adequacy Ratio	51.77%	52.14%	78.65%	77.44%
Net Income per share			2.95	1.69
Book value per share			29.67	28.16
Others				
Cash dividends declared			160,000,000.00	-
No. of employees				
Total			26	28
Officers			23	24
Staff			3	4

[1] Consolidated amounts of Parent and Subsidiaries

3. Financial Condition And Results of Operation

a. Review of QB's operations and result of operations (Solo) for the financial year including details and explanations for any significant change during the year

Results of Operation

Amidst the effects of lower and more stabilized interest rates, combined with a growing focus on sustainable finance, the Company delivered a stellar financial performance in 2024. This success was underpinned by robust growth in core revenue from professional fees. Year-on-year, net income increased by 75%, reaching P348.6 million compared to P199.5 million in the previous year.

Investment banking fees was an all-time high at P454.3 million, an increase of 136%, from P192.8 million in 2023. Fees from the Company's project finance (PF) and underwriting business accelerated substantially, contributing a total of P323.6 million, or 71% of the total revenue pie.

The Company became more active in the capital markets by tapping new clients and expanding its distribution base, as more corporate issuers entered the market due to lowering interest rates. Also, the Company continued to expand its PF franchise into new sectors and technologies, supporting sustainable finance which has rapidly evolved in the domestic setting.

Year-on-year, interest income registered a 27% increase, growing from P96.1 million to P122.0 million. The Company's cash flow from operations provided a steady increase in working funds, which were subsequently invested into short-term securities and quality assets, such as short-term BSP facilities (ODF and RRP), yielding relatively high returns.

Amidst persistent negative market conditions, the Company's trading portfolio continued to show losses, with net trading losses widening to P38.6 million during the period, primarily due to unrealized (MTM) losses.

Other income decreased by 23% to P71.2 million, as equity earnings from subsidiaries substantially decreased by 54% to P23.3 million. This was slightly offset by an increase of P5.8 million in the sale of other assets and dividend income during the period.

Despite the competitive and evolving investment landscape, both locally and globally, the Company remains committed to supporting its clients and looks forward with confidence and optimism to 2025. The Company will continue to maintain a balanced product mix and support sustainable finance and socially impactful projects.

Ratios

The Parent Company's performance as of 31 December 2024 resulted to profitability ratios of 9.38% and 9.95% for Return on Assets (ROA) and Return on Equity (ROE), respectively. Meanwhile, the Group ROA and ROE ratios were at 8.10% and 9.95%, respectively..

Financial Condition

Assets

Total Assets as of 31 December 2024 stood at P3.72 billion, an increase of 10% from the previous year's P3.37 billion.

Cash and cash equivalents increased by P148.5 million mainly due to cash generated from the operations.

Equity Securities decreased by P90.5 million from the following account movements:

- FVTPL Portfolio – decreased by P79.5 million from the following changes:

  - Net mark-to-market decrease in the FVTPL portfolio by P43.9 million, and
  - Sale of SM and RCI shares during the period amounting to P35.6 million.
- FVOCI Portfolio – decreased by P11.0 million mainly due to lower marked-to-market valuation (“MTM”).

Debt Securities increased by P299.3 million from the net effect of the following transactions:

- Additional investments in hold-to-collect (HTC) promissory notes of P559.0 million (Alsons and GDFI);
- Redemption of HTC PNs (AFC, All Card, SLAC) amounting to P255.0 million;
- Mark-to-market decline of bonds in the FVOCI portfolio and the redemption of SMC and PCOR bonds worth P3.2 million; and
- Maturity of FVOCI and HTC bonds of P1.0 million.

Equity Investments stood at P606.7 million, a decrease of P15.1 million from the same period last year. The decrease was primarily due to the dividend declaration of RCBC Bankard Services Corp (RBSC) during the period amounting to P42.0 million, partially offset by the subsidiaries’ net equity earnings and increase in other reserves amounting to P26.9 million.

Fixed & Right of Use Assets (ROU) decreased by P12.8 million mainly from the amortization ROU and depreciation of fixed assets.

Other Assets increased by P18.8 million due to higher accrued interest and fee income receivables.

Liabilities

Total Liabilities increased by P170.1 million to P212.7 million from P42.6 million, as a result of the following changes during the period:

- Increase in Dividends Payable of P160.0 million due to dividend declaration dated 27 December 2024;
- Increase in Accrued Taxes of P25.0 million from income taxes; and
- Decrease in Lease and other liabilities of P14.9 million.

Stockholder’s Equity

Stockholder’s Equity stood at P3.50 billion as of 31 December 2024 compared to last year’s P3.32 billion. This represents an increase of P178.5 million which was due to the following capital account movements:

Net increase in Retained Earnings of P187.4 million mainly due to the following:

- income from operations during the period of P348.6 million, and
- dividend declarations of P160.0 million

Net decrease in Net Unrealized Gains and Other Reserves account by P8.9 million.

b. Highlight of major activities during the year that impact operations, if any

For the year 2024, RCAP’s business was a mix of debt and equity capital raising along with project financing.

In the debt capital raising space, RCAP was involved as a Joint Lead Underwriter and Bookrunner in the following offerings: (i) Filinvest Development Corporation’s P10.00 Billion Fixed Rate Bonds; (ii) San Miguel Corporation’s P20.00 Billion Fixed Rate Bonds; (iii) Ayala Land Inc.’s P6.00 Billion ASEAN Sustainability Linked Bonds (July 2024); (iv) Ayala Land Inc.’s P8.00 Billion

ASEAN Sustainability Linked Bonds (November 2024); and (v) SMC Tollways Corporation's P35.00 Billion Fixed Rate Bonds.

RCAP also participated in the following offerings: (vi) as Issue Manager, Lead Underwriter and Bookrunner in Alsons Consolidated Resources' P516.70 Million Commercial Papers Offering; (vii) as Joint Issue Manager, Joint Lead Underwriter and Bookrunner in Megawide Construction Company's P5.00 Billion Fixed Rate Bonds; and as Joint Issue Manager, Joint Lead Underwriter and Bookrunner in DoubleDragon Corporation's (viii) P6.00 Billion Fixed Rate Bonds (July 2024), (ix) P4.00 Billion Fixed Rate Bonds (September 2024), and (x) P10.00 Billion Fixed Rate Bonds (November 2024).

In terms of equity capital raising, RCAP participated in the following offerings: (i) as Joint Lead Underwriter and Bookrunner in Cebu Landmasters Inc.'s P5.00 Billion Preferred Shares Offering; (ii) as Domestic Co-Lead Underwriter in Citicore Renewable Energy Corporation's P5.3 Billion Initial Public Offering; and (iii) as Joint Lead Underwriter and Bookrunner in Ayala Corporation's P15.00 Billion Preferred Shares.

RCAP was also involved in a number of project finance transactions, namely (i) as Co-Arranger in Edgepoint Towers Inc.'s P6.00 Billion Capital Expenditure Facility; (ii) as Mandated Lead Arranger in Citicore Solar Pampanga 1 Inc.'s P1.31 Billion Project Finance Facility; (iii) as Mandated Lead Aranger in Citicore Solar Batangas 2 Inc.'s P5.57 Billion Project Finance Facility; (iv) as Lead Arranger in Dagohoy Green Energy Corporation's P834.76 Million Project Finance Facility; (v) as Joint Lead Arranger in 3 Barracuda Energy Corporation's P18.23 Billion Project Finance Facility; (vi) as Lead Arranger in PhilnewRiver Power Corporation's P1.72 Billion Project Finance Facility; and (vii) as Mandated Lead Arranger in Citicore Solar Negros Occiental 2 Inc.'s P2.32 Billion Project Finance Facility.

c. Major strategic initiatives of the QB and its subsidiaries, as applicable

In 2024, the global and Philippine economic landscapes faced persistent challenges, including inflationary pressures and elevated interest rates from the previous year. The 10-Year PHP BVAL Reference Rate grew to over 7.0% in April 2024, before the BSP cut target rates by 75bps in the second half of the year. Despite these turbulence, the Philippine economy showed resilience, maintaining steady growth at an inflation rate of 3.2%, well within the target range of 2-4%.

RCBC Capital strategically focused on aligning its operations with market conditions, prioritizing its internal capabilities in order to service its capital markets, project finance, and promissory notes businesses. Throughout the year, RCAP was involved in 17 capital markets issuances that raised over P161 Billion and 7 project finance deals that raised over P35 Billion. RCAP's promissory notes business also expanded, ending the year with a balance of P9.4 Billion across 13 issuers. These efforts ensured robust deal execution and strengthened RCAP's position in the market, enabling it to be awarded as part of the Top 5 Corporate Issue Manager/Arrangers (Investment House Category) by the PDS Group, which is only the second time RCAP has been awarded this since the conception of the awards in 2005.

RCBC Securities, Inc.

After four consecutive years of decline, the PSEi closed 2024 with a minimal gain of 1.22%. However, it continued to be a challenging year for the Stock Brokerage industry, primarily due to the Securities Exchange Commission's memo scrapping the minimum commission rate, which was implemented in the second quarter of 2024. Brokers saw revenues substantially slashed, and RCBC Securities, Inc. (RSEC) adjusted commission rates in line with the rest of the industry. Interest rates remained relatively high as the expected aggressive rate cuts did not materialize in 2024 due to global inflation fears. This kept value turnover in the Philippine Stock Market low. Both these circumstances significantly impacted RSEC's 2024 earnings.

Commission Income totaled P27.2 million on total traded value of P16.3 billion. This has kept RSEC within the upper third of active brokers in the industry. Expenses and other operational costs increased, resulting in a net loss of P34.1 million for the full year.

RSEC continued to concentrate in improving the customer experience of the RCBC Securities Trading App, EzTrade Gold. RSEC upgraded the on-line on-boarding process and added new payment channels for loading clients' on-line wallet. It also hosted investment events across the country to educate the investing public on equity trading. It adjusted its commission rates and removed the minimum transaction charges to minimize friction costs for its clients.

RCBC's Data Science Team also provided RSEC with leads to clients who have high equity related banking transactions for RSEC to provide related services. RSEC continues to work with RCBC Data Science to provide it with information what type of service its clients require and where to focus its marketing efforts.

Beginning 2025, RSEC will embark on various cost reduction measures, while at the same time beefing up marketing and customer acquisition activities to return to profitability.

RCBC Bankard Services Corp.

In 2024, RCBC Bankard Services Corporation (RBSC), made significant strides in establishing itself as a leader in credit and payment solutions.

Embracing its tagline "Live Life Unlimited," RBSC launched initiatives to maximize opportunities for cardholders, loan clients, and merchants. Key strategies included cross-sell acquisition programs, with a focus on high-net-worth depositors through payroll and housing loan bundles, aiming to build deeper relationships with existing clients.

Recognizing mobile usage in the Philippines, RBSC introduced RCBC Pay, allowing its Mastercard credit card users to access their credit limit and make secure payments via the RCBC Pulz app at millions of global merchants.

To meet the travel demand resurgence, RBSC organized RCBC Travel Fairs, providing exclusive deals in collaboration with airlines and agencies. Attendees could request instant credit limit increases and expedite new credit card approvals for on-the-spot purchases, leveraging data science for targeted marketing.

In Q4 2024, RBSC re-launched the RCBC World Mastercard for premium members, offering rewards on purchases and instant point redemption through the user-friendly virtual assistant, Erica.

In its Payment Solutions sector, RBSC expanded QR payment acceptance with RCBC's QR Pay, enabling both large and small merchants to streamline payments and support financial inclusivity.

For Personal and Salary Loans, RBSC launched three digital loan products with DEIG: Salary Loan NOW for payroll clients, Digital Personal Loans for depositors through the RCBC Pulz app, and Pasado for new-to-bank customers via the DiskarTech app.

d. Challenges, opportunities, and responses during the year, if any

Navigating the complexities of 2024 required RCAP to draw on its 50-year legacy of resilience and client-centric service, established since its founding in 1974. The challenging economic environment underscored the importance of adaptability and innovation.

RCAP responded by deepening collaboration with its parent bank, RCBC, the fifth-largest private bank in the Philippines. Strengthened partnerships with RCBC's Corporate Banking Group, Small & Medium Enterprises Banking Group, Treasury Group, Wealth Management Group, and Trust &

Investments Group unlocked new leads and synergies, enhancing RCAP's ability to capitalize on opportunities in underserved market segments. This collaborative approach, supported by RCBC's financial strength and extensive network, enabled RCAP to deliver customized financial solutions effectively.

In addition to this, RCAP took the Green Energy Auctions by the Department of Energy as an opportunity to push its project finance business, as renewable energy developers seek financing solutions to fund their upcoming renewable energy projects. In 2024, RCAP, in collaboration with RCBC, was able to fund 6 different renewable energy projects, enabling the production of an additional 870MW of renewable energy throughout the Philippines. RCAP was also able to diversify its project finance portfolio, by closing first financing of telecommunications towers in 2024.

4. Financial Results Of Major Business Segments

a. Summary of financial performance of the Parent Company's business segment for the year:

Segment	Amount	% Contribution
Investment Banking Fees	454,340,358	74.63%
Trading and Other Investment Income	120,096,364	19.73%
Others	34,392,240	5.65%
Total	608,828,962	100.00%

As of December 31, 2024

b. Contribution of business segment to the total revenue of the QB during the year

The contribution of each business segment to the total revenue is shown in Item 4.a above

c. Significant developments during the year including major activities

RCAP was awarded as one of the top performers in 2024 and placed among the Top 5 Corporate Issue Managers/Arrangers in the Investment House Category from the PDS Group in the 20th Annual PDS Annual Awards Night. Since 2005, the PDS Group has recognized member institutions that have exhibited outstanding performance, leadership, innovation and overall contribution to the development of the capital market through its Annual Awards Night. This is the 1st time since 2016 that RCAP received this award, and the 2nd time since the inception of the awards.

RCAP also received the following awards: (i) The Asset Asian Awards' Initial Public Offering Philippines for RCAP's participation in Citicore Renewable Energy Corporation's Initial Public Offering; (ii) The Asset Asian Awards' Best Sustainability Linked Financing Philippines for RCAP's participation in Ayala Land Inc.'s P6.00 Billion Sustainability Linked Bonds (July 2024); (iii) Alpha Southeast Asia Awards' Best Sustainability Linked Transaction for RCAP's participation in Ayala Land, Inc.'s P6.00 Sustainability Linked Bonds (July 2024); (iv) Alpha Southeast Asia Awards' Best Local Currency Bond Deal from RCAP's participation in Ayala Land, Inc.'s P8.00 Billion Sustainability Linked Bonds (November 2024); (v) Alpha Southeast Asia Awards' Best Mid-Cap Equity Deal for RCAP's participation in Citicore Renewable Energy Corporation's Initial

Public Offering; and (vi) ESG Business Awards' Renewable Energy Financing Programme Award – Philippines for RCAP's participation as Arranger in Citicore Renewable Energy Corporation's P20.00 Billion Portfolio of Project Financing.

d. Future plans/targets/objectives

The investment banking industry remains inherently cyclical, with periods of abundance and scarcity. RCAP's goal is to build a robust and adaptable business model that thrives in both scenarios.

Looking ahead, RCAP plans to strengthen its distribution arm to enhance market access and placement capabilities, ensuring broader client reach and improved deal execution. It also continuously invests in its employees through trainings and seminars to adapt to the evolving skill set requirements of the industry. Additionally, RCAP aims to invest in internal process automation to streamline workflows, reduce operational bottlenecks, and enhance service delivery, positioning the firm for greater operational efficiency. Continuous improvement in execution will remain a cornerstone, enabling RCAP to deliver innovative and customized investment banking services.

Furthermore, RCAP is committed to expanding its focus on ESG-related deals and financings, prioritizing projects that reduce environmental impact and promote social good. By aligning with global sustainability trends, RCAP aims to contribute meaningfully to a greener, more inclusive future while ensuring long-term resilience and growth.

.

5. Risk Management Framework

a. Overall risk management culture and philosophy

The Company's risk management mission and objectives serve as guides to the central profit-generating activities of the Company.

Risk Mission

RCBC Capital's risk management supervises various types of risks from a comprehensive perspective. In managing these risks, the approach is not always risk minimization but controlling risks to make an optimal contribution to RCBC Capital's revenues. This process requires a thorough, timely, and reasonable measurement of different types of risks. The company believes that controlling within reasonable limits, the extent and volume of risks, which are determined by the nature of risks involved, is critical for ensuring the soundness of RCBC Capital's operations, improving profitability and eventually maximizing shareholders' value.

Risk Objectives

To establish an effective risk management system for the safe and sound operation of the company.

1. Identify, measure, and control risks inherent in the company's major business activities or embedded in its portfolio.
2. Define and disseminate the risk philosophy and policies of the company.
3. Institutionalize the risk process as described in the company's risk management manual.
4. To decrease the risk of unexpected losses or damage to the company's reputation.

The company's risk goals are attained following the adoption of the company's board approved policies and standards such as:

1. Formation of a Risk Oversight Committee (ROC);
2. Appointment of a risk officer to oversee the risks assumed by the company;
3. Setting up of trading limits and measurement of VaR figures for the company's portfolios;
4. Formulation of risk-oriented audit procedures;
5. Full implementation of the Risk Management Manual as a core and essential document at all organizational levels.

b. Risk appetite and strategy

Risk Appetite

The Company has an Enterprise Risk Appetite statement in the form of a matrix that articulates the level of risk that it is willing to accept in pursuit of a certain level of return.

Risk Appetite Parameter	Risk Appetite Thresholds
Earnings Volatility	Maximum deviation of annualized net income vs. target
Regulatory Standing	Minimum SAFr (Supervisory Assessment Framework) rating
Capital Adequacy	Regulatory CAR (Capital Adequacy Ratio)
Trading Risk	MTD loss limits
Liquidity Risk	Maximum tolerable outflows
Zero-tolerance Risks	Zero incidences of specific risk events
Money Laundering & Terrorist Financing Risk	Minimum prescribed AML Risk Rating (BSP); AML reports submitted within prescribed time frame

The factors included in defining said risk appetite were done through proper risk measurement tools and methodology aligned with best practices and acceptable per regulatory standards. Minimum approaches are as contained under relevant BSP Circulars, with the objective of building on these regulatory prescriptions towards better risk management.

Significant Risk Areas/Exposures

Market Risk

It is the risk resulting from adverse movements in the general level of or volatility of market rates or commodity/equity prices possibly affecting the company's financial condition. The company has market risk exposure due to its fixed income securities investments, equity trading, and underwriting activities.

Credit Risk

It is the risk that a borrower, issuer or counterparty in a transaction may default and cause a potential loss to the company. The company has credit risk exposure due to its investments in fixed-income securities.

Operational Risk

It is the risk arising from the potential that inadequate information systems, operations or transactional problems (related to service or product delivery), breaches in internal controls, fraud or unforeseen catastrophes will result to unexpected loss.

Reputation Risk

It is the current and prospective adverse impact to earnings and capital arising from negative public opinion.

Compliance and Regulatory Risk

It is the current and prospective negative impact to earnings and capital arising from violation of laws, regulations, ethical standards, and the like.

c. Entity-wide risk governance structure and risk management process

Risk Process

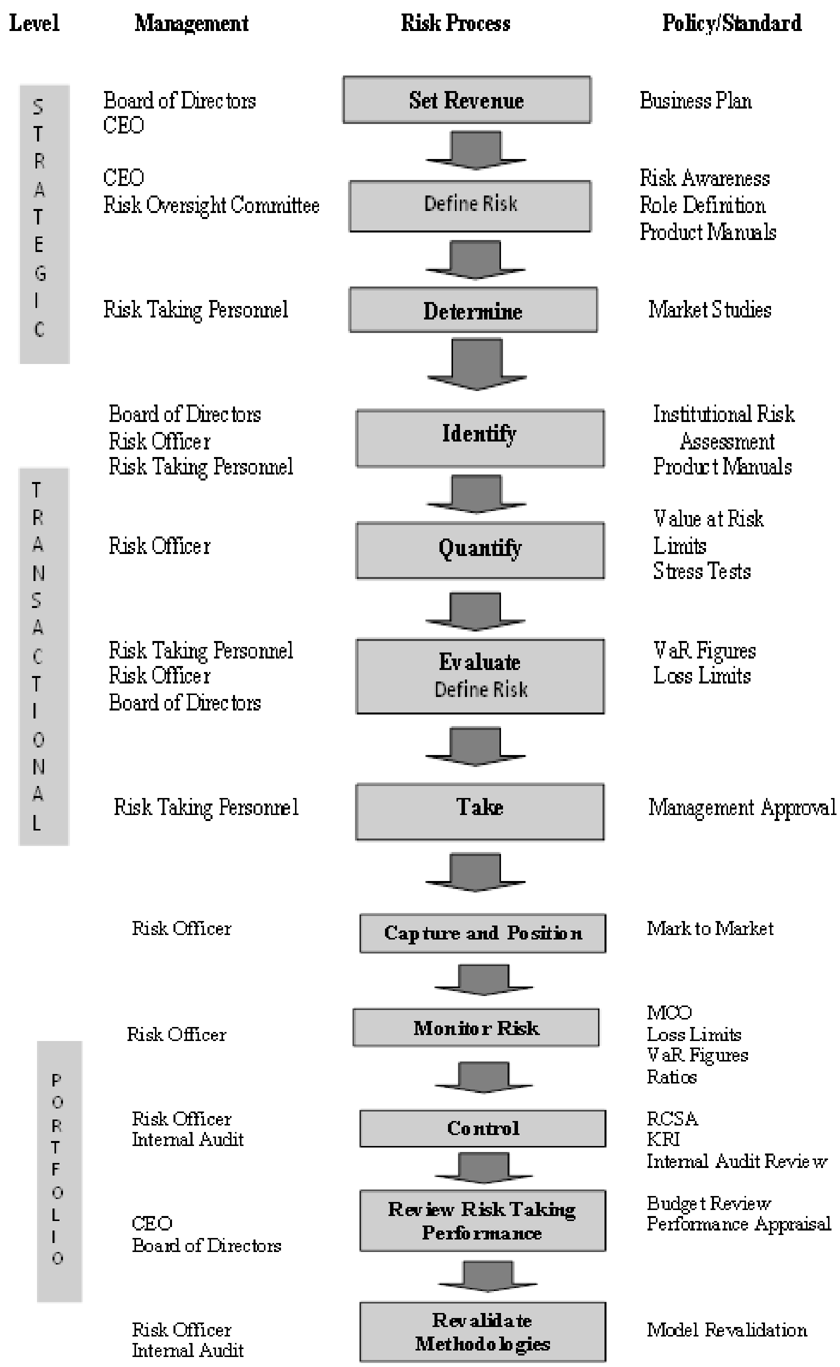
The risk process map as shown below traces out a complete and coherent risk management plan that is performed at three different levels: the strategic level, the transaction level and the portfolio level.

The first level provides a macro perspective. It starts with the basic reward/risk trade-off analysis where the business plan, through the budget process relates the amount of risks to be taken to achieve the desired revenue goals.

The next stage does not originate from metrics and models but from a culture that defines the company's philosophy on risk - a culture of living and accepting RISK as a financial variable. This process emanates from and is a prime responsibility of the President/CEO and the Board of Directors. They establish the risk culture and the risk management organization and incorporate the risk process as an essential part of the corporate strategic plan.

By contrast, the second (transaction) level and the third (portfolio) level look at the specifics - the risk concepts, trading tools, analytical models, statistical methodologies, historical studies and market analysis which are requisites of a coherent risk management system.

Risk Process Map



Risk Policies and Procedures	Organization	Limits Structure	Systems and Technology	Reports	Risk Modeling
Risk Management Structure					

The Risk Taking Personnel starts the day-to-day risk process by determining financial opportunities, which normally involve risk. Once opportunities are identified, the RTP identifies, analyzes and quantifies (with assistance from the risk function) risk in light of its potential effect on a position/portfolio. This includes an assessment of existing system capability to support the risk-taking.

When a risk is assumed by the RTP, attendant processes of reporting and control, risk evaluation, and portfolio management are initiated - activities that require interaction between the risk taking personnel and the risk officer. The reporting system is important in immediately informing senior management of deviations and or weaknesses at any point of the risk process.

Senior management evaluates performance from a reward/risk perspective preset by the Board and makes adjustments to overall business strategy. Performance is measured relative to risk-free or "with-risk" benchmarks and/or target hurdles of return.

All three levels form the critical and integral components of the risk process. Statistics and studies will not be effective unless supported by precise corporate and written rules.

The bottom of the diagram highlights the infrastructure necessary for successful implementation of the risk process: clearly defined risk policies, effective organization and limits structures, appropriate systems and technology support, good management information reporting system, and model and system revalidation. The MIS must at a minimum have the ability to value positions and calculate risk in all of the instruments in which the company deals, individually and on an aggregate basis and report these in a timely manner to all units that require these reports.

d. AML governance and culture, and description of the overall Money Laundering (ML)/Terrorist Financing (TF) risk management framework

The Company is committed in instilling a compliance culture. An effectively implemented compliance program, approved by the Board of Directors, is essential to our efficient and successful operation and will contribute to the attainment of our mission of "conducting business with utmost integrity, excellence and commitment". As a responsible corporate citizen, the company is also committed to supporting the fight against money laundering and terrorism financing by taking the necessary actions to comply with the applicable laws and regulations and to prevent the use of its products and/or services for illegal purposes.

The existing and updated policies in compliance with the Anti-Money Laundering Act (AMLA) or Republic Act (RA) No. 9160 enacted in September 2001 and amended by RA Nos. 9194, 10167, 10168, 10365 and 10927, and the 2016 Revised Implementing Rules and Regulations of RA No. 9160.

In accordance with the mandate of BSP Circular No. 1022 dated 26 November 2018 entitled Amendments to Part 8 of the Manual of Regulations for Banks/Manual of Regulations for Non-Bank Financial Institutions and Circular No. 980 dated November 06, 2017, the Compliance Officer, updated the AML policies and procedures embodied in the Money Laundering and Terrorist Financing Prevention Program (MTPP) which was approved by the Board of Directors on 22 February 2019.

The MTPP which is aligned with the MTPP of RCBC was further revised in 2020 to add written guidelines on digitization of customer records and identifying beneficial ownership. In 2021, the MTPP was also revised to lay down the rule that the procedures of parent bank, RCBC, on customer due diligence shall apply to common clients of RCBC and RCAP while the customer due diligence procedures outlined in the MTPP shall apply to RCAP's direct clients, among others. In 2022, a list of the client documents that need to be digitized and uploaded pursuant to the DIGICUR requirements was added as one of the MTPP annexes, for clarity.

6. CORPORATE GOVERNANCE

a. Overall corporate governance structure and practices

The Company believes that corporate governance is a necessary component of what constitutes sound strategic business management. RCBC Capital affirms its commitment to good corporate governance as we continue to work towards a solid control environment, high level transparency, with an empowered Board leading the way.

RCBC Capital adheres to the core principles of transparency, accountability and fairness which are embodied in the Board-approved Corporate Governance Manual. The Manual is reviewed annually to ensure that governance policies are consistent with the pertinent regulations issued by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission. The latest substantial revisions to the Manual were approved on 16 May 2024. The governance structure and processes are patterned after that of the parent bank, RCBC, which in turn benchmarks against local and international leading practices in corporate governance. Thus, the Corporate Governance Manual incorporates the applicable and reasonable best practices set by the (i) Basel Committee on Banking Supervision's Principles for Enhancing Corporate Governance, and (ii) the SEC's Revised Code of Corporate Governance for Publicly Listed Companies. RCBC Capital keeps pace with RCBC's efforts towards continuous enhancement of Corporate Governance within the RCBC group to ensure that the interests of all stakeholders are well regarded, the directors, officers, and employees are cognizant of their responsibilities, and the affairs of the Company are conducted in a safe and sound manner. The company shall continue to strengthen its corporate governance policies and procedures in accordance with the BSP and SEC guidelines.

RCBC Capital is headed by a seven member board of directors, all of whom are known for their integrity, experience, education, training, and competence. The Board has six (6) non-executive directors and the President and CEO, who is the only executive director. Three (3) of the directors are independent directors.

b. Selection process for the board and senior management

The Corporate Governance Committee is charged with reviewing the qualifications of potential director candidates and making recommendations to the Board. The Board believes that its membership should be composed of highly qualified directors who demonstrate integrity and suitability for overseeing the management of the company. Besides the qualifications of a director required by existing regulations, it is preferred that potential candidates possess:

- prominence in business, institutions or professions;
- integrity, honesty and the ability to generate public confidence;
- demonstrated sound and independent business judgment;
- financial literacy;
- risk management experience;
- knowledge and appreciation of issues and familiarity with local, national and international affairs;
- the professional experience required to contribute to the Board's committees; and
- the ability to devote sufficient time to Board and Committee work.

The Committee ensures that each nominee possesses all the minimum qualifications and none of the disqualifications as prescribed under existing laws and regulations.

RCBC Capital also adopted fit and proper standards on directors and key personnel, taking into consideration their integrity/probity, technical expertise, physical/mental fitness, competence, relevant education/financial literacy, diligence, and knowledge/ experience/training. The qualifications of those nominated to the Board, as well as those nominated for positions requiring appointment by the Board, are reviewed and evaluated by the Corporate Governance Committee.

As a policy, directors shall maintain their professional integrity and shall continuously seek to enhance their skills, knowledge and understanding of the Company's present activities and those that the company intends to pursue. The directors shall keep abreast of the developments in the industry including regulatory changes through continuing education or training.

c. Board's overall responsibility

The Board has overall responsibility for the Company and provides oversight to senior management. Thus, it approves and oversees the implementation of the strategic objectives, risk strategy, corporate governance and corporate values.

The Board defines the appropriate corporate governance framework and practices. It ensures that there are governance policies and mechanisms appropriate to the structure, business and risks. Moreover, the Board sets the "tone at the top", the professional standards and the corporate values that promote integrity for self, senior management, and other employees.

Among others, the Board of Directors is responsible for:

- Fostering the long-term success of the company and sustaining its competitiveness and profitability in a manner consistent with our corporate objectives and the best interests of stockholders and other stakeholders.
- Formulating, approving and overseeing the implementation of the company's vision, mission, corporate strategy, major plans of action, risk management strategies and/or policies and procedures, annual budget and business plan, performance objectives, corporate governance and corporate values that shall guide and direct its activities and the means to attain the objectives as well as the mechanism for monitoring management's performance.
- Monitoring and overseeing management actions of the Company's day-to-day affairs, corporate performance, major capital expenditures, acquisitions and divestitures. It shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. It is vitally important that a number of board members be independent from management.
- Identifying major and other stakeholders (i.e. shareholders, investors, lenders, clients, other relevant stakeholders, market participants and the community in which we operate) and formulating a clear policy on communicating or relating with them. The Board shall be adequately transparent to shareholders and other stakeholders. The objective of transparency in the area of corporate governance is to provide these parties, consistent with national law and supervisory practice, with key information necessary to enable them to assess the effectiveness of the Board and senior management governing the company. The Board shall ensure the disclosure of relevant and useful information that supports the following key areas of corporate governance:
    - Board practices
    - Senior management
    - Risk management and internal controls
    - Compensation
    - Complex or opaque corporate structures
    - Disclosure and transparency

d. Description of the major role and contribution of the chairman of the board

The Chairperson ensures proper governance of the Company. She is responsible for ensuring compliance with and performance of the corporate governance policies and practices. She is likewise responsible for the efficient functioning of the Board, and this includes maintaining a relationship of trust with the other directors. Apart from presiding over meetings, the Chairperson's many roles include:

- Ensuring that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions.
- Ensuring that the meeting agenda focuses on strategic matters including discussion on risk appetites and key governance concern.
- Ensuring a sound decision making process through the active participation and deep professional involvement of all members of the Board.
- Assuring the availability of proper orientation for first-time directors and continuing training opportunities for all directors.
- Making sure that the performance of the Board is evaluated at least once a year and discussed/followed up on.
- Encouraging and promoting critical discussion and ensuring that dissenting views can be expressed and discussed within the decision making process.

e. Board composition

Name	Position	Type	Principal Stockholder Represented	Number of Years Served as Director	Number of Shares Held			% of Shares Held
					Direct	Indirect	Total	
Yvonne S. Yuchengco	Chairperson	Non-executive	RCBC, PMMIC, AYuchengco	22	1	118,135,393	118,135,394	100%
Eugene S. Acevedo	Regular Director	Non-executive	RCBC	6	1		1	0%
Jose Luis F. Gomez	Regular Director	Executive / Non-executive	RCBC	15	1		1	0%
Cesar O. Virtusio	Independent Director	Non-executive	Independent	4	1		1	0%
Omar T. Cruz	Independent Director	Non-executive	Independent	4	1		1	0%
Vicente L. Ramirez Jr.	Independent Director	Non-executive	Independent	2.5	1		1	0%
Arsenio Kenneth M. Ona	Regular Director	Executive	RCBC	2.25	1		1	0%
Total Outstanding Shares		118,136,400			7	118,135,393	118,135,400	100%

f. Board qualification

MS. YVONNE S. YUCHENGCO
Chairperson, Non-Executive Director
70 years of age, Filipino

AB Interdisciplinary Studies, Ateneo de Manila University

Ms. Yvonne S. Yuchengco has been the company's Chairperson since 2003.

Ms. Yuchengco is a director in other publicly listed companies within the YGC such as Petro Energy Resources Corp., House of Investments, Inc., Seafront Resources Corp., and I-People Inc. She is the Chairperson and President of Royal Commons, Inc., XYZ Assets Corp., Y Tower II Office Condominium Corp., and Yuchengco Tower Office Condominium Corp. She is also the Chairperson of Y Realty Corp. and Yuchengco Museum, Inc, and an advisor to the Board of the Rizal Commercial Banking Corporation.

Her other affiliations include A.T. Yuchengco, Inc. – Director; Alto Pacific Corporation - Director/President; Annabelle Y. Holdings & Management Corp. – Director; Avignon Tower Condominium Corp. – Trustee; MPC Investment Corporation - Director/Corporate Secretary; Mona Lisa Development Corp. – Director & Treasurer; Phil-Asia Assistance Foundation, Inc. – Trustee; RCBC Land, Inc. – Director& President; AY Holdings, Inc. – Director & Vice President; HYDee Management & Resource Corp. – Director; Luisita Industrial Park Corp. – Director; Director; National Reinsurance Corp. of the Phils. – Director; Yuchengco Center, Inc. – Director; Malayan High School of Science, Inc. – Director & Treasurer; Pan Malayan Management & Investment Corp. – Director, Treasurer & CFO; Pan Malayan Express – Director; The Malayan Plaza Condominium Owners Association, Inc. – Chairperson & Trustee; Phil. Integrated Advertising Agency, Inc. – Chairperson & President; GPL Holdings, Inc. – Director; La Funeraria Paz-Sucat, Inc. – Director; DS Realty, Inc. – Director; YGC Corporate Services, Inc. – Director; Asia-Pac Reinsurance Co., Ltd. – Director; AY Foundation, Inc. – Trustee; Malayan Education System, Inc. (Mapua University) – Trustee; Malayan Insurance Co., Inc. – Vice Chairperson; Malayan International Insurance Corp. – Director; Manila Memorial Park Cemetery, Inc. – Director; MICO Equities, Inc. – Director & President; Mayahin Holdings Corp. – Director & Treasurer; Shayamala Corporation – Director; HI Cars, Inc. – Director & Treasurer; Enrique T. Yuchengco, Inc. – Director; Pan Malayan Realty Corp. – Director; Water Dragon, Inc. – Director & Treasurer.

MR. EUGENE S. ACEVEDO
Non-Executive Director
60 years of age, Filipino

BS Physics (magna cum laude), University of San Carlos; Masters in Business Management, Asian Institute of Management; Advanced Management Program, Harvard Business School

Mr. Eugene S. Acevedo joined RCBC Capital on 31 July 2019.

Mr. Acevedo holds directorship and/or officership positions in Rizal Commercial Banking Corporation, RCBC Leasing and Finance Corp., RCBC Rental Corp., Rizal Microbank, Inc., Cajel Realty Corp., Niyog Property Holdings, Inc., RCBC International Finance Limited, RCBC Investment Limited, Holly Tree Holdings, and Amadeus Arabica Corp. He is the Chairman of Asian Bankers Association; a Director in Bankers Association of the Philippines, BancNet, Philippine Payments Management, Inc., Philippine Depository & Trust Corp., Philippine Dealing System Holdings, and Philippine Dealing & Exchange Corp.; and a Trustee in Asian Institute of Management (also the Vice Chairman), FINEX Foundation, and De La Salle John Bosco College.

He previously worked with the following financial institutions: PR Savings Bank - Chairman; CitySavings Bank - Chairman, President, and CEO; Fairbank - Chairman; Union Properties, Inc. - Director; UBP Securities, Inc. - Director; Union Currency Brokers Corp. - Director; UnionBank - SEVP; Philippine National Bank - Vice Chairman, President, & CEO; Citigroup - Managing Director & Head of Global Markets-Hongkong and Taiwan Cluster; Citibank, NA Philippines - Managing Director, Country Treasurer, & Head of Emerging Market Sales and Trading; Citibank, NA Singapore - Director& Asia Pacific Regional Derivatives Sales Head; Citibank, NA Hongkong - Vice President for Derivatives Marketing-Asia.

MR. JOSE LUIS F. GOMEZ
Non-Executive Director
62 years of age, Filipino

BS Management Engineering, Ateneo de Manila University; MBA, Katholieke Universitiet Leuven, Belgium

Mr. Jose Luis F. Gomez, the immediate past President & CEO of RCAP, started to serve as a non-executive director of RCAP in November 2022.

Mr. Gomez is the Chairperson of RCBC Securities and a director in RCBC Bankard Services, Inc. (also the Vice Chairman), Buhawind Energy Northern Luzon Corp., Buhawind Energy Northern Mindoro Corp., and Buhawind Energy East Panay Corp. A past president of Investment House Association of the Philippines (IHAP), he is also a director and an Executive Vice President of Financial Executives Institute of the Philippines (FINEX).

He previously worked with the following financial institutions: AIG Investment Corporation (Asia), Ltd. - Associate Director; Peregrine Capital Phils., Inc. - Associate Director; Falcon Properties and Resources, Inc. (wholly owned subsidiary of Peregrine) - Director & General Manager; Bank of America NT & SA - Assistant Vice President; Investment & Capital Group of the Phils. - Assistant Vice President.

MR. CESAR O. VIRTUSIO
Independent Director
69 years of age, Filipino

Bachelor in Business Administration, University of the East; MBA, George Washington University

Mr. Cesar O. Virtusio joined RCBC Capital on 18 March 2021.

Mr. Virtusio is also an independent director of Tonik Digital Bank, Inc., Beneficial Life Insurance Co., Inc., ATR Asset Management, Inc., ATRAM Trust Corp., and Central Azucarera de San Antonio, Inc.

A past regular director of CATS Motor, Inc., Mr. Virtusio previously worked with the following financial institutions: Dresdner Bank and Dresdner Keinwort – Adviser and Chief of Representative in the Philippines; Banque National de Paris-HK – Senior Officer; Citibank Manila – Senior Officer. A former lecturer at the Ateneo De Manila Graduate School of Busines, Mr. Virtusio used to be the Managing Director of the Bankers Association of the Philippines (BAP) where he held board and executive positions in BAP-related entities like Philippine Clearing House Corporation and Philippine Deposit and Trust Corporation.

MR. OMAR T. CRUZ
Independent Director
70 years of age, Filipino

BS Industrial Management Engineering minor in Mechanical Engineering, De La Salle University; MS Industrial Economics, University of Asia and the Pacific

Mr. Omar T. Cruz joined RCBC Capital on 29 June 2021.

Mr. Cruz, who once served as the Treasurer of the Republic of the Philippines, Governor of the Philippine Stock Exchange, and member of the Monetary Board of the Bangko Sentral ng Pilipinas, has a vast experience in banking, finance and insurance for a period spanning almost 40 years. His previous work experience includes, among others: Citicorp Securities International, Inc. – President; Citibank N.A. – Vice President; BPI-Philam Life Assurance Corp. - President and CEO; Insular Life Assurance Co., Ltd. - Chief Bancassurance Executive.

A member of the Institute of Corporate Directors and Financial Executives Institute of the Philippines (FINEX), he is the Lead Independent Director of Ayala Land REIT, Inc., an independent director of AbaCore Capital Holdings, Inc. and Toyota Financial Services, Inc. and has held directorship and trusteeship positions in various companies, foundations and organizations. He is also a businessman who owns and runs a food business, the Cruz-Fabz Food Corporation.

MR. VICENTE L. RAMIREZ JR.
Independent Director
78 years of age, Filipino

AB English, Ateneo De Naga University; MBA Candidate, Ateneo De Manila University Graduate School of Business

Mr. Vicente L. Ramirez Jr. joined RCBC Capital on 29 June 2022.

Mr. Ramirez is an independent director of three (3) other RCBC subsidiaries—Rizal Microbank, Inc., RCBC Rental Corporation, and RCBC Leasing and Finance Corporation—and of Metro Combined Logistics Solutions (resigned as of 08 Nov. 2024). He is also the Chairman of the Board of Trustees of Ibalon Heritage Association, Inc.

He previously worked with the following financial institutions: Japan-PNB Leasing and Finance Corporation – President and Director; Mercator Finance Corporation – President; Banco Del Oriente – President; Baldwin & Stewart Investment and Management Corporation – Asst. Vice President; W.I. Carr and Sons (HK), Manila Rep. Officer – Senior Securities. He has held leadership roles in various finance associations, both local and foreign, like Philippine Finance Association; International Finance and Leasing Association, London; and Asian Financial Services Association, Indonesia.

MR. ARSENIO KENNETH M. ONA
Executive Director, President & CEO
55 years of age, Filipino and American

BS Business Economics, University of the Philippines-Diliman; MBA, The Wharton School-University of Pennsylvania

Mr. Arsenio Kenneth M. Ona joined RCBC Capital in April 2020. He sits as a director in RCAP's subsidiaries, RCBC Securities, Inc. and RCBC Bankard Services Corporation. He is the President of Intergen Properties, Inc. and a director in Investment House Association of the Philippines (IHAP).

He previously held officership positions in the following institutions: First Metro Investment Corporation – First Vice President; PeopleSupport (Phils.), Inc. – Director for Financial Analysis; All Asia Capital and Trust Corp. – Asst. Vice President; Chase Manhattan Corp. – Associate; Security Bank Corporation – Asst. Trader; JF Exchange Capital Corp. – Financial Analyst. Also, he served as directors of PBC Capital Investment, SBC Properties, Inc., and Resiliency (SPC), Inc.

g. Board-level committees

The Board has constituted the following Board committees to assist in its oversight functions:

CORPORATE GOVERNANCE COMMITTEE

Composition:

Three (3) members of the Board, who are all non-executive directors and independent directors, including the chairman.

Members:

Mr. Vicente L. Ramirez Jr. (independent) – Chairperson

Mr. Cesar O. Virtusio (independent)

Mr. Omar T. Cruz (independent)

Responsibilities:

Assist the Board in fulfilling its corporate governance responsibilities by:

- Overseeing the nomination process for members of the Board and for positions appointed by the Board and reviewing and evaluating the qualifications of all persons nominated to the Board and to other positions requiring appointment by the Board;
- Recommending to the Board matters pertaining to the assignment to board committees, as well as succession plan for the members of the Board and senior management;
- Overseeing the continuing education program for the Board, ensuring the allocation of sufficient time, budget and other resources for the program and the effective implementation of policy for on-boarding/orientation program and annual continuing education for directors;
- Overseeing the periodic performance evaluation process for directors, board-level committees and senior management;
- Overseeing the design and operation of the remuneration and other incentives policy, ensuring that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of the company, promotes good performance and conveys acceptable risk-taking behavior defined under the company's Code of Ethics, and complies with legal and regulatory requirements.

AUDIT COMMITTEE

Composition:

Three (3) members of the Board who are all non-executive directors, majority of whom are independent directors including the chairman who is not the chairman of the board or any other committees.

Members:

Mr. Omar T. Cruz (independent) – Chairperson

Mr. Cesar O. Virtusio (independent)

Mr. Jose Luis F. Gomez (non-executive director)

Responsibilities:

Assist the Board of Directors in fulfilling its oversight responsibilities by:

- Overseeing the financial reporting process, practices and controls of the company, ensuring that the company's reporting framework enables the generation and preparation of accurate and comprehensive information and reports;
- Overseeing the implementation of internal control policies and activities and ensuring that the adequacy and effectiveness of the internal control system is monitored and evaluated so as to identify its weaknesses and evaluate its robustness taken into consideration the company's risk profile and strategic direction;
- Overseeing the internal audit function and reviewing and approving the audit scope and frequency and the performance and compensation of the head of internal audit, including his/her selection, appointment and dismissal, and the budget of the internal audit function;
- Overseeing the external audit function, including the appointment and replacement of external auditor, reviewing and approving the engagement contract of the external auditor and ensuring that the scope of audit covers areas specifically prescribed by the regulators;
- Overseeing the implementation of corrective actions, ensuring that the senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors and other control functions; and
- Investigating significant issues/concern raised and establishing a whistle blowing mechanism by which officers and staff, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective actions.

RISK OVERSIGHT COMMITTEE

Composition:

Three (3) members of the Board, majority of whom are independent directors including the chairman who is not the chairman of the Board or any other committees.

Members:

Mr. Cesar O. Virtusio (independent) – Chairperson

Ms. Yvonne S. Yuchengco (non-executive director)

Mr. Vicente L. Ramirez Jr. (independent)

Responsibilities:

Assist the Board of Directors in fulfilling its oversight responsibilities by:

- Overseeing the enterprise risk management framework of the company, ensuring that there is a periodic review of the effectiveness of the risk management systems and recovery plans and that corrective actions are promptly implemented to address risk management concerns;
- Overseeing adherence to risk appetite, ensuring that the current and emerging risk exposures are consistent with the company's strategic direction and overall risk appetite, and assessing the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies and procedures relating to risk management and control, and performance of management, among others; and
- Overseeing the risk management function, including the appointment, remuneration and dismissal of the Chief Risk Officer, and ensuring that the risk management function has adequate resources and the risk taking activities of the company is effectively overseen.

PERSONNEL EVALUATION AND REVIEW COMMITTEE

Composition:

A chairperson, who shall be a member of the Board and other members who may either be directors or company officers.

Members:

Ms. Yvonne S. Yuchengco – Chairperson

Mr. Eugene S. Acevedo (director)

Mr. Omar T. Cruz (independent director)

Mr. Vicente L. Ramirez Jr. (independent director) – starting 27 June 2024

Mr. Arsenio Kenneth M. Ona (director)

Mr. Dronnel A. Espina (officer) – starting 27 June 2024

Atty. Samuel V. Torres (officer)

Responsibilities:

Resolves cases of employees involving violations of Company policies, gross misconduct, and other acts detrimental to the institution.

h. Directors' attendance at board and committee meetings, special and regular.

Name of Directors	**Board of Directors**		**Audit Committee**		**Risk Oversight Committee**		**Corporate Governance Committee**		**Personnel Evaluation and Review Committee**	
	Number of Meetings									
	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%
Yvonne S. Yuchengco	15	100			4	100				
Eugene S. Acevedo	15	100								
Jose Luis F. Gomez	15	100	5	100						
Cesar O. Virtusio	15	100	5	100	4	100	4	100		
Omar T. Cruz	15	100	5	100			4	100		
Vicente L. Ramirez Jr.	15	100			4	100	4	100		
Arsenio Kenneth M. Ona	15	100								
Total No. of Meetings Held in 2024	15		5		4		4		Nil	Nil

i. Changes in the board of directors

None.

j. List of executive officers/senior management

MR. ARSENIO KENNETH M. ONA
President & CEO
55 years of age, Filipino and American

BS Business Economics, University of the Philippines-Diliman; MBA, The Wharton School-University of Pennsylvania

Mr. Arsenio Kenneth M. Ona joined RCBC Capital in April 2020. He started serving as President and CEO of RCBC Capital on 01 Oct. 2022.

Mr. Ona is the President of Intergen Properties, Inc. and a director in Investment House Association of the Philippines (IHAP). He previously held officership positions in the following institutions: First Metro Investment Corporation – First Vice President; PeopleSupport (Phils.), Inc. – Director for Financial Analysis; All Asia Capital and Trust Corp. – Asst. Vice President; Chase Manhattan Corp. – Associate; Security Bank Corporation – Asst. Trader; JF Exchange Capital Corp. – Financial Analyst. Also, he served as directors of PBC Capital Investment, SBC Properties, Inc., and Resiliency (SPC), Inc.

MS. CLAUDINE C. DEL ROSARIO
Senior Vice President/IBG-Senior Account Officer
50 years of age, Filipino

BSC Management with MIS, Assumption College; MBA, Ateneo Graduate School of Business

Ms. Claudine C. Del Rosario has been with RCBC Capital since 2009. Ms. Del Rosario started her career at the Philippine Stock Exchange (PSE) as Listings Analyst. She was with PSE for eleven (11) years and held the Assistant Head position of its Listing Department prior to joining AC & D Corporate Partners as a Senior Associate.

MR. DRONNEL A. ESPINA
Vice President/Human Resources & Administration Division Head
51 years of age, Filipino

BS Psychology, University of the East-Manila; Computer Technology, Technological Institute of the Philippines; Employee/Labor Relations Management, San Miguel Corp.-School of Labor Relations

Mr. Dronnel A. Espina joined RCBC Capital in October 2023 and later on replaced the Head of the Human Resources & Administration Division who retired on 31 January 2024.

Mr. Espina previously held officership positions in the following institutions: UCPB Savings, Inc. – Head of HR & General Services Division; International Organization for Migration – Country HR Head ; Hepworth Plastics Middle East, LLC (Dubai) – HR Head; Action International Services, LLC (Dubai) – HR Administrator; Samsung Electronics Manufacturing (Phils.) Corp. – Employee Relations & Training Head; San Miguel Corp. – Head of HR & Administrative Services of the Food Group Division; Semirara Mining Corp. – HR Officer- Mine Site; Terumo (Phils.) Corp. – Employee Relations & General Affairs Service Specialist; AMA Group of Companies – HR Supervisor.

MR. JAYWIN R. MINA
Vice President/Financial Services Division Head
46 years of age, Filipino

BS Accountancy (cum laude), St. Ferdinand College-Isabela; Certified Public Accountant; Certified Internal Auditor

Mr. Jaywin R. Mina joined the company in 2009 as Asst. Head of the Financial Services Division. Prior to joining RCBC Capital, he was a Team Leader/Senior Associate at Deutsche Knowledge Services, Before that, he was with Rizal Commercial Banking Corporation where he started as Audit Examiner and then became an Audit Manager.

MR. CHRISTIAN M. CHAVEZ
Vice President/Compliance Officer
46 years of age, Filipino

BA Philosophy (cum laude), University of the Philippines-Diliman; Bachelor of Laws, San Sebastian College-Recoletos; Trust Operations and Investment Management Program (With Satisfaction), Trust Institute Foundation of the Philippines; Certificate Course in Strategic Compliance for the Banking Industry (Class Valedictorian), De La Salle University

Atty. Christian M. Chavez joined RCBC Capital in June 2019. He previously held officership positions in the following institutions: Citystate Savings Bank, Inc. – Chief Compliance Officer; AllBank, Inc. (A Thrift Bank) – Compliance Officer, Head of Legal Services Dept., General Services Dept., and Property Management Dept., and Asst. Corporate Secretary; Asiatrust Devt. Bank – OIC Legal Services Group; Eton Properties Phil., Inc. – Corporate Counsel.

k. Performance Assessment Program

Board of Directors

The Board members conduct an annual self-assessment of the Board as a whole, of themselves as the individual members and as members of the Board committees. The self-assessment includes an evaluation of the independent judgment, objectivity and balanced perspectives of each member and of the Board as a whole. Additionally, the independent directors conduct an annual assessment of the Chairperson and the Chairperson conducted an assessment of the CEO. The purpose of the exercise is to show whether each director continues to contribute effectively and to demonstrate commitment to their role.

The self-assessment forms are based on the Corporate Governance Manual. Results of the assessment are submitted to the Corporate Governance Committee and the stockholders, and are considered in making recommendations on the directors to be nominated to the Board and appointed to the Board committees for the following year, and in developing action plans to address issues identified in the assessment process.

Senior Management

Senior management assesses their performance through the Performance Evaluation and Development process. It starts with the Key Result Areas (KRAs) that defines the targets and objectives of the company for each officer and his/her group. The officer’s performance is reviewed on an annual basis against the KRAs and merit increases and promotions are based on the attainment of the targets contained in their KRAs.

l. Orientation and Education Program

Board of Directors

The directors keep abreast of the developments in the business, the industry, the regulatory environment in which the company operates and their duties and responsibilities as directors through continuing education or training.

New directors are provided with written information about the company, such as the Articles of Incorporation, By-laws, Code of Conduct, Corporate Governance program and their duties and responsibilities as directors to assist them in their education and meet with the Chairman, the President and Chief Executive Officer, and other executive officers, as needed. All directors have access to seminars and presentations on aspects of our business and operations. Management regularly updates the Board on changing regulation and practices related to corporate governance.

A newly appointed director shall also attend seminars on corporate governance conducted by a duly recognized private or government institution duly accredited by the Bangko Sentral ng Pilipinas. Every year, all directors attend refresher training on anti-money laundering and corporate governance.

Senior Management

Officers are sent on training programs that are relevant to their specific responsibilities/jobs to keep them abreast with new regulations and policies. Other officers have also joined the parent Bank's Management Programs as well as other training programs and seminars. Corporate Governance, Anti-Money Laundering and Compliance refresher courses are obligatory for all senior officers.

m. Retirement and Succession Policy

Board of Directors

The Corporate Governance Committee, which is charged with reviewing the qualifications of potential director candidates, is guided by existing qualifications and disqualification regulations and/or requirements for board members. A director may be continuously elected to the board provided he possesses all the minimum qualifications and none of the disqualifications, and meet the requirements for integrity/probity, technical expertise, physical/mental fitness, competence, relevant education/financial literacy, diligence, and knowledge/ experience/training.

Under the Bangko Sentral ng Pilipinas Circular No. 970 dated 22 August 2017, independent directors should only serve for a maximum period of nine (9) cumulative years. At the end of such term, he shall be perpetually barred from re-election as an independent director. Nevertheless, he is still qualified for nomination and election as a non-independent director.

Senior Management

RCBC Capital has a succession planning program in place to ascertain continuity in all key positions in the organization. Weaknesses in succession planning like competency gaps of successors and the appropriateness and monitoring of their developmental plans were addressed this year. Normal retirement age for employees is 60 years old while early retirement is 55 years old.

n. Remuneration policy

i. Remuneration Policy and Structure for executive and non-executive directors.

Remuneration of directors is commensurate with their contributions and scope of their responsibilities.

Executive and non-executive directors, who are concurrent officers of the RCBC group, do not receive any per diem for attendance in board meetings and board committee meetings. Independent directors receive a per diem of ₱30,000 and P20,000 for attendance in board meetings and board committee meetings, respectively.

ii. Remuneration Policy for senior management

RCBC Capital implements and maintains a sound compensation and incentive program for its senior management that is aligned with its parent Bank. The aggregate annual compensation for 2024 of the four most highly compensated officers of RCBC Capital is around P26.8 Million with bonuses totaling around P8 Million. These officers are: Arsenio Kenneth M. Ona, President and CEO; Claudine C. Del Rosario, Senior Vice President; Gwendalene T. Domingo, First Vice President; and Clara Inez O. Rodriguez, Vice President.

To be competitive and relevant with the investment banking industry, RCBC Capital's salary structure is reviewed periodically so as to correct disparities and keep the talent pool intact.

o. Policies and procedures on related party transactions

i. Describe the QB's overarching policies and procedures for managing related party transactions (RPT), as defined under Sec. 131/131-Q of the MORB/MORNBFI, including managing of conflicts of interest or potential conflicts of interest.

The Company recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institution and to the entire Yuchengco Group of Companies ("YGC"). In this regard, it is company policy that related party transactions are generally allowed provided that these are conducted at arm's length basis or on terms no less favorable to the Company than terms available to any unconnected third party under the same or similar circumstances.

On 21 July 2016, the Board approved the Policy on Related Party Transactions (RPT) following BSP's issuance of Circular No. 895 or Guidelines on Related Party Transactions on 14 December 2015. On 15 November 2018, the said policy was revised to update and align it with the BSP Manual of Regulations for Non-Bank Financial Institution (NBFI). The said policy adopted the definition of "related party transactions" under the circular. Thus, "related party transactions" are transactions or dealings with related parties of the Company, regardless of whether or not a price is charged. These shall include, but not limited, to the following:

- On- and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/contracts;
- Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements)
- Construction arrangements/contracts;
- Lease arrangements/contracts;
- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials; and
- Establishment of joint venture entities.

The RPT Policy was revised also in 2021 to enhance it, make it up-to-date and to address some weak areas in its implementation. The RPT Policy was again revised in 2024 to transfer the function of the Transaction Review Committee, a management-level committee and the RPT committee of RCAP, to the Audit Committee, among others.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

The term “related parties” under the policy is broader in scope as includes consultants, and even non-related parties provided that their transactions with the Company or related parties may benefit other related parties or the Company, respectively.

The Audit Committee now reviews and evaluates material related party transactions to ensure that the terms are no less favorable to the Company than terms available to any unconnected 3rd party under the same or similar circumstances before these are presented to the Board for approval. For RCBC Capital, a transaction is considered “material” if it involves an amount of at least ₱5 million, or the transaction is with a Board member, or approval authority is reserved for the Board. Transactions below ₱5 million are approved at the Committee level.

The policy, however, identified transactions that are excluded from the materiality threshold requirement and these transactions are as follows:

i. Regular and recurring banking transactions, i.e., deposits and/or withdrawals in savings, and current accounts [except the opening of the bank account];

ii. Regular and recurring transactions such as:
   a. Trading of debt securities traded in an active market,
   b. Trading of equity securities traded in an active market,
   c. Interbank call loan,
   d. Direct match facility [except the approval of the facility / line by the Board];

iii. Credit card availments [except those with credit card lines with amounts falling under the materiality threshold];

iv. Availments under the BSP-approved fringe benefit program;

v. Transactions that do not present real risk of potential abuse, i.e., sale of fully depreciated assets [except if the amount falls within the materiality threshold];

vi. Normal day-to-day operating expenses amounting to less than P1,000,000.00 [i.e. purchase of office supplies or equipment, repair of office furniture or equipment, etc.]

To avoid conflict of interest, directors and officers with personal interest in the transaction is required to fully and timely disclose any and all facts, including their respective interests in the RPT, and to abstain from participating in the discussion, approval, and management of such transaction or matter affecting the company.

Pursuant to BSP Circular No. 895, the parent bank, RCBC is required to submit a report on material exposures to related parties, which shall include the material RPTs of their non-bank financial subsidiaries and affiliates within twenty (20) calendar days after the end of the reference quarter. For RCBC, material RPT is at least ₱10 million. In this regard, RCBC Capital reports to RCBC its RPTs amounting to at least ₱10 million for submission to the BSP.

ii. Provide the details of material RPTs as defined under Sec. 131/131-Q of the MORB/MORNBFI.

Following are the material related party transactions in 2024, sans the excluded transactions as defined in RCAP's RPT Policy:

SUBSIDIARY / AFFILIATE	RELATIONSHIP BETWEEN THE PARTIES	TRANSACTION DATE	TYPE OF TRANSACTION	AMOUNT/ CONTRACT PRICE	RATIONALE FOR ENTERING INTO THE TRANSCATION
A. SUBSIDIARIES AND AFFILIATES					
RCBC	Parent Bank	Monthly (Jan.-Dec. 2024)	Rental Payment	P 13,620,020	Rental of office space
	Parent Bank	Dec. 27, 2024	Dividend Payable	P159,942,292	Cash Dividend Declaration (to Parent)
RCBC Bankard Services Corp.	Subsidiary / Interlocking directors	Jan 27, 2024 and Aug. 15, 2024	Dividend Receivable	P 42,041,994	Cash Dividend Declaration (from Subsidiary)
B. DOSRI	-None-				
C. OTHERS	-None-				

Other transactions with the parent, subsidiaries, and/or affiliates include regular banking transactions (current and savings accounts), collection of fees, commissions, and investments--all of which are at arms'-length. As to the outstanding balances from transactions with related parties, these are discussed below in the notes to Consolidated Financial Statements as of 31 December 2024 (please see Note 16 on pages 106-107).

p. Self-Assessment Function

i. Describe the structure of the internal audit and compliance functions including its role, mandate/authority, and reporting process

Internal Audit

RCBC Capital has in place an independent internal audit function assigned to a lone internal auditor who directly reports to the Audit Committee. The Internal Auditor conducts independent and objective internal audit activities designed to add value and improve the Company's operations, and to help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes through which the Board, as represented by the Audit Committee, and senior management gain reasonable assurance that its key organizational and procedural controls are appropriate, adequate, effective and complied with.

The minimum risk management and internal control mechanisms for Management's operational responsibility is centered on the CEO who is ultimately accountable for the Company's organization and procedural controls.

The objective of every audit engagement is to assist the management in its governance and risk management efforts by way of:

a. Determining whether internal controls are in place to provide reasonable assurance that the Company:
    - Achieves the organization's strategic objectives;
    - Promotes reliability and integrity of its financial reporting and operational information;
    - Promotes efficiency and effectiveness of its operations and programs;
    - Has proper safeguarding of assets; and
    - Maintains compliance with applicable laws, regulations, policies, procedures, and contracts.

b. Identifying areas where improvements might be necessary in terms of strengthening the Company's internal control posture, and

c. Identifying and recommending internal control procedures that the management can consider implementing to mitigate risks.

The Internal Auditor submits an audit report to the Audit Committee for their review comments, which summarizes the control issues, risk exposures, recommendations, management's response, corrective action taken or to be taken, persons responsible and implementation dates. There was one audit report for 2024, the final report for the June 2024 cut-off. Said report was reviewed and approved by the Audit Committee on 30 January 2025.

At least annually, the Internal Auditor submits to the Audit Committee an internal audit plan for their review and approval. The internal audit plan is developed based on a prioritization of the audit universe using a risk-based methodology, including input from senior management and the Audit Committee. The internal audit plan is presented to and approved by the Audit Committee prior to its execution.

Compliance

The Compliance function, which was created by virtue of BSP Circular No. 893 dated November 16, 2015, is tasked with overseeing the effective implementation of the company's compliance program. This program is consistent with the company's mission of conducting its business with integrity, excellence and commitment while providing fast, affordable and quality financial services to clients.

Pursuant to BSP Circular Nos. 893 and 972, Section 161-Q of the BSP's MORNBFI as amended, and the SEC's Revised Code of Corporate Governance, the Board approved the revisions/updates to the Company's Compliance Program on 24 October 2019. From thereon, the Compliance Program is being updated on a yearly basis; the latest of the update was approved on 08 September 2021.

The Compliance Officer (CO), who directly reports to the Audit Committee, is the lead officer for the purpose of administering the compliance program and interacting with the BSP on compliance related issues. The principal function of the CO is to oversee the design of an appropriate compliance system, promote its effective implementation and address the breaches that may arise. The CO is also responsible in ensuring the integrity and accuracy of documentary submission to the BSP, implementing the policies on anti-money laundering, corporate governance, foreign account tax compliance act, and data privacy.

RCBC's Compliance Office also oversees the Compliance Officer to ensure consistent and uniform implementation of the requirements of the BSP and other regulatory agencies.

The Compliance Officer promotes compliance awareness and proactive regulatory compliance among officers and staff through dissemination of regulatory issuances, regular monitoring, compliance-testing, and conducting training. It maintains a clear and open communication process within the company to provide employees with a well-defined understanding of applicable laws, rules & regulations, as well as the risks and effects of non-compliance.

RCBC through its compliance group, the Regulatory Affairs Group, introduced in 2022 the Hub and Spoke Compliance Model to address the issues of the compliance office of RCBC subsidiaries. These issues include manpower constraint, manual processes, and inconsistent standards across the RCBC Group, among others.

Under this Model, certain compliance activities will be centralized at the Hub (parent bank RCBC) while the other compliance activities not performed by the Hub will be performed by the Spokes (the subsidiaries). On 27 June 2022, RCBC and the RCBC subsidiaries, including RCBC Capital, signed the Service Level Agreement implementing the Model.

Furthermore, in furtherance of the Hub and Spoke Compliance Model, a compliance officer in RCBC was appointed as an interlocking officer in RCAP in May 2023. The interlocked compliance officer shall assist RCAP's compliance officer in activities that are risk stewardship in nature. Risk stewardship means providing accurate regulatory and compliance advice, guidance, opinions, direction, and training to the partner subsidiaries, and ensuring that the partners comply with the letter and spirit of the regulations.

ii. Describe the review process adopted by the Board to ensure effectiveness and adequacy of the internal control system

Please refer to Item 6.p.i above.

q. Dividend policy

Generally, RCBC Capital declares and pays out cash dividends from the unrestricted free earnings and undivided profits reported in the Balance Sheet as of the calendar year-end immediately preceding the date of the declaration as determined and approved by the Board of Directors in accordance with the company's By-laws, provisions of law, and regulations of the Bangko Sentral ng Pilipinas.

On 27 December 2024, the RCBC Capital Board approved the declaration of a cash dividend of ₱1.35 per share for its outstanding stockholders as of record date 31 December 2024. The total dividend payable to stockholders is ₱160,000,000.00 as of year-end.

r. Corporate Social Responsibility Initiatives

Corporate Social Responsibility is undertaken through the parent bank, RCBC.

s. Consumer Protection Practices[2]

i. Describe the role and responsibility of the board and senior management for the development of consumer protection strategy and establishment of an effective oversight over the QB's consumer protection programs

The Board of Directors is devoted to protecting the interests of customers by overseeing the development of the consumer protection culture and standards. In response to BSP Circular No. 857 dated 21 November 2014, and to set the tone at the top, the Board approved on 02 December 2015, the policies on Financial Consumer Protection, and Customer Assistance, and the Consumer Protection Risk Management System. The Board has adopted the following consumer protection principles:

- Consumer rights
- Compliance with regulations
- Cooperation with the BSP
- Policies, procedures, and training

With the issuance of BSP Circular No. 1160 dated 28 November 2022 or the Regulations on Financial Consumer Protection to Implement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act", the policies on Financial Consumer Protection and Customer Assistance were both revised in July 2024 to align the same with the said circular.

The President and CEO is the leader in building a culture of consumer protection. He is assisted in implementing the consumer protection policies by the Investment Banking Group-Distribution Unit, and the Human Resources and Administration Division Head who is the designated Customer Assistance Officer. The Customer Assistance Officer reports to the Board a summary and analysis of customer complaints every quarter.

ii. Describe the consumer protection risk management system of the QB.

RCBC Capital has identified that consumer protection risks arise in the areas of disclosure and transparency, protection of client information, fair treatment, effective recourse, and financial education. The company mitigates these risks by the effective implementation of the policies on information security, privacy, and customer assistance.

---

[2] As required under Sec. 1001-Q of the MORNBFI on Consumer Protection Oversight Function

Consumer protection risk is monitored through the number of customer complaints received every month, and which was defined as a key risk indicator (KRI). The tolerance value for said KRI is zero. In effect, any occurrence of customer complaint is reported to the Risk Oversight Committee, and subsequently, to the Board of Directors. This measurement is subjected to periodic review as the consumer protection risks change, and practice that better suits the need of the company.

Controls over these risks that was instituted and/or enhanced include:

- Product-based controls - through product design principles, labeling, transparency measures, and information disclosure.
- Sales and distribution-based controls - suitability principles, regulatory standards, licensing requirements, and sales and marketing guidelines all contribute to consumer protection.
- Consumer-based controls - consumers may draw on their own knowledge, skills, and financial literacy to protect and enhance their own welfare.
- Third-party controls - intermediary organizations (e.g., independent personal finance publications, advisors) may provide education, ratings, evaluations, user reviews, pricing, and descriptive product information.
- Regulators and supervisors - in addition to voluntary actions to improve consumer welfare, regulators and supervisors create and enforce statutes that directly safeguard consumers through market intervention. As an example, the BSP intervenes preemptively to address issues in product design, selling practices, and detrimental consumer behavior. Supervisors' solutions include consumer warnings, product and sales prohibitions, etc.

iii. Describe the consumer assistance management system of the QB.

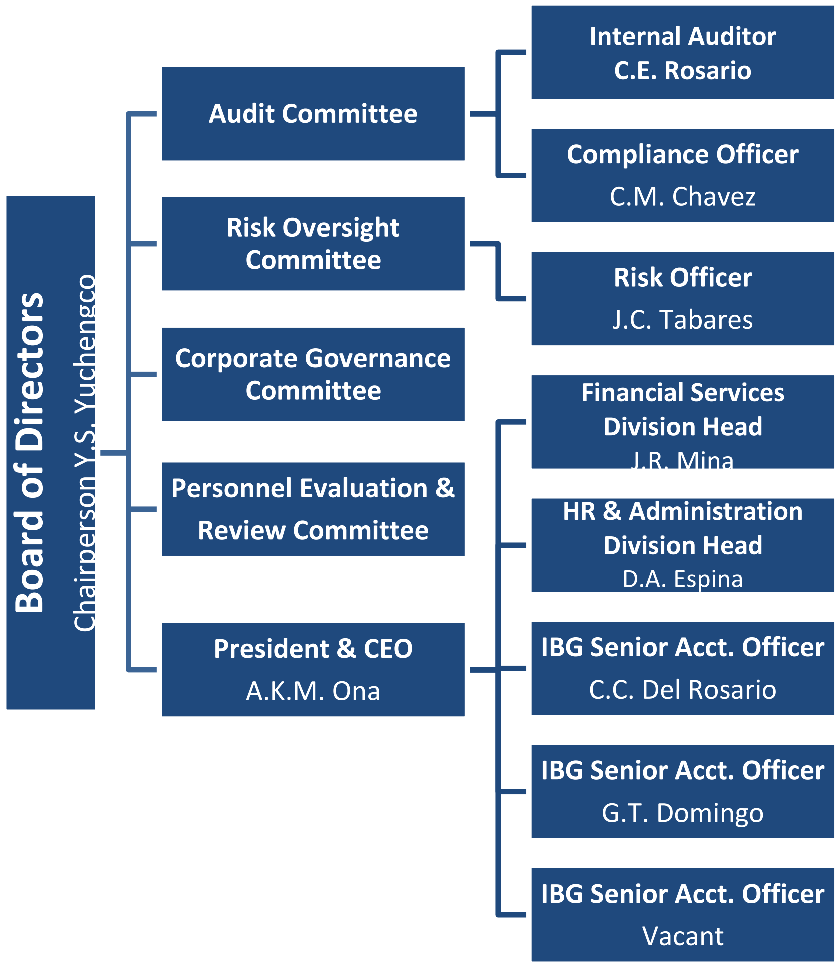
The Board of Directors is devoted to protecting the interests of our customers by overseeing the development of our customer assistance policies and standards. In response to BSP Circular No. 857 dated 21 November 2014, and to set the tone at the top, the Board approved on 02 December 2015, our policy on Customer Assistance. The said policy was revised in July 2024 to align it with BSP Circular No. 1160 mentioned above. The Customer Assistance policy covers the following:

- Visibility and access
- Responsiveness
- Assessment and action
- Resolution and system improvement
- Monitoring effectiveness and reporting
- Confidentiality
- Conflict of interest
- Risk assessment strategies
- Customer feedback
- Corporate structure
- Capability building
- Time standards for response and resolution
- Record keeping
- Reporting

Customers may get in touch with RCBC Capital for their concerns via the account officers, or the Customer Assistance Officer, who shall resolve their concerns within strict turn-around times. Client concerns are tracked and monitored to determine root cause and improve processes. Customers may likewise elevate their complaints to the Consumer Affairs Unit of the Bangko Sentral ng Pilipinas.

7. Corporate Information

a. Organizational structure



b. List of major stockholders[3]

Name	Nationality	Amount (₱)	% of Holdings	Voting Status
Rizal Commercial Banking Corporation	Filipino	2,361,875,820	99.964%	Common
Rustan's Investment Management Corporation	Filipino	774,000	0.033%	Common
Pan Malayan Management and Investment Corporation	Filipino	20,000	0.001%	Common
Alfonso T. Yuchengco	Filipino	58,040	0.002%	Common
Others (Board of Directors)	Filipino	140	0.000%	Common (Nominal)
Totals		2,362,728,000	100.000%	

[3] Stockholders owning more than 20% of voting shares of stock of a bank or which enables such stockholder to elect, or be elected as, a director of such QB.

c. List and description of products and services offered

RCBC Capital provides a complete range of investment banking and financial consultancy services which include: (i) underwriting of debt and equity securities for distribution via public offering or private placement such as common and preferred stock, convertible preferred stocks, convertible bonds, long-term and short-term commercial papers and corporate notes, promissory notes, and corporate and government bonds; (ii) arranging / packaging of foreign currency and peso loans such as syndicated loans, joint ventures, and project finance; and (iii) financial advisory and consultancy with respect to mergers and acquisition, restructuring, company valuations, and spin-offs.

d. QB website

https://www.rcbc.com/rcbc-capital-corporation

e. List of QB units

RCBC Capital operates only from its lone office in Makati City.

8. AUDITED FINANCIAL STATEMENTS WITH AUDITOR'S OPINION

Following is the 2024 Solo and Consolidated audited financial statements with the respective auditor's opinion.

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
1200 Makati City 6766 Ayala Avenue
Philippines
T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors
RCBC Capital Corporation
(A Wholly Owned Subsidiary of
Rizal Commercial Banking Corporation)
21st Floor, Yuchengco Tower II
RCBC Plaza, 6819 Ayala Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RCBC Capital Corporation (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 audits 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 these 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.

Auditors' 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 auditors' 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 PSA 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 PSA, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 17 to the financial statements, the Company presented the supplementary information for the year ended December 31, 2024 required by the Bureau of Internal Revenue (BIR) in a supplementary schedule filed separately from the basic financial statements. The supplementary information for the years ended December 31, 2024 and 2023 required by the Bangko Sentral ng Pilipinas (BSP) as disclosed in Note 21 to the financial statements is also presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information required by the BIR and BSP are the responsibility of management. The supplementary information, however, is neither a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards nor a required disclosure under the Revised Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 10465901, January 2, 2025, Makati City
BIR AN 08-002511-021-2022 (until October 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

February 10, 2025

P&A Grant Thornton

Supplemental Statement of Independent Auditors

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
1200 Makati City
6766 Ayala Avenue
Philippines
T +63 2 8988 2288

The Board of Directors
RCBC Capital Corporation
(A Wholly Owned Subsidiary of
Rizal Commercial Banking Corporation)
21st Floor, Yuchengco Tower II
RCBC Plaza, 6819 Ayala Avenue
Makati City

We have audited the financial statements of RCBC Capital Corporation (the Company) for the year ended December 31, 2024, on which we have rendered the attached report dated February 10, 2025.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has four stockholders owning 100 or more shares each of the Company's capital stock as of December 31, 2024, as disclosed in Note 12 to the financial statements.

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 10465901, January 2, 2025, Makati City
BIR AN 08-002511-021-2022 (until October 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

February 10, 2025

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
1200 Makati City 6766 Ayala
Avenue
Philippines
T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors
RCBC Capital Corporation and Subsidiaries
21st Floor, Yuchengco Tower II
RCBC Plaza, 6819 Ayala Avenue
Makati City

Opinion

We have audited the consolidated financial statements of RCBC Capital Corporation and subsidiaries (the Group), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 audits of the consolidated 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.

Other Matter

The consolidated financial statements of RCBC Capital Corporation and subsidiaries are intended solely for internal use and information of the Board of Directors of RCBC Capital Corporation.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 10465901, January 2, 2025, Makati City
BIR AN 08-002511-021-2022 (until October 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

February 10, 2025

RCBC CAPITAL CORPORATION
(A Wholly Owned Subsidiary of Rizal Commercial Banking Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
A S S E T S			
CASH AND CASH EQUIVALENTS	6	P 999,506,536	P 851,015,211
TRADING AND INVESTMENT SECURITIES - Net	7	2,021,829,816	1,813,024,799
LOANS AND OTHER RECEIVABLES - Net	8	52,127,882	28,462,430
INVESTMENTS IN SUBSIDIARIES	9	606,694,590	621,773,043
DEFERRED TAX ASSETS - Net	17	10,597,481	13,063,870
OTHER ASSETS - Net	10	26,644,154	41,390,572
TOTAL ASSETS		P 3,717,400,459	P 3,368,729,925
L I A B I L I T I E S A N D E Q U I T Y			
LIABILITIES			
Accrued expenses and other liabilities	11	P 212,728,317	P 42,587,469
EQUITY	12		
Capital stock		2,362,728,000	2,362,728,000
Revaluation reserves		(122,825,959)	(113,947,572)
Retained earnings		1,264,770,101	1,077,362,028
Total Equity		3,504,672,142	3,326,142,456
TOTAL LIABILITIES AND EQUITY		P 3,717,400,459	P 3,368,729,925

See Notes to Financial Statements.

RCBC CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
A S S E T S			
CASH AND CASH EQUIVALENTS	6	P 1,485,731,851	P 1,328,706,555
TRADING AND INVESTMENT SECURITIES - Ne	7	2,201,190,235	2,018,233,668
LOANS AND OTHER RECEIVABLES - Net	8	286,905,579	136,643,479
DEFERRED TAX ASSETS - Net	15	80,788,614	77,937,511
OTHER ASSETS - Net	9	246,746,396	310,770,268
TOTAL ASSETS		P 4,301,362,675	P 3,872,291,481
LIABILITY AND EQUITY			
LIABILITY			
Accrued expenses and other liabilities	10	P 796,690,533	P 546,149,025
EQUITY	11		
Capital stock		2,362,728,000	2,362,728,000
Other reserves		287,000,342	295,878,729
Retained earnings		854,943,800	667,535,727
Total Equity		3,504,672,142	3,326,142,456
TOTAL LIABILITY AND EQUITY		P 4,301,362,675	P 3,872,291,481

See Notes to Consolidated Financial Statements.

RCBC CAPITAL CORPORATION
(A Wholly Owned Subsidiary of Rizal Commercial Banking Corporation)
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
REVENUES			
Fees and commissions	18	**P 454,340,358**	P 192,806,368
Interest and other financing income	13	**121,965,060**	96,904,515
Dividend income	7	**36,766,994**	35,098,013
		613,072,412	324,808,896
OPERATING EXPENSES			
Salaries and employee benefits	15	**69,708,592**	74,725,676
Taxes and licenses		**40,210,962**	24,194,421
Trading and investment securities loss - net	7	**38,635,690**	1,766,910
Depreciation and amortization	10	**14,270,695**	14,376,893
Representation and entertainment		**6,977,950**	3,725,400
Fees and commissions	16	**6,591,079**	6,715,891
Management and professional fees		**6,187,837**	6,152,726
Outside services		**2,620,000**	2,302,000
Occupancy and equipment-related expenses		**2,571,164**	2,689,829
Insurance		**1,529,524**	965,471
Supervisory fee		**1,146,694**	1,180,184
Interest and other financing costs	13	**525,736**	1,099,024
Employee activities, meetings and conferences		**332,722**	921,585
Other operating expenses	14	**7,661,657**	6,683,849
		198,970,302	147,499,859
OPERATING PROFIT		**414,102,110**	177,309,037
OTHER INCOME			
Equity share in net profit of subsidiaries	9	**23,331,208**	50,290,333
Miscellaneous	7, 8, 10	**11,061,032**	8,038,610
		34,392,240	58,328,943
PROFIT BEFORE TAX		**448,494,350**	235,637,980
TAX EXPENSE	17	**99,902,277**	36,164,394
NET PROFIT		**P 348,592,073**	P 199,473,586

See Notes to Financial Statements.

RCBC CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
NET REVENUES			
Commissions and fees	17	**P 1,390,346,833**	P 991,609,761
Interest and other financing income	12	**146,247,728**	121,698,555
Dividend income	7	**49,075,874**	47,109,460
Trading and investment securities gain - net	7	**-**	387,816
Other revenues	13	**9,800,512**	3,421,261
		1,595,470,947	1,164,226,853
OPERATING EXPENSES			
Salaries and employee benefits	14	**800,163,267**	657,394,377
Occupancy and equipment-related expenses	9, 16	**77,836,072**	73,300,863
Taxes and licenses		**55,817,414**	39,827,523
Trading and investment securities loss - net	7	**38,556,413**	-
Outside services		**37,230,786**	35,772,035
Management and professional fees		**15,436,746**	13,842,763
Representation and entertainment		**11,284,628**	8,118,335
Interest and other financing costs	12	**10,542,599**	9,449,159
Fees and commissions		**8,117,586**	9,030,621
Corporate and employee activities		**2,004,563**	2,711,577
Other operating expenses	13	**71,778,758**	67,011,498
		1,128,768,832	916,458,751
OPERATING PROFIT		**466,702,115**	247,768,102
OTHER INCOME - Net	7, 8, 9	**4,506,027**	7,977,428
PROFIT BEFORE TAX		**471,208,142**	255,745,530
TAX EXPENSE	15	**122,616,069**	56,271,944
NET PROFIT		**P 348,592,073**	P 199,473,586

See Notes to Consolidated Financial Statements.

RCBC CAPITAL CORPORATION
(A Wholly Owned Subsidiary of Rizal Commercial Banking Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
NET PROFIT		P 348,592,073	P 199,473,586
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified subsequently to profit or loss			
Fair value losses on equity securities at fair value through other comprehensive income (FVOCI)	7, 12	(11,458,393)	(13,966,919)
Equity share in other comprehensive income (loss) of subsidiaries	9, 12	3,632,333	(30,733,559)
Remeasurements of retirement benefit plan	12, 15	(665,757)	(4,694,925)
Tax income on remeasurements	17	166,439	1,173,731
		(8,325,378)	(48,221,672)
Items that will be reclassified subsequently to profit or loss			
Fair value gains (losses) on debt securities at FVOCI	7, 12	(2,076,732)	8,234,507
Expected credit losses reserve for debt and equity securities at FVOCI	7, 12	(368,171)	(39,512)
		(2,444,903)	8,194,995
		(10,770,281)	(40,026,677)
TOTAL COMPREHENSIVE INCOME		P 337,821,792	P 159,446,909

See Notes to Financial Statements.

RCBC CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
NET PROFIT		P 348,592,073	P 199,473,586
OTHER COMPREHENSIVE LOSS	11		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit plan	14	(5,386,200)	(33,254,373)
Fair value losses on financial assets at fair value through other comprehensive income (FVOCI)	7	(1,566,839)	(26,528,882)
Tax income (expense)	15	(1,372,339)	11,561,584
		(8,325,378)	(48,221,671)
Items that will be reclassified subsequently to profit or loss			
Fair value gains (losses) on financial assets at FVOCI	7	(2,076,732)	8,234,506
Expected credit loss reserve for financial assets at FVOC	7	(368,171)	(39,512)
		(2,444,903)	8,194,994
		(10,770,281)	(40,026,677)
TOTAL COMPREHENSIVE INCOME		P 337,821,792	P 159,446,909

See Notes to Consolidated Financial Statements.

RCBC CAPITAL CORPORATION
(A Wholly Owned Subsidiary of Rizal Commercial Banking Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Revaluation Reserves	Retained Earnings	Equity
Balance at January 1, 2024		P 2,362,728,000	(P 113,947,572)	P 1,077,362,028	P 3,326,142,456
Cash dividends	12	-	-	(160,000,000)	(160,000,000)
Reclassification of realized fair value income on disposals of financial assets at fair value through other comprehensive income (FVOCI)	12	-	1,891,894	(1,184,000)	707,894
Total comprehensive income for the year	12	-	(10,770,281)	348,592,073	337,821,792
Balance at December 31, 2024		**P 2,362,728,000**	**(P 122,825,959)**	**P 1,264,770,101**	**P 3,504,672,142**
Balance at January 1, 2023		P 2,362,728,000	(P 73,920,895)	P 877,888,442	P 3,166,695,547
Total comprehensive income for the year	12	-	(40,026,677)	199,473,586	159,446,909
Balance at December 31, 2023		P 2,362,728,000	(P 113,947,572)	P 1,077,362,028	P 3,326,142,456

See Notes to Financial Statements.

RCBC CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Peso)

				Retained Earnings			
	Notes	Capital Stock	Other Reserves	Appropriated	Unappropriated	Total	Total Equity
Balance at January 1, 2024		P 2,362,728,000	P 295,878,729	P 16,952,545	P 650,583,182	P 667,535,727	P 3,326,142,456
Cash dividends	11	-	-	-	(160,000,000)	(160,000,000)	(160,000,000)
Reclassification of realized fair value gains on disposal of financial assets at fair value through other comprehensive income (FVOCI)	11	-	1,891,894	-	(1,184,000)	(1,184,000)	707,894
Total comprehensive income (loss) for the year		-	(10,770,281)	-	348,592,073	348,592,073	337,821,792
Balance at December 31, 2024		**P 2,362,728,000**	**P 287,000,342**	**P 16,952,545**	**P 837,991,255**	**P 854,943,800**	**P 3,504,672,142**
Balance at January 1, 2023		P 2,362,728,000	P 335,905,406	P 16,652,545	P 451,409,596	P 468,062,141	P 3,166,695,547
Appropriation during the year	11	-	-	300,000	(300,000)	-	-
Total comprehensive income (loss) for the year		-	(40,026,677)	-	199,473,586	199,473,586	159,446,909
Balance at December 31, 2023		P 2,362,728,000	P 295,878,729	P 16,952,545	P 650,583,182	P 667,535,727	P 3,326,142,456

See Notes to Consolidated Financial Statements.

\

RCBC CAPITAL CORPORATION
(A Wholly Owned Subsidiary of Rizal Commercial Banking Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 448,494,350	P 235,637,980
Adjustments for:			
Interest and other financing income	13	(121,965,060)	(96,904,515)
Dividend income	7	(36,766,994)	(35,098,013)
Equity share in net profit of subsidiaries	9	(23,331,208)	(50,290,333)
Depreciation and amortization	10	14,270,695	14,376,893
Gain on sale of property and equipment, and assets classified as held for sale	10	(10,444,097)	(672,500)
Foreign exchange gains - net	7	(116,325)	(64,227)
Impairment recovery of financial assets - net	7, 8	(410,262)	(1,968,120)
Interest and other financing costs	13	525,736	1,099,024
Operating profit before working capital changes		270,256,835	66,116,189
Decrease in financial assets at fair value through profit or loss		79,523,662	40,414,840
Decrease in loans and other receivables		13,666,889	94,658,647
Increase in other assets		(1,039,307)	(2,443,993)
Increase (decrease) in accrued expenses and other liabilities		8,471,279	(11,706,681)
Cash generated from operations		370,879,358	187,039,002
Cash paid for income taxes		(83,284,091)	(40,298,187)
Net Cash From Operating Activities		287,595,267	146,740,815
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of financial assets at amortized cost	7	(2,085,000,000)	(1,257,602,693)
Proceeds from maturity of financial assets at amortized cost	7	1,781,770,000	1,472,350,000
Interest received		121,482,739	97,191,941
Dividends received		42,041,994	25,739,994
Proceeds from disposal of real and other properties acquired	10	10,700,000	1,200,000
Proceeds from disposal of property and equipment	10	3,534,511	205,418
Proceeds from maturity of financial assets at fair value through other comprehensive income (FVOCI)	7	3,260,000	1,500,000
Acquisitions of property and equipment	10	(1,782,271)	(1,764,051)
Acquisitions of financial assets at FVOCI		(1,450,000)	
Acquisitions of financial assets at FVPL	7	-	(26,109,010)
Net Cash From (Used in) Investing Activities		(125,443,027)	312,711,599
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liability	11	(13,148,025)	(12,521,929)
Interest paid	11	(512,890)	(816,495)
Cash Used in Financing Activities		(13,660,915)	(13,338,424)
NET INCREASE IN CASH AND CASH EQUIVALENTS		148,491,325	446,113,990
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		851,015,211	404,901,221
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 999,506,536	P 851,015,211

Supplemental Information on Non-cash Financing Activities –

During 2024, the Company declared dividends amounting to P160.0 million which was authorized for declaration by the Board of Directors on December 27, 2024. No dividend was declared in 2023 (See Note 12)

See Notes to Financial Statements.

RCBC CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 471,208,142	P 255,745,530
Adjustments for:			
Interest and other financing income	12	(146,247,728)	(121,698,555)
Depreciation and amortization	9	70,789,857	67,835,111
Dividend income	7	(49,075,874)	(47,109,460)
Interest and other financing costs	12	10,542,599	9,449,159
Gain on sale of assets classified as held for sale - net	9	(7,200,000)	(720,000)
Gain on sale of property and equipment - net	9	(273,957)	(271,507)
Recovery of financial assets - net	7, 8, 9	217,412	(1,785,563)
Foreign exchange gains - net		(116,325)	(64,227)
Operating profit before working capital changes		349,844,126	161,380,488
Decrease in financial assets at fair value through profit or loss		123,247,998	81,722,831
Decrease (increase) in loans and other receivables		(160,367,768)	59,901,289
Decrease (increase) in other assets		74,573,741	(3,587,668)
Increase (decrease) in accrued expenses and other liabilities		59,185,167	(79,684,749)
Cash generated from operations		446,483,264	219,732,191
Interest received		150,351,539	127,131,949
Cash paid for income taxes		(114,130,146)	(29,134,734)
Net Cash From Operating Activities		482,704,657	317,729,406
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of financial assets at amortized cost	7	(2,085,000,000)	(1,257,602,693)
Proceeds from maturity of financial assets at amortized cost	7	1,781,770,000	1,472,350,000
Acquisitions of property and equipment	9	(11,253,009)	(17,353,838)
Dividends received		42,041,998	35,040,090
Proceeds from disposal of asset held-for-sale	9	10,700,000	1,200,000
Proceeds from maturities and disposals of financial assets at fair value through other comprehensive income (FVOCI)	7	5,916,008	1,500,000
Acquisition of financial asets at FVOCI	7	(3,950,000)	(20,099,438)
Proceeds from disposal of property and equipment	9	1,589,815	1,947,792
Net Cash From (Used in) Investing Activities		(258,185,188)	216,981,913
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities	10	(66,981,283)	(64,278,766)
Interest paid		(512,890)	(816,495)
Cash Used in Financing Activities		(67,494,173)	(65,095,261)
NET INCREASE IN CASH AND CASH EQUIVALENTS		157,025,296	469,616,058
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,328,706,555	859,090,497
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,485,731,851	P 1,328,706,555

Supplemental Information on Non-cash Financing Activities –

In 2023, a subsidiary recognized additional right-of-use assets and lease liabilities amounting to P123.1 million and is presented as part of Other Assets account and Accrued Expenses and Other Liabilities account, respectively, in the 2023 consolidated statement of financial position. There was no similar transaction in 2024.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
RCBC CAPITAL CORPORATION AND SUBSIDIARIES

DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Incorporation and Operations

RCBC Capital Corporation (RCBC Capital or the Parent Company) was incorporated in the Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) on January 29, 1974. As of December 31, 2024 and 2023, RCBC Capital has the following wholly owned subsidiaries, all of which are incorporated in the Philippines:

Subsidiaries	Nature of Business
RCBC Securities, Inc. (RSEC)	Securities brokerage
RCBC Bankard Services Corporation (RBSC)	Credit card servicing

RCBC Capital is a wholly owned subsidiary of Rizal Commercial Banking Corporation (RCBC or the intermediate parent company), a publicly-listed universal bank incorporated and domiciled in the Philippines. RCBC is a 33.92% owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC or the ultimate parent company), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies.

The Parent Company offers a complete range of investment banking and financial consultancy services. The Parent Company, being an investment house, is governed by the Presidential Decree No. 129 of 1973, the *Investment Houses Law* [as amended by Republic Act (R.A.) No. 8366 of 1997, *Act Liberalizing the Philippine Investment House Industry*], and by the Securities Regulations Code (SRC) issued by the SEC. On March 5, 1974, the Bangko Sentral ng Pilipinas (BSP) granted the Parent Company its license to engage in quasi-banking activities (NBQB). As a NBQB and a significant subsidiary of RCBC, the Parent Company is under regulatory supervision of the BSP.

The principal place of business of the Parent Company and its subsidiaries (herein referred to as the Group) and of its intermediate and ultimate parent are as follows:

- *(a)* PMMIC – 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City
- *(b)* RCBC – Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City
- *(c)* RCBC Capital and RSEC – 21st Floor, Yuchengco Tower II, RCBC Plaza, 6819 Ayala Avenue, Makati City
- *(d)* RBSC – 30th Robinsons-Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City

1.2 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2024 (including the comparative consolidated financial statements as of and for the year ended December 31, 2023) were authorized for issue by the Board of Directors (BOD) of the Parent Company on February 10, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements of the Group are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in two statements: a "consolidated statement of profit or loss" and a "consolidated statement of comprehensive income".

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

(c) Functional and Presentation Currency

The consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

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

2.2 Adoption of Amended PFRS Accounting Standards

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

The Group adopted for the first time the following amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flow, and Financial Instruments: Disclosures – Supplier Finance Arrangements
PFRS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback

Discussed below and in the succeeding page are the relevant information about these pronouncements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Group's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Group's financial statements.

(iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Group's financial statements.

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. In addition, the new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the Group's financial statements.

(b) Effective Subsequent to 2024 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements below in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

(ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)

(iii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

(iv) PFRS 10 and PAS 28 (Amendments), *Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely).

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its wholly owned subsidiaries, RSEC and RBSC, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized as assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The separate financial statements of RSEC and RBSC are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

Subsidiaries are consolidated from the date the Parent Company obtains control. The Parent Company reassesses whether or not it controls these entities if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, an entity is deconsolidated from the date that control ceases. The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any noncontrolling interest in the acquiree, either at fair value or at the noncontrolling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any noncontrolling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

Financial ***Instruments***

(a) Financial Assets

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

(i)Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of the Group's consolidated financial assets are described in the succeeding pages.

Financial Assets at Amortized Cost

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Financial assets at amortized cost (part of Trading and Investment Securities account), Loans and Other Receivables, and Clearing and Trade Guaranty Fund (CTGF) and Deposits (part of Other Assets account).

Financial Assets at Fair Value through Other Comprehensive Income

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVPL). The Group has designated equity instruments as at FVOCI on initial recognition.

Financial Assets at FVPL

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

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

(ii) Impairment of Financial Assets

The expected credit losses (ECL) on trade and other receivables and are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

However, if the credit risk on a financial asset has not increased significantly since initial recognition, for debt instruments measured at amortized cost (except trade and other receivables where simplified approach is used) and at FVOCI, the Company measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period, except when there has been a significant increase in credit risk (SICR) on the financial asset since initial recognition.

(b) Financial Liabilities

Financial liabilities include accrued expenses and other liabilities (except retirement obligation and tax-related payables), and are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges incurred on a financial liability are recognized as an expense as part of Interest and Other Financing Costs in the consolidated statement of profit or loss.

2.4 Other Assets

Among others, components of other assets are as follows:

(a) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Computers and software development	4 to 5 years
Transportation equipment	5 to 6 years
Office furniture, fixtures and equipment	5 to 10 years

Leasehold improvements are amortized over their estimated useful life of five years (determined by reference to comparable owned assets) or over the remaining term of the lease, whichever is shorter.

(b) Investment Property

Investment property, which is composed of parcels of land, is held for capital appreciation, and is carried at cost. The carrying value of the land held for investment purposes is reviewed for impairment when changes in circumstances indicate that the carrying value may not be recoverable.

(c) Assets Classified as Held for Sale

Assets classified as held for sale include memorial lots that the Group intends to sell within one year from the date of classification as held for sale.

Assets classified as held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale and their fair value less costs to sell.

(d) *Trading Right*

Trading right is the result of the conversion plan to preserve RSEC's access to the trading facilities and for it to continue to transact business on the Philippine Stock Exchange (PSE). Trading right is assessed as having an indefinite useful life.

Trading right is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment loss, if any. The trading right is tested annually for any impairment in realizable value, any impairment loss is charged to profit or loss.

2.5 Revenue and Expense Recognition

Revenue arises mainly from rendering of services.

Commissions and fees which arises from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses, are recognized upon completion of the underlying transaction which is at a point in time. Service revenues recorded by RBSC were recognized over time in the same amount to which the entity has the right to invoice RCBC.

Management and advisory service fees based on the applicable service contracts are usually recognized on a time-proportionate basis which is recognized over time.

The transaction price allocated to performance obligation satisfied at a point in time is recognized as revenue when control of goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to the performance obligation is recognized as revenue as the performance obligation is satisfied.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Interest and other financing costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of related qualifying asset.

2.6 Leases – Group as a Lessee

Subsequent to initial recognition, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented as part of property and equipment under Other Assets, and Accrued Expenses and Other Liabilities, respectively.

2.7 Employee Benefits

The Group provides employee benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits.

The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Determination of Lease Term of Contracts with Renewal Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option. Renewal options are only included in the lease term if it is enforceable.

The renewal options for lease of office were not included as part of the lease term because the contract states that this shall be subjected to the terms and conditions mutually agreed by both parties.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) *Determination of Timing of Satisfaction of Performance Obligation*

The Group determines that its revenue for commissions and fees shall be recognized at a point in time, except for the service fees and advisory fees earned by RBSC, which shall be recognized over time. In making its judgment, the Group considers the three criteria in the satisfaction of the performance obligation. Management deem that the timing of receipt and consumption of benefits provided by the Group to the customers is most relevant, and the other criteria does not apply. The services provided by RCBC Capital and RSEC would need substantial reperformance from other entities. This demonstrates that the customers do not simultaneously receive and consume the benefits provided by RCBC Capital and RSEC. On the other hand, revenue of RBSC is recognized over time in the same amount to which RBSC has the right to invoice its customer.

(c) Application of ECL to Financial Assets at Amortized Cost and Financial Assets at FVOCI

The Group uses the general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

The Group manages its financial assets based on a business model that maintains adequate level of financial assets to match its expected cash outflows while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

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

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

(e) Test of Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model. In both 2024 and 2023, there are no disposals of held-to-collect securities.

(f) *Distinction Between Investment Property and Owner-occupied Property*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(g) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 18.

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

3.2 Key Sources of Estimation Uncertainty

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

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liability at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost and debt securities at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.5.

The carrying value and the analysis of allowance for impairment of Financial Assets at Amortized Cost and Loans and Other Receivables are shown in Notes 7.2 and 8, respectively.

(c) *Determination of Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The carrying values of the Group's financial assets at FVPL and FVOCI as of December 31, 2024 and 2023 and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are analyzed in Note 9.1. There was no change in estimated useful lives of property and equipment in 2024 and 2023.

Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2024 and 2023 will be fully utilized in the coming years. The carrying values of deferred tax assets as of those dates are disclosed in Note 15.

(e) Impairment of Non-financial Assets

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

(f) Principal Assumption for Management's Estimation of Fair Value of Investment Property and Assets Classified as Held for Sale

Investment property is measured using the cost model. The fair value of the investment property disclosed in the consolidated financial statements is determined by the Group based on the appraisal reports of the RCBC Credit and Administrative Division, an internal appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets.

Assets classified as held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. The estimated fair value of assets classified as held for sale is determined based on the internal valuation conducted by the Group in reference to the prevailing market price of the asset. The fair value of the Group's investment property and assets held for sale as of December 31, 2024 and 2023 is disclosed in Note 9.

(h) Valuation of Post-employment Defined Benefit Plan

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 14.2 and include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the defined post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 14.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various financial risks arising from its operating, financing and investing activities. The risk management across the companies in the Group is coordinated with RCBC, in close coordination with the BOD. The primary focus is on safeguarding the Group's short to medium term cash flows by effectively managing its exposure to financial markets in the best interest of the Group. Long-term financial investments are strategically managed to deliver sustainable returns.

The Group formulated risk management policies encompassing major business ventures that include underwriting, investments and trading activities, inter-bank transactions, syndicated loan packaging, lending and brokering. The Group also formulated liquidity risk policies in order to properly manage short to medium-term cash flows by minimizing exposure to financial markets. It also formulated operations risk policies in order to mitigate risks inherent in the conduct of day-to-day business operations.

The management and all risk-taking personnel ensure compliance with these risk policies. Risk management strategies are coordinated with its ultimate Parent Company to effectively monitor and manage risk exposures of the Group.

4.1 Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arises from bank deposits and trading and investment securities, which are primarily denominated in United States (U.S.) dollars. The Group holds U.S. dollar-denominated bank deposits amounting to P11.1 million or $0.3 million as of December 31, 2024 and P11.9 million or $0.2 million as of December 31, 2023, which may be affected by fluctuations of foreign currency exchange.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

The sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S. dollar exchange rate amounted to P1.9 million and P2.3 million in 2024 and 2023, respectively, to a reasonably possible change in foreign currency risk of 13.59% and 16.06% in 2024 and 2023, respectively. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

Other than this, the Group does not have exposure to foreign currency risks, as most of its transactions are denominated in Philippine peso, its functional currency.

4.2 Interest Rate Risk

The Group's policy is to minimize interest rate flow risk exposures on long-term financing. Longer-term borrowings, if any, are therefore usually obtained and negotiated at fixed rates. At December 31, 2024 and 2023, the Group has no long-term bank borrowings and is only exposed to changes in market interest through its cash and cash equivalents, which are subject to variable interest rates and are deemed not significant.

All other financial assets and liabilities have also short-term maturities or fixed rates.

4.3 Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets classified as financial assets at FVPL and at FVOCI). The Group manages exposure to price risk by monitoring the changes in the market price of the investments.

In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor. The Group assesses its market price risk using different models, as presented in the below and in the succeeding page.

4.4 Using Value-at-Risk Model

The Parent Company uses the delta-normal approach as its Value-at-Risk (VaR) model to estimate the daily potential loss that the Parent Company can incur from its equity securities held for trading. VaR is a key measure in the Parent Company's management of market price risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. The Parent Company uses a 99% confidence level and a minimum 260-day observation period in VaR calculation.

The Parent Company's VaR limit, established by the Risk Management Committee and approved by the Parent Company's BOD, is used to alert senior management whenever the potential losses in the Parent Company's portfolios exceed the VaR amount. Because the VaR measure is tied to market volatility, it therefore allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with its risk philosophy and appetite.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based to give rise to some limitations, including the following:

- A 99% confidence level does not reflect losses that may occur beyond this level. Even
  within the model used, there is a one percent probability that losses could exceed the VaR.

- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.

The size of the data sample used to determine the standard deviation affects the accuracy of the VaR estimate. As a model based on historical data from a limited time series, it suffers from 'estimation error' which is a natural sampling variability due a shortened sample size.
In other words, extreme movements of the past are "forgotten" as the data series moves forward in time.

- The VaR measure is dependent upon the Parent Company's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

- Using factor sensitivity and historical volatility method is less effective in instruments
  that do not have the characteristics of a normal distribution; and the valuation method
  only approximates the risks in more complex derivative instruments (referred to as
  "nonlinear positions" in risk parlance).

A summary of the VaR position of the fixed-income trading portfolios is summarized below.

(Amounts in PHP)	**Nominal Position**	**Market Value**	**Value-at-risk**
December 31, 2024	**145,140,000**	**135,846,876**	**681,024**
December 31, 2023	128,930,000	121,737,105	772,132

For equities trading portfolio, the Parent Company uses the historical simulation method. As of December 31, 2024 and 2023, the VaR position of the equities trading portfolio is P60.6 million and P64.5 million, respectively.

4.5 Credit Risk

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

The Group's credit risk management system includes processes to identify, measure, control and report the credit risk.

Credit policies are in place and include a thorough understanding of the borrower or counter-party as well as the purpose and structure of credit and its source of repayment.

Credit limits are set and are monitored to avoid significant concentrations of credit risk. The Group also employs credit administration activities to ensure that all facets of credit are properly maintained.

In the process of applying the Group's internal credit risk rating system (ICRRS) in determining indications of impairment on individually significant items of loans and receivables and debt securities at amortized cost and at FVOCI, the Group analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified below.

Risk Rating	Rating Description / Criteria
AAA	Extremely strong capacity to meet financial commitments
AA*	Very strong capacity to meet financial commitments
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
CCC and below*	Not at risk of loss at the moment and the borrower has the financial capacity to meet its obligations but its exposure to adverse business, financial or economic conditions has weakened it and, unless present trends are reversed, could eventually lead to losses.

** Ratings from AA to CCC are modified by a plus (+) or minus (-) sign to show relative standing within the rating categories.*

These ratings are continuously monitored and updated. The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to those rated by external rating agencies as investment grade. The Probability of Default (PD) associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

The foregoing ICRRS is established by the Group in congruence with and with reference to the credit risk rating methodology used by Standard & Poor's in measuring the creditworthiness of an individual debt issue which is still performing or current in status. The risk ratings determined by the Group for its portfolio of loans and receivables and debt securities at amortized cost and at FVOCI at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating, or it could lead to one or more rating downgrades over time.

4.5.1 ECL Measurement

(a) *Assessment of SICR*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Group assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty-specific. As the Group holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

The Group's ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the consolidated financial statements:

(i) Stage 1 – comprises of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL.

(ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Group's quantitative and qualitative criteria, though not yet deemed to be credit-impaired.

(iii) Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Group as 'non-performing', which is assessed consistently with the Group's definition of default for each loan portfolio.

The Group considers low credit risk for listed debt security when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

- For portfolios in respect of which the Group has limited historical data, external benchmark information (e.g., Basel Loss Given Default (LGD)) is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL include exposures to low default borrower segments.

(b) Definition of Default

Investments in debt securities is assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL. Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not an evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

(c) Key Inputs, Assumptions and Estimation Techniques Used in Measurement of ECL

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment.

- *Probability of Default*

This represents an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. PD is calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures, which consider both quantitative and qualitative factors.

- *Loss Given Default*

Group estimates Basel III framework recommended rate to estimate LGD. Recoveries are calculated on a discounted cash flows basis using the effective interest rate as the discounting factor.

- *Exposure at Default*

This represents the gross carrying amount of the exposure in the event of default which include the amortized cost amount of an instrument and any accrued interest receivable.

These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the end of the reporting period. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the instrument.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default, and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD is typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information [see Note 4.5.1(d)].

Further, the assumptions underlying the calculation of the ECL – such as how the maturity profile of the PDs and how collateral values change – are monitored and reviewed by the Group on a periodic basis.

(d) Overlay of Forward-looking Information (FLI) in the Measurement of ECL

The Group incorporates FLI in its assessment of SICR and calculation of ECL. The Group has performed historical analysis and has identified the key macroeconomic variables (MEVs) affecting credit risk associated with its counterparties and the ECL for each portfolio of debt instruments.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between MEVs, credit risk, and credit losses. The significance of the selected MEVs as predictors of default may change over time as historical information is added. As such, the generated macro-economic models are updated at least on an annual basis.

The MEVs considered by the Group includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections.

Management has also considered other FLIs such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL. Management reviews and monitors the appropriateness of FLIs at least annually.

Exposure to Credit Risk

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

(Amounts in PHP)	Notes	**2024**	2023
Cash and cash equivalents	6	**1,485,731,851**	1,328,706,555
Trading and investment securities:	7		
Financial assets at amortized cost		**834,757,293**	531,568,229
Financial assets at FVOCI		**112,123,530**	116,010,262
Financial assets at FVPL		**4,833,251**	40,417,255
Loans and other receivables – net	8	**286,905,579**	136,643,479
Deposits	9	**24,950,692**	24,965,698
CTGF	9	**8,370,298**	8,094,462
		2,757,672,494	2,186,405,940

Loans and other receivables includes accounts receivables from customers, accrued interest on investments in debt securities, and loans receivable from employees and other receivables.

The credit risk for cash and cash equivalents, including the related accrued interest thereon, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements, which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P1.0 million for every depositor per banking institution, effective March 15, 2025.

The table presented below shows the Group's credit exposures on the above financial assets by stages of impairment as of December 31, 2024 and 2023, shown at their gross and net carrying amounts, with the corresponding allowance for impairment.

Amounts in PHP)	**At Amortized Cost**	**At FVOCI**	**Total**
2024:			
Investment in debt securities –			
Corporate bonds:			
BBB+ to BBB-	4,870,000	81,357,354	86,227,354
BB+ TO BB-	830,000,000	30,766,176	860,766,176
	834,870,000	112,123,530	946,993,530
Allowance for impairment	(112,707)	(16,400)	(129,107)
	834,757,293	112,107,130	946,864,423
Loans and other receivables:			
AAA	6,028,298	-	6,028,298
BBB+ to BBB-	236,582,183	-	236,582,183
BB+ to BB-	1,033,479	-	1,033,479
B+ and below	44,066,167	-	44,066,167
	287,710,127	-	287,710,127
Allowance for impairment	(804,548)	-	(804,548)
	286,905,579	-	286,905,579
	1,121,662,872	**112,107,130**	**1,233,770,002**
2023:			
Investment in debt securities –			
Corporate bonds:			
BBB+ to BBB-	5,640,000	82,505,150	88,145,150
BB+ TO BB-	526,000,000	33,105,112	559,505,112
	531,640,000	116,010,262	647,650,262
Allowance for impairment	(71,771)	(26,644)	(98,415)
	531,568,229	115,983,618	647,551,847
Loans and other receivables:			
AAA	232,179	-	232,179
A+ to A-	4,136,039	-	4,136,039
BBB+ to BBB-	108,477,018	-	108,477,018
BB+ to BB-	1,106,141	-	1,106,141
B+ and below	23,113,749	-	23,113,749
	137,065,126	-	137,065,126
Allowance for impairment	(421,647)	-	(421,647)
	136,643,479	-	136,643,479
	668,211,708	115,983,618	784,195,326

For investments in debt securities at amortized cost, the Group has recognized additional allowance and reversal of ECL amounting to P40,936 and P1.9 million in 2024 and 2023, respectively, as part of Other Income in the consolidated statements of profit or loss. These are all classified in Stage 1 due to the low credit risk [see Note 4.5.1(c)]. This resulted in allowances for ECL for debt securities at amortized cost as of December 31, 2024 and 2023 amounting to P0.1 million and P71,771, respectively (see Note 7.2).

While for loans and other receivables, the Group has recognized impairment loss amounting to P0.5 million and P0.2 million in 2024 and 2023, respectively, and reversal of ECL amounting to P92,758 and P66,416 in 2024 and 2023, respectively. All loans and other receivables are classified in Stage 1 due to the low credit risk. This resulted in allowances for ECL as of December 31, 2024 and 2023 amounting to P0.8 million and P0.4 million, respectively (see Note 8).

The Group's receivables arising from employee loans are generally fully recoverable as those are collected through salary deductions, except for those receivables from resigned employees which will be provided with full ECL allowance. There are no receivables from resigned employees as of December 31, 2024 and 2023.

The gross carrying amounts of the Group's investments in debt securities at amortized cost and at FVOCI are disclosed in Notes 7.2 and 7.3.

To measure the ECL, due from employees have been grouped based on type of loans and the days past due (age buckets). The expected loss rates are based on the collection of loans payment over a period of 60 months before December 31, 2024 and 2023, and the corresponding historical credit losses experienced within such period.

The management assessed that expected loss rate for receivable from a related party would be insignificant as there were no historical credit loss experience.

For financial assets at FVPL, which include investments in government and corporate bonds, the RCBC Trust and Investments Group ensures that all investments in debt securities held in the Investment Management Agreement (IMA) are considered high grade that is neither past due nor specifically impaired.

The Group has no financial asset whose terms have been renegotiated, that would otherwise be past due or impaired as at December 31, 2024 and 2023.

4.6 Liquidity Risk

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

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested either in BSP's overnight and term deposit facilities, overnight lending via reversed repurchase transaction with the BSP, interbank lending, time deposits, or short-term marketable securities in the form of government securities and highly-traded equity securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities with RCBC and the ability to sell long-term financial assets.

As at December 31, 2024 and 2023, the Group's financial liabilities amounting to P685.0 million and P477.3 million, respectively, have contractual maturities of within one year from the end of the reporting period, while lease liabilities amounting to P64.8 million and P118.1 million in 2024 and 2023, respectively, as disclosed in Note 10, will be settled over a longer period.

Liquidity measurement involves assessing all cash inflows against outflows to identify the potential for any net shortfalls going forward. This calculation includes funding requirements for off-statement of financial position commitments. A core measurement of liquidity, the Maximum Cumulative Outflow, defined as the amount of prospective funding that the Group will require at pre-specified future dates in normal operating environment. This monetary amount is a measure of the liquidity gap between the maturing liabilities and assets.

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

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

5.1 Carrying Amounts and Fair Values by Category

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

	2024		2023	
(Amounts in PHP)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Financial assets at FVPL:				
Equity securities	**703,756,468**	**703,756,468**	783,280,130	783,280,130
Government securities	**4,833,251**	**4,833,251**	31,072,231	31,072,231
Corporate debt securities	**-**	**-**	9,345,024	9,345,024
	708,589,719	**708,589,719**	823,697,385	823,697,385
Financial assets at amortized cost:				
Cash and cash equivalents	**1,485,731,851**	**1,485,731,851**	1,328,706,555	1,328,706,555
Loans and receivables	**286,905,579**	**286,905,579**	136,643,479	136,643,479
Corporate debt securities	**834,757,293**	**842,484,756**	531,568,229	535,733,165
CTGF	**8,370,298**	**8,370,298**	8,094,462	8,094,462
Deposits	**24,950,692**	**24,950,692**	24,965,698	24,965,698
	2,640,715,713	**2,648,443,176**	2,029,978,423	2,034,143,359

Financial assets at FVOCI:				
Equity securities	**545,719,693**	**545,719,693**	546,957,792	546,957,792
Corporate debt securities	**112,123,530**	**112,123,530**	116,010,262	116,010,262
	657,843,223	**657,843,223**	662,968,054	662,968,054
	4,007,148,655	**4,014,876,118**	3,516,643,862	3,520,808,798
Financial Liabilities				
At amortized cost –				
Accrued expenses and other liabilities	**685,863,591**	**685,863,591**	477,332,291	477,332,291

See Note 2.4 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2024 and 2023 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle such amount on a net basis in the event of default on the other party through approval by both parties' BOD and stockholders.

5.3 Fair Value Hierarchy

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

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

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

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

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

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

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

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.4 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets measured at fair value in the consolidated statements of financial position on a recurring basis as of December 31, 2024 and 2023. There are no financial liabilities measured at fair value on those years.

The fair value hierarchy of the Group's financial assets by categories and by type are as follows:

(Amounts in PHP)	**Level 1**	**Level 2**	**Level 3**	**Total**
2024				
At FVPL:				
Equity securities	**703,756,468**	**-**	**-**	**703,756,468**
Government securities	**4,833,251**	**-**	**-**	**4,833,251**
	708,589,719	**-**	**-**	**708,589,719**
At FVOCI:				
Equity securities	**536,260,329**	**6,010,000**	**3,449,364**	**545,719,693**
Corporate debt securities	**112,123,530**	**-**	**-**	**112,123,530**
	648,383,859	**6,010,000**	**3,449,364**	**657,843,223**
2023				
At FVPL:				
Equity securities	783,280,130	-	-	783,280,130
Government securities	31,072,231	-	-	31,072,231
Corporate debt securities	9,345,024	-	-	9,345,024
	823,697,385	-	-	823,697,385
At FVOCI:				
Equity securities	539,066,843	4,810,000	3,080,949	546,957,792
Corporate debt securities	116,010,262	-	-	116,010,262
	655,077,105	4,810,000	3,080,949	662,968,054

The fair value of those financial instruments are determined and disclosed on the following basis:

(a) Equity Securities

The fair values of equity securities both for common and preferred shares were valued based on their market prices quoted in the stock exchanges at the end of each reporting period; hence, included in Level 1. Equity securities categorized under Level 2 pertain to Golf club shares which are proprietary membership club shares, which prices are not derived from market considered as active due to lack of trading activities among participants at the end or close to the end of the reporting period. Moreover, preferred equity securities categorized under Level 3 are not traded in an active market and its fair values were determined through valuation techniques.

(b) Debt Securities

The fair values of government and corporate debt securities categorized within Level 1 is determined directly based on published closing prices available from the electronic financial data service providers which had been based on price quoted or actually dealt in an active market (i.e., BVAL, PDEx) at the end of each of the reporting end.

5.5 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the 2024 and 2023 consolidated statements of financial position but for which fair value is disclosed:

(Amounts in PHP)	Level 1	Level 2	Level 3	Total
2024				
Financial assets:				
Cash and cash equivalents	1,485,731,851	-	-	1,485,731,851
Loans and other receivables	5,726,495	-	836,757,911	842,484,756
Corporate debt securities	-	-	286,905,579	286,905,579
CTGF	-	-	8,370,298	8,370,298
Deposits	-	-	24,950,692	24,950,692
	1,491,458,696	**-**	**1,156,984,480**	**2,648,443,176**
Financial liabilities –				
Accrued expenses and other liabilities	**-**	**-**	**685,863,591**	**685,863,591**
2023				
Financial assets:				
Cash and cash equivalents	1,328,706,555	-	-	1,328,706,555
Loans and other receivables	-	-	136,643,479	136,643,479
Corporate debt securities	5,726,495	-	530,006,670	535,733,165

CTGF	-	-	8,094,462	8,094,462
Deposits	-	-	24,965,698	24,965,698
	1,334,433,050	-	669,710,309	2,034,143,359
Financial liabilities –				
Accrued expenses and other liabilities	-	-	477,332,291	477,332,291

For financial assets and financial liabilities, other than corporate debt securities, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. Corporate debt securities are investments with fair value determined based on prices quoted in PDEx representing the bid prices at the end of the reporting periods, as such at Level 1.

5.6 Non-Financial Assets Measured at Fair Value

The fair value of the Group's land classified under investment property amounted to P3.6 million for both 2024 and 2023, respectively, while the fair value of the Group's land classified under assets classified as held for sale amounted to P2.2 million and P15.7 million as of December 31, 2024 and 2023, respectively. These were determined based on the valuation performed by the Credit Management Group of RCBC (see Note 9). The valuation was made in reference to the prevailing market price that reflects the recent transaction prices for similar properties in nearby location. Under this method, when sales prices of comparable land in close proximity are used in the valuation of the subject property with adjustment on the price, fair value is included in Level 3 key attributes such as property size, zoning and accessibility. The most significant input to this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. There were also no transfers into or out of Level 3 fair value hierarchy in 2024 and 2023.

6. CASH AND CASH EQUIVALENTS

This account includes the following:

(Amounts in PHP)	Note	**2024**	2023
Due from BSP		**983,367,675**	3,539,904
Short-term placements	16.1	**425,308,323**	409,076,787
Cash on hand and in banks	16.1	**77,055,853**	98,302,490
Loans and receivable arising from reverse repurchase agreement		**-**	817,787,374
		1,485,731,851	1,328,706,555

Cash in banks generally earn interest at rates based on daily bank deposit rates (see Note 12.1).

Short-term placements have an average maturity of 1 to 94 days in 2024 and 1 to 92 days in 2023 and earn interest at the average annual effective interest rates ranging from 0.15% to 6.25% in 2024, and 0.15% to 6.30% in 2023 (see Note 12.1).

Due from BSP represents the balance of a deposit account used as a clearing account with the Philippine Payment and Settlement System for interbank transactions, as well as for overnight deposit facility (ODF) and time deposit facility (TDF) which earn an effective interest per annum of 5.25% and 5.98%, respectively. This facility is utilized by the BSP to manage domestic liquidity. In 2024, the Group placed ODF and TDF amounting to P482.0 million and P500.0 million, with a maturity of one to five days. Interest income earned from these transactions are presented as part of Interest and Other Financing Income account in the statements of profit or loss (see Note 12.1). There were no similar transactions for 2023.

In 2023, reverse repurchase agreement loans represent loans and receivables from BSP arise from overnight lending from excess liquidity which earn effective interest per annum of 6.39%. These loans normally mature within one to five days. Interest income earned from these financial assets is presented as part of Others under Interest and Other Financing Income in the consolidated statements of profit or loss (see Note 12.1). There were no similar transactions for 2024.

The Group maintains a noninterest-bearing deposits under special reserve bank accounts amounting P237.7 million and P287.7 million as of December 31, 2024 and 2023, respectively, which are included as part of Cash on hand and in banks and Short-term placements. Such reserve bank accounts are used only for the sole and exclusive benefit of the customers of RSEC in compliance with the SRC Rule 49.2 covering customer protection, reserves and custody of securities. Minimum reserve requirements in said bank accounts are determined on a monthly basis using a prescribed computation by the SEC. RSEC's minimum reserve requirement as of December 31, 2024 and 2023 amounted to P122.0 million and P131.3 million, respectively.

7. TRADING AND INVESTMENT SECURITIES

This account is composed of the following:

(Amounts in PHP)	Note	**2024**	2023
Financial assets at FVPL	7.1	**708,589,719**	823,697,385
Financial assets at amortized cost	7.2	**834,757,293**	531,568,229
Financial assets at FVOCI	7.3	**657,843,223**	662,968,054
		2,201,190,235	2,018,223,668

The maturity profile of trading and investment securities are as follows:

(Amounts in PHP)	**2024**	2023
Within one year	**1,917,540,810**	1,735,806,024
More than one year	**283,649,425**	282,427,644
	2,201,190,235	2,018,233,668

7.1 Financial Assets at FVPL

The composition of these financial assets is shown below.

(Amounts in PHP)	**2024**	2023
Equity securities	**703,756,468**	783,280,130
Government securities	**4,833,251**	31,072,231
Corporate debt securities	**-**	9,345,024
	708,589,719	823,697,385

The movements in the carrying amount of financial assets at FVPL for 2024 and 2023 are summarized below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**823,697,385**	897,893,467
Disposals	**(441,464,091)**	(285,475,786)
Additions	**365,281,253**	210,891,888
Fair value gains (losses) – net	**(38,556,413)**	387,816
Reclassification	**(368,415)**	-
Balance at end of year	**708,589,719**	823,697,385

Other information about the fair value measurement of the Group's financial assets at FVPL are presented in Note 5.4.

Equity Securities

Financial assets at FVPL include various equity securities denominated in Philippine peso and are publicly traded in the PSE.

The Group recognized net fair value loss of P38.6 million and P0.2 million in 2024 and 2023, respectively, on these equity securities and are presented as part of Trading and Investment Securities Loss under Operating Expenses, and Trading and Investment Securities Gain – net under Net Revenues, respectively, in the consolidated statements of profit or loss. Dividend income from these securities amounted to P18.4 million and P18.7 million in December 31, 2024 and 2023, respectively, and are presented as part of Dividend Income under Revenues in the consolidated statements of profit or loss.

(a) Government Securities

The Group's government securities classified as financial assets at FVPL have effective interest rates ranging from 3.50% to 6.25% and maturities ranging from one to five years for 2024 and 2023.

The recognized net fair value loss and gain on these debt securities of P79,277 and P0.2 million in 2024 and 2023, respectively, are presented as part of Trading and Investment Securities Loss under Operating Expenses, and Trading and Investment Securities Gain – net under Net Revenues, respectively, in the consolidated statements of profit or loss. The interest income earned on these debt securities are presented as part of Interest and Other Financing Income accounts in the consolidated statements of profit or loss (see Note 12.1).

(c) Corporate Debt Securities

In 2023, financial assets at FVPL include corporate debt securities denominated in Philippine peso. The Group's corporate debt securities have effective annual interest rates ranging from
3.75% to 6.75% and maturities ranging from one to eight years. The recognized net fair value gains of P0.4 million in 2023 on these debt securities are presented as part of Trading and Investment Securities Gain under Net Revenues in the consolidated statements of profit or loss (see Note 12.1). There were no similar transactions in 2024.

The interest income earned on these debt securities are presented as part of Interest and

Other Financing Income accounts in the consolidated statements of profit or loss (see Note 12.1).

7.2 Financial Assets at Amortized Cost

This account is composed of debt securities denominated in Philippine peso and are publicly traded and issued by domestic companies in the Philippines (see Note 5.5).

The movements in the carrying amount of financial assets at amortized cost for 2024 and 2023 are summarized below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**531,640,000**	746,387,307
Additions	**2,085,000,000**	1,257,602,693
Redemption at maturity	**(1,781,770,000)**	(1,472,350,000)
	834,870,000	531,640,000
Allowance for impairment	**(112,707)**	(71,771)
Balance at end of year	**834,757,293**	531,568,229

Annual effective interest rates from these debt securities ranges from 7.00% to 9.13% in

2024, and from 7.82% to 8.75% 2023. Interest income earned from financial assets at amortized cost amounted to P49.8 million and P55.1 million in 2024 and 2023, respectively, and are presented as part of Interest and Other Financing Income account in the consolidated statements of profit or loss (see Note 12.1). These debt securities have maturities ranging from one to ten years. As of December 31, 2024 and 2023, the Group has recognized an allowance of P0.1 million and P71,771, respectively, and the related impairment loss is presented as part of Miscellaneous under Other Operating Expenses (see Note 13.2), in the consolidated statements of profit and loss.

7.3 Financial Assets at FVOCI

This account is composed of the following:

(Amounts in PHP)	**2024**	2023
Equity securities	**545,719,693**	546,957,792
Corporate debt securities	**112,123,530**	116,010,262
	657,843,223	662,968,054

As of December 31, 2024 and 2023, corporate debt securities are denominated in Philippine peso with fixed interest rate ranging from 4.86% to 8.0%, and from 4.76% to 7.60% per annum in 2024 and 2023, respectively.

The movements in the carrying amount of financial assets at FVOCI are summarized below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**662,968,054**	662,598,765
Additions	**3,950,000**	20,099,438
Fair value losses – net	**(3,643,571)**	(18,294,376)
Redemption at maturity	**(3,260,000)**	(1,500,000)
Disposals	**(2,656,008)**	-
Reclassification	**368,415**	-
Foreign exchange gains	**116,333**	64,227
Balance at end of year	**657,843,223**	662,968,054

Equity Securities

The Group has designated these equity securities as at FVOCI because these are held for long-term investments rather than for trading. Equity securities are denominated in Philippine peso and U.S. dollars. The fair value changes are recognized as an adjustment in other comprehensive income and presented in the consolidated statement comprehensive income.

The net fair value losses amounting to P2.0 million and P26.5 million in 2024 and 2023, respectively, are recognized in other comprehensive income and presented in the consolidated statements of comprehensive income.

Dividend income from these investments amounted to P30.7 million and P28.4 million in 2024 and 2023, respectively, and are presented as part of Dividend Income under Revenues account in the consolidated statements of profit or loss.

(a) Corporate Debt Securities

Financial assets at FVOCI include corporate debt securities denominated in Philippine peso and U.S. dollar (see Note 4.1).

The Group recognized net fair value loss amounting to P2.1 million in 2024 and net fair value gains amounting to P8.2 million in 2023, respectively, on these debt securities and are presented as part of Fair value gains (losses) on financial assets at FVOCI account in the consolidated statements of comprehensive income. Interest income earned from these investments amounted to P6.8 million in both 2024 and 2023, and are presented as part of Interest and Other Financing Income account in the consolidated statements of profit or loss (see Note 12.1).

The Group has recognized a reversal of loss allowance of P0.3 million and P39,512 in 2024 and 2023, respectively, for its corporate debt securities at FVOCI. Reversal of impairment loss is presented as part of Other Income, with a corresponding ECL reserve for financial assets at FVOCI presented under other comprehensive loss in the consolidated statement of comprehensive income during the year (see Note 11.2).

8. LOANS AND OTHER RECEIVABLES

This account is composed of the following:

(Amounts in PHP)	Notes	**2024**	2023
Receivables from stock brokerage customers		**97,035,891**	11,700,649
Others:			
Receivable from a related party	16.4, 16.10	**96,040,114**	66,660,638
Trade receivables		**37,653,481**	15,651,513
Loans and other receivables from officers and employees	16.2	**26,462,730**	26,231,473
Receivable from clearing organization		**13,307,250**	-
Dividend receivable		**4,260,435**	3,993,102
Other receivables		**12,950,226**	12,827,751
		190,674,236	125,364,477

	287,710,127	137,065,126
Allowance for impairment	**(804,548)**	(421,647)
	286,905,579	136,643,479

Receivables from stock brokerage customers arose from brokerage transactions of RSEC. All receivables from customers on the stock brokerage transactions of RSEC do not bear any interest and are due within two days from the date of the transaction, except for those on which allowance for impairment has already been provided.

Trade receivables generally pertain to underwriting and financial advisory services rendered by RCBC Capital to raise up funds for project financing facilities. All trade receivables are due within 60 days from the date of completion of services. No trade receivable is denominated in foreign currency.

The related interest income earned on loans and other receivables amounting to P1.7 million and P0.9 million in 2024 and 2023, respectively, are presented as part of Interest and Other Financing Income in the consolidated statements of comprehensive income (see Note 12.1).

Other receivables pertain to receivables from underwriting fees, processing, legal and filing fees, and trust investments, among others.

All of the Group's loans and other receivables have been reviewed for impairment. Certain receivables were found to be impaired and adequate amount of allowance for impairment were recognized accordingly. All partially secured receivables were deemed not impaired because these are substantially collected subsequent to the reporting periods.

A reconciliation of the allowance for impairment of loans and other receivables at the beginning and end of 2024 and 2023 is shown in below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**421,647**	251,049
Impairment loss	**475,659**	237,014
Reversal	**(92,758)**	(66,416)
Balance at end of year	**804,548**	421,647

The recognized net impairment loss is presented as part of Other Income - net in the consolidated statements of profit or loss.

The maturity profile are as follows:

	2024	2023
Within one year	**281,242,688**	122,237,866
Beyond one year, within five years	**5,662,891**	14,405,613
	286,905,579	136,643,479

9. OTHER ASSETS

This account consists of:

(Amounts in PHP)	Notes	**2024**	2023
Current:			
Creditable withholding tax		**46,374,201**	43,455,499
Advance rentals	16	**6,765,502**	3,221,666
Prepaid expenses		**6,351,611**	13,882,893
Assets classified as held for sale	9.2	**500,000**	4,000,000
Prepaid taxes		**-**	22,493
Other current assets		**4,682,158**	4,740,616
		64,673,472	69,323,167
Allowance for impairment		**(656,669)**	(674,602)
		64,016,803	68,648,565
Non-current:			
Property and equipment – net	9.1	**137,642,890**	198,495,596
Deposits		**24,950,692**	24,965,698
CTGF		**8,370,298**	8,094,462
Retirement benefit asset	14.2	**3,969,679**	2,769,913
Investment property	9.1	**1,464,248**	1,464,248
Other non-current assets		**6,331,786**	6,331,786
		182,729,593	242,121,703
		246,746,396	310,770,268

A reconciliation of the allowance for impairment of other assets at the beginning and end of 2024 and 2023 is shown below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**674,602**	653,053
Impairment loss (reversals)	**(17,933)**	21,549
Balance at end of year	**656,669**	674,602

The recognized net impairment loss (reversals) is presented as part of Other Operating Expenses account under Operating Expenses section in the consolidated statements of profit or loss.

9.1 Property and Equipment and Investment Property

The movements in the net carrying amount of property and equipment and investment property of the Group are shown below.

(Amounts in PHP)	Property and Equipment		Investment Property	
	2024	2023	**2024**	2023
Net carrying amount, beginning	**198,495,596**	127,589,099	**1,464,248**	1,464,248
Depreciation and amortization charges for the year	**(70,789,857)**	(67,835,111)	**-**	-
Additions	**11,253,009**	140,417,893	**-**	-
Disposals	**(1,315,858)**	(1,676,285)	**-**	-
Net carrying amount, ending	**137,642,890**	198,495,596	**1,464,248**	1,464,248

Property and equipment includes right-of-use assets recognized in 2019 upon adoption of PFRS 16. In 2023, the Group recognized additional right-of-use asset amounting to P123.1 million. There was no similar transaction in 2024.

The Group leases its principal office space. The lease is reflected on the consolidated statements of financial position as right-of-use asset and a lease liability as part of other assets, and accrued expenses and other liabilities (see Note 10), respectively. It does not have variable lease payments which depend on an index or a rate.

The lease imposes a restriction that the right-of-use asset can only be used by the Group. The leases are non-cancellable and does not contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term without mutual agreement on both parties. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office space, the Group must also keep the property in a good state of repair and return the property in its original condition at the end of the lease. Further, the Group must incur maintenance fees on such items in accordance with the lease contracts.

In 2024 and 2023, the Group sold property and equipment with carrying value of P1.3 million and P1.7 million. The recognized gain of P0.3 million in both 2024 and 2023, respectively, on sale of property and equipment is presented as part of Other Revenues account under Revenues section in the consolidated statements of profit or loss (see Note 13.1).

The depreciation and amortization relating to the Group's property and equipment totaling P70.8 million and P67.8 million in 2024 and 2023, respectively, is reported as part of Occupancy and Equipment-Related Expenses account in the consolidated statements of profit or loss. This also includes amortization of the right-of-use assets amounting to P59.0 million and P57.6 million in 2024 and 2023 respectively (see Note 16.3).
The Group's investment property includes parcels of land that are owned for capital appreciation or investment purposes only and is valued at cost. No income or direct operating expenses were recognized during the reporting period, except for real property taxes of inconsequential amounts for the reporting periods.

9.2 Assets Classified as Held for Sale

Assets classified as held for sale (ACHFS) consist of memorial lots amounting to P0.5 million and P4.0 million as of December 31, 2024 and 2023, respectively. In 2024, the Group sold ACHFS with a carrying amount of P3.5 million for P10.7 million, resulting in a gain of P7.2 million recorded as part of Other Revenues account under Revenues section in the 2024 consolidated statement of profit or loss (see Note 13.1). In 2023, the Group sold ACHFS with a carrying amount of P0.5 million for P1.2 million, resulting a gain of P0.7 million.

The Group is actively looking for buyers and remains committed to fully dispose of the properties through selling such assets through a real estate broker engaged by the Group.

9.3 Trading Right

As certified by the PSE as at December 31, 2024 and 2023, the latest transacted price of an exchange for the trading right is P8.0 million. Relative to this, the carrying value of trading rights is lower than its recoverable amount as at the end of the reporting periods. Therefore, based from the comparison of the carrying amount and recoverable amount, the trading right is not impaired.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

The details of this account as of December 31 are as follows:

(Amounts in PHP)

	Notes	**2024**	2023
Current:			
Payable to customers		**232,906,643**	141,498,357
Dividend payable	11.3	**160,000,000**	-
Accrued expenses		**156,905,040**	131,684,124
Lease liabilities		**53,323,700**	59,072,333
Value added tax payable		**26,752,045**	20,159,085
Income tax payable		**17,956,420**	4,124,695
Accounts payable		**13,357,123**	11,552,391
Withholding tax		**1,111,358**	4,751,267
Payable to clearing organization		**-**	3,516,694
Other liabilities		**4,559,879**	11,866,732
		666,872,208	388,225,678
Non-current:			
Retirement benefit obligation	14.2	**65,007,119**	39,781,687
Lease liabilities		**64,811,206**	118,141,660
		129,818,325	157,923,347
		796,690,533	546,149,025

Accrued expenses include, among others, litigation fees to lawyers, management and professional fees, other employee benefits and activities, utilities and unpaid rent to condominium dues for the Group's leased office space from RCBC.

Accounts payable include, among others, expense reimbursements, the Group's obligations to its employees, and intercompany payable.

The total cash outflow in respect of leases amounted to P67.0 million and P64.3 million in 2024 and 2023, respectively. Interest expense in relation to lease liabilities amounted to P7.8 million and P8.6 million in 2024 and 2023, respectively, and is presented as part of Interest and Other Financing Costs under Operating Expenses in the consolidated statements of profit or loss (see Note 12.2).

The undiscounted analysis of the lease liability as of December 31, 2024 and 2023 are as follows:

(Amounts in PHP)	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
December 31, 2024						
Lease payments	**58,545,031**	**32,877,798**	**31,012,149**	**5,230,965**	**-**	**127,665,943**
Finance charges	**(5,221,331)**	**(2,984,491)**	**(1,286,492)**	**(38,723)**	**-**	**(9,531,037)**
Net present value	**53,323,700**	**29,893,307**	**29,725,657**	**5,192,242**	**-**	**118,134,906**
December 31, 2023						
Lease payments	66,879,617	58,545,031	32,877,798	31,012,149	5,237,718	194,552,313
Finance charges	(7,807,284)	(5,221,330)	(2,984,491)	(1,286,492)	(38,723)	(17,338,320)
Net present value	59,072,333	53,323,701	29,893,307	29,725,657	5,198,995	177,213,993

11. EQUITY

11.1 Capital Stock

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

Capital stock as of December 31, 2024 and 2023 consist of the following:

	Number of Shares	Amount in PHP
Common shares – P20 par value		
Authorized	125,000,000	2,500,000,000
Issued and outstanding	118,136,400	2,362,728,000

As of December 31, 2024 and 2023, the Parent Company has four stockholders owning 100 or more shares each of the Parent Company's capital stock.

11.2 Other Reserves

Other reserves consist of:

a) Unrealized fair value gains or losses arising from the mark-to-market valuation of investment securities classified as financial assets at FVOCI [see Note 2.4(a)(i)]; and, *b)* Remeasurements of defined benefit post-employment plan based on the cumulative balance of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions used in the determination of post-employment defined benefit plan; and (see Note 2.8).

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

(Amounts in PHP)	**Financial Assets at FVOCI**	**Retirement Benefit Plan**	**Others**	**Total**
Balance as of January 1, 2024	(95,631,254)	(18,316,317)	409,826,300	295,878,729
Reclassification of realized fair value losses on on disposals of financial assets at FVOCI	1,891,894	-	-	1,891,894
	(93,739,360)	(18,316,317)	409,826,300	297,770,623
Fair value loss on financial assets at FVOCI	(3,643,571)			(3,643,571)
Remeasurements of retirement benefit plan	-	(5,386,200)	-	(5,386,200)
ECL on financial assets at FVOCI	(368,171)	-	-	(368,171)
Other comprehensive loss before tax	(4,011,742)	(5,386,200)	-	(9,397,942)
Tax income	(2,718,889)	1,346,550	-	(1,372,339)
Other comprehensive loss after tax	(6,730,631)	(4,039,650)	-	(10,770,281)
Balance as of December 31, 2024	**(100,469,991)**	**(22,355,967)**	**409,826,300**	**287,000,342**
Balance as of January 1, 2023	(80,545,357)	6,624,463	409,826,300	335,905,406
Fair value loss on financial assets at FVOCI	(18,294,376)	-	-	(18,294,376)
Remeasurements of retirement benefit plan	-	(33,254,373)	-	(33,254,373)
ECL on financial assets at FVOCI	(39,512)	-	-	(39,512)
Other comprehensive loss before tax	(18,333,888)	(33,254,373)	-	(51,588,261)
Tax expense	(3,247,991)	8,313,593	-	11,561,584
Other comprehensive loss after tax	(15,085,897)	(24,940,780)	-	(40,026,677)
Balance as of December 31, 2023	(95,631,254)	(18,316,317)	409,826,300	295,878,729

11.3 Retained Earnings

Retained earnings include all current and prior period results of operations as reported in the statement of profit or loss, reduced by the amounts of dividends declared.

On December 27, 2024, the Parent Company's BOD approved the declaration of cash dividends of P1.35 per share (or a total of P160.0 million) payable to its stockholders of record as of December 31, 2024 and payable on or before September 30, 2025 (see Note 10). No dividend was declared in 2023.

11.4 Capital Management Objectives, Policies and Procedures

The Group's objectives when managing capital, which is a broader concept than the equity on the face of the consolidated statements of financial position, are:

- to comply with the minimum paid-up capital required by law and the risk-based capital adequacy (RBCA) ratio requirement by the BSP;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide return to shareholders; and,
- to maintain a strong capital base to support operations.

The Group monitors its capital on the following basis:

(a) *Compliance of the Parent Company with the Minimum Paid-up Capital, the RBCA, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) Requirements of the BSP*

Under the provisions of Section 3, amending Section 8 of Presidential Decree No. 129, of R.A. No. 8366, the Parent Company is required to maintain a minimum paid-up capital of P300.0 million.

The Parent Company is in compliance with the required minimum paid-up capital requirement as of December 31, 2024 and 2023.

Moreover, the Parent Company is also required to maintain a risk-based capital adequacy ratio, expressed as a percentage of qualifying capital to risk weighted assets of at least 10% as prescribed by the Monetary Board of the BSP.

Qualifying capital consists of Tier 1 (core capital) and Tier 2 (supplementary capital), less regulatory deductions. The delineation between core and supplementary capital is based on the capital elements' ability to absorb losses. Tier 2 capital is limited to 100% of Tier 1 capital. Deductions include equity investments in subsidiaries and reciprocal investments in other enterprises, which capture the multiple use of capital.

Risk-weighted assets, on the other hand, comprise of both on-and-off-statement of financial position exposures weighted according to their relative riskiness. The risk weights are applied to the book value of on-statement of financial position assets and the credit equivalent amount of off-statement of financial position exposures.
The Parent Company's regulatory capital position as of December 31, 2024 and 2023 is presented as follows (in thousands):

(Amounts in PHP)	**2024**	2023
Tier 1 Capital	**2,470,802**	2,270,220
Tier 2 Capital	**11**	9
Total Regulatory Capital	**2,470,813**	2,270,229
Total Risk Weighted Assets	**3,141,550**	2,931,667
Capital ratios:	**2024**	2023
Total regulatory capital expressed as percentage of total risk weighted assets	**78.65%**	77.44%
Total Tier 1 expressed as percentage of total risk weighted assets	**78.65%**	77.44%

The above capital ratios comply with the related BSP prescribed ratios.

On March 10, 2016, the BSP issued Circular No. 905, *Implementation of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards*, which provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows, which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2020.

To promote the short-term resilience of the liquidity risk profile, the Parent Company maintains adequate stock of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. The stock of liquid assets should enable the Parent Company to withstand significant liquidity shocks for at least 30 calendar days, which would give time for corrective actions to be taken by the Company management and/or the BSP. Details of the Parent Company LCR as of December 31, 2024 and 2023 are summarized in the below and in the succeeding page.

(Amounts in PHP)	**Total Unweighted Value**	**Total Weighted Value**
December 31, 2024		
Total stock of HQLA	1,460,180,380	1,211,774,028
Expected Net Cash Outflows	4,210,842	4,178,762

Liquidity Coverage Ratio		**29,237.70%**

December 31, 2023

Total stock of HQLA	1,400,549,609	1,110,938,444
Expected Net Cash Outflows	3,729,150	3,699,095
Liquidity Coverage Ratio		30,032.71%

Net Stable Funding Ratio (NSFR), as detailed in BSP Circular 1007, *Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio*, measures the availability of medium and long-term stable funding to support illiquid assets and business activities on an on-going basis. It is an assessment of the level of sustainable funding required to reduce funding risk over a one-year time horizon. The NSFR complements the LCR, which promotes short-term resilience of the Parent Company's liquidity profile.

To promote long-term resilience against liquidity risk, the Parent Company maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities and seeks to meet this objective by limiting overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts.

Details of the Parent Company's Basel III NSFR as of December 31, 2024 and 2023 are summarized below.

(Amounts in PHP)	**2024**	2023
Available stable funding	**3,503,207,333**	3,323,006,743
Required stable funding	**1,996,468,628**	1,903,219,636
Basel III NSFR	**175.47%**	174.60%

The Parent Company has complied with the daily minimum regulatory requirement of 100% for both ratios in 2024 and 2023.

(b) Compliance of RSEC with the SRC Issued by the SEC

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

RSEC monitors capital on the basis of the following:

- Carrying amount of equity as presented in the consolidated statements of financial position; and,

- Rules and regulations of the SRC with respect to the minimum:

  - Unimpaired paid-up capital
  - Net liquid capital (NLC)
  - RBCA ratio

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

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

(i) Paid-Up Capital Requirement

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

- capital contributions or par value or stated value of common stock;
- payment made on subscribed common stock;
- par or stated value of preferred stock;
- payment made on subscribed preferred stock;
- common stock to be distributed arising from a dividend declaration;
- additional paid-in capital for both common and preferred stocks; and,
- donated capital.

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

Under present regulations, the minimum paid-up capital for existing Broker Dealer participating in a registered clearing agency is P100.0 million. RSEC's paid-up capital is P389.7 million as of December 31, 2024 and 2023.

(ii) NLC Requirement

Every broker dealer shall, at all times, have and maintain a NLC of at least P5.0 million or 5% of the aggregate indebtedness, whichever is higher. However, a Broker Dealer who deals only with proprietary shares who does not keep the shares under its custody shall maintain a NLC of P2.5 million or 2.50% of the aggregate indebtedness, whichever is higher.

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

- deferred income tax;
- other reserves; and,
- minority interest and any outside investment in affiliates and associates.

RSEC's NLC is P147.5 million and P189.2 million as of December 31, 2024 and 2023, respectively, which is more than 5% of the RSEC's aggregate indebtedness.

RBCA Ratio Requirement

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

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

- operational risk requirement;
- credit risk requirement which include requirements for counterparty risk, settlement risk, large exposure risk, and margin lending/financing risk; and,
- position or market risk requirement.

RSEC's RBCA ratio is 8.89:1 and 11.4:1 as of December 31, 2024 and 2023, respectively.

PSE's Rules Governing Trading Rights and Trading Participants

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

- trading participants should have a minimum unimpaired paid-up capital (defined as the trading participant's total paid-up capital less any deficiency in the retained earnings account) of P30.0 million effective December 31, 2010; and,
- each trading participant shall pledge its trading right to the extent of its full value to secure the payment of all of debts and claims due to the trading participant, the government, the PSE and to other trading participants of the PSE and to the Securities Clearing Corporation of the Philippines.

As of December 31, 2024 and 2023, RSEC is in compliance with PSE's Rules Governing Trading Rights and Trading Participants

(iii) Appropriation of Retained Earnings

Rule 49.1(B), *Reserve Fund of SEC Memorandum Circular No. 16*, requires that every broker dealer shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to the Appropriated Retained Earnings account. Appropriation shall be 30%, 20%, 10% of profit after tax for broker dealers with unimpaired paid up capital of between P10.0 million to P30.0 million, between

P30.0 million and P50.0 million and above P50.0 million, respectively. Notwithstanding the requirements of this section, the SEC may prescribe a different capital build up plan for all brokers dealers, specifically those incurring net losses during the period, which may include the programmed infusion of fresh capital.

In 2023, RSEC appropriated P0.3 million to meet the circular requirement. No similar transaction occurred in 2024, as the RSEC incurred a net loss. The total appropriated retained earnings amounted to P17.0 million both in 2024 and 2023.

12. INTEREST AND OTHER FINANCING INCOME AND COSTS

The breakdown of these accounts are as follows:

12.1 Interest and Other Financing Income

(Amounts in PHP)	Notes	**2024**	2023
Interest income from:			
Cash and cash equivalents	6	**79,742,531**	49,476,996
Financial assets at amortized cost	7.2	**49,793,803**	55,132,041
Financial assets at FVPL	7.1	**8,140,332**	7,526,748
Financial assets at FVOCI	7.3	**6,786,046**	6,796,900
Loans and other receivables	8	**1,748,995**	938,472
Retirement benefit asset	14.2	**-**	246,503
Others		**36,021**	1,580,895
		146,247,728	121,698,555

Interest and Other Financing Costs

(Amounts in PHP)	Notes	**2024**	2023
Interest expense from:			
Lease liability	10	**7,902,195**	8,598,288
Retirement benefit obligation	14.2	**2,484,061**	-
Others		**156,343**	850,871
		10,542,599	9,449,159

13. OTHER REVENUES, OTHER OPERATING EXPENSES AND OTHER CHARGES

The breakdown of these accounts are as follows:

13.1 Other Revenues

(Amounts in PHP)	Note	**2024**	2023

Gain on sale of asset classified as held for sale	9.2	**7,200,000**	720,000
Recoveries on credit card collection receivables		**635,322**	850,235
Gain on sale of property and equipment	9.1	**273,957**	271,507
Miscellaneous income		**1,691,233**	1,579,519
		9,800,512	3,421,261

Miscellaneous income includes billings for research fees charged to a third-party customer.

13.2 Other Operating Expenses

(Amounts in PHP)	Notes	**2024**	2023
Communications		**19,397,487**	18,859,696
Utilities		**8,428,420**	8,682,213
Repairs and maintenance		**7,281,902**	6,597,472
Insurance		**7,132,631**	5,590,705
Transportation		**5,557,597**	5,605,640
Philippine Depository and Trust Corporation charges		**3,639,729**	3,357,803
Information technology		**3,235,725**	3,105,126
Terminal fees		**2,955,378**	3,017,212
Membership fees and dues		**1,340,737**	1,484,415
Supervisory fee		**1,146,694**	1,180,184
Condominium dues and fees		**1,039,869**	1,039,869
Donation		**1,010,870**	613,100
Advertising and publicity		**952,536**	969,829
Supplies and contribution		**745,306**	583,669
Clearing house fees		**222,945**	229,732
Miscellaneous	7.2, 16.8	**7,690,932**	6,094,833
		71,778,758	67,011,498

Miscellaneous operating expenses include impairment loss on financial assets at amortized cost, shared expenses in Yuchengco Group of Companies activities, other expenses related to IMA investments, underwriting and other investment banking transactions and non-deductible fines and penalties, if any.

14. EMPLOYEE BENEFITS

14.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

(Amounts in PHP)	Note	**2024**	2023

Short-term employee benefits		**762,724,339**	627,659,327
Post-employment defined benefit	14.2	**36,763,614**	29,129,630
Post-employment defined contribution		**675,314**	605,420
		800,163,267	657,394,377

14.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group's Retirement Plan Committee who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees. *The* normal retirement age of the Group's employees is 60. The plan also provides for an early retirement at age 55 with a minimum of 20 years of credit service for the Parent Company and RSEC or at age 50 with minimum of 10 years of credited service for RBSC, and late retirement after age 60 but not exceeding age of 65, subject to the approval of the BOD for the Parent Company and Retirement Plan Committee for RSEC and RSBC. Normal retirement benefit for the Parent Company is an amount equivalent to 200% of the final monthly covered compensation (latest monthly basic salary at retirement) for every year of credited service while normal retirement benefit for RSEC and RBSC is an amount equivalent to two months' pay (based on salary at retirement) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The amounts of retirement benefit obligation (included as part of Accrued Expenses and Other Liabilities account – see Note 10) and retirement benefit asset (presented as part of Other Assets account – see Note 9) recognized in the consolidated statements of financial position are presented below:

(Amounts in PHP)	Notes	**2024**	2023
Present value of obligation		**299,019,705**	267,673,991
Fair value of plan assets		**(238,224,812)**	(230,835,891)
		60,794,893	36,838,100
Effect of asset ceiling		**242,547**	173,674
Retirement benefit obligation – net		**61,037,440**	37,011,774
Retirement benefit obligation	10	**65,007,119**	39,781,687
Retirement benefit assets	9	**(3,969,679)**	(2,769,913)

Retirement benefit obligation – net	**61,037,440**	37,011,774

The movements in the present value of retirement benefit obligation recognized in the consolidated financial statements are as follows:

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**267,673,991**	217,215,738
Current service cost	**36,763,614**	29,129,630
Benefits paid	**(26,051,222)**	(16,095,155)
Interest expense	**16,804,511**	16,125,384
Remeasurements – actuarial losses (gains) arising from changes in:		
Demographic assumptions	**(5,476,002)**	(577,518)
Financial assumptions	**5,029,226**	30,090,501
Experience adjustments	**4,275,587**	(8,214,589)
Balance at end of year	**299,019,705**	267,673,991

The movements in the fair value of plan assets are presented below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**230,835,891**	215,099,248
Benefits paid	**(26,051,222)**	(16,095,155)
Contributions to the plan	**20,619,102**	27,265,303
Interest income	**14,320,450**	16,371,887
Loss on plan assets (excluding amounts included in net interest)	**(1,499,409)**	(11,805,392)
Balance at end of year	**238,224,812**	230,835,891

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below:

(Amounts in PHP)	**2024**	2023
Cash and cash equivalents	**43,401,879**	33,866,781
Quoted equity securities:		
Holding firm	**9,813,548**	12,522,184
Financial institutions	**9,275,328**	9,017,809
Service	**5,281,167**	4,456,020
Property	**2,053,890**	4,254,853
Industrial	**2,612,516**	3,364,904
Mining and oil	**2,168,259**	2,404,934
	31,204,708	36,020,704
Debt securities:		
Philippine government securities	**119,395,943**	116,695,600
Corporate debt securities	**5,885,124**	7,141,697
	125,281,067	123,837,297

Others	**38,337,158**	37,111,109
	238,224,812	230,835,891

The fair values of the equity and debt securities are determined based on quoted market prices published in the PSE and BVAL, respectively. The plan assets earned a return amounting to P12.8 million in 2024 and incurred a loss amounting to P4.6 million in 2023. The components of amounts recognized in the consolidated statement of profit or loss and in other comprehensive loss in respect of the defined benefit post-employment plan are presented below:

(Amounts in PHP)	Notes	**2024**	2023
Reported in profit or loss:			
Current service cost	14.1	**36,763,614**	29,129,630
Interest cost (income) – net	12.1, 12.2	**2,484,061**	(246,503)
Interest on the effect of asset ceiling		**-**	1,625
		39,247,675	28,884,752
Reported in other comprehensive loss:			
Actuarial gains (losses) arising from changes in:			
Demographic assumptions		**5,476,002**	577,518
Financial assumptions		**(5,029,225)**	(30,090,501)
Experience adjustments		**(4,275,585)**	8,214,589
Loss on plan assets (excluding amounts included in net interest expense)		**(1,499,409)**	(11,805,392)
Effect of asset ceiling		**(57,983)**	(150,587)
		(5,386,200)	(33,254,373)

The interest income (expense) is included as part of Interest and Other Financing Income (Costs) in the consolidated statements of profit or loss (see Notes 12.1 and 12.2). Amount recognized in other comprehensive income is included and presented in the consolidated statements of comprehensive income (see Note 11.2).

In determining the retirement benefit obligation, the following actuarial assumptions were used:

	2024	2023
Discount rates	**6.11% - 6.28%**	6.27% - 6.28%
Expected rate of salary increase	**5.00% - 6.00%**	5.00% - 6.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at age 60 is 22.7 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Post-employment Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, equity securities and debt securities.

Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the defined benefit post-employment plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at December 31, 2024 and 2023:

	Impact on Post-employment Benefit Obligation		
(Amounts in PHP)	**Change in Assumption**	**Increase in Assumption**	**Decrease in Assumption**

December 31, 2024			
Discount rate	**+/- 1.0%**	**(32,091,128)**	**28,754,114**
Salary growth rate	**+/- 1.0%**	**32,693,640**	**(28,424,674)**
December 31, 2023			
Discount rate	+/- 1.0%	(31,274,310)	27,868,735
Salary growth rate	+/- 1.0%	31,954,430	(27,373,537)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group ensures that the investment positions are managed to achieve that long-term investments are in line with the obligations under the retirement scheme. The plan assets are invested in long-term fixed interest securities (i.e., government bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group, in coordination with the trustee bank, monitors the expected yield of the investments.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2024 and 2023 consists of equity and government debt securities, although the Group also invests in cash and cash equivalents. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equity securities are in a diversified portfolio of local blue-chip entities.

There has been no change in the Group's manner of oversight on its post-employment fund.

(iii) *Funding Arrangements and Expected Contributions*

The combined plans of the Group is currently underfunded by P61.0 million based on the latest actuarial valuation as of December 31, 2024. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about five to seven years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefits payments from the plan follows:

(Amounts in PHP)	**2024**	2023
Within one year	**757,568**	700,419
Within two to five years	**145,784,383**	206,429,161
More than five years	**234,810,043**	168,321,812
	381,351,994	375,451,392

The weighted average duration of the defined benefit obligation at the end of the reporting period is 9.5 years.

15. TAXES

15.1 Current and Deferred Taxes

The components of tax expense for the years ended December 31 are as follows:

(Amounts in PHP)	**2024**	2023
Reported in profit or loss:		
Current tax expense:		
Regular corporate income tax (RCIT) at 25%	**107,967,061**	42,962,779
Final tax at 20% and 15%	**18,872,453**	13,109,706
Minimum corporate income tax (MCIT) at 2% in 2024 and 1.5% in 2023	**-**	236,372
	126,839,514	56,308,857
Deferred tax income relating to origination of temporary differences	**(4,223,445)**	(36,913)
	122,616,069	56,271,944
Reported in other comprehensive income (loss) –		
Deferred tax expense (income) relating to:		
Gains on financial assets at FVOCI	**2,718,888**	(3,247,991)
Remeasurement of retirement benefit plan	**(1,346,549)**	(8,313,593)
	1,372,339	(11,561,584)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is as follows:

(Amounts in PHP)	2024	2023
Tax on pretax profit at 25%	**117,802,036**	63,936,383
Unrecognized deferred tax on net operating loss carry-over	**14,352,087**	6,785,984
Adjustment for income subjected to lower income tax rates	**(8,693,980)**	(4,342,131)
Tax effects of:		
Non-taxable income	**(12,338,509)**	(11,947,044)
Non-deductible expenses	**11,494,435**	1,838,752
	122,616,069	56,271,944

The Group's net deferred tax assets relate to the following as at December 31, 2024 and 2023:

(Amounts in PHP)	2024	2023
Deferred tax assets:		
Accrued expenses	**30,279,703**	26,316,866
Retirement benefit obligation	**26,216,816**	18,696,311
Unamortized past service cost	**21,151,870**	24,631,475
Lease liabilities	**15,626,053**	6,560,376
Fair value loss on financial assets at FVOCI	**3,378,980**	6,097,869
Provision for losses	**557,831**	302,550
MCIT	**368,902**	853,300
Unrealized foreign currency gains	**-**	152,831
	97,580,155	83,611,578
Deferred tax liabilities:		
Right-of-use asset	**(14,552,162)**	(5,474,544)
Retirement benefit asset	**(1,863,238)**	-
Fair value gain on financial assets at FVPL	**(219,342)**	(199,523)
Unrealized foreign currency losses	**(156,799)**	-
	(16,791,641)	5,674,067
	80,788,614	77,937,511

The movements in net deferred tax assets are as follows:

(Amounts in PHP)	Consolidated Statements of Comprehensive Income			
	Profit or Loss		Other Comprehensive Income	
	2024	2023	**2024**	2023
Deferred tax assets:				
Accrued expenses	**3,962,840**	2,274,802	**-**	-
Lease liabilities	**(2,729,666)**	(13,920,131)	**-**	-

Unamortized past service cost	**(3,479,605)**	985,695		
MCIT	**(484,398)**	236,371	**-**	-
Provision for losses	**255,281**	(441,003)	**-**	-
Fair value loss on financial assets at FVPL	**(19,819)**	(127,455)	**-**	-
Fair value loss on financial assets at FVPL	**-**	(1,957,412)	**-**	-
Fair value loss on financial assets at FVOCI	**-**	-	**(2,718,888)**	3,247,991
	(2,495,367)	(12,949,133)	**(2,718,888)**	3,247,991
Deferred tax liabilities:				
Retirement benefit obligation	**4,310,718**	(2,811,415)	**1,685,593**	8,313,593
Right-of-use asset	**2,717,725**	14,392,412	**-**	-
Retirement Benefit Asset	**-**	-	**(339,044)**	-
Unrealized foreign currency gains (loss)	**(309,631)**	1,405,049	**-**	-
	6,718,812	12,986,046	**1,346,549**	8,313,593
Net deferred tax income (expense)	**4,223,445**	36,913	**(1,372,339)**	11,561,584

RSEC is subject to either MCIT computed at 2% in 2024 and 1.5% in 2023 of gross income, net of allowable deductions, or RCIT, whichever is higher. In 2023, the MCIT for RSEC amounted to P0.2 million. No MCIT was recorded in 2024 and 2023 for the Parent Company and RBSC as RCIT was higher than MCIT. In 2024 and 2023, the Group opted to claim itemized deductions for tax purposes.

16. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company, parent company, the Group's key management personnel, its retirement plan and others as described below.

The summary of the Group's transactions and balances with its related parties as at and for the year ended December 31 follow:

(Amounts in PHP) Related Party Category	Notes	Amount of Transaction	Outstanding Balance	Terms
2024:				
PMMIC:				
Trading transactions	16.9	**214,591,920**	**(120)**	
Commission income	16.9	**354,464**	**-**	
RCBC:				
Bank deposits	6, 16.1	**6,096,142**	**74,826,060**	On demand; interest-bearing
Short-term placements	6, 16.1	**45,300,000**	**88,785,812**	On demand
Interest income	12.1, 16.1	**6,058,609**	**-**	
Dividends paid	11.3	**159,942,301**	**159,942,301**	
Lease of office space	16.3	**16,415,295**	**13,620,020**	Subject to annual escalation
Rental deposits	16.3	**-**	**1,624,795**	5-year term with renewal options
Service agreement	16.4	**909,013,833**	**96,040,114**	Non-interest bearing; unsecured collected in cash
Dividend income	16.5	**1,482,761**	**-**	Collected in cash
Acquisition of shares	16.5	**7,092,102**	**36,337,882**	Measured at fair market value
Retirement plan	16.7	**18,814,050**	**53,149,659**	
IMA	16.8	**30,612,376**	**192,613,662**	
Loans payable	16.11	**70,000,000**	**-**	
Other related parties:				
Trading transactions	16.9	**1,529,290,690**	**(2,319,894)**	
Commission income	16.9	**3,133,339**	**-**	
Advance rentals		**483,255**	**7,523,510**	

Rental deposits		**467,766**	**11,281,024**	
Officers and employees:				
Loans to officers and employees	8, 16.2	**1,085,203**	**4,137,829**	Subject to salary deduction; interest-bearing; not impaired
Key management personnel compensation	16.6	**151,694,576**	**-**	
2023:				
PMMIC:				
Trading transactions	16.9	343,016,764	(120)	
Commission income	16.9	547,741	-	
RCBC:				
Bank deposits	6, 16.1	42,598,968	95,963,913	On demand; interest-bearing
Short-term placements	6, 16.1	(20,283,286)	112,038,986	On demand
Interest income	12.1, 16.1	106,689	-	
Lease of office space	16.3	20,260,278	26,255,155	Subject to annual escalation
Advance rentals	16.3	39,584	7,078,222	5-year term with renewal options
Rental deposits	16.3	325,467	13,018,255	5-year term with renewal options
Service agreement	16.4	742,410,958	65,731,988	Non-interest bearing; unsecured collected in cash
Dividend income	16.5	1,579,272	-	Collected in cash
Acquisition of shares	16.5	-	29,245,780	Measured at fair market value
Retirement plan	16.7	(26,398,867)	34,335,609	
IMA	16.8	35,956,376	121,584,238	
Loans payable	16.11	323,000,000	-	
Sumitomo Mitsui Banking Corporation (SMBC):				
Trading transactions	16.9	15,154,044,608	-	
Commission income	16.9	7,577,022	-	
Other related parties:				
Trading transactions	16.9	3,975,396,552	(3,346,267)	
Commission income	16.9	5,695,287	-	
Sale of transportation equipment	16.10	928,650	928,650	
Officers and employees:				
Loans to officers and employees	8, 16.2	1,464,881	5,927,660	Subject to salary deduction; interest-bearing; not impaired
(Amounts in PHP) **Related Party Category**	**Note**	**Amount of Transaction**	**Outstanding Balance**	**Terms**
Key management personnel compensation	16.6	150,264,761	-	

16.1 Banking Transactions

In the ordinary course of business, the Group transacts with RCBC and with certain directors, officers, stockholders, and related interests (DOSRI). The major related party transactions include deposits, investments, borrowings, lending and other banking and securities transactions. These transactions are made substantially on the same terms as transactions entered into with other third party individuals and businesses of comparable risks.

As of December 31, 2024 and 2023, the Group has an outstanding cash deposits with RCBC which are payable on demand, and short-term placements with RCBC Trust and Investment Group and RCBC (see Note 6).

16.2 Loans Granted to Officers and Employees

The Group granted loans to officers and employees and are presented as part of Loans and other receivables from officers and employees under Loans and Other Receivables account in the consolidated statements of financial position (see Note 8). The loans to officers and employees, which include housing loans, auto loans, salary loans and emergency loans, are interest bearing and payable through salary deduction. Housing loans and auto loans are secured by real and chattel mortgage, respectively.

The granting of such loans complies with the regulatory requirements on DOSRI. Under current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the individual's deposit and the book value of the investment in the Group. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Group.

The total DOSRI loans represents 9% and 20% of the Group's total loans and other receivables as of December 31, 2024 and 2023, respectively (see Note 8). As of December 31, 2024 and 2023, the Group is in compliance with the existing regulations on DOSRI. These loans were subjected to the Group's ECL model and appropriate provisions were recognized.

16.3 Lease of Office Space

The Group leases its office space from RCBC. Rent expense and amortization of right-of-use assets recognized on these leased premises are reported in the consolidated statements of profit or loss as part of Occupancy and Equipment-related Expenses.

The Group has advance rentals and rental deposits with RCBC which amounted to P1.6 million and P20.1 million as of December 31, 2024 and 2023, respectively.

16.4 Service Agreement

In December 2013, relative to the transfer of Bankard credit card servicing operation to the Group, the BOD of RCBC approved the assignment of the Service Agreement (the Agreement) with Bankard and RCBC to the Group, in accordance with the Purchase Agreement. Under the Agreement, the Group shall provide RCBC with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of RCBC's credit card business.

The total service fees earned for services rendered to RCBC, which is reported as part of Commissions and Fees under Revenues in the consolidated statements of profit or loss, amounted to P909.0 million and P742.4 million in 2024 and 2023, respectively (see Note 17). The accrued service fee is shown as part of Receivable from a related party under Loans and Other Receivables account in the consolidated statements of financial position (see Note 8). These receivables are non-interest bearing, unsecured and collectible within 30 days. The outstanding receivable is deemed collectible; hence, no impairment losses were recognized in 2024 and 2023.

16.5 Acquisition of RCBC *Equity Securities*

The Group acquired equity securities of RCBC classified as financial assets at FVPL with total market value amounting to P36.3 million and P29.2 million as of December 31, 2024 and 2023, respectively. Dividend income received from such shares amounted to P1.5 million and P1.6 million in 2024 and 2023, respectively.

16.6 Key Management Personnel Compensation

The compensation of key management personnel for employee services is shown below.

(Amounts in PHP)	**2024**	2023
Short-term benefits	**143,141,151**	143,441,647
Post-employment benefits	**8,553,425**	6,823,114
	151,694,576	150,264,761

16.7 Retirement Plan

The Group's retirement plan is in the form of a bank-trustee managed account maintained with RCBC. The carrying and fair values of the retirement plan totaled P238.2 million and P230.8 million as of December 31, 2024 and 2023, respectively (see Note 14.2). The Group had no transactions with the retirement plan other than contributions and benefit payments. The Group's plan asset includes the following investment with RCBC as of December 31:

(Amounts in PHP)	**2024**	2023
Cash and cash equivalents	**43,026,000**	33,045,953
Investment in shares of stock	**10,123,659**	1,289,656
	53,149,659	34,335,609

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens. The details of the contributions of the Group and benefits paid out by the plan are presented in Note 14.2.

16.8 IMA

On December 23, 2014, RBSC entered into an IMA with the Trust and Investment Group of RCBC wherein RBSC availed of the services of RCBC relative to the management and investment of the RBSC's investible funds. In 2024, the IMA was transferred to RCBC Trust Corporation (RTC), an associate of the intermediate parent company. The IMA account consists of savings and time deposits which are presented as part of Cash and Cash Equivalents account, and government and corporate bonds and equity securities which are presented as part of Financial Assets at FVPL account in the consolidated statements of financial position (see Notes 6 and 7). In 2024 and 2023, interest income earned on investments under the IMA amounted to P8.1 million and P7.5 million, respectively, is presented as part of Interest and Other Financing Income in the consolidated statements of profit and loss. Trust fees incurred amounted to P0.7 million both in 2024 and 2023, respectively which are presented as part of Miscellaneous under Other Operating Expenses account in the consolidated statements of profit and loss (see Note 13.2).

16.9 Trading Transactions

RSEC was engaged by PMMIC, RCBC, SMBC and other related parties as securities broker for shares traded in the PSE. In July 2023, SMBC engaged the services of the Company as securities broker to acquire an additional 15.01% equity stake in RCBC resulting in an increase of SMBC's shareholding to 20.00%. In consideration for the trading transactions, RSEC earns commission income which is presented as part of Commissions under Revenues section in the statements of profit or loss (see Note 17). Any outstanding receivables arising from these trading transactions, which are due within three days after transaction date, are presented as part of Receivables from stock brokerage customers under Loans and Other Receivables account in the consolidated statements of financial position and are collateralized by the listed equity securities traded by RSEC on behalf of the abovementioned related parties (see Note 8). The fair value of the equity securities which are held for trading purposes as of December 31, 2024 and 2023 amounted to P11.8 million and P13.9 million, respectively.

16.10 Sale of Transportation Equipment

In 2023, RSEC sold transportation equipment to other related parties with a total consideration of P0.9 million. The outstanding receivable amounting to P0.9 million is presented as part of Receivable from a related party under Loans and Other Receivables account in the 2024 consolidated statement of financial position (see Note 8). The gain on sale totaling P3,650 is presented as part of Other Revenues account in the 2024 consolidated statement of profit or loss. There was no similar transaction in 2024.

16.11 Loans Payable

In 2024, RSEC obtained short-term loans with RCBC amounting to P70.0 million payable for varying periods of between 1 to 2 days, with interest rates ranging from 7.78% to 8% per annum. In 2023, short-term loans payable amounting to P323.0 million are made payable within 1 day with interest rates ranging from 8% to 8.8% per annum. The proceeds of the loans were used to fund settlement of trades. The loans were fully paid in 2024 and in 2023.

17. COMMISSIONS AND FEES

This account consists of:

(Amounts in PHP)	Note	**2024**	2023
Point in time:			
Arrangement fees		**250,254,043**	68,813,032
Underwriting fees		**166,516,912**	83,587,670
Broker's fees		**37,004,799**	37,196,589

Commission fees	16.9	**26,992,642**	56,392,435
Selling fee		**478,582**	415,828
		481,246,978	246,405,554
Overtime:			
Service fees	16.4	**909,013,833**	742,410,958
Advisory fees		**86,022**	2,793,249
		909,099,855	745,204,207
		1,390,346,833	991,609,761

18. COMMITMENTS AND CONTINGENCIES

There are other contingent liabilities and commitments that arise in the normal course of the Group's operations which are also not reflected in the consolidated financial statements of the Group. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

19. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	2024			2023		
(Amounts in PHP)	**Within One Year**	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Assets						
Cash and cash equivalents	**1,485,731,851**	**-**	**1,485,731,851**	1,328,706,555	-	1,328,706,555
Trading and investment securities:						
Financial assets at FVPL	**708,589,719**	**-**	**708,589,719**	823,697,385	-	823,697,385
Financial assets at FVOCI – net	**374,193,798**	**283,649,425**	**657,843,223**	385,409,753	277,558,301	662,968,054
Financial assets at amortized cost – net	**834,757,293**	**-**	**834,757,293**	526,698,886	4,869,343	531,568,229
Loans and other receivables – net	**281,242,688**	**5,662,891**	**286,905,579**	122,237,866	14,405,613	136,643,479
Deferred tax assets - net	**-**	**80,788,613**	**80,788,613**	-	77,937,511	77,937,511
Other assets - net	**62,057,374**	**184,689,022**	**246,746,396**	19,729,720	291,040,548	310,770,268
	3,739,318,984	**562,043,691**	**4,301,362,675**	3,206,480,165	665,811,316	3,872,291,481
Liabilities						
Accrued expenses and other liabilities	**666,872,208**	**129,818,325**	**796,690,533**	388,225,678	157,923,347	546,149,025

9. Capital Structure And Capital Adequacy

A. CET 1 and a breakdown of its components

As of December 31, 2024 (in ₱ million)	Conso	Solo
Tier 1 (Common Equity Tier 1 plus Additional Tier 1) Capital		
Paid up common stock	2362.73	2362.73
Retained Earnings	916.18	916.18
Undivided profits	344.10	344.10
Other Comprehensive Income		
Net unrealized gains or losses on AFS securities	(81.68)	(81.68)
Re-measurement of Net Defined Benefit Liability/(Asset)	(19.87)	(29.05)
Others	(18.25)	(9.07)
Common Equity Tier 1 (CET1) Capital	**3503.21**	**3503.21**
Less: Regulatory Adjustments to CET1 Capital		
Deferred tax assets	89.65	13.06
Other Intangible Assets	-	-
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers brokers and insurance companies), after deducting related goodwill, if any		611.80
Other equity investments in non-financial allied undertakings and non-allied undertakings	545.72	371.20
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	36.34	36.34
Total Regulatory Adjustments to CET1 Capital	**671.71**	**1032.41**
Total Common Equity Tier 1 Capital	**2831.49**	**2470.80**
Additional Tier 1 (AT1) Capital		
Less: Regulatory Adjustments to AT1 Capital		
Total Additional Tier 1 (AT1) Capital		
Total Tier 1 (Common Equity Tier 1 plus Additional Tier 1) Capital	**2831.49**	**2470.80**
Tier 2 Capital		
General loan loss provision	0.01	0.01
Total Tier 2 capital	**0.01**	**0.01**
Less: Regulatory Adjustments to Tier 2 Capital	**0.00**	**0.00**
Total Tier 2 Capital	**0.01**	**0.01**
Total Qualifying Capital	**2831.51**	**2470.81**

B. Tier 1 capital and a breakdown of its components

Please refer to the table in Item 9.A above.

C. Tier 2 capital and a breakdown of its components

Please refer to the table in Item 9.A above

D. Total qualifying capital

Please refer to the table in Item 9.A above

E. Capital conservation buffer

Nature of Item	Conso	Solo	Minimum	Buffer	Total	Conso Over (Under)	Solo Over (Under)
RISK-BASED CAPITAL ADEQUACY RATIO	51.77%	78.65%					
Common Equity Tier 1 Ratio	51.77%	78.65%	6.00%	0.00%	6.0%	45.77%	72.65%
of which is Capital Conservation Buffer	45.77%	72.65%					
Tier 1 Capital Ratio	51.77%	78.65%	7.50%	2.50%	10.0%	41.77%	68.65%
Total Capital Adequacy Ratio	**51.77%**	**78.65%**	**7.50%**	**2.50%**	**10.0%**	**41.77%**	**68.65%**

F. Capital requirements for credit risk (including securitization exposures)

As of December 31, 2024 (in ₱ million)	Credit Risk		Market Risk		Operational Risk	
	Conso	Solo	Conso	Solo	Conso	Solo
On-Balance Sheet Assets	1,856	916				
Market Risk-Weighted Assets			1,409	1,407		
Operational Risk using Basic Indicator Approach					2,204	819
Total	**1,856**	**916**	**1,409**	**1,407**	**2,204**	**819**
Capital Requirements	**186**	**92**	**141**	**141**	**220**	**82**

G. Capital requirements for market risk

Please refer to the table in Item 9.F above.

H. Capital requirements for operational risk

Please refer to the table in item 9.F above.

I. Total CAR, Tier 1 and CET 1 ratios on both solo and consolidated basis

As of December 31, 2024	Conso	Solo
Total Capital Adequacy Ratio	51.77%	78.65%
Tier 1 Capital Adequacy Ratio	51.77%	78.65%
Common Equity Tier 1 Ratio	51.77%	78.65%
Capital Conservation Buffer	45.77%	72.65%

J. Full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements (Solo Basis):

Equity Accounts (in ₱ million)	Audited FS	BSP FRP/ CSOC	Change	Details	Amount
Common Stock	**2,362.73**	**2,362.73**	**0.0**		
Revaluation Reserves	**(113.95)**	**(108.75)**	**(5.20)**		
Actuarial Gains and Losses on Retirement Plan - RCAP and subsidiaries	(29.55)	(29.05)	(0.50)	Year-end audit adjustments	
Net unrealized gains or losses on AFS securities	(81.68)	(81.68)	0.00	NUGL of AFS Others in CSOC/CSIE but booked as NCAHS without MTM in Audited FS	
Others (NUGL and Impairment Reserves – FVOCI Debt)	(11.60)	(9.07)	(2.53)	Year-end audit adjustments	(2.53)
Surplus	**1,264.77**	**1,260.28**	**4.49**		
Retained Earnings	916.18	916.18	(0.00)		
Undivided Profits	348.59	344.10	4.49	*Year-end adjustments on various income/expense accounts*	4.49
Total Capital	**3,504.67**	**3,503.21**	**1.46**		

Conso	As of December 31, 2024				
FRP Equity Accounts (in ₱ million)	**CSOC/ FRP**	**CET1 Capital**	**Add'l Tier 1**	**Tier 2 Capital**	**Total Basel III Capital**
Paid in Capital Stock	2,362.73	2,362.73	-		2,362.73
Common Stock	2,362.73	2,362.73			2,362.73
Retained Earnings	916.18	916.18			916.18
Undivided Profits	344.10	344.10			344.10
Other Comprehensive Income	(119.80)	(119.80)			(119.80)
Total Equity Accounts	**3,503.21**	**3,503.21**			**3,503.21**
Other Accounts Eligible as Regulatory Capital					
Regulatory Adjustments/Deductions to CET1 Capital					

Conso	As of December 31, 2024				
FRP Equity Accounts (in ₱ million)	**CSOC/ FRP**	**CET1 Capital**	**Add'l Tier 1**	**Tier 2 Capital**	**Total Basel III Capital**
Deferred tax assets	(89.65)	(89.65)			(89.65)
Other Intangible Assets					0.00
Other equity investments in non-financial allied undertakings and non-allied undertakings	(545.72)	(545.72)			(545.72)
Reciprocal investments in common stock of other banks quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	(36.34)	(36.34)			(36.34)
Total Regulatory Capital	**2,831.49**	**2,831.49**	**-**	**-**	**2,831.49**

Solo	As of December 31, 2024				
FRP Equity Accounts (in ₱ million)	**CSOC/ FRP**	**CET1 Capital**	**Add'l Tier 1**	**Tier 2 Capital**	**Total Basel III Capital**
Paid in Capital Stock	2362.73	2362.73	-		2362.73
Common Stock	2,362.73	2,362.73			2362.73
Retained Earnings	916.18	916.18			916.18
Undivided Profits	344.10	344.10			344.10
Other Comprehensive Income	(119.80)	(119.80)			(119.80)
Total Equity Accounts	**3,503.21**	**3,503.21**			**3,503.21**
Other Accounts Eligible as Regulatory Capital--					
Regulatory Adjustments/Deductions to CET1 Capital					
Deferred tax assets	(13.06)	(13.06)			(13.06)
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	(611.80)	(611.80)			(611.80)
Other equity investments in non-financial allied undertakings and non-allied undertakings	(371.20)	(371.20)			(371.20)
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and	(36.34)	(36.34)			(36.34)

Solo	**As of December 31, 2024**				
FRP Equity Accounts (in ₱ million)	**CSOC/ FRP**	**CET1 Capital**	**Add'l Tier 1**	**Tier 2 Capital**	**Total Basel III Capital**
consolidated bases)					
Total Regulatory Capital	**2,470.80**	**2,470.80**	**-**	**-**	**2,470.80**

K. All regulatory adjustments/deductions, as applicable

Regulatory Adjustments to Capital consists of the sum of the following accounts:

a. Unsecured credit accommodations
b. Unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates
c. Deferred Tax Assets
d. Goodwill
e. Other Intangible Assets net of any allowance for impairment
f. Defined benefit pension fund assets (liabilities)
g. Investments in equity of unconsolidated subsidiary banks, RCBC Securities Incorporated, and RCBC Bankard Services Corporation, for the solo reporting
h. Other equity investments in non-financial allied undertakings and non-allied undertakings represent investments in various listed companies. Such investments are currently classified under the Financial Assets at Fair Value thru Other Comprehensive Income (FVOCI)

L. Description of the main features of capital instruments issued

No capital instrument was issued for the year. The company's existing capital base is primarily capital stock, surplus and undivided profits and other comprehensive income. Please refer to the table in Item 9.A for the details.

M. Comprehensive explanations of how ratios involving components of regulatory capital are calculated

Ratios of common equity tier 1 (CET 1) capital, tier 1 capital and total qualifying capital are computed by dividing each component over the total risk-weighted assets.

Regulatory Capital consist of the sum of the following accounts as reported in the BSP Financial Reporting Package (FRP) which are eligible as common equity tier 1 (CET1) and Additional Tier 1 (AT1) capital guided by Circular No. 781 - Basel III Implementing Guidelines on Minimum Capital Requirements:

a. Paid up common stock
b. Retained Earnings
c. Undivided Profits
d. Other Comprehensive Income
    - Net Unrealized Gains or Losses on AFS Securities
    - Cumulative foreign currency translation
e. Minority Interest in Subsidiaries (for consolidated report only)

Regulatory Adjustments to Capital consists of the sum of the following accounts:

a. Unsecured credit accommodations

b. Unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates
c. Deferred Tax Assets
d. Goodwill
e. Other Intangible Assets net of any allowance for impairment
f. Defined benefit pension fund assets (liabilities)
g. Investments in equity of unconsolidated subsidiary banks, RCBC Securities Incorporated, and RCBC Bankard Services Corporation, for the solo reporting
h. Other equity investments in non-financial allied undertakings and non-allied undertakings represent investments in various listed companies. Such investments are currently classified under the Financial Assets at Fair Value thru Other Comprehensive Income (FVOCI)

Tier 2 capital consists of the General Loan Loss Reserves which is equivalent to 1% of the credit risk-weighted assets.

10. General Risk Exposures And Assessments

A. Strategies and processes

MARKET RISK

The company assumed market risk in trading activities by taking positions in financial instruments, such as fixed income and equity securities.

Risk Assessment Process

The market metrics in use include the following:

- Nominal Position – an open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure.
- Value-at-Risk (VaR) - an estimated of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movement of the relevant market risk factors and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence.

Risk Control Set-up

The Risk-taking Approval Process

The setting of specific risk levels takes its cue from the general business and risk appetite set by the Board. The setting of tolerance levels is approved by the ROC. Guided by institutional risk-reward targets set by the Board, and aided by information provided by market risk-specific undertakings, the ROC decides on the proposed exposure levels, and sets the risk limits accordingly.

Risk Tolerance

The company sets a more rationalized set of risk limits, such that products, in general are aggregated as either trading or investment positions. These market (or price) risk tolerances are with respect to: a) position, b) value-at-risk (VaR), and c) loss. Where appropriate, management action triggers are likewise set.

- Trading position limits are driven initially by target trading revenue; but ultimate approval is provided in the context of the overall risk tolerance set by the company.
- Value-at-Risk (VaR) is the estimated maximum potential loss on a position, during a given time period, at a specified statistical probability level. The given time period referred to is one that allows an orderly liquidation period, or time to unwind a position. The company makes an assumption as to these unwind periods. The probability level at which the company estimates VaR is 99%.
- The Loss Limit defines the maximum loss the company is prepared to absorb for any given period, ordinarily a month.

Equities Portfolio

The company's portfolios of equities in the trading books are classified as Fair Value Through Profit and Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVOCI). The procedure for fair valuation is documented in the operations manual.

An equity portfolios position limit, expressed as a nominal position, provides the first measure of risk tolerance.

Fixed Income Portfolio

The company's portfolios of fixed income securities in the trading books are classified as Fair Value Through Profit and Loss (FVTPL) and Hold-to-Collect (HTC). The procedure for fair valuation is documented in the operations manual.

Aggregate Risk Tolerance Level

To control overall trading risk, the company likewise sets aggregate VaR and Loss levels. The responsibility for monitoring compliance to portfolio market risk limits is vested upon the risk officer.

Risk Monitoring and Reporting

Report	Description	Frequency
1. Limits Monitoring 1.1 Month to Date Gain/ Loss 1.2 Value at Risk	Report showing the following limits vs. levels: Profit & Loss, Value at Risk	Daily
2. Stress Tests	Report showing values of the portfolios under extreme market movements	Weekly
3. Backtest	Report showing how adequate the Value at Risk model predicts the maximum loss the company may incur in a day	Quarterly

Limit Breaches

Whenever a loss limit is breached, the Portfolio Manager seeks the guidance of management relative to the position. Three alternative courses of action are available, as follows:

- Unwind the position, wholly or in part (and if the latter, to what extent); and stop trading for the month. In this case, no transactions will take place other than sell the position (if long) or buy (if short).

- Hold the position and stop trading for the month. Sell or buy but only if this reduces the loss, i.e., for long position, sell on price uptick at the discretion of the Portfolio Manager subject to the approval by the Management.
- Continue normal trading activity (as if nothing happened) and establish temporary loss limit for the month in question.

Exception Approval & Authority Delegation

The following summarizes the current practice with regard to exception approvals and authority delegations. These practices are an offshoot of market risk monitoring and reporting.

- ROC approval of exceptions requires the approval of at least two (2) members.
- The President/Chief Executive Officer is given authority to temporarily relax any Loss Limit. Occurrence and the use of such authority should be reported in the next ROC meetings.

LIQUIDITY RISK

A potential or probable loss to earnings and capital arising from the company's inability to meet its obligations when they fall due may be due to either the company's inability to liquidate assets or obtain adequate funding, or the inability to unwind large exposures without significantly lowering market prices.

The main tool for liquidity risk management is the Maximum Cumulative Outflow (MCO) Report. Policies relating to the management of liquidity risk are approved by the ROC.

Risk Assessment Process

Liquidity risk is measured using the established Maximum Cumulative Outflow (MCO) method, which in turn is based on historical observations and simulations of prospective liquidity risk events. The starting point of an MCO analysis is liquidity (cash flow) gapping.

In addition to the quantitative assessment of the company's over-all liquidity profile, it has a well-established contingency funding plan (CFP). The plan strives to define liquidity stress levels from the standpoint of both systemic and name-specific crisis including the early warning indicators and the crisis management process once the plan is activated.

Risk Control and Mitigation

The company's appetite for liquidity risk is set via the establishment of the Maximum Cumulative Outflow (MCO) limit, which is guided by relevant factors, including the availability of lines of credit that may be drawn down without creating any adverse market reaction. When a limit for a time bucket is not defined, it is assumed to be zero, which means that, as a matter of policy direction, liquidity flows are planned so that no cumulative outflow (no negative cumulative gap) is reported for that time bucket.

Likewise, regular monitoring of sufficient stock of liquid assets for use during a crisis scenario and ensuring that structural funding mismatches are within tolerance levels constitute the company's mitigating techniques.

The tracking of approved liquidity triggers based on selected market indicators is also one of the company's risk mitigating activities. The following spells out the market indicators monitored by the risk officer.

Stress Event	Warning	Parameter
Inability to sell equity issues	Substantial and sudden decline in hot money investments in the stock market.	Stock exchange indices
Inability to sell equity Issues	Substantial decline in value turnover in the stock market	Stock exchange indices
Inability to sell fixed income securities and/or non-equity assets	Deterioration of market values of fixed income investments	Fixed income exchange indices
Inability to access funding lines	Elimination of committed credit lines by counterparties (country and credit name issue)	Rapid decline in stock price: Stock Exchange indices, RCBC stock price
Inability to access funding lines	Significant increases in funding costs	Spread between short-term and long-term borrowing benchmarks

Once any of the triggers are hit, the ROC-approved policy mandates the coordination of the senior management for an assessment if indeed a liquidity event looms.

Basel III

The BSP in 2015 issued two exposure drafts on the implementation of the Liquidity Coverage Ratio (LCR). The company regularly computes its LCR. Computed values are submitted to the Parent Bank for consolidation. Furthermore, the LCR serves as a guide when considering both the short-term and long term strategic investment and funding initiatives of the company.

CREDIT RISK

The company engages in the purchase and sale of fixed income securities. In particular, the company currently invests in the purchase of corporate bonds. The credit risk is associated with the issuer's ability to pay its principal and interest obligations to the holder of the security it issued. If the position is an investment position, the company is exposed to this risk until maturity.

Risk Monitoring and Reporting

Report	Description	Frequency
Credit risk rating	Report obtained from the website of the Philippine Rating Services Corporation, containing the current credit risk rating of corporate bonds	Monthly
Financial ratios	Report on the financial performance of the bond issuers based on their financial statements	Quarterly

Risk Control and Mitigation

The company only invests in bonds with high credit ratings as assessed by the Philippine Rating Services Corporation (PhilRatings). PhilRatings is the pioneer domestic credit rating agency that is accredited by the Securities and Exchange Commission and recognized by the Bangko Sentral ng Pilipinas.

Once there is deterioration in the bond issuer's financial standing, senior management will assess how the fixed income security should be liquidated.

OPERATIONAL RISK

Operational risks are risks arising from the potential inadequate information systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls and fraud or unforeseen catastrophes that may result in unexpected loss. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

Operational Risk Management (ORM) Tools

For purposes of identification, monitoring and reporting analysis, the company categorizes operational risk events as follows:

1. Internal Fraud – Losses due to acts of a type intended to defraud, misappropriate funds/property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, which involves at least one internal party. Example is theft of company property by staff.
2. External Fraud – Losses due to acts of a type intended to defraud, misappropriate funds/property or circumvent the law, by a third party. Example includes forgery of the drawer's signature on checks drawn on the bank.
3. Employment Practices and Workplace Safety – Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events. This includes events arising from organized labor activity.
4. Clients, Products and Business Practices – Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product. Example is legal liability that may arise from the sale of products to customers deemed without proper risk disclosure.
5. Damage to Physical Assets – Losses arising from loss or damage to physical assets from natural disaster or other events such as those caused by natural calamities as well as those caused by terrorism.
6. Business Disruption and System Failures – Losses arising from disruption of business or system failures such as information systems or telecommunications failure which disables the bank's ability to conduct its business with customers.
7. Execution, Delivery and Process Management – Losses or events arising from failure of transaction processing, process management from relations with trade counter parties and vendors/alliance partners/service providers. Example is incomplete legal documentation of credit exposures.

To aid in the management of operational risk and the analysis of the company's operational risk profile, the following tools are used:

Loss Events Reporting

Information on losses is a fundamental part of the company's operational risk management process, as losses are a clear and explicit signal that a risk event has occurred. This may be due to the failure of control, the lack of control or simply a very unusual event that was not foreseen.

Businesses are required to report their loss events. These reports include losses reported to BSP, special audit cases, and other loss incidents occurring in the business such as penalties, etc. Potential losses and near misses are likewise required to be reported.

Key Risk Indicators (KRI)

KRI are used to monitor the operational risk profile and alert the company to impending problems in a timely fashion. KRIs facilitates the forward looking management of operational risk and provides information on the level of exposure to a given operational risk at a particular point in time. These indicators allow the monitoring of the company's control culture and trigger risk mitigating actions.

KRIs includes measurable thresholds that reflect risk appetite. These are monitored to serve as alerts when risk levels exceed acceptable ranges and drive timely decision making and actions.

Risk and Control Self-Assessment (RCSA)

The company identifies and assesses all risk within each business and evaluates the controls in place to mitigate those risks. Business and support units use self-assessment techniques to identify risks, evaluate the effectiveness of controls in place, and assess whether the risks are effectively managed within the business.

In the annual self-assessment process, areas with high risk potential are highlighted and risk mitigating measures to resolve them are identified. Risk assessment results are then reviewed and discussed with the head and senior officers of business and support units. These discussions of assessment results enable management to detect changes to risk profiles, and consequently take corrective actions.

Risk Assessment Process

The company uses the Basic Indicator Approach in its assessment of this risk, as it relates to capital adequacy determination. It however uses an Operational Risk Management System (ORMS) to monitor operational risk, compile and analyze operational risk data and to facilitate timely reporting mechanisms for the company's ROC, senior management, and business line levels that support proactive management of operational risk.

The following are the current methodologies used in assessing the company's operational risk profile.

Probability and Severity Analysis

This tool is used to quantify the likelihood (or frequency) and impact (or consequence) of identified risks in order to prioritize risk response activities. The probability addresses: a) the likelihood of the risk event occurring (the uncertainty dimension) based on current status of mitigation actions, and b) the impact detailing the extent of what would happen if the risk were to materialize (the effect dimension).

Probability assessment uses a 5-scale likelihood factor matrix ranging from "least likely" to "almost certain". Impact Assessment on the other hand employs a 5-scale severity factor matrix ranging from "least severe" to "very severe".

Control Rating

Existing controls are assessed likewise using a 5-scale control adequacy matrix ranging from "substantially under control" to "no controls in place".

Risk Rating

The Probability & Severity Analysis described above, along with the control rating, result in a Risk Rating. It is a quantitative measure of the risk level of each event, and helps to focus on those determined to be high risk. For each risk event identified, a risk score is calculated and later classified as: High (Red), Medium (Yellow) and Low (Green). The scale is as follows:

Risk Description	Risk Rating
Low (Green)	Risk Score 1 - 4
Medium (Yellow)	Risk Score 5 - 10
High (Red)	Risk Score 11 - 25

Risk Monitoring and Reporting

The continuous monitoring and reporting of operational risk is a key component of an effective Operational Risk Management Framework. Therefore, it is imperative that reports on operational risks are submitted on a timely basis, and information generated both for external and internal parties are reported internally to senior management and the Board where appropriate.

In accordance with its monitoring and reporting functions, the risk officer prepares reports on operational risk as follows:

Report	Frequency	Reported to
Loss Events	Quarterly	Risk Oversight Committee
Key Risk Indicators	Quarterly	Risk Oversight Committee
Risk and Control Self-Assessment	Annual	Risk Oversight Committee

Operational Risk Control and Mitigation

The company endeavors to operate within a strong control environment focused on the protection of its capital and earnings, while allowing the business to operate such that the risk are taken without exposure to unacceptable potential losses through the utilization of approved policies, sound processes, and reliable information technology systems. These controls include: segregation of duties, dual controls, approvals and authorization, exception reporting, sound technology infrastructure, product manuals and circulars review.

B. The structure and organization of the relevant risk management function

Please refer to Item 10.A above

C. The scope and nature of risk reporting and/or measurement systems

Please refer to Item 10.A above

D. Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants

Please refer to Item 10.A above

11. Specific Risk Disclosures

A. Credit Risk

1) Total credit risk exposures broken down by type of exposures

Conso

Type of Exposures (in ₱ million)	As of December 31, 2024									
	Total Expo-sures*	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights (%)						Total Risk Weighted Assets
				0	20	50	75	100	150	
On-Balance Sheet Exposures										
Sovereigns	4.83	-	4.83	4.83	-	-		-		4.83
Banks	1,485.60	-	1,485.60	983.37	-	-		502.24		1,485.60
Corporates	946.88	-	946.88	-	166.99	-	-	779.89	-	946.88
Housing Loans	3.03	-	3.03	-	-	3.03	-	-		3.03
ROPA	1.46	-	1.46	-	-	-	-	-	1.46	1.46
All other assets, net of deductions	1,876.14	-	1,876.14					1,876.14		1,876.14
Total on-balance sheet exposures	**4,317.96**	**-**	**4,317.96**	**988.20**	**166.99**	**3.03**	**-**	**3,158.27**	**1.46**	**4,317.96**
Off-balance sheet exposures	-	-	-	-	-	-	-	-	-	-
Total	**4,317.96**	**-**	**4,317.96**	**988.20**	**166.99**	**3.03**	**-**	**3,158.27**	**1.46**	**4,317.96**
Deductions from Capital	**1,339.12**	**-**	**1,339.12**	**-**	**-**	**-**	**-**	**1,339.12**	**-**	**1,339.12**
Total, net of deductions	**2,978.84**	**-**	**2,978.84**	**988.20**	**166.99**	**3.03**	**-**	**1,819.15**	**1.46**	**2,978.84**

* Principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision

Solo	As of December 31, 2024									
Type of Exposures (in ₱ million)	**Total Exposures***	**Credit Risk Mitigants (CRM)**	**Total Credit Risk Exposure after CRM**	**Risk Weights (%)**						**Total Risk Weighted Assets**
				0	**20**	**50**	**75**	**100**	**150**	
On-Balance Sheet Exposures										
Sovereigns	-	-	-	-	-	-		-		-
Banks	999.51	-	999.51	983.37	-	-		16.14		999.51
Corporates	946.88	-	946.88	-	166.99	-	-	779.89	-	946.88
ROPA	-	-	-	-	-	-	-	-		-
All other assets, net of deductions	1,785.89	-	1,785.89					1,785.89		1,785.89
Total on-balance sheet exposures	**3,732.27**	**-**	**3,732.27**	**983.37**	**166.99**	**-**	**-**	**2,581.92**	**-**	**3,732.27**
Off-balance sheet exposures	-	-	-	-	-	-	-	-	-	-
Total	**3,732.27**	**-**	**3,732.27**	**983.37**	**166.99**	**-**	**-**	**2,581.92**	**-**	**3,732.27**
Deductions from Capital	1,699.80	-	1,699.80	-	-	-	-	1,699.80	-	1,699.80
Total, net of deductions	**2,032.47**	**-**	**2,032.47**	**983.37**	**166.99**	**-**	**-**	**882.12**	**-**	**2,032.47**

* Principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision

2) Total credit risk exposure after risk mitigation, broken down by:

   i. Type of exposures

      Please refer to the tables in Item 11.A.1 above.

   ii. Risk buckets, as well as those that are deducted from capital

      Please refer to the tables in Item 11.A.1 above.

3) Total credit risk-weighted assets broken down by type of exposures

Conso	As of December 31, 2024									
On-Balance Sheet Assets (in ₱ million)	Principal Amount	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights (%)						Total
				0	20	50	75	100	150	
Due from Bangko Sentral ng Pilipinas	983.37	-	983.37	983.37						983.37
Due from Other Banks	502.24	-	502.24					502.24		502.24
Financial Assets Designated at Fair	4.83	-	4.83	4.83	-					4.83
Available for sale – Financial Assets	112.12	-	112.12		112.12			-		112.12
Held-to-Maturity (HTM) Financial	834.76	-	834.76		54.86	-		779.89		834.76
Loans and Receivables	25.82	-	25.82			3.03		22.79		25.82
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions										
Real and Other Properties Acquired	1.46	-	1.46						1.46	1.46
Other Assets	514.24	-	514.24					514.24		514.24
Total Exposures	**2,978.84**	**-**	**2,978.84**	**988.20**	**166.99**	**3.03**	**-**	**1,819.15**	**1.46**	**2,978.84**
Total Risk-weighted On-Balance	**1,856.27**	**-**	**1,856.27**	**-**	**33.40**	**1.52**	**-**	**1,819.15**	**2.20**	**1,856.27**

Solo	**As of December 31, 2024**									
On-Balance Sheet Assets (in ₱ million)	**Principal Amount**	**Credit Risk Mitigants (CRM)**	**Total Credit Risk Exposure after CRM**	**Risk Weights (%)**						**Total**
				0	**20**	**50**	**75**	**100**	**150**	
Due from Bangko Sentral ng Pilipinas (BSP)	983.37	-	983.37	983.37						983.37
Due from Other Banks	16.14	-	16.14					16.14		16.14
Financial Assets Designated at Fair Value	-	-	-							-
Available for Sale–Financial Assets	112.12	-	112.12		112.12					112.12
Held-to-Maturity (HTM) Financial Assets	834.76	-	834.76		54.86	-		779.89		834.76
Loans and Receivables	1.06	-	1.06					1.06		1.06
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions										
Other Assets	85.02	-	85.02					85.02		85.02
Total Exposures	**2,032.47**	**-**	**2,032.47**	**983.37**	**166.99**	**-**	**-**	**882.12**	**-**	**2,032.47**
Total Risk-weighted On-Balance Sheet Assets	**2,032.47**	**-**	**2,032.47**	**-**	**33.40**	**-**	**-**	**882.12**	**-**	**915.51**

4) Names of external credit assessment institutions used and the types of exposures for which they were used

RCBC Capital uses the Philippine Rating Services Corporation (PhilRatings) for the company's investments in corporate bonds.

5) Types of eligible credit risk mitigants used including credit derivatives

None

6) For QBs with exposures to securitization structures

   i. Accounting policies for these activities

      RCBC Capital has no exposure to securitization structures.

   ii. Total outstanding exposures securitized by the QB

      RCBC Capital has no exposure to securitization structures.

   iii. Total amount of securitization exposures retained or purchased broken down by exposure type

      RCBC Capital has no exposure to securitization structures.

7) Total outstanding amount of credit protection given by the QB broken down by type of reference exposures

   None

8) Total outstanding amount of other types of structured products issued or purchased by the QB broken down by type

   None

B. Market Risk

1) Total market risk weighted assets broken down by type of exposures (interest rate, equity, foreign exchange and options)

	Conso		Solo	
Using Standardized Approach (in ₱ million)	**Notional Amount**	**Market Risk Weighted Assets**	**Notional Amount**	**Market Risk Weighted Assets**
Interest Rate Exposures	5	2	-	-
Equity Exposures	704	1,408	704	1,407
Total	**709**	**1,409**	**704**	**1,407**

2) For QBs using the internal models approach

   i. The characteristics of the models used

   Delta-Normal Approach

   The method for estimating VaR is a parametric approach that assumes that the risk factors follow a normal distribution. The advantage of the normal distribution is, it only requires two parameters, the mean and standard deviation, to define it.

   The mean parameter is estimated by the average of the sample data. However, since the data modeled in market risk are usually the changes of market factors, the standard assumption is that the mean of the changes is zero.

   The standard deviation (SD) parameter is estimated by the standard deviation of the sample data. The SD of market factor changes can be viewed as a measure of the volatility of those factors. The higher the standard deviation is, the more volatile that factor is.

In obtaining the standard deviation of the sample, one should build and maintain historical database of various market factors. For fixed income portfolio, the market factors are interest rates. These are taken to be the zero rates rather than par rates. If zero rates are not available, these can be derived from par rates using the bootstrapping method.

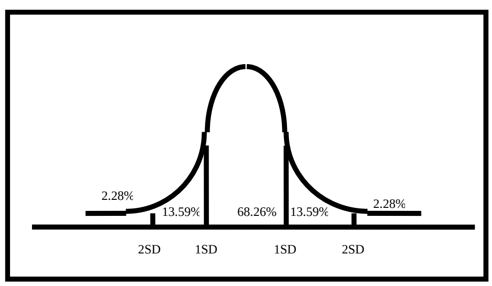
In modeling volatility of the factors, there are various return series such as actual returns and log normal returns that can be utilized. Although there is no theoretical proof on which kind of return is better, the standard practice is to use lognormal returns. Also, it seems more logical to use since it can be viewed as the percentage change and thus considers current risk factor levels.

$$percentagechange = \sigma(r_t)$$

Secondly, to obtain the actual change, one multiplies this percentage change to the current rates. (Last month's average rate, "averate", is taken as the current rate in the company's practice.)

$$actualchange = averate \times \sigma(r_t)$$

The confidence level usually refers to the probability that an event (e.g. rate movement of 200 bps) would occur. Under a normal distribution, the size of the SD from the mean determines the range of probability the event will occur.
For the normal distribution, 68.26% of all likely movements would be within 1 SD of the mean, while 2 SD encompasses 95.44% of all likely rate movements. (In the figure below, measures of 2SD encompass 68.26% plus 13.59% and 13.59% totaling 95.44% of all outcomes.)



Because VaR is mainly concerned with potential loss, the main focus for VaR computation is the left side of the distribution. Therefore the level of confidence of a 2 SD measure of risk is said to be 97.72% instead of 95.44%. The additional 2.28% is the area that is more than 2 SD but on the right side of the distribution. This is referred to as one-tailed confidence level. In the company's practice, the one-tailed confidence level is the perspective when discussing confidence level.

Continuing with the example above, to obtain the 99% confidence level, multiply the actual change volatility by 2.326, the number of SD movement it is equivalent to. Thus, the yield volatility with 99% confidence level is the product of: 2.326 which is the number of SD corresponding to the confidence level of 99%, the current average rate (averate) and the percentage change in the risk factor.

$$yieldvolatility = 2.326 \times (averate) \times \sigma(r_t)$$

The impact of the volatility to the instrument can be estimated through *delta valuations*. Delta valuation uses the fact that the change in value of the instrument can be approximated by multiplying its market value- or price-sensitivity to the risk factor at the initial position, by the change in risk factor.

For fixed income securities, the price sensitivity of the instrument is measured by DV01 and the risk factor would be interest rates,particularly zero rates. Value-at-Risk (VaR) for a fixed income instrument is DV01 multiplied by the yield volatility.

Historical Simulation Approach

This computation of VaR assumes that historical data reflect future prices and correlation as well. The simulation requires historical data of the market factors concerned. The current position for each day of the historical horizon chosen is valued using the historical market factors for the day, and then for the following day. The difference would be the hypothetical gain/loss for the day had the position been held. This simulation results to a distribution of the daily gains/losses of the portfolio. One can then derive the mean and the 1st or 99th percentile of the historical gains/losses. Since the mean may be substantial in this case, the VaR with a 99% confidence level is defined as the mean minus the 99th percentile of the distribution.

For the equities portfolios, the company uses this approach in VaR estimation.

Volatility Estimation

The size of the data series used to estimate volatility affects the VaR calculations. On the one hand a limited time series may not capture risk factor movements occurring beyond the range of the time series. Relevant movements are thus “forgotten”. On the other hand, an inordinately long series may contain data that is no longer relevant in the current economic / business regime due to structural changes that have taken place. The choice of the length of the time series is thus a judgment that takes these into account.

The company uses a minimum of 780 days (approximately equivalent to 3 years) of historical data for volatility estimation.

The volatility over a period of days is not a linear sum of the daily volatility. A statistical estimate is to multiply the 1-day volatility by the square root of the number of days in the period. Thus, to estimate annual volatility, multiply daily volatility by the square root of the number of trading days in the year.

ii. A description of stress testing applied to the portfolio

Stress testing involves estimating how the portfolio would have performed under some of the most extreme market moves in the last 10 to 20 years. It can also be considered as a way of taking into account extreme events that do occur from time to time but that are virtually impossible according to the probability distributions assumed for market variables.

For the equities portfolios, a 5-standard deviation daily move in the market prices was applied to the current prices. For the fixed-income portfolio, a 200 bps change in yield was assumed for all tenors in the current yield curve.

iii. A description of the approach used for backtesting/validating the accuracy and consistency of the internal models and modeling processes

Back-Testing of VaR vs. Hypothetical Daily Profit & Loss Figures

The company uses a back-testing methodology where the position of each trading day is marked-to-market using prices of the following trading day and thereby calculates a “hypothetical” daily P&L for the portfolio. The underlying logic is that if the portfolio remained constant, then its daily P&L would be the result of the daily movement of the prices of the instruments comprising the portfolio. P&L resulting from the buying/selling of the same instrument during the day is not considered. It thus corresponds directly to what VaR is attempting to measure.

Each VaR confidence level has an implied frequency of losses greater than VaR to be expected, which can be compared against the actual frequency of losses that exceed VaR. A loss exceeding VaR is an *exception.* There is an expected number of exceptions associated with each VaR confidence level. The actual number of exceptions shown by back-testing compared with the expected number of exceptions determines the VaR model's acceptability.

The BIS-recommended VaR back-testing framework involves testing the number of times that trading losses exceeded the 99% confidence level (2.326 SD) VaR calculation for the past year. This formal testing and accounting of exceptions is to be done on at least an annual basis.

The BIS categorizes[4] the number of exceptions into three "zones" as follows:

The green zone shows the range of exceptions which suggest no problems with the quality or accuracy of the model, and the probability of erroneously accepting an inaccurate model is very low.

The yellow zone shows the range of exceptions where questions should be raised about model accuracy, but the conclusion of inaccuracy is not definitive. In this middle zone back-testing results are consistent with both accurate and inaccurate models.

The red zone refers to the situation in terms of the number of exceptions indicating an almost certainty of a problem with the model, and the probability of erroneously rejecting an accurate model is very remote.

The table below shows the zones for a 99% VaR model. It also shows the suggested increases in the so-called "multiplicative factor" which is the factor used to multiply VaR with if this was being used for capital adequacy calculation purposes under Basel guidelines:

ZONE	Number of Exceptions (out of 250 days)	Increase in Multiplicative Factor
Green Zone	0	0.00
	1	0.00
	2	0.00
	3	0.00
	4	0.00
Yellow Zone	5	0.40
	6	0.50
	7	0.65
	8	0.75
	9	0.85
Red Zone	10 or more	1.00

[4] The approach was concerned with two types of errors in testing model validity: type 1) where a model is accurate, but is rejected and, type 2) where a model is inaccurate but is accepted.

iv. The scope of acceptance by the BSP

Regarding the internal models, stress testing, and backtesting methodologies the company applies, it had not received any feedback from the BSP except for the VaR model used in the equities portfolios. The BSP required the model to be validated by an independent party. This has already been done by the company and will be ready for the next BSP audit for examination

v. A comparison of VaR estimates with actual gains/losses experienced by the QB, with analysis of important outliers in backtest results.

For the fixed income portfolio, ten (10) exceptions were noted for the year 2024. Using the table above, the number of exceptions for the model is already in the red zone. Thus, RCAP shifted from using delta normal approach to historical simulation approach for estimating VAR for fixed income securities.

For the equities portfolios, there was no exception noted in the backtest results.

C. Operational risk

1. Operational risk-weighted assets

Nature of Item (in ₱ million)	Total Risk Weighted Assets	
	Conso	Solo
Net interest income	13	12
Other non-interest income	163	54
Gross Income	176	65
Capital Requirements	**220**	**82**

D. Interest Rate or Interest Rate Risk in the Banking Book

1) Internal measurement of interest or interest rate risk in the banking book, including assumptions regarding loan payments and behavior of non-maturity deposits, and frequency of measurement

As of 31 December 2024, RCBC Capital does not have any non-maturity deposits or loans. The company maintains minimal funds with depository banks since excess funds are placed in BSP's RRP and Term Deposit Facility. The only interest rate risk carried pertains to the corporate bond investments. Where, as an internal measurement, a 400 bps increase in rates is applied for all tenors in the current yield curve, resulting in a decrease in values of bond prices.

2) The increase (decrease) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to internal measurement of interest rate risk in the banking book.

As of December 31, 2024, the company's fixed income portfolio was valued at ₱117,066,813.57. Applying the internal measurement of interest rate risk as described above, the value becomes ₱110,361,818.70 resulting in a 5.73% decrease in the portfolio's market value.

RCBC Plaza Tower 2
6819 Ayala Avenue, Makati City, 0727 Philippines
(632) 88949000

https://www.rcbc.com/rcbc-capital-corporation