C O V E R S H E E T

for

SEC FORM 17-A

SEC Registration Number

P	W	-	0	0	0	0	0	3	4	3

COMPANY NAME

LT GROUP, INC.

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

11th Fl., Unit 3 Bench Tower,
30th St. corner Rizal Drive
Crescent Park West 5 Bonifacio
Global City, Taguig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@ltg.com.ph	**(632) 8808-1266**	**+639278375844**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
372	**May 4**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Gabriel D. Olives	**josegabriel.olives@ltg.com.ph**	**N/A**	**N/A**

CONTACT PERSON's ADDRESS

11th Floor, Unit 3 Bench Tower, 30th St. corner Rizal Drive Crescent Park West 5 Bonifacio Global City, Taguig City

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

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

LT GROUP, INC.

SEC FORM 17-A

TABLE OF CONTENTS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2022**

2. SEC Identification Number **PW-343**

3. BIR Tax Identification No. **121-145-650-000**

4. Exact name of registrant as specified in its charter **LT Group, Inc.**

5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **11th Floor Unit 3 Bench Tower, 30th St. corner Rizal drive Crescent Park West 5 Bonifacio Global City Taguig City** — **1634**
Address of principal office — Postal Code

8. **(632) 8808-1266**
Registrant's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares, P1.00 par value	**10,821,388,889**

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

Yes [✓] No [ ]

Name of Stock Exchange: **Philippine Stock Exchange**
Class of securities listed: **Common shares**

10,821,388,889 common shares have been listed with the Philippine Stock Exchange

12. Check whether the registrant:

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

Yes [✓] No [ ]

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

Yes [✓] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant: **₱25,515,039,880** as of December 31, 2022.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENT PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the commission.

Yes [ ] No [ ] **Not applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders; **2022 Audited Consolidated Financial Statements of LT Group, Inc. and Subsidiaries**

(b) Any information statement filed pursuant to SRC Rule 20; **Not applicable**

(c) Any prospectus filed pursuant to SRC Rule 8.1. **Not applicable**

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Corporate History

LT Group, Inc. ("LTG" or the "Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on May 25, 1937 under the name "The Manila Wine Merchants, Inc. to engage in the trading business. On November 17, 1947, the Company's shares of stock were listed in the Philippine Stock Exchange (PSE). The Company's corporate life is 50 years from the date of incorporation and was extended for another 50 years from and after May 27, 1987. On September 22, 1995, the Philippine SEC approved the change in Company's name to "Asian Pacific Equity Corporation" and the change in its primary purpose to that of a holding company. On July 30, 1999, the Company acquired Twin Ace Holdings Corp., now known as Tanduay Distillers, Inc. (TDI), a producer of distilled spirits, through a share swap with Tangent Holdings Corporation ("Tangent" or the "Parent Company"). The share swap resulted in LTG wholly owning TDI and Tangent increasing its ownership in LTG to 97.0%. On November 10, 1999, the Philippine SEC approved the change in the Company's corporate name from "Asian Pacific Equity Corporation" to "Tanduay Holdings, Inc". On September 24, 2012, LTG's stockholders approved the amendment in its Articles of Incorporation and By-Laws to reflect the change in its corporate name from "Tanduay Holdings, Inc." to "LT Group, Inc." which was approved by the Philippine SEC on September 28, 2012. The Company's primary purpose is to engage in the acquisition by purchase, exchange, assignment, gift or otherwise; and to hold, own and use for investment or otherwise; and to sell, assign, transfer, exchange, lease, let, develop, mortgage, enjoy and dispose of any and all properties of every kind and description and wherever situated, as to and to the extent permitted by law.

After a series of restructuring activities in 2012 and 2013, LTG has expanded and diversified its investments to include the beverages, tobacco, property development and banking businesses, all belonging to Mr. Lucio C. Tan and his family and assignees (collectively referred to as the "Controlling Shareholders"). These business segments in which LTG and subsidiaries (collectively referred to as "the Group") operate are described in Note 4 to the consolidated financial statements.

As of December 31, 2022 and 2021, LTG was 74.36%-owned by its ultimate parent company, Tangent, which was also incorporated in the Philippines.

The official business address of the head office is at 11th Floor, Unit 3 Bench Tower, 30th St. Corner Rizal Drive Crescent Park West 5 Bonifacio Global City, Taguig City.

The Company has interests in the following businesses:

- **Distilled Spirits**—the Company conducts its distilled spirits business through its 100%-owned subsidiary TDI. TDI is the second-largest distilled spirits producer in the Philippines according to Nielsen Philippines, with an approximate 28.7% share of the Philippine spirits market in 2022.

- **Beverages**— the Company conducts its beverage business through its 99.9%-owned subsidiary, Asia Brewery, Incorporated (ABI). ABI is one of the Philippines' leading beverage manufacturers, producing energy drinks, bottled water, and soymilk.

- **Tobacco**—the Company conducts its tobacco business through its 99.6% ownership in Fortune Tobacco Corporation (FTC), which in turn owns 49.6% of PMFTC. PMFTC is the leading tobacco manufacturer and distributor in the Philippines with an estimated 62.1% market share in the year 2022.

- **Banking**—the Company conducts its banking business through Philippine National Bank (PNB). PNB is the country's first universal bank and is currently listed in the Philippine Stock Exchange (PSE). The Company's indirect ownership in PNB is approximately 56.47%. PNB is one of the largest local private commercial banks in terms of assets, net loans and receivables, capital and deposits.

- **Property Development**— the Company conducts its property development business through Paramount Landequities, Inc. and Saturn Holdings, Inc., with an effective indirect ownership of 99.6% in Eton Properties Philippines, Inc. (Eton). Eton has a diverse portfolio of property development projects in various areas throughout the Philippines, primarily in Metro Manila and surrounding areas, and access to the large land bank of the Lucio Tan Companies. Eton's project portfolio mainly comprises residential real estate projects (including large-scale township projects. Eton also develops and leases out commercial properties to retail and BPO tenants.

Description of Subsidiaries

Distilled Spirits

Tanduay Distillers, Inc. (TDI)

TDI was incorporated in the Philippines on May 10, 1988 and is primarily engaged in, operates, conducts, and maintains the business of manufacturing, compounding, bottling, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail, such finished goods as rhum, brandy, whiskey, gin and other liquor products, and any and all equipment, materials, supplies used and/or employed in or related to the manufacture of such finished goods.

The following companies are majority owned by TDI:

- **Absolut Distillers, Inc. (ADI) – 96%**
  ADI was incorporated in the Philippines on September 14, 1990, to engage in, operate, conduct and maintain the business of manufacturing, distilling, importing, exporting, buying, selling or otherwise deal in chemicals including but not limited to alcohol, molasses, bioethanol, biogas and biomass for renewable energy at wholesale and retail and to engage in the business of generating, transmitting and or distributing renewable energy derived from solar power for lighting and power purposes.

- **Tanduay Brands International, Inc. (TBI) – 100%**
  On May 6, 2003, TBI was incorporated in the Philippines to handle the marketing of TDI's products. On December 20, 2016, LTG sold its 100% ownership interest in TBI to TDI. In October 2017, the Company started its commercial operations and opened its first store "Tanduay" in Century Park Hotel in Manila.

- **Asian Alcohol Corporation (AAC) – 95%**
  AAC is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on September 27, 1973. The company is primarily involved in the manufacture of refined and/or denatured alcohol and in the production of fodder yeast, and to market, sell, distribute, and generally deal in any or all of such liquids or products. In the last quarter of 2022, operations of AAC were discontinued in order to stop incurring further losses due to high operating costs. The company is now being offered for sale to interested parties.

Beverage

Asia Brewery, Incorporated (ABI)

ABI. was incorporated in the Philippines on March 28, 1979. The company is primarily engaged in the business of manufacturing, selling, importing, exporting and assembly of all kinds of products, supplies, dies, tools, appliances, plants and machineries.

The following companies are 100%-owned by ABI:

- **Agua Vida Systems, Inc. (AVSI)**
  AVSI was incorporated in the Philippines on August 15, 1994. Its primary business is the distribution and refilling of purified water and water dispensers for use primarily in homes and offices.

- **Waterich Resources Corp. (WRC)**
  WRC was incorporated in the Philippines on September 25, 1997. Its primary business is the toll manufacturing for ABI of *Absolute Pure Distilled Drinking Water* and *Summit Water*.

- **Packageworld, Inc. (PWI)**
  PWI was incorporated in the Philippines on January 15, 1998. Its primary business is the manufacturing of corrugated cartons and trade the same on a wholesale basis.

- **Interbev Philippines, Inc. (IPI)**
  IPI was incorporated in the Philippines on April 28, 2003. Its primary business is the production and distribution of *Cobra* and *energy drinks.*

- **AB Nutribev Corp. (ABNC)**
  ABNC was incorporated in the Philippines on April 22, 2014. Its primary business is the manufacturing and trading of dairy and soy milk-based beverages.

- **Asia Pacific Beverages Pte. Ltd. (APBPL)**
  APBPL was incorporated on August 21, 2014 under the laws of Singapore. It was established as an investment holding company for business opportunities in the region. ABPBL acquired 90% of Asia Pacific Beverages Myanmar Co. Ltd. (APBM) in April 2017. APBM is a company incorporated in the Republic of the Union of Myanmar. APBM's primary purpose is to manufacture, market, sell and distribute non-alcoholic ready-to-drink beverage products in Myanmar.

In February 2012, ABI, in partnership with Corporacion Empresarial Pascual S. L. of Spain, also formed ABI Pascual Holdings Pte. Ltd., a jointly controlled entity organized and domiciled in Singapore. In November of that year, the joint venture established ABI Pascual Foods Incorporated (APFI), an operating company in the Philippines engaged in the marketing and distribution of yogurt products in the country.

Tobacco

Fortune Tobacco Corporation (FTC)

FTC was incorporated in the Philippines on April 29, 1965. The Company was organized primarily to engage in cigarette manufacturing, selling, importing and exporting. FTC was responsible for introducing some of the most successful local cigarette brands in the Philippines, including the *Fortune, Champion* and *Hope* menthol brands. Prior to the creation of PMFTC, FTC was the largest domestic tobacco business in the Philippines.

FTC currently has an effective 49.6% stake in PMFTC, the business combination between the Philippine operations of Philip Morris International and the operations of FTC. The brands currently produced by PMFTC include the FTC brands and Philip Morris' Marlboro.

Banking

Philippine National Bank (PNB)

PNB was incorporated in the Philippines on July 22, 1916. PNB is the country's first universal bank and the fourth largest private local commercial bank in terms of assets as of December 31, 2022. PNB has celebrated its Centennial Year of serving the Filipino people in July 2016. For 100 years, PNB stands proud as an institution of stability and security for many Filipinos. With its century of banking history and experience, PNB is poised to move forward to becoming a more dynamic, innovative and service-focused bank, providing service excellence to Filipinos all over the world. PNB provides a full range of banking and other financial services to diversified customer bases including government entities, large corporate, middle market, SME and retail customers, with PNB having the distinction of being one of the only five authorized Government depository banks in the Philippines. The current PNB is a result of the merger between PNB and Allied Banking Corp., which was completed on February 9, 2013.

The following companies are owned by PNB:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership Direct	Percentage of Ownership Indirect
Subsidiaries					
Allied Integrated Holdings Inc. (AIHI)	Holdings Company	Philippines	PHP	100.00	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	PHP	100.00	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	PHP	100.00	–
PNB Corporation – Guam [(a)]	Remittance	USA	USD	100.00	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	100.00	–
PNB Remittance Centers, Inc. (PNB RCI) [(b)]	Remittance	- do -	USD	–	100.00
PNB RCI Holding Co. Ltd. (PNB RHCL) [(c)]	Holdings Company	- do -	USD	–	100.00
PNB Remittance Co. (Canada) [(d)]	Remittance	Canada	CAD	–	100.00
PNB Europe PLC	Banking	United Kingdom	GBP	100.00	–
Allied Commercial Bank (ACB)	Banking	People's Republic of China	CNY	99.04	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC)	Leasing/Financing	Philippines	PHP	75.00	–
PNB-Mizuho Equipment Rentals Corporation [(e)]	Rental	- do -	PHP	–	75.00
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	100.00	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	51.00	–
ACR Nominees Limited [(f)]	General Management Services	- do -	HKD	–	51.00
Oceanic Holding (BVI) Ltd.	Holdings Company	British Virgin Islands	USD	27.78	–
Associate					
Allianz PNB Life Insurance, Inc. (APLII)	Insurance	Philippines	PHP	44.00	–

(a) Ceased operations on June 30, 2012 and license status became dormant thereafter
(b) Owned through PNB IIC
(c) Owned through PNB RCI
(d) Owned through PNB RHCL
(e) Owned through PMLFC
(f) Owned through ABCHKL

Bank Holding Companies

On February 11, 2013, LTG's Board of Directors (BOD) approved the acquisition of indirect ownership in the merged PNB through the investment in the 27 holding companies which have collective ownership interest in PNB of 59.83% (collectively referred to as "Bank Holding Companies"). LTG's acquisition was effected by way of subscription to the increase in authorized capital shares of 22 Bank Holding Companies direct buy-out of shares of 5 Bank Holding Companies. As of December 31, 2022, LTG has majority ownership over the Bank Holding Companies which translates to an indirect 56.47% ownership of PNB.

The following are the 27 bank holding companies:
1. Allmark Holdings Corporation
2. Dunmore Development Corp.
3. Kenrock Holdings Corp.
4. Leadway Holdings, Inc.
5. Multiple Star Holdings Corporation
6. Pioneer Holdings Equities, Inc.
7. Donfar Management Ltd.
8. Fast Return Enterprises, Ltd.
9. Mavelstone International Ltd.
10. Uttermost Success, Ltd.
11. Ivory Holdings, Inc.
12. Merit Holdings & Equities Corporation
13. True Success Profits Ltd.
14. Key Landmark Investments Ltd.
15. Fragile Touch Investment, Ltd.
16. Caravan Holdings Corporation
17. Solar Holdings Corporation

18. All Seasons Realty Corporation
19. Dynaworld Holdings, Inc.
20. Fil-Care Holdings, Inc.
21. Kentwood Development Corporation
22. La Vida Development Corporation
23. Profound Holdings, Inc.
24. Purple Crystal Holdings, Inc.
25. Safeway Holdings Corporation
26. Society Holdings Corporation
27. Total Holdings Corporation

Property Development

Saturn Holdings, Inc. (Saturn)

Saturn Holdings, Inc. was incorporated in the Philippines on February 18, 1997. Saturn's primary purpose is to engage in the purchase, retention, possession or in any other manner to acquire legally constituted within or outside the Philippines and to issue shares of stocks, bonds, or other obligations for the payment of articles or properties acquired by the corporation or for other legal consideration, all to the extent permitted by law.

Paramount Landequities, Inc. (Paramount)

Paramount was incorporated in the Philippines on July 25, 1988. Its primary purpose is that of a real estate development company.

Eton Properties Philippines, Inc. (ETON)

Eton was incorporated and registered in the Philippines on April 2, 1971 under the name "Balabac Oil Exploration & Drilling Co., Inc." to engage in oil exploration and mineral development projects in the Philippines. It became a holding company on August 19, 1996 and included real estate development and oil exploration as its secondary purposes. However, on February 21, 2007, the Company changed its name to Eton Properties Philippines, Inc. with real estate development as its primary business.

The following companies are 100%-owned by ETON:

- **Belton Communities, Inc. (BCI)**
  BCI was incorporated and registered with the SEC on November 5, 2007 and is engaged to deal and engage in land or real estate business.

- **Eton City, Inc. (ECI)**
  ECI was incorporated and registered with the SEC on October 8, 2008 and is engaged to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures.

- **Eton Hotels and Leisure, Inc. (EHLI) (formerly FirstHomes, Inc. (FHI)**
  On October 15, 2010, FHI was incorporated and registered with Philippine SEC as a wholly owned subsidiary of Eton and is engaged in real estate development.

- **Eton Properties Management Corporation (EPMC)**
  EPMC was incorporated and registered with the SEC on November 25, 2011 to manage, operate, lease, in whole or in part, real estate of all kinds, including buildings, houses, apartments and other structures of the Corporation or of other persons provided that they shall not engage as property manager of a real estate investment trust. EPMC has started its commercial operations in 2016.

Products

Distilled Spirits

Rum Products

1. Tanduay Five Years Fine Dark Rhum
2. Tanduay Rhum 65 Fine Dark Rhum (“Rhum 65”)
3. Tanduay E.S.Q. Fine Dark Rhum (“E.S.Q.”)
4. Tanduay White Premium Rhum
5. Tanduay Superior Dark Rhum
6. Tanduay Rhum Light
7. Boracay Rum
8. Tanduay Asian Rum Gold
9. Tanduay Asian Rum Silver
10. Tanduay 1854 Rhum
11. Tanduay Select
12. Tanduay CLX Rum
13. Tanduay Cane Spirit
14. Tanduay Centennial Rhum
15. Especia Spiced Rhum
16. Tanduay Double Rum
17. Tanduay Rum Dark

Gin Products

1. London Gin
2. Gin Kapitan
3. Ginto Barrel Gin

Vodka Products

1. Cossack Vodka Red

Whiskey Products

1. Embassy Whiskey

Cocktails

1. Tanduay Cocktails
2. Barman

Medicinal Wine

1. Vino Agila

Bioethanol

The Company’s distillery subsidiaries, ADI and AAC, are registered with the Department of Energy (DOE) as bioethanol producers with a registered capacity per year of 30 million liters each. Under RA 9367 of 2006, otherwise known as the Biofuels Law, all liquid fuels for motors and engines sold in the Philippines shall contain locally-source biofuels components. Effective 2010, the mandated blend of bioethanol by volume into all gasoline fuel distributed and sold by local oil companies is 10%.

ADI started commercial operation of its bioethanol plant in 2016 while AACs bioethanol started commercial operation in 2021. In the last quarter of 2022, operations of AAC were discontinued in order to stop incurring further losses due to high operating costs. The company is now being offered for sale to interested parties.

Solar Power

ADI operates a 2-megawatt solar power generating facility, licensed under RA 9513, also known as the “Renewable Energy Act of 2008”. The entire electric power generated by ADIs solar power system is sold to the National Grid Corporation of the Philippines (NGCP) at the approved Feed-In-Tariff rate of PhP8.69 per kilowatt-hour under a 25-year solar energy supply contract.

Other Products
The Company's distillery companies also manufacture and sell denatured alcohol, liquid carbon dioxide and dry ice which are the main by-products from the distillation process.

<u>Beverage</u>
Energy Drinks
1. Cobra

Drinking Water
1. Absolute Pure Distilled Drinking Water
2. Summit Natural Drinking Water
3. Summit Still
4. Summit Sparkling Water

Beer
1. Heineken
2. Tiger Black
3. Colt 45 Malt Liquor
4. Beer na Beer
5. Asahi Super Dry
6. Brew Kettle

Alcopop
1. Tanduay Ice
2. Tanduay Ice Zero
3. Tanduay Ice Signature Vodka
4. Spritz Hard Seltzer

Others
1. Vitamilk
2. Sunkist carbonated soft drinks
3. Nestea ready-to-drink iced tea

Commercial Glass
Packaging Materials
1. Corrugated cartons
2. Metal crowns

APFI products include:
1. Pascual Yogurt
2. Pascual Chocolate Pudding

APBM products sold in Myanmar include:
1. Sunkist carbonated soft drinks
2. Sunkist juice drink
3. Air Soda

<u>Tobacco</u>
FTC has no products in the market but its associate, PMFTC has the following cigarette products:
1. Marlboro
2. Fortune
3. Philip Morris
4. Jackpot
5. More
6. Hope
7. Champion
8. Mark
9. Boss
10. Chesterfield
11. HEETS
12. BLENDS

Banking

PNB provides a full range of banking and financial services to large corporate, middle-market, small medium enterprises (SMEs) and retail customers, including OFWs, as well as to the Philippine National Government, national government agencies (NGAs), local government units (LGUs) and GOCCs in the Philippines. PNB's principal commercial banking activities include the following:

1. Deposit taking
2. Lending
3. Trade financing
4. Foreign exchange dealings
5. Bills discounting
6. Fund transfers/remittance servicing
7. Asset management
8. Treasury operations
9. Comprehensive trust services
10. Retail banking
11. Other related financial services

Property Development

Completed Developments:

High-rise
1. Eton Baypark Manila
2. Eton Parkview Greenbelt
3. Eton Emerald Lofts
4. Eton Residences Greenbelt
5. One Archers Place
6. Belton Place
7. 8 Adriatico
8. Eton Tower Makati

Mid-rise
1. The Manors at North Belton Communities

Residential Subdivisions
1. South Lake Village at Eton City
2. Riverbend at Eton City
3. West Wing Residences at North Belton Communities
4. 68 Roces
5. Tiera Bela
6. Villagewalk
7. West Wing Residences at Eton City
8. West Wing Villas

Commercial
1. Centris Walk
2. Centris Walk Extension
3. Centris Steel Parking Buildings
4. Centris Station
5. Green Podium
6. Eton Square Ortigas

BPO Office
1. Cyberpod Centris One
2. Cyberpod Centris Two
3. Cyberpod Centris Three
4. Cyberpod Centris Five
5. Eton Cyberpod Corinthian

Mixed Use

1. WestEnd Square

Events Venue

1. Elements at Centris

Serviced Residences

1. Mini Suites at Eton Tower Makati

Ongoing Developments:

Mixed Use

1. WestEnd Square

BPO Office

1. NXTower I

Commercial

1. Eton City Square

<u>Distribution method of the products</u>

<u>Distilled Spirits</u>

Liquor Products

As of December 31, 2022, TDI serves more than 220,000 points of sale throughout the Philippines through fifteen (15) exclusive distributors, who in turn may work with a large number of sub-distributors. TDI has generally maintained good business relationships with its distributors since 1988. TDI's distributors operated 49 sales offices and 63 warehouses located throughout the Philippines. TDI through TBI employs in-house sales staffs who provide marketing and general administrative support to TDI's distributors. TDI's products are transported from the production facilities to distributors' warehouses by third party transportation companies for the account of the distributors.

Bioethanol and distillery by-products

These are either delivered by distillery tankers to the customers or picked-up by the customers at the distillery plants.

<u>Beverage</u>

ABI markets, sells and distributes its products throughout the Philippines through 13 exclusive major distributors. ABI's exclusive distributors have a network of 38 sales offices, 16 warehouses and 7 depots**.** This extensive network assures product availability to ABI consumers and also provides ABI expeditious nationwide placement of new products. ABI's products are transported to distributors' warehouses by third party transportation companies, with the costs for the account of such distributors.

<u>Tobacco</u>

PMFTC distributes through wholesalers and retailers directly to approximately 295,000 points of sale throughout the Philippines. PMFTC segments its distribution into two separate channels:

(i) key accounts—including hypermarkets and supermarkets, tobacconists, convenience stores and gasoline stations; and
(ii) general trade—including sari-sari stores, market stalls, kiosks and eateries.

Banking

PNB, through its Head Office and 651 domestic branches/offices, 1,720 ATM's nationwide and 72 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to corporations, small and medium markets, retail customers and various government units and agencies. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services.

Its banking activities are undertaken through the following groups within the Bank, namely:

Retail Banking Sector

The core business of Retail Banking Sector (RBS) principally focuses on the Bank's deposit-taking activities by offering a wide array of deposit products and services such as peso accounts and its variants like interest-bearing savings and time deposit accounts, current accounts, and US dollar and other third-foreign currency accounts. The Sector also provides its broad customer base with other retail products like credit cards, consumer loans, remittance services, and other bank services. While the main purpose is the generation of lower cost funding for the Bank's operations, RBS also concentrates on the cross-selling of trust products, treasury products, and bancassurance products (both life and nonlife) to existing customers as well as referrals of customers by transforming its domestic and overseas branch distribution channels into a sales-focused organization.

Cards and Payments Solutions Group

The Cards and Payments Solutions Group (CPSG) provides convenient, safe and secure cashless payment solutions and offers. Its wide range of products under the major payment schemes, Mastercard, Visa and UnionPay includes credit, debit, prepaid cards and installment loans. These cater to diverse and dynamic needs of the Bank's retail and corporate clients.

CPSG is also responsible in forging new partnerships, onboarding of merchants and strengthening its relationships for in-store and online promotions as well as installment programs. Moreover, CPSG continuously develops its digital app offerings to ensure that customers get the best experience using their PNB Cards.

Retail Lending Group

The Retail Lending Group (RLG) was established in mid-2019 under the umbrella of RBS. It serves as the Bank's consumer lending arm following the full integration of its wholly-owned thrift bank subsidiary, PNB Savings Bank, into the Parent Bank in March 2020. As part of the Bank's transformation initiatives to ensure operational efficiency as well as harness the maximum potential of the consumer loan business, RLG was spun off from RBS last May 2022 to be directly under the Office of the President. RLG provides consumer loans such as auto loan, real estate loan and contract-to-sell facility.

International Banking and Remittance Group

The International Banking and Remittance Group (IBRG) covers the Bank's overseas offices across Asia, Middle East, North America, and Europe. As part of RBS, the Group ensures that overseas Filipinos are provided with an array of services to suit their needs - from convenient and safe remittance to full banking services in selected jurisdictions, bills payment, deposit account opening, corporate credit and trade, and consumer financing with the Own a Philippine Home Loan (OPHL), which makes it easier even for non-Filipinos to acquire their dream homes in the Philippines. IBRG likewise provides services to sea-based OFWs via payroll processing through manning agency clients. IBRG is also responsible for establishing and strengthening partnerships with remittance agents and tie-ups to further extend the Bank's market reach beyond its brick-and-mortar presence worldwide.

Institutional Banking Sector

The Institutional Banking Sector (IBS) is the primary lending arm responsible for establishment, expansion, and overall management of the Bank's relationships with corporate clients. The Corporate Banking Group supports the Sector's large corporate clients, while the Commercial Banking Group oversees relationships with middle market and SME customers located in Metro Manila and provincial areas. Both Groups capitalize on growth opportunities with clientele in resilient industries such as infrastructure, power, utilities, and e-commerce, among others.

IBS also contributes significantly to the incremental growth in the Bank's deposits and fee-based income through value-adding services offered by the Institutional Transaction Banking Group (ITBG). The Bank's Ecosystem Division and Cash Management Solutions Division were consolidated into ITBG to capture the entire value chains and nurture anchor clients through a network of tailor fit, end-to-end financial solutions which consist of cash management, credit programs, and trade services.

The Sector's Structuring and Execution Division (SED) has been key to nursing commercial accounts impacted by the protracted pandemic and supply chain crises. SED is also tasked to undertake special projects and various functions such as spearheading Environmental, Social and Governance (ESG) initiatives for the Sector and providing assistance for accounts that require more intensive workouts or cashflow analysis, among others.

Global Banking and Markets Sector

The Global Banking and Markets Sector (GBMS) oversees the management of the Bank's liquidity and regulatory reserves as well as risk positions on interest rates and foreign exchange arising from its inherent daily operations in deposit-taking, lending, and proprietary trading. Likewise, GBMS provides a wide range of banking products and services to corporates, governments, financial institutions, and individuals. Its functions include developing the Bank's wealth management proposition by providing corporate and high-net-worth individuals access to the financial markets. In addition, GBMS builds partnerships with banks and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives. Moreover, GBMS ensures the availability of alternative funding sources for the Bank through trade advance facilities of foreign banks and multilateral funding sources.

Trust Banking Group

PNB Trust Banking Group manages a total of 11 local and 2 global Unit Investment Trust Funds (UITF) to address the investment requirements of various clients, from the ultra-conservative investors to the more aggressive clients who are willing to take bigger risks in their investments. These funds are managed by a team of professional fund managers who have a wealth of training and experience under their belts.

As one of the pioneers in the trust banking business, PNB has a wide clientele base of retail, corporate and institutional clients who benefit from its wide array of trust banking products and services, large distribution network, professional expertise, and sound investment strategies. It is considered as one of the strongest trust entities in the industry on Fiduciary services such Escrow and Transfer Agency. Its personal trust products and services include personal management trust, investment management and estate planning. Corporate trust services and products include corporate trusteeship, portfolio management and administration of employee benefit plans, pension and retirement plans.

Digital Innovations Group

The Digital Innovations Group is tasked to drive the consumer digital strategy of PNB, working with business lines and subsidiaries, support groups and Information Technology Group to provide innovative digital experiences and products for retail consumers. The group provides end-to-end digital business and product development, covering market scoping and assessment, ideation of business models, customer experience definition, and coordination with marketing and business groups to promote the acquisition of digital customers and usage of digital products. It is likewise tasked to execute, deliver and implement digital products and solutions, and manages and provides support to the Bank's mobile, internet banking and other digital platforms, in coordination with PNB ITG and external solutions providers.

Property Development
The Company markets its projects to residential market segments, office locators and commercial tenants through internal and external sales and marketing channels. For its leasing business, the Company employs a dedicated team who coordinates with business entities for leasing opportunities in the company's various projects.

Status of any publicly announced new product or services

Distilled spirits
There were no publicly announced new projects for the distilled spirits, bioethanol and power and property development segments.

Beverage
In 2022, ABI launched Paraiso Craft Beer Style. Paraiso Craft Beer Style is made with high quality malt, hops, yeast and specialty ingredients that elevate the beer drinking experience with its clean and unique signature taste.

Paraiso Craft Beer Style comes in two variants. Lakas is a full bodied, unique lager, craft beer style with 6.9% alcohol. It is smooth in mouthfeel and offers a palate packed with rich hop flavors and spices. Strongly brewed, it is sure to bring out pure satisfaction in every drink. Bighani is full of citrusy aromas, a burst of orange flavor, and a refreshing crisp finish that's sure to create a love affair with every palate. The balanced malt profile, low bitterness and 5% alcohol give way to incredibly smooth lager, craft beer style.

Banking
In 2022 and 2021, PNB introduced the following new products, among others, for its customers:

a. **Bayad Aggregator Biller Integration**
The Bank launched its pilot biller with real-time posting capability, Meralco RTP under the Bayad Aggregator. Through this, PNB Digital users are now able to pay their Meralco bills in real-time with a few taps on their mobile phones. The Bank remains committed to onboarding the next Bayad billers (Autosweep RFID, Easytrip, and NBI) from a sea of 438 Bayad billers.

b. **Acceptance of SSS RTP Payments via OTC**
The Bank, through the collaboration and integration efforts with Social Security System (SSS), was able to simplify payment acceptance and processing of SSS loans and contributions via OTC with the nationwide launch of the SSS real-time posting (RTP) payments. This also opens more opportunities for the Bank to fulfill and upsell other PNB products and services to SSS in the digital space.

c. **CCAM 20k Machine**
Corporate Cash Accept Machine (CCAM) is an innovative variant of the deposit pick up facility where the Bank through its partnership with a Service Provider (SP) installs a cash accept machine in the corporate client's premises. The first variant with 10,000 notes capacity was launched in February 2020. To support the higher volume of cash deposits from customers, the Bank launched the CCAM with 20,000 notes capacity in 2022.

d. **PNB C@shNet Plus Mobile App**
The Bank launched the PNB C@shNet Plus Mobile Application, the mobile version of the Corporate Online Banking Platform. The Mobile App promises a superior, convenient, and efficient way of doing online business transactions such as account viewing, monitoring of accounts receivables, and initiation and approval of payments.

e. **CMS Client Onboarding via Webinars**
The Bank's Cash Management Implementation Team began onboarding clients to the cash management facilities through webinars conducted multiple times in a month. Given the simpler

and more intuitive user experience of the improved corporate internet banking platform of the Bank (PNB C@shNet Plus), client onboarding can now be performed outside of the traditional one-on-one implementation. In addition, participants may attend the webinar sessions more than once, should they need a refresher later.

f. Corporate Employee Loan Program (CELP) Platform

The Corporate Employee Loan Program (CELP) is a multipurpose loan facility offered to the employees and members of Accredited Anchor Client / Employer with recourse. Loan proceeds will be used for the acquisition of brand-new vehicles, purchase of house and/or lot and improvement, and other purposes. The platform helped the Bank save at least 60 minutes (1 hour) of processing per application. With the automated process, turnaround time of booking also decreased from 5-10 days to 3 days.

g. Top Booster Promo

The Bank launched the Top Booster Promo and is open to all New-to-Bank or Existing individual clients who are not employees of PNB and Corporate/Business Accounts without an existing loan availments with PNB, not part of the Lucio Tan Group of Companies, and not owned/held by the government, its political subdivisions, instrumentalities or a government owned and controlled corporation who are willing to maintain an incremental ADB for a period of six (6) months from date of enrollment and earn corresponding cash credits.

h. UITF Mobile

In response to the increasing usage and demand for mobile applications, PNB's Trust Banking Group began transitioning its UITF online facility to the PNB Digital Mobile App. The first module, which allowed existing UITF online clients to view their outstanding UITF investments, was publicly launched in July 2022. The second module was officially launched in November 2022, allowing clients to view their UITF redemption history. Soon, UITF clients will be able to enroll, subscribe, and redeem online through the PNB digital app. PNB has introduced this innovation in order to make every transaction or investment easier for its clients.

<u>Tobacco</u>

In 2022, the following were the product innovations and upgrades:

1. Chesterfield Summer Remix (New Product Launch)
2. Marlboro Independence Day (Limited Pack Edition)
3. Marlboro Crafted Red KS (New Product Launch)
4. Fortune Menthol 100s (New Pack Upgrade)
5. Fortune Red KS (New Pack Upgrade)
6. BLENDS for Bonds by IQOS (New Product Launch)

<u>Competitive business condition/position in the industry</u>

<u>Distilled Spirits</u>

Liquor Products

The Philippine liquor market increased by 6% in 2022 based on the retail audit of Nielsen with Vismin outgrowing the other regions with its +17% growth. With its strong performance in the Vismin region, TDI gained 2.6ppts to end the year with 28.7% national market share. TDI posted a strong performance in Visayas and Mindanao, by 8.6% and 24%, respectively, with an increase in volume of sales.

Bio-Ethanol Fuel

There are presently fifteen registered local bioethanol producers in the country with a total registered capacity of 455 million liters (ML) per year. In 2022, only 13 bioethanol producers with a combined capacity of 426 ML were operational as against the country's total ethanol requirement of around 660ML. Due to the shortage in local bioethanol supply, oil companies were being allowed to import bioethanol to cover the deficiency. The intent of the law however is that all locally produced ethanol must be consumed first before any importation is allowed. Presently, the Department of Energy controls the importation of ethanol through the Notice of Value of Bioethanol Importation Allowed (NAVBI). The increase in ethanol production created a huge demand for locally produced molasses resulting to higher prices.

Beverage

ABI competes against leading Philippine and international beverage brands across all of its product categories. Its main competitors for each product category include the following:

- Energy drinks - ABI competes with Pepsico's *Sting* energy drink, *Red Bull, Monster, Extra Joss, Lipovitan* and others;
- Bottled water - ABI's main competitors are Philippine Spring Water Resources' *Nature's Spring* and Coca-Cola's *Wilkins*, among others; and
- Soymilk - ABI competes with *Vitasoy*, *Soyfresh and Soy Secretz;*
- Beer – ABI competes mainly with *San Miguel Beer, San Mig Light, Red Horse Beer, San Miguel Premium All-Malt Beer* and *Gold Eagle Beer*, all of which are brands of the San Miguel Corporation; and
- Alcopop - ABI's main competitors include *Smirnoff* and *Lemon-Dou*.

Tobacco

PMFTC's main competitors are JTI Philippines and Associated Anglo-American Tobacco (AAATC). JTI offers a number of well-known brands such as *Mighty, Winston, Camel* and *Mevius.* Key brands of AAATC, a local manufacturer, are *Winnsboro* and *Dallas*.

Banking

In the Philippines, the Bank faces competition in all its principal areas of business, from both Philippine (private and government-owned) and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) 7721 in 1994 and R.A. 10641 in 2014, as well as the mergers and consolidations in the banking industry. As of the latest available data from the BSP, there were 45 universal and commercial banks, of which 16 are private domestic banks, 3 are government banks and 26 are branches or subsidiaries of foreign banks. Some competitor banks have greater financial resources, wider networks and greater market share than PNB. Said banks also offer a wider range of commercial banking services and products; have larger lending limits; and stronger balance sheets than PNB. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Lucio Tan Group of Companies, as well as builds on relationships with the Bank's other key customers.

The Bank also faces competition in its operations overseas. In particular, the Bank's stronghold in the remittance business in 17 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks. As of December 31, 2022, the Bank has a distribution network of 651 domestic branches and offices and 1,720 ATMs nationwide. The Bank is one of the largest local private commercial banks in the Philippines in terms of consolidated total assets, net loans and receivables, capital and deposits as well as with regard to branch network. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

Property Development

Location is the main differentiator for Eton's projects. As showcased in its various developments, location played a major role in land development. All of the Company's residential, township, commercial centers and BPO offices are set in prime locations in the country's major cities and growth areas, offering more value for communities surrounding the project, outsourcing firms and office locators and retail tenants. Ayala Land, Megaworld, Filinvest Land and Robinsons Land are the Company's main competitors.

Raw Materials and Principal Suppliers

Distilled Spirits

- **Alcohol**
  TDI uses ethyl alcohol, which is distilled from sugarcane molasses. In 2022, TDI imported most of its alcohol requirements due to high cost of locally produced alcohol.

  Alcohol is delivered directly to the plant by tankers. The quality of alcohol is checked prior to acceptance. In 2022, alcohol accounted for 43% of product cost while excise tax accounted for 48% of the total costs. The tax is paid upon withdrawal of the full goods from the production sites.

  The distillery companies obtain their molasses from sugar mills and traders. Major suppliers are Universal Robina Corporation, Victorias Milling Corporation, Binalbagan Sugar Company, LYL Marketing, Shuurmans & Van Ginneken Phils., Inc., Grandcane Company, Inc., and Tate & Lyle Corp.

- **Sugar**
  This is added when deemed necessary to enhance the taste and aroma of a particular product.

- **Water**
  The plants use significant amounts of demineralized water for blending liquor products. The water is supplied by the local utility. Each plant has its own water storage and demineralization facilities.

- **Flavoring Agents**
  For some products, essences and other flavoring agents are added to attain the desired color, flavor and aroma as well as to reinforce the natural quality of rum as derived from molasses and ageing in oak barrels.

- **Bottles**
  TDI's liquor products are packaged in glass bottles. Glass bottles account for approximately 15% of cost of goods sold for TDI's products. The cost is managed in part by recycling the bottles. TDI maintains a network of secondhand bottle dealers across the nation that retrieve the bottles from the market and sell them back to TDI. The cost of the secondhand bottles including the cost of cleaning is 50% lower than the cost of purchasing new bottles.

- **Caps**
  All products are sealed with tamper-proof resealable aluminum caps, which average at 3% of total product cost.

- **Labels**
  The labels being used are made from imported base coated paper. Label cost accounts for 2% of product cost.

There are no long-term purchase commitments as purchases are made through purchase orders on a per need basis from a list of accredited suppliers.

Beverage
The Company has a wide network of suppliers, both local and foreign. ABI's energy drinks consist of a base of flavor concentrate, which is diluted with water and sweetened with sugar. Carbon dioxide is then added to provide carbonation. ABI's energy drink concentrates are sourced primarily from well-known international suppliers. Sugar is procured from third-party and related party local suppliers including Victorias Milling Corporation, generally under supply contracts of up to one year. ABI also purchases carbon dioxide and other additives from local producers. Water is sourced from sources near ABI's production plants.

Quality of water is the primary ingredient in the water bottling business of ABI. Water is sourced primarily from sites near the bottling plants and undergoes several purifying steps to ensure it meets standards.

ABI manufactures the majority of the bottles used for its beverage products. These are manufactured at ABI's Cabuyao plant in Laguna. Bottling and packaging materials, including aluminum closures, crowns and corrugated cartons are produced by ABI's subsidiary, PWI, which purchases any required raw materials from multiple suppliers in the Philippines and internationally.

Tobacco

FTC's main source of income is dividends from PMFTC.

FTC has no long-term purchase commitments as purchases are made through purchase orders on a per need basis from a list of accredited suppliers.

With the expiration of the CMA between FTC and JTI, the Company no longer buys raw materials.

Banking

This is not applicable for banks.

Property Development

The Company has a wide network of suppliers, both local and foreign.

Dependence on one or two major customers

Distilled Spirits

Liquor Products

TDI markets, sells, and distributes its products throughout the Philippines. In the year ended December 31, 2022, sales volume in the Visayas and Mindanao regions accounted for approximately 51% and 47% of TDI's gross sales volume, respectively. TDI attributes its leading position in the distilled spirits industry to strong brand equity, utilization of diverse marketing channels and an established distribution network.

TDI presently buys most of its alcohol from a network of suppliers locally and abroad due to high cost of locally produced alcohol.

Bioethanol

ADIs principal customers for its bioethanol are local oil companies on a purchase order basis and there are no long-term supply commitments/ arrangements.

Beverage

ABI has stable relationships with its 13 exclusive distributors for its beverage business. For its commercial glass business, ABI supplies to several established beverage and food manufacturers in the Philippines. In both its beverage and commercial glass businesses, ABI's financial well-being is not dependent on only one or two major customers.

Tobacco

PMFTC directly sells its products primarily to local wholesalers, which then sell products to retailers or directly to adult consumers. These wholesalers are typically family-owned and operated local stores, such as sari-sari stores, that are also a source of goods for smaller traditional retailers such as kiosks, eateries and sidewalk vendors. Such stores and vendors often sell cigarettes to adult consumers by the stick as opposed to selling by the pack. Due to their presence across a wide network of localities and their financial capacity, these wholesalers offer a means for manufacturers such as PMFTC to reach a large number of retailers and customers without having to sell to each individual point of sale.

Banking
PNB offers a wide range of financial services in the Philippines. The Bank has foreign operations and has a stronghold in the remittance business in 17 countries in North America, Europe, the Middle East and Asia thus, its financial well-being is not dependent on only one or two major customers.

Property Development
The Company has a wide customer base and is not dependent on one or a limited number of customers.

Transactions with and/or dependence on related parties

The Company has various transactions with its subsidiaries and associates and other related parties. These are enumerated in detail in Note 22 of the Notes to Consolidated Financial Statements.

Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts

Distilled Spirits
All product names, devices and logos used by TDI are registered with or are covered by a pending Application for Registration with the Intellectual Property Office of the Philippines.

TDIs bottling and distillery plants have current Environmental Compliance Certificate issued by the DENR. TDI has a license to operate from the Bureau of Food and Drugs and all liquor products currently being produced are registered with the Bureau of Food and Drugs and the BIR.

TDI has existing agreement with London Birmingham Distillers, Ltd. London, England for the use of the London Gin brand.

ADI and AAC are registered with the DOE as producer of bioethanol.

ADI entered into a 25-year solar energy service contract with the DOE for the right to explore solar energy resources in agreed areas in Lian, Batangas, renewable for another 25 years at the option of the parties.

ADI’s bioethanol and solar power plant are registered with the Board of Investments (BOI) under the Omnibus Investment Code of 1987.

TDI and its subsidiaries have existing service agreements with two (2) service contracting agencies and two (2) labor cooperatives.

Beverage
ABI has caused the registration with the Philippine Intellectual Property Office of a variety of marks including “Asia Brewery, Inc.,” the ABI logo, *Cobra Energy Drink*, *Absolute Pure Distilled Drinking Water, Summit Water, Creamy Delight*, *Colt 45, Beer na Beer, Manila Beer Light*, *Brew Kettle and Paraiso Craft Beer Style*. These exclusive distribution licenses are registered with the IPO and the equivalent regulatory agencies in various other countries.

ABI and its subsidiaries have existing license agreements with Switzerland’s Nestle, the U.S.’s Sunkist Growers, Inc., Thailand’s Green Spot Company Limited, Netherland’s Heineken Brouwerijen B.V., and Singapore’s Heineken Asia Pacific Pte. Ltd. for the manufacture and distribution of Nestea, Sunkist, Vitamilk, Heineken and Tiger Crystal and Tiger Black, respectively.

Tobacco
Under the terms of the business combination, both FTC and PMPMI transferred the intellectual property rights to their local brands to PMFTC. PMI has licensed its international trademarks to PMFTC for so long as the business combination exists and for which PMFTC makes regular royalty payments to PMI.

Banking
The Bank's operations are not dependent on any patents, trademarks, copyrights, franchises, concessions, and royalty agreements.

Property Development
The trademark of the following names and devices were approved by the Intellectual Property Office (IPO):

Year	Names and/or Devices
2008	a. Eton City b. Eton corporate name and device c. The Eton Residences Greenbelt d. Eton Baypark Manila e. Eton Centris f. Move-in Ready labels
2009	a. The Makati of the South b. Eton Emerald Lofts
2011	a. Centris Walk b. Eton Tower Makati c. Riverbend d. Eton Parkview Greenbelt e. Southlake Village f. Eton Cyberpod g. Centris Station h. 8 Adriatico i. Belton Place j. E-life k. West Wing Villas l. Green Podium m. Aurora Heights Residences n. West Wing Residences o. One Archers Place p. 68 Roces
2012	a. West Wing Tropics b. One Centris Place
2016	a. The Mini Suites b. Eton WestEnd Square
2017	a. Station Alley at Centris b. Arcada c. Eton Nexus Tower d. NXTower e. Eton "NXT" Tower f. The Courtyard at Eton City
2018	Marks applied for in 2018 which were issued Notice of Allowance, thus, considered registered marks: a. Centris Cyberpod b. Centris Elements c. Cyberpod Centris

	d. Cyberpod Centris One e. Cyberpod Centris Two f. Cyberpod Centris Three g. Cyberpod Centris Five h. Cyberpod One i. Cyberpod Two j. Cyberpod Three k. Cyberpod Five l. Eton City with different graphical representation

Eton corporate name and device, Eton Residences Greenbelt, and Eton Baypark Manila were reapplied with the IPO.

These trademarks shall be valid for a period of ten (10) years from notice of approval.

Need for any government approval of principal products

Distilled Spirits & Beverages
The approval of the Food & Drugs Administration and Bureau of Internal Revenue is required before selling and/or advertising a new product. In addition, all new products must be registered with the BIR prior to production. ADI and AAC are registered bio-ethanol producers with the DOE.

Tobacco
The company files with the BIR its Manufacturer's declaration for the production of its products.

Banking
Generally, e-banking products and services require Bangko Sentral ng Pilipinas (BSP) approval. In addition, PNB promotes broad and convenient access to high quality financial services and considers the interest of the general public.

In accordance with BSP Cir 1160 Regulations on Financial Consumer Protection to lmplement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act", the Bank will comply with the guidelines to protect the rights of financial consumers.

Property Development
The Company complies with all government agencies in securing licenses to sell, development permits, Environmental Compliance Certificate (ECC) and all other mandated requirements of the industry.

Effect of existing or probable governmental regulations on the business

Distilled Spirits
The increase in value-added and excise taxes will affect manufacturing costs, which may require increase in selling prices. Higher selling prices can lower volume of sales.

The foreign alcohol market, coupled with new technologies on alcohol production and lower tariffs, can make the price of imported alcohol cheaper than those produced locally.

TDI and its subsidiaries are subject to various laws promulgated to protect the environment such as the Environment Impact Statement System (EIS), Clean Air Act, Clean Water Act Law, Laguna Lake Development Act. Compliance with these laws is mandatory for the continued operation of TDI and its subsidiaries.

The pricing for local bioethanol products is based on the reference rate as set by the SRA.

Beverage
Regulatory decisions or changes in the legal and regulatory requirements in a number of areas related to the beverage industry may have adverse effect on ABI's business. In particular, governmental bodies may subject ABI to actions such as product recall, seizure of products and other sanctions, any of which could have an adverse effect on ABI's sales. Any of these and other legal or regulatory changes could materially and adversely affect ABI's financial condition and results of operations.

ABI's products are subject to value added taxes ("VAT"). Any increases in VAT may reduce the overall consumption of ABI's products. Beer and other alcoholic beverages of ABHP, including alcopop products such as Tanduay Ice, are subject to an excise tax in addition to VAT. Starting January 2018, a tax on sugar-sweetened beverages was imposed, subjecting several ABI products – Cobra, Sunkist, and Nestea – to excise taxes. Any increases in the rate and scope of excise taxes imposed by the taxing authorities may likewise reduce consumption.

There is no guarantee that the increased taxes can be shouldered by ABI; subsequently, it may be passed on by ABI to its consumers, which may result in lower demand for its products and have an adverse effect on ABI's business, financial condition and results of operations

Tobacco
On December 19, 2012, President Benigno Aquino III signed R.A. 10351 into law which modified the applicable excise tax rates on alcohol and tobacco products, including cigarettes effective January 1, 2013.

During the first year of R.A. 10351's implementation, high-priced cigarettes were taxed at a rate of ₱25.00 per pack and low-priced cigarettes will be taxed at ₱12.00 per pack. In the second year, the rates were increased to ₱27.00 and ₱17.00 per pack, respectively. In 2015, the high-priced cigarettes were taxed at ₱28.00 per pack and the low-priced cigarettes at ₱21.00 per pack. Said rates were increased in 2016 at ₱29.00 and ₱25.00 per pack, respectively. In 2017, all cigarettes were taxed with a unitary rate of ₱30.00 per pack.

On December 19, 2017, the President of the Philippines signed into law Republic Act (RA) No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN), which increased the unitary excise tax higher than the RA 10351. The excise tax rate per pack was at ₱ 32.50 from January until June 2018, ₱35.00 until December 2019, ₱ 37.50 until 2021, then ₱ 40.00 until 2023, with an increase of four percent annually from 2023 onwards.

From the regulatory standpoint, Executive Order No. 26 (Providing for the establishment of smoke-free environments in public and enclosed places) was also signed by the President and became effective last July 23, 2017.

On December 19, 2017, the President Rodrigo Duterte signed into law R.A. No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN), which increased the unitary excise tax. The excise tax rate per pack was at ₱32.50 from January until June 2018, ₱35.00 from July 2018 until December 2019.

On July 25, 2019, President Rodrigo Duterte signed into law R.A. No. 11346, which further increased the excise tax on tobacco products to ₱45.00 from January 2020 until December 2020, then ₱50.00 from January 2021 until December 2021, ₱55.00 from January 2022 until December 2022, ₱60.00 from January 2023 until December 2023, with an increase of 5 percent annually from 2024 onwards.

RA 11346 likewise introduced two new categories of products for excise tax purposes: heated tobacco products, and vapor products. It imposed excise tax rates of ₱10.00 on heated tobacco products and ₱10.00 for every 10 ml of vapor products.

On January 22, 2020, President Duterte signed into law R.A. No. 11467 which increased the excise tax on heated tobacco products to ₱25.00 and ₱37.00 per ml of nicotine salt e-liquid vapor products. Excise tax for heated tobacco products are to increase by ₱2.50 annually until 2023, and at a rate of 5% annually thereafter. Nicotine salet e-liquids, meanwhile, will increase by ₱5.00 annually until 2023, and 5% annually in the years after.

RA 11467 also changed the minimum age for sale and purchase of heated tobacco products and vapor products to 21 years old, prohibited flavors for vapor products, and mandated the Food and Drug Administration to regulate the products. RA 11467 prescribed a transitory period of 18 months from effectivity of the implementing rules and regulations to comply with the requirements of the law.

On July 25, 2022, RA 11900 lapsed into law. The Act, also known as the "Vaporized Nicotine and Non-Nicotine Products Regulation Act", regulates the importation, assembly, manufacture, sale, packaging, distribution, use, advertisement, promotion, and sponsorship of Vaporized Nicotine and Non-Nicotine Products and their devices.

RA 11900 mandated the Department of Trade and Industry to be the exclusive regulatory agency for vaporized nicotine and non-nicotine products ("VNNPs") and novel tobacco products ("NTPs"), except for limited authorities granted to the Food and Drug Administration, the Department of Health, and the Bureau of Internal Revenue.

RA 11900 also lowered the minimum age for sale and purchase of VNNPS and NTPs from 21 years old to 18 years old.

In terms of packaging, the law requires VNNPs and NTPs to carry a text health warning prescribed in the law, together with graphic health warning templates to be prescribed by the Department of Health. In addition, RA 11900 prohibits flavor descriptors that are proven to unduly appeal particular to minors. A flavor descriptor is presumed to unduly appeal to minors if it includes a reference to a fruit, candy brand, dessert, or cartoon character.

The Department of Trade and Industry (DTI), maintains its position for regulation of tobacco products, instead of its total ban, to prevent proliferation of illicit trade and also to align with its mandate on consumer protection and policy of ensuring a balance between all stakeholders' interest.

Banking
The Philippines' banking industry is highly regulated by the BSP (Bangko Sentral ng Pilipinas). The bank through its compliance division ensures adoption and adherence to recent regulatory pronouncements and rulings.

Property Development
The Company strictly complies with, and adheres to, existing and probable government regulations in the conduct of its business.

Research and development activities

The research and development activities of the Group for the past three years did not amount to a significant percentage of revenues.

Costs and effects of compliance with environmental laws

Distilled Spirits
TDI regards occupational health and safety as one of its most important corporate and social responsibilities and it is TDI's corporate policy to comply with existing environmental laws and regulations. TDI maintains various environmental protection systems which have been favorably cited by the environmental regulators. Since TDI's operations are subject to a broad range of health, safety and environmental laws and regulations, TDI convenes a quarterly strategic meeting among its department leaders to review, discuss and develop goals surrounding health, safety and environmental compliance and awareness.

Environmental Management Facilities
TDI places critical importance on environmental protection. To further this aim, TDI invests in facilities which it believes will reduce the impact of its operations on the environment, as well as reduce its operating costs. On November 22, 2012, the Federation of Philippine Industries named Tanduay as the most outstanding company in the Philippines in relation to its optimum use and recycling of resources.

Bottle Recycling
A major component of TDI's operations is the retrieval of secondhand bottles and the reuse of these bottles in TDI's production process. The cost of a used bottle, including washing costs, is approximately 50% less than the cost of a new bottle. Apart from the reduced cost, TDI also benefits from the reduced waste in reusing bottles as a bottle can be reused an average of three to four times. TDI relies on a nationwide network of junk shops throughout the Philippines for purchasing secondhand bottles. Repurchasing bottles also helps TDI in marketing its products, as customers can sell their bottles after consuming the contents. TDI has also invested in automated bottle washing facilities in all its bottling plants.

Wastewater Treatment Plants

Bottling Plants
TDI has wastewater treatment facilities in all its bottling plants that screen, collect and neutralize all wastes from the bottling process before these are discharged. The wastes generally emanate from the bottle washing process that uses certain chemicals to thoroughly clean the bottles. Philippine regulatory agencies such as the DENR and Laguna Lake Development Authority (LLDA) conduct annual inspections of TDI's wastewater treatment process.

Distillation Plants
Wastewater is collected in lagoons where it undergoes a treatment process to minimize adverse effects on the environment. Treated wastewater, along with other distillery wastes, is also usable as liquid fertilizer. ADI has wastewater treatment digestor and methane gas collector that reduces carbon emissions and serves as secondary source of power for the distillation plant.

ADI has also installed a Biomenthanated Spent Wash Evaporation plant that will be used for the evaporation of wastewater in its Batangas distillation plant. The project aims to save on liquid fertilization costs.

Beverage
ABI regards occupational health and safety as one of its important corporate and social responsibilities. ABI's policy is to comply with existing environmental laws and regulations. ABI has made significant investments in its physical facilities to comply with its environmental policy, including investments in environmental protection systems, such as wastewater treatment which have been cited favorably by environmental regulators. Since ABI's operations are subject to a broad range of safety, health and environmental laws and regulations, ABI convenes a quarterly strategic program among its department leaders to review, discuss and develop goals surrounding health, safety and environmental compliance and awareness. ABI has also appointed a safety compliance officer for its operations and facilities.

Tobacco
PMFTC's goal is to manufacture quality products while recognizing performance in environmental, health and safety (EHS) as an integral part of the business. Therefore, PMFTC is committed to reduce the environmental impact of its activities and promote the sustainability of the environment (upon which it depends), to prevent occupational injuries and illnesses in the workplace by addressing any foreseeable hazards while improving and protecting its physical assets, and to comply with all laws and regulations related to EHS.

PMFTC has continuously allocated significant investments in EHS improvements and upgrades in its Batangas factory, and Marikina facilities. Rigorous monitoring and reporting systems are put in place in parallel to training to all employees, resulting in maintaining the certification by Bureau Vertias of the

Batangas and Marikina factories as compliant in accordance with ISO 9001 (Quality), ISO 45001 (Environment) AND ISO 45001 (Occupational Safety & Health).

Banking
This is not applicable to banks.

Property Development
The Company's development plans provide for full compliance with environmental safety and protection in accordance with law. The Company provides the necessary sewage systems and ecological enhancements such as open space landscaping with greenery.

The Company complies with the various government approvals such as ECC, development permit and licenses to sell, among others, and incurs expenses for complying with the environment laws. This consists mainly of payments of government regulatory fees which are standard in the industry and are minimal.

Human Resources and Labor Matters
LTG had 28 regular monthly employees as of December 31, 2022. The total workforce of the Group inclusive was as follows:

Distilled Spirits	1,570
Beverage	4,104
Tobacco	49
Banking	8,318
Property development	247
Total	14,288

Distilled Spirits
TDI has 1,296 employees as of December 31, 2022. With the exception of the Cagayan De Oro Plant, all regular daily employees of the TDI plants are unionized. TDI-Cabuyao's regular daily employees has a Collective Bargaining Agreement (CBA) with the NAGKAKAISANG LAKAS MANGGAGAWA NG TDI-FSM, which is effective up to 2022. TDI Negros' regular daily employees assigned in its bottling operations has a CBA with the Labor Union of Tanduay Employees (LUTE) effective up to 2022.

AAC has 19 employees with no existing Union.

As of December 31, 2022, ADI has 255 employees. ADI's registered labor union is Absolut Distillers, Inc. Employees Union-Olalia-KMU. Current CBA is effective up to 2024.

TDI and subsidiaries expect to maintain its average number of employees in the next (12) twelve months.

There are no supplemental benefits or incentive arrangements that the Group has or will have with its employees.

Beverage
As of December 31, 2022, approximately out of the 4,104 (including contractual employees) ABI and its subsidiaries directly employed 3,025 people, of which about 75% were employed in manufacturing and logistics, 19% had general and administrative functions, 4% were in sales and distribution, and 2% were in marketing.

ABI and its subsidiaries generally employ a number of outsourced laborers from third-party service providers. ABI contracts with these manpower and services firms for the supply of additional laborers.

ABI is a party to a collective bargaining agreement (CBA) for its employees at its Cabuyao and El Salvador plants. The CBA with its Cabuyao employees was signed on August 2, 2022 and is effective until June 30, 2024. The CBA for ABI's El Salvador plant was signed April 2021 and is effective January 31, 2024.

ABI believes that its relations with both its unionized and non-unionized employees are good. ABI has not experienced any work stoppages due to industrial disputes since 1999.

Tobacco
FTC had 49 regular monthly employees as of December 31, 2022. Effective January 1, 2012, FTC ceased to have daily (regular or casual) employees because of the business combination of FTC and PMPMI effective on February 25, 2010.

Banking
The banking group has a total of 8,318 employees as of December 31, 2022. Comprised of 4,452 officers (142 – Vice President and up and 4,310 – Senior Assistant Vice President to Assistant Manager) and 3,866 rank and file employees. The Bank shall continue to pursue selective and purposive hiring strictly based on business requirements. The Bank has embarked on a number of initiatives to improve operational efficiency.

With regard to the Collective Bargaining Agreement (CBA), the Bank's regular rank and file employees are represented by a Union. Total union membership is 3,243 out of 3,866 rank and file employees or 84% of the total rank and file population. The CBA has been renewed for a three-year period from July 1, 2022 to June 30, 2025.

The Bank has not suffered any strikes, and the Management of the Bank considers its relations with its employees and the Union as harmonious and mutually beneficial. Industrial peace is continuously being enjoyed by both Management and the organized Union.

Property Development
The Company had 247 and 381 employees at the close of the calendar year December 31, 2022 and 2021, respectively. The breakdown of the Company employees as of December 31, 2022, according to type are as follows:

Executive	15
Managers	68
Officers	58
Supervisors	27
Rank and File	79
Total	247

The Company will continue to hire qualified and competent employees for the next twelve months to support its plans and programs to achieve revenue, growth and efficiency targets. The Company's employees do not belong to any labor union or federation.

At present, its employees receive compensation and benefits in accordance with the Labor Code of the Philippines.

Major risk/s and Procedures Being Taken to Address the Risks

Distilled Spirits

Market / Competitor Risk
TDI's core consumer base for its products are lower-income consumers. Customers are classified into "economy" and "standard" markets, with monthly income levels of up to ₱10,000 and ₱100,000, respectively. According to the 2006 Philippine National Statistics Coordination Board (NSCB) Family Expenditure Survey and a 2009 Usage, Attitude and Image Survey conducted by the Philippine Survey Research Council, this consumer base comprises approximately 80% of the Philippine population and likewise accounts for approximately 90% of liquor consumption. The preferences of these consumers change for various reasons driven largely by demographics, social trends in leisure activities and health

effects. Entry of new competitive and substitute products to address these customers' preferences may adversely affect the business prospects of TDI if it does not adapt or respond to these changes.

In addition, the market of TDI is highly sensitive to price changes given the purchasing power and disposable income of its customers. Any adverse change in the economic environment of the Philippines may affect the purchasing power of the consumers and adversely affect TDI's financial position and performance.

TDI responds to customer preferences by continuing to monitor market trends and consumer needs to identify potential opportunities. Its existing product portfolio covers all major liquor categories and price ranges enabling it to respond quickly to any change in consumer preference. Development of new products and brands is continuously being undertaken to address the current and emerging requirements of the customers.

Raw Material Supply Risk
The main raw material that TDI and subsidiaries use for the production of its liquor products and bioethanol is molasses which is subject to price volatility caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls. A shortage in the local supply of molasses and the volatility in its price may adversely affect the operations and financial performance of TDI and its subsidiaries.

TDI addresses this risk by regularly monitoring its molasses and alcohol requirements. At the start of each annual sugar milling season, TDI normally negotiates with major sugar millers for the purchase in advance of the mill's molasses output at agreed upon prices and terms. It also imports ethyl alcohol in the event that the local supply is not sufficient or if prices are not favorable. Furthermore, TDI's parent company owns a 30.9% stake in Victorias Milling Company, Inc. (VMC) as of December 31, 2022. VMC is the largest sugar producer in the Philippines and currently one of TDI's major supplier of molasses.

Furthermore, the acquisition of AAC and ADI was designed to control alcohol cost and minimize the chances of a shortage in supply. Adequate storage facilities have been constructed to enable TDI to buy and stock molasses at the time when sugar centrals are at their production peaks. To address any disruption in supply from AAC and ADI, TDI also maintains a network of local and foreign alcohol suppliers.

Credit Risk
TDI relies on 16 exclusive distributors for the sale of its liquor products. Any disruption or deterioration in the credit worthiness of these distributors may adversely affect their ability to satisfy their obligations to TDI.

The operations and financial condition of distributors are monitored daily and directly supervised by TDI's sales and marketing group. Credit dealings with these distributors for the past twenty years have been generally satisfactory and TDI does not expect any deterioration in credit worthiness. The 16 distributors also have a wide range of retail outlets and there is no significant concentration of risk with any counterparty.

Trademark Infringement Risk
TDI's image and sales may be affected by counterfeit products with inferior quality. Its new product development efforts may also be hampered by the unavailability of certain desired brand names. TDI safeguards its brand names, trademarks and other intellectual property rights by registering them with the IPO and in all countries where it sells or plans to sell its products. Brand names for future development are also being registered in advance of use to ensure that these are available once TDI decides to use them. Except for companies belonging to the LT Group, TDI also does not license any third party to use its brand names and trademarks.

The risk of counterfeiting is constantly being monitored and legal action is undertaken against any violators. The use of tamper proof caps is also seen as a major deterrent to counterfeiting.

Regulatory Risk

TDI is subject to extensive regulatory requirements regarding production, distribution, marketing, advertising and labeling both in the Philippines and in the countries where it distributes its products. Specifically, in the Philippines, these include the Bureau of Food and Drugs, Department of Environment and Natural Resources, Bureau of Internal Revenue and Intellectual Property Office.

Decisions and changes in the legal and regulatory environment in the domestic market and in the countries in which it operates or seeks to operate could limit its business activities or increase its operating costs. The government may impose regulations such as increases in sales or specific taxes which may materially and adversely affect TDI's operations and financial performance.

To address regulatory risks like the imposition of higher excise taxes, TDI would increase its selling prices and make efforts to reduce costs. Other regulatory risks are managed through close monitoring and coordination with the regulatory agencies on the application and renewal of permits. TDI closely liaises with appropriate regulatory agencies to anticipate any potential problems and directional shifts in policy. TDI is a member of the Distilled Spirits Association of the Philippines and the Bioethanol Producers Association which acts as the medium for the presentation of the industry position in case of major changes in regulations.

Safety, health and environmental laws risk

The operation of TDI's existing and future plants are subject to a broad range of safety, health and environmental laws and regulations. These laws and regulations impose controls on air and water discharges, on the storage, handling, employee exposure to hazardous substances and other aspects of the operations of these facilities and businesses. TDI has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. The discharge of hazardous substances or other pollutants into the air, soil or water may cause TDI to be liable to third parties, the Philippine government or to the local government units with jurisdiction over the areas where TDI's facilities are located. TDI may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

There is no assurance that TDI will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters, the costs of which could be material. Clean-up and remediation costs of the sites in which its facilities are located and related litigation could materially and adversely affect TDI's cash flow, results of operations and financial condition.

It is the policy of TDI to comply with existing environmental laws and regulations. A major portion of its investment in physical facilities was allocated to environmental protection systems which have been favorably cited as compliant by the environmental regulators.

Counterfeiting risk

TDI's success is partly driven by the public's perception of its various brands. Any fault in the processing or manufacturing, either deliberately or accidentally, of the products may give rise to product liability claims. These claims may adversely affect the reputation and the financial performance of TDI.

The risk of counterfeiting is constantly being monitored and legal action is undertaken against any violators. The use of tamper proof caps also helps prevent counterfeiting. All brand names, devices, marks and logos are registered in the Philippines and foreign markets.

The Quality Program of TDI ensures that its people and physical processes strictly comply with prescribed product and process standards. It has a Customer Complaint System that gathers, analyzes and corrects all defects noted in its products. Employees are directed to be observant of any defects in the Company's products on display in sales outlets and buy the items with defects and surrender these to TDI for reprocessing.

Last July 21, 2014, Tanduay Cabuyao Plant successfully passed the ISO 9001:2008 Certification Audit while the Negros Plant was certified last December 31, 2014. This was an achievement for Tanduay since the Company was able to certify 2 plants in a year. ISO 9001:2008 specifies requirements for a quality management system where an organization needs to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements and aims to enhance customer satisfaction through the effective application of the system including processes for continues improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

Beverage

Market / Competitor Risk

The substantial majority of ABI's customers in the Philippines belong to the lower socio-economic classes, where discretionary income is limited. Accordingly, the market for beverages such as energy drinks, beer and other ABI products is price elastic. If ABI raises the prices of its products, sales volumes will likely decline, and the decline may not be offset by the increase in prices, which may result in a lower level of net sales.

The ability of ABI to successfully launch new products and maintain demand for its existing products depends on the acceptance of these products by consumers, as well as the purchasing power of consumers. Consumer preferences may shift because of a variety of reasons, including changes in demographic and social trends or changes in leisure activity patterns.

To address such risks, ABI expects younger consumers to be a key driver of the demand for ABI's products and its growth, notably for energy drinks and alcopops. ABI plans to focus its product development and marketing efforts in these segments on such consumers. ABI intends to use marketing channels such as social media to improve product communication with its target customers.

In addition, ABI has the most diverse beverage portfolio in the Philippines and is one of the few beverage companies in the Philippines with a well-established and leading presence across multiple segments in the beverage industry. ABI believes that its ability to offer a strong portfolio of brands across multiple categories is a key competitive advantage and allows for significant leverage over its distributors.

Raw Material Supply Risk

The manufacture of ABI's products depends on raw materials that ABI sources from third-party and related suppliers. Sugar used to produce energy drinks and other sweetened beverages is generally purchased under supply contracts of up to one year. Hops and barley used in beer production are primarily sourced abroad. Raw materials used by ABI and its related companies are subject to price volatility caused by changes in global supply and demand, foreign exchange rate fluctuations, weather conditions and governmental controls.

ABI addresses this risk by actively monitoring the availability and prices of raw materials. ABI may also shift to alternative raw materials used in the production of its products. Apart from these, ABI also monitors the market for hedging opportunities to lock in the price of raw materials such as bunker fuel used in the production of commercial bottles.

Regulatory Risk

Regulatory decisions or changes in the legal and regulatory requirements in a number of areas related to the beverage industry may have adverse effect on ABI's business. Governmental bodies may subject ABI to actions such as product recall, seizure of products and other sanctions, any of which could have an adverse effect on ABI's sales. Also, any increases in excise taxes or VAT may reduce overall consumption and demand for ABI's products, as consumers prioritize basic necessities in view of higher living costs.

ABI may increase its selling prices and make efforts to reduce costs to address such risks. Close monitoring and coordination with the regulatory agencies on the application and renewal of permits are implemented to manage other regulatory risks.

Safety, health and environmental laws risk
Various environmental laws and regulations govern the operations of ABI including the management of solid wastes, water and air quality, toxic substances and hazardous wastes at ABI's breweries. Non-compliance with the legal requirements or violations of prescribed standards and limits under these laws could expose ABI to potential liabilities, including both administrative penalties in the form of fines and criminal liability. Violations of environmental laws could also result in the suspension and/or revocation of permits or licenses held by ABI or required suspension or closure of operations.

Strict compliance with environmental laws and regulations is continuously implemented by ABI to address the risk.

The tobacco or cigarette industry generally has the following risks:

Market / Competitor Risk
PMFTC competes primarily on the basis of product quality, brand recognition, brand loyalty, taste, innovation, packaging, service, marketing, advertising and price. Although PMFTC has historically been able to maintain its leadership position in the Philippine tobacco market, the Company believes that the market landscape is constantly evolving, and market players can gain or lose market share very quickly.

The competitive environment and PMFTC's competitive position can be significantly influenced by erosion of consumer confidence, competitors' introduction of lower-priced products or innovative products, as well as product regulation that diminishes the ability to differentiate tobacco products.
To address the risk, PMFTC employs improvement in product penetration and distribution channels that will further strengthen its leadership position in the Philippine cigarette market. In addition, PMFTC will continue to focus on consumer research to assess adult consumer insight, trends, behavior and preferences in order to develop marketing campaigns that improve customer engagement.

Regulatory Risk
Tax regimes, including excise taxes, sales taxes and import duties, can disproportionately affect the retail price of manufactured cigarettes versus other tobacco products. The Company believes that general increases in cigarette taxes are expected to continue to have an adverse impact on PMFTC's sales of cigarettes, such as a possible decline in the overall sales volume of its products or a shift in adult consumer preferences from manufactured cigarettes to other tobacco products, from purchases of high-end tobacco products to low-end products, from purchases of local tobacco products to legal cross-border purchases of lower priced products, or the purchases of illicit products, whether counterfeit or deemed contraband items.

PMFTC closely liaises with appropriate regulatory agencies to anticipate any potential problems and directional shifts in policy. PMFTC is a member of the Philippine Tobacco Institute which acts as the medium for the presentation of the industry position in case of major changes in regulations.

Safety, health and environmental laws risk
PMFTC's existing and future operations are subject to a broad range of occupation safety and health standards, and environmental laws and regulations. These laws and regulations impose controls on air and water discharges, on storage, handling, employee exposure to hazardous substances and other aspects of the operations of PMFTC's facilities. Failure to properly manage the environmental risks and the operational, health and safety laws and regulations to which PMFTC is subject could also have a negative impact on its reputation.

It is the policy of the company to comply with existing environmental laws and regulations. PMFTC expects to incur operating costs to comply with such laws and regulations. PMFTC has continuously allocated significant investment in environmental, health and safety improvements and upgrades.

Counterfeiting risk
The risk of counterfeiting is constantly being monitored and legal action will be undertaken against any violators. All brand names, marks and logos are registered in the Philippines and foreign markets.

Banking
As a financial institution with various allied undertakings with an international footprint, PNB continues to comply with an evolving and regulatory and legislative framework in each of the jurisdictions in which it operates. The nature and the impact of future changes in laws and regulations are not always predictable. These changes have implications on the way business is conducted and corresponding potential impact to capital and liquidity.

Effective risk management is essential to consistent and sustainable performance for all the Bank's stakeholders and is therefore a central part of the financial and operational management of the PNB Group. PNB adds value to clients and therefore the communities in which it operates, generating returns for stockholders by taking and managing risk.

Through its Enterprise Risk Management Framework (ERMF), the Bank manages risks across the enterprise, with the objective of maximizing risk-adjusted returns while remaining within its risk appetite. The BOD of the Bank plays a pivotal role and has the ultimate responsibility in bank governance through their focus on two factors that will ultimately determine the success of the Bank, viz: (1) responsibility for the Bank's strategic objectives; and (2) assurance that such will be executed by choice of talents.

Strong independent oversight has been established at all levels within the Bank. The Bank's BOD has delegated specific responsibilities to various Board Committees, which are integral to PNB's ERMF and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively.

There are eight (8) Board Committees:
- Executive Committee (EXCOM)
- Board Strategy & Policy Committee (BSPC)
- Board Audit & Compliance Committee (BACC)
- Board Oversight Related Party Transaction Committee (BORC)
- Corporate Governance Committee (CorGov)
- Board Information Technology Governance Committee (BITGC)
- Risk Oversight Committee (ROC)
- Trust Committee (TrustCom)

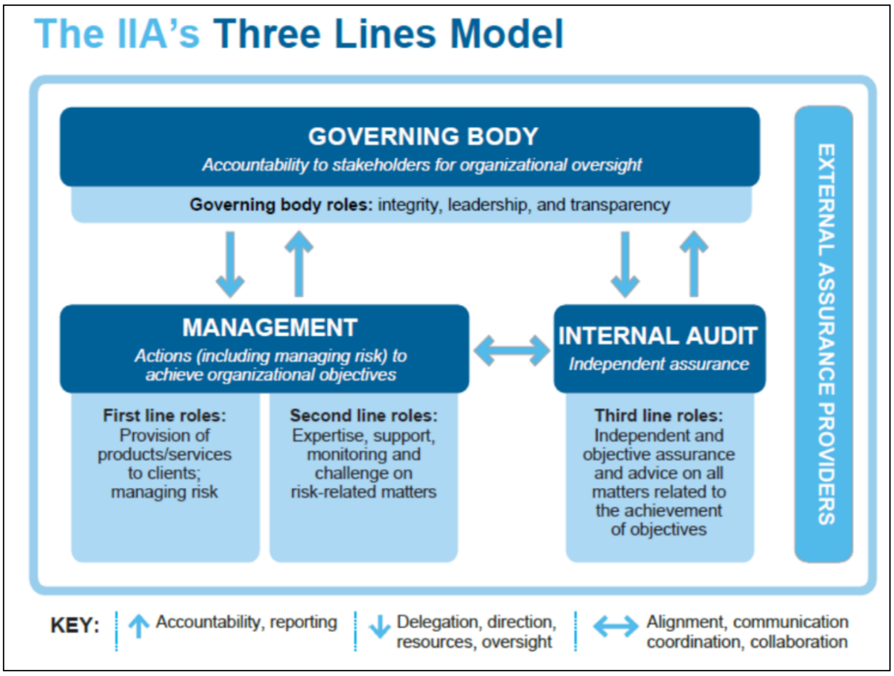
A sound, robust and effective Enterprise Risk Management Framework (ERMF) coupled with global best practices were recognized as a necessity and are the prime responsibility of the BOD and senior management. The approach to risk is founded on strong corporate governance practices that are intended to strengthen the enterprise risk management of PNB, while positioning the Group to manage the changing regulatory environment in an effective and efficient manner.

The Management Risk Committee (MRC) is a forum ensuring that the Bank's Enterprise Risk Management Framework (ERMF) is operationalized, and that Senior Management has an enterprise-level view of all material risks and that risk-mitigating actions properly determined and effectively executed.

Mainly composed of the Bank's Sector and Group heads, the MRC will be responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The committee shall periodically assess that the Bank's risk appetite statements are aligned with the business strategy and the overall objectives.

The approach to managing risk is outlined in the Bank's ERMF which creates the context for setting policies, standards, and establishing the right practices throughout the Group. It defines the risk management processes and sets out the activities, tools, and organizational structure to ensure material risks are identified, measured, monitored, and managed.

PNB's ERMF, with regular reviews and updates, has served the Bank well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the Three Lines Model: *Governing Body, Management, and Internal Audit*, which is fundamental to PNB's aspiration to be world-class at managing risk:



The Governing Body role, through the Board of the Directors, ensures there is an effective governance structure in place, where the Bank's objectives and activities are aligned with the interests of its stakeholders.

Management refers to the lines of business who are directly involved in managing risks and the support units who provide expertise and insight to the first line in managing risks. Second line roles include the Risk Management Group (RMG), Enterprise Information & Cyber Security Group (EICSG) and Global Compliance Group (GCG).

Internal Audit or the third line role, provides independent and objective assurance and advice on the adequacy and effectiveness of the Bank's control, governance, and risk management processes. It reports its findings to Management and the BACC to promote and facilitate continuous improvement.

The risk management framework of the Bank is under the direct oversight of the Head of Risk Management Group who reports directly to the ROC. The CRO is supported by Division Heads with specialized risk management functions to ensure that a robust organization is maintained. The Risk Management Group (RMG) is independent from the business lines and organized into the following divisions: Credit Risk Division, ICAAP & Operational Risk Management Division, Market & ALM Division, Business Continuity Management and Vendor Risk Monitoring Division, Trust Risk Division, Business Intelligence & Warehouse Division, Model Validation Division and Administrative & Support Department.

Each division monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These board approved policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks.

The Bank's governance policies also provide for the validation, audits & compliance testing, to measure the effectiveness and suitability of the risk management structure. The Risk Management Group also functions as the Secretariat to both the ROC and the MRC which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the Bank in its internal capital adequacy assessment process (ICAAP) document.

Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at origination.

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the business units and presented to the ROC for endorsement for final BOD Approval.

In line with the integration of the BSP required ICAAP and risk management processes, PNB currently monitors the following material risks:

Pillar 1 Risks:

- Credit Risk (includes Counterparty and Country Risks);
- Market Risk; and
- Operational Risk.

Pillar 2 Risks:

- Credit Concentration Risk;
- Interest Rate Risk in Banking Book (IRRBB);
- Liquidity Risk;
- Reputational Risk;
- Strategic Business Risk;
- Model Risk;
- Information Security/ Cyber Security / Data Privacy Risk; and
- Information Technology Risk
- Human Resource Risk

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 538, Series of 2006 using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks. Discussions that follow below are for Pillar 1 Risks with specific discussions relating to Pillar 2 risks mentioned above.

Risk Categories and Definitions

The risk process follows these four main aspects: Identification, Measurement, Evaluation (analysis) and Management (i.e. monitor, control and mitigate). Under the Bank's ERMF, we broadly classify and define risks into the following categories and manage the risks according to their characteristics:

Risk Category	Risk Definition	Risk Management Tools
Credit / counterparty Risk and Credit Concentration Risks	Credit/counterparty risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract. Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough	▪ Trend Analysis (Portfolio / Past Due and NPL Levels ▪ Monitoring of Compliance to Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ CRR Migration ▪ Monitoring of Credit Risk Rating Migration ▪ Movement of Portfolio Concentrations and Demographics Review ▪ Large Exposure Report

Risk Category	Risk Definition	Risk Management Tools
	relative to a bank's capital, total assets, or overall risk level, to threaten a financial institution's health or ability to maintain its core operations. It is inherent in a bank's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. (BSP MORB Sec 301.6, Series of 2009; BCBS).	▪ Adequacy of Loan Loss Reserves Review ▪ Specialized Credit Monitoring on Real Estate ▪ Pre- and Post-Credit Risk review
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products, and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market. (BSP Cir. No. 544, Series of 2006).	▪ Value at Risk (VaR) Limits Utilization monitoring ▪ Stop Loss Limits ▪ Management Triggers ▪ Risk Sensitivity / Duration Report ▪ ROP Exposure Limit ▪ Limit to Derivatives / Structured Products ▪ Stress Testing ▪ BSP Uniform Stress Testing
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FI's inability to meet its obligations when they come due. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the Bank's ability to liquidate assets quickly and with minimal loss in value. (BSP Cir. No. 510/545).	▪ Maximum Cumulative Outflow (MCO) Limits ▪ Liquid Assets Monitoring, Ratios and Gap Analysis ▪ Stress testing ▪ Large Fund Provider Analysis ▪ Funding Liquidity / Contingency Planning
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting financial institution (FI) activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Circ 1044, Series of 2019).	▪ EAR Limits Measurement and Monitoring ▪ Balance Sheet Profiling ▪ Interest Repricing Gap Analysis ▪ Economic Value of Equity (EVE) ▪ Stress testing ▪ BSP Uniform Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal	▪ Various Internal Control measures

Risk Category	Risk Definition	Risk Management Tools
	processes, people, and systems, or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs. (BSP Circular 900, dated 18 January 2016)	▪ Board-Approved Operating Policies and Procedures Manuals ▪ Board-Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Fraud Management Program ▪ Statistical Analysis ▪ Monitoring of Trading activities: ✓ Exception Report on Traders' Limit ✓ Exception Report on Rate Tolerance Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: • Risk Identification • Risk Maps • Risk Measurement and Analysis • ICAAP Risk Assessment
Business Continuity & Disaster Recovery	Business Continuity risk is the risk that an organization cannot maintain state of continued, uninterrupted operation of a business when its primary location of business(es) becomes inoperable due to unforeseen natural and man-made disaster or loss events. Disaster Recovery risk is the risk to the organization where the primary location of its technology assets that enables continuity of business becomes inoperable. (BSP 808 Series of 2013, BIS High-level Principles for Business Continuity 2006).	▪ BCP Planning (Business Impact Analysis, Risk Assessment, Recovery Strategies & BCP Testing). ▪ Crisis Management Plan ▪ Business Impact Analysis (BIA) ▪ Business Continuity Risk Assessment (BCRA) ▪ Departmental Business Continuity Plan (BCP) ▪ Test Script confirmations ▪ ITG BC-DRP Test Reports ▪ Tabletop Tests ▪ Call Tree Tests ▪ Business Continuity Daily Incident Monitoring
Vendor Risk	Vendor Risk is the risk associated with the engagement with vendors, partners or service providers that may adversely impact the Bank's systems/applications, employee, customer, financial information, reputation, operation, strategic, regulatory and policies.	▪ Vendor Risk Assessment ▪ Vendor Risk Rating ▪ Performance Evaluation ▪ Vendor Risk Management Monitoring Masterfile ▪ Performance of Due Diligence during Vendor Selection ▪ Periodic review on (existing) vendor/service provider's performance (based on agreed services stated in the agreement), standing, and regulatory compliances.
Reputational Risk	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new	▪ Consolidated Complaints Report ▪ After Call Satisfaction Survey ▪ Public Relations Campaign

Risk Category	Risk Definition	Risk Management Tools
	relationships or services or continue servicing existing relationships. This risk may expose the Bank to litigation, financial loss, or a decline in its customer base. In extreme cases, the Bank loses its reputation and may suffer a bank run. (BSP Cir. No. 510, dated 03 Feb 2006). Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in the Bank's Policy on ICAAP, as the failure to find, attract, and win new clients, nurture, and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services. Consumer Protection Risk is defined as failure of the bank to deliver its mandate to provide appropriate service and protection to its financial consumers.	▪ Profiling on the mobile and internet banking users ▪ Security measures for Digital Banking ▪ Fraud Management Program ▪ Social Media Management Framework ▪ Media Monitoring Tool ▪ Customer Feedback mechanism
Strategic Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. (BSP Cir. No. 510, dated 03 Feb 2006).	▪ Regular ALCO Financial Updates ▪ Seminars and Economic briefings ▪ Banking industry reports and industry research studies ▪ Research Division's economic reports and forecasting and equities reports ▪ Management Profitability Reports ▪ Compliance Updates on new, revised regulations ▪ Retail Bank / Corporate Bank / Retail Lending weekly updates on performance/ volume levels ▪ Annual Strategic Planning Exercise
Model Risk	Model Risk is the risk that a model is not providing accurate output, being used inappropriately or that the implementation of an appropriate model is flawed. It can arise in a variety of forms and at different points within the model lifecycle i.e., Model Development, Model Implementation and Model Use. (Financial Services Board 2010 quoted by SGV Seminar on Model Risk Management and Validation for PNB, 03 October 2019).	▪ Model validation report ▪ Model inventory ▪ Model exception monitoring database ▪ Model Risk Assessment (Model Health & Model Materiality)
Information Security/ Cyber Security Risk	Information Security (Infosec) risk is the risk to organizational operations (including mission, functions, image, and reputation), organizational assets, and individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). This covers data or information being	▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Risk Assessment ▪ Information Security Management System Implementation ▪ Continuous InfoSec / cyber risk awareness campaigns ▪ Network Security Protection ▪ Limits on Access Privileges

Risk Category	Risk Definition	Risk Management Tools
	processed, in storage or in transit. Cyber Risk is the risk associated with financial loss, disruption or damage to the reputation of an organization from failure, unauthorized or erroneous use of its information systems. (NIST IR 7298 Revision 2, Glossary of Key Information Security Terms, Page Numbers 98 & 100)	▪ Scanning of outbound and inbound digital traffic ▪ Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). ▪ Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks
Data Privacy Risk	Data Privacy Risks are those that could lead to the unauthorized collection, use, disclosure or access of personal data. It includes risks that the confidentiality, integrity and availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the privacy principles (transparency, legitimacy and proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to noncompliance issue and financial losses. (Data Privacy Act of 2012 or RA 10173).	▪ Enterprise–wide Implementation of Data Privacy Management System ▪ Institutionalization of data privacy and protection culture within the group through regular awareness programs ▪ Conduct of Privacy Impact Assessment (PIA) as required by DPA of 2012
Information Technology Risk	Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP Circular 808) It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank [2]. It consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. (ISACA Risk IT Framework).	▪ Risk Awareness Campaigns ▪ IT Risk Assessments ▪ Formal Project Management Program adoption ▪ Vulnerability Assessment and Penetration Testing ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Users / IT joint engagement for problem resolution ▪ Technology Operations Management Policies & Guidelines ▪ IT Risk Monitoring ▪ IT Risk Assessment ▪ Project Risk Assessment
Human Resource Risk	Human Resource Risk covers the Bank’s risk of financial loss due to the inadequate training, inexperience, or illegal activities of risk-taking behavior of personnel. This risk is closely related to operations risk and its internal control aspects. It highlights the human side of risk-taking and the role and adequacy of code of conduct, personnel policies, training and development programs, ability to recruit and retain employees through adequate compensation and benefits and ability to sustain adequate workforce through succession planning.	Institutionalize policies covering: ▪ Talent Acquisition/Retention and Career Management; ▪ Remuneration Management; ▪ Performance Appraisal System covering the following main tools: ✓ Sourcing and Screening of Candidates ✓ General Qualification Requirements for Applicants ✓ Screening and Pre-employment Assessment Exams ✓ Selection Interviews

Risk Category	Risk Definition	Risk Management Tools
		✓ Candidate Matching – ensuring "job fit" through person/position review ✓ Competitive compensation and employee benefits ✓ Compliance with Labor Law on payment of benefits and salaries ✓ Institutionalize the Bank's Performance Appraisal System (e.g., targets versus achievements) ✓ Provide training and/or issue guidelines to ensure that the process is done objectively.

REGULAR CAPITAL REQUIREMENTS UNDER BASEL III – PILLAR 1 CAPITAL ADEQUACY RATIO

The Bank's Capital Adequacy Ratio as of December 31, 2022 stood at 15.49% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2022 amounted to P759.657 billion composed of P647.825 billion (Credit Risk Weighted Assets – CRWA), P32.854 billion (Market Risk Weighted Assets – MRWA) and P78.977 billion (Operations Risk Weighted Assets – ORWA).

The Bank's total regulatory requirements for the four (4) quarters for 2022 are as follows:

Consolidated	Weighted Exposures (As of End of Every Quarter of 2022)			
(Amounts in P millions)	Dec 31	Sept 30	June 30	Mar 31
CRWA	647,825	688,785	653,838	629,456
MRWA	32,854	41,334	43,326	44,143
ORWA	78,977	78,977	78,977	78,977
Total Risk-Weighted Asset	759,656	809,096	776,141	752,576
Common Equity Tier 1 Ratio	14.63%	13.78%	14.53%	14.01%
Capital Conservation Buffer	8.63%	7.78%	8.53%	8.01%
Total Capital Adequacy Ratio	15.49%	14.49%	15.24%	14.69%

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements as at December 31, 2022 attributable to the Bank (amounts in Php thousands):

Accounts	Balance in FRP	Accounting differences and other adjustments	Balance in audited financial statements
Capital stock	₱61,030,594	₱–	₱61,030,594
Additional paid-in capital	32,106,560	–	32,106,560
Surplus reserves	4,373,141	(859)	4,372,282
Surplus	67,697,114	6,779,755	74,476,869
Net unrealized loss on available-for-sale investments	(5,648,377)	(310,898)	(5,959,275)
Remeasurement losses on retirement plan	(2,244,634)	21,689	(2,222,945)
Accumulated translation adjustment	1,051,631	1,262,816	2,314,447
Other equity reserves	390,517	–	390,517
Share in aggregate reserves on life insurance policies	–	136,096	136,096
TOTAL	₱158,756,546	₱7,888,599	₱166,645,145

Credit Risk-Weighted Assets as of December 31, 2022

The Bank adopts the standardized approach in quantifying the risk-weighted assets. Credit risk exposures are risk weighted based on third party credit assessments of Fitch, Moody's, Standard & Poor's and PhilRatings agencies. The ratings of these agencies are mapped in accordance with the BSP's standards. The following are the consolidated credit exposures of the Bank and the corresponding risk weights:

In P Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	22,166	-	22,166	22,135	31	-	-	-	-
Due from BSP	94,714	-	94,714	94,714	-	-	-	-	-
Due from Other Banks	28,091	-	28,091	-	14,852	11,587	-	1,652	-
Financial Asset at FVPL	-	-	-	-	-	-	-	-	-
Available for Sale	1,614	-	1,614	-	-	-	-	1,614	-
Held to Maturity (HTM)	111,833	5,717	106,116	64,060	7,861	25,143	-	9,052	-
Unquoted Debt Securities	-	-	-	-	-	-	-	-	-
Loans & Receivables	600,354	5,168	595,186	207	74,633	32,755	-	471,072	16,520
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	64,579	38,250	26,329	26,096	-	233	-	-	-
Sales Contracts Receivable	4,682	-	4,682	-	-	-	-	4,477	205
Real & Other Properties Acquired	10,284	-	10,284	-	-	-	-	-	10,284
Other Assets	26,031	-	26,031	1,431	-	-	-	24,600	-
Total On-Balance Sheet Asset	964,349	49,135	915,215	208,643	97,377	69,718	-	512,467	27,009
Total Risk Weighted Asset - On-Balance Sheet	-	-	-	-	19,475	34,859	-	512,467	40,514
Total Risk Weighted Asset - Off-Balance Sheet Asset	-	-	-	-	-	1,350	-	33,599	-
Counterparty Risk Weighted Asset in Banking Book	-	-	-	-	-	434	-	-	-
Counterparty Risk Weighted Asset in Trading Book				-	-	1,491		470	-

** Credit Risk Mitigants used are cash, guarantees and warrants.*

Market Risk-Weighted Assets as of December 31, 2022

The Bank's regulatory capital requirements for market risks of the trading portfolio are determined using the standardized approach ("TSA"). Under this approach, interest rate exposures are charged both for specific risks and general market risk. The general market risk charge for trading and Fair Value through Other Comprehensive Income (FVOCI) portfolio is calculated based on the instrument's coupon and remaining maturity with risk weights ranging from 0% for items with very low market risk (i.e., tenor of less than 30 days) to a high of 12.5% for high risk-items (i.e., tenor greater than 20 years) while capital requirements for specific risk are also calculated for exposures with risk weights ranging from 0% to 8% depending on the issuer's credit rating. On the other hand, equities portfolio is charged 8% for both specific and general market risk while foreign exchange (FX) exposures are charged 8% for general market risks only.

Capital Requirements by Market Risk Type under the Standardized Approach

(Amounts in P Million)	Capital Charge (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	2,520.647	3,150.809	31,508.085
Specific Risk	1,047.803	1,309.753	13,097.531
General Market Risk	1,472.844	1,841.056	18,410.554
Equity Exposures	0.464	0.579	5.796
Foreign Exchange Exposures	107.240	134.049	1,340.494
Total	2,628.351	3,285.437	32,854.375

Notes:

1/ Capital charge is multiplied by 125% to be consistent with BSP required minimum Capital Adequacy Ratio (CAR) of 10%, which is 25% higher than the Basel minimum of 8%.

2/ Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%)

The following are the Bank's exposure with assigned market risk capital charge.

Interest Rate Exposures consist of specific risk and general market risk.

Specific Risk

Specific Risk which reflects the type of issuer of the combined portfolio of financial assets designated at Fair Value through Profit or Loss (FVPL) and FVOCI is Php 138,383.947 billion and is composed of securities with various tenors that are subjected to risk weight ranging from 0% to 8%. Five percent (5%) of these securities are issued by Republic of the Philippines (ROP) while 4% is attributable to debt securities rated AAA to BBB- issued by other entities. The remaining portfolio consists of all other debt securities that are issued by other entities. Three percent (3%) of this combined portfolio is composed of USD-denominated debt securities issued by the Philippines with applicable risk weight of 0.25% to 1.6%. On the other hand, the Bank's holding in peso denominated securities which are estimated at eighty percent (80%) of the portfolio have zero risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in P million)

	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
PHP-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	111,043.912					111,043.912
	Short						
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		1,506.231	1,341.051	3,417.113		6,264.395
	Short		–	–	–		

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in P million)							
	Positions						Risk Weight
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long		2,371.217	353.102	1,721.389		4,445.708
	Short		–	–	–		
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long		860.127	,758.166	2,057.996		5,676.289
	Short		–	–	–		
All other debt securities/derivatives that are below BBB- and unrated	Long					10,953.643	10,953.643
	Short						
Subtotal	Long	111,043.912	4,737.575	4,452.319	7,196.498	10,953.643	138,383.947
	Short	–	–	–	–	–	–
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		–	11.844	44.523	115.144	876.291	1,047.803
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products							
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps							
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES		–	11.844	44.523	115.144	876.291	1,047.803

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is Php122,370.885 million. In terms of weighted positions, the greater portion (21%) of the Bank's capital charge comes from the Over 2 years to 3 years bucket at Php 25,181.274 million as well as Over 1 year to 2 years bucket (17%) at Php 20,493.656 million or a combined capital charge of Php 696.843 million. The remaining weighted positions (83%) are distributed over the remaining buckets.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in P million)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives Total Individual Positions		Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	94,839.534	22,001.729	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	9,042.074	28,237.665	0.20%	18.084	56.475
	Over 3M to 6M	Over 3M to 6M	10,172.043	2,374.880	0.40%	40.688	9.500
	Over 6M to 12M	Over 6M to 12M	6,448.963	2,761.591	0.70%	45.143	19.331
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	20,493.656	0.000	1.25%	256.171	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	25,181.274	0.000	1.75%	440.672	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	2,374.896	0.000	2.25%	53.435	0.000
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	2,382.759	0.000	2.75%	65.526	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	6,800.413	0.000	3.25%	221.013	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	10.393	0.000	3.75%	0.390	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	0.000	0.000	4.50%	0.000	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	0.746	0.000	5.25%	0.039	0.000
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000
		Over 20Y	0.000	0.000	12.50%	0.000	0.000
Total			177,746.751	55,375.866		1,141.161	85.306
Overall Net Open Position							1,055.855
Vertical Disallowance							4.691
Horizontal Disallowance							15.356
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							1,075.903

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is Php 386.273 million. The exposure is concentrated under the Over 5 year to 7 years' time bucket with risk weight of 3.25% resulting in a capital charge of Php 83.379 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from Php 0.037 million to PHP 75.117 million.

Currency: USD							
PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives Total Individual Positions		Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	28,858.073	54,255.076	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	32,035.502	5,463.990	0.20%	64.071	10.928
	Over 3M to 6M	Over 3M to 6M	6,356.531	4,629.317	0.40%	25.426	18.517
	Over 6M to 12M	Over 6M to 12M	3,284.826	1,393.875	0.70%	22.994	9.757
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	4,158.244	0.000	1.25%	51.978	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	4,292.371	0.000	1.75%	75.117	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	2,578.986	0.000	2.25%	58.027	0.000
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	1,496.242	0.000	2.75%	41.147	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	2,565.518	0.000	3.25%	83.379	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	51.712	0.000	3.75%	1.939	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	27.304	0.000	4.50%	1.229	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	0.710	0.000	5.25%	0.037	0.000
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000
		Over 20Y	1.052	0.000	12.50%	0.132	0.000
Total			85,707.072	65,742.258		425.475	39.202
Overall Net Open Position							386.273
Vertical Disallowance							3.920
Horizontal Disallowance							0.000
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							390.193

General Market Risk – Third currencies

The Bank is likewise exposed to various third currencies contracts most of them are in less than 30 days thus carries a 0% risk weight. The combined general market risk charge for contracts in Australian Dollar (AUD), Singaporean Dollar (SGD), Hong Kong Dollar (HKD), New Zealand Dollar (NZD), Euro (EUR), and Pound Sterling (GBP) is Php 1.043 million with risk weight of 0.20%.

PART IV.1d GENERAL MARKET RISK (Amounts in P million)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
AUD	1 month or less	0.000	26.290	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	0.000	0.20%	0.000	0.000				
TOTAL		0.000	26.290		0.000	0.000	0.000	–	–	0.000
SGD	1 month or less	0.000	70.226	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	279.023	0.20%	0.000	0.558				
TOTAL		0.000	349.248		0.000	0.558	0.558	–	–	0.558
JPY	1 month or less	–	186.593	0.00%	–	–				
TOTAL		–	186.593		–	–	–	–	–	–
HKD	1 month or less	0.000	1,150.449	0.00%	0.000	0.000				

PART IV.1d GENERAL MARKET RISK (Amounts in P million)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
	Over 1M to 3M	0.000	1,261.245	0.20%	0.000	2.522				
	Over 3M to 6M	0.000	441.833	0.40%	0.000	1.767				
TOTAL		0.000	2,853.527		0.000	4.290	4.290	–	–	4.290
KRW	1 month or less	2,865.484	2,865.484	0.00%	–	–				
	Over 1M to 3M	0.000	0.000	0.20%	–					
TOTAL		2,865.484	2,865.484		–					
NZD	1 month or less	0.000	0.000	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	14.070	0.20%	0.000	0.028				
TOTAL		0.000	14.070		–	0.028	0.028	–	–	0.028
EUR	1 month or less	34.154	147.918	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	118.334	0.20%	0.000	0.237				
	Over 3M to 6M	3,404.481	3,404.481	0.40%	13.618	13.618				
TOTAL		3,438.635	3,670.733		13.618	13.855	0.237	1.362	–	1.598
GBP	1 month or less	–	40.200	0.00%	0.000	0.000				
	Over 1M to 3M	–	67.001	0.20%	0.000	0.134				
TOTAL		0.000	107.201		0.000	0.134	0.134	–	–	0.134
CAD	1 month or less	0.000	0.000	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	69.653	0.20%	0.000	0.139				
TOTAL		0.000	69.653		0.000	0.139	0.139	–	–	0.139
TOTAL THIRD CURRENCIES										6.747

Equity Exposures

The Bank's holdings are in the form of preferred stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is Php 0.464 million or total risk-weighted equity exposures of Php 5.796 million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	–
		Short	–
A.9	Others	Long	2.898
		Short	–
A.10	TOTAL	Long	2.898
		Short	–
B.	Gross (long plus short) positions (A.10)		2.898
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		0.232
E.	Net long or short positions		2.898
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		0.232
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		0.464
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		0.580
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		5.796

Foreign Exchange Exposures

The Bank's exposure to FX Risk carries a capital charge of Php 1,340.494 million. This includes Php 1.008million arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight while Php1,339.486 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to Japanese Yen (JPY), Swiss Franc (CHF), Pound Sterling (GBP), EUR, CAD, AUD, Singapore Dollar (SGD) and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2022)						
	Closing Rate USD/P:					50.999
Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates			
		1	2	3	4=1+2+3	5
Currency						
A.1 U.S. Dollar	USD	12.658	1.377		14.035	782.526
A.2 Japanese Yen	JPY	2.762	0.340		3.103	173.000
A.3 Swiss Franc	CHF	0.465	0.000		0.465	25.937
A.4 Pound Sterling	GBP	0.043	(0.170)		(0.127)	(7.073)
A.5 Euro	EUR	0.711	0.032		0.743	41.453
A.6 Canadian Dollar	CAD	(0.080)	0.000		(0.080)	(4.455)
A.7 Australian Dollar	AUD	0.027	0.000		0.027	1.511
A.8 Singapore Dollar	SGD	3.042	0.000		3.042	169.634
A.9 Foreign currencies not separately specified above						
Arab Emirates Dirham	AED	0.096	0.000		0.096	5.350
Bahrain Dinar	BHD	0.004	0.000		0.004	0.214
Brunei Dollar	BND	0.001	0.000		0.001	0.029
Yuan Renminbi	CNY	(0.292)	0.000		(0.292)	(16.261)
Hongkong Dollar	HKD	1.893	0.525		2.417	134.774
Korean Won	KRW	0.082	0.000		0.082	4.574
Malaysian Ringgit	MYR	0.003	0.000		0.003	0.190
Norwegian Krone	NOK	0.000	0.000		0.000	0.000
New Zealand Dollar	NZD	(0.040)	0.000		(0.040)	(2.252)
Saudi Riyal	SAR	(0.009)	0.000		(0.009)	(0.478)
Thai Baht	THB	0.003	0.000		0.003	0.163
Taiwan Dollar	TWD	0.002	0.000		0.002	0.129
Indo Rupiah	INR	0.000	0.000		0.000	0.000
A.10 Sum of net long positions						1,339.486

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2022)						
	Closing Rate USD/P:					50.999
Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates			
		1	2	3	4=1+2+3	5
A.11 Sum of net short positions						(30.519)
B. Overall net open positions 1/						1,339.486
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						107.159
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						133.949
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising from NDF Transactions (E. times 10)						1,339.486
G. INCREMENTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES ARISING FRO 1.008 M NDF TRANSACTIONS (Part IV.3A, Item F.)						1.008
H. TOTAL RISK WEIGHTED FOREIGN EXCHANGE EXPOSURES (Sum of F. and G.)						1,340.494

Operational Risk – Weighted Assets

The Bank uses the Basic Indicator Approach in quantifying the risk-weighted assets for Operational Risk. Under the Basic Indicator Approach, the Bank is required to hold capital for operational risk equal to the average over the previous three years of a fixed percentage (15% for this approach) of positive annual gross income (figures in respect of any year in which annual gross income was negative or zero are excluded).

(Amounts in P Million) Consolidated as of December 31, 2022	Gross Income	Capital Requirement (15% x Gross Income)
2019 (Year 3)	41,827	6,274
2020 (Year 2)	43,151	6,473
2021 (Last Year)	41,386	6,208
Average for 3 Years		6,318
Adjusted Capital Charge	Average x 125%	7,898
Total Operational Risk Weighted Asset		78,977

<u>Property Development</u>

Competitor Risk

The Philippine real estate development industry is highly competitive. The Company believes that it is a strong competitor in this industry due to its product offerings and the location of its projects. The Company strives to provide real estate developments which are innovative and customer-focused to ensure that requirements of its clients are fulfilled on all fronts. Likewise, the Company believes that the prime locations of its developments allow it to effectively compete in the industry and this will continue in the coming years due to the Company's significant landholdings in prime locations within and outside of Metro Manila.

Market Risk

Currently, majority of the Company's commercial spaces are leased-out to entities in the BPO industry. Should the country experience a slowdown in performance and growth of this sector of the economy, the Company is exposed to the risk of lower occupancy, reduction in rental rates and late or non-payment of rentals.

While forecast for the BPO industry remains bullish, the industry is sensitive to changes in government policies particularly with respect to the tax holidays it currently enjoys. Political uncertainty and peace and order problems may likewise affect the growth of this industry as experienced in the past. Despite this, the outlook for the BPO industry continues to be positive as the country remains to be one of top BPO destinations in the world.

The Company's residential sales on the other hand is exposed to the cyclical nature of the real estate industry. As seen in the past, the real estate industry has the tendency to expand and contract depending on the movement of interest rate and the confidence in the Philippine economy.

Regulatory Risk
The Company operates in a highly regulated environment and it is affected by the development and application of regulations in the Philippines. The development of condominium projects, subdivision and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirements to procure a variety of environmental and construction-related permits.

The Company closely monitors all government regulatory requirements and institute measures to strictly comply with them.

Credit Risk
The Company is exposed to credit risk from its leasing and residential sales. To manage the credit risk from residential sales, the Company has ceased to offer in-house financing to its buyers. Instead, buyers are encouraged to either pay in cash, avail of a deferred cash payment term or secure financing from banks to finance their property acquisition.

Credit risk from leasing, on the other hand, is minimal given the profile of the Company's tenants. The terms of the Company's leases are likewise structured to mitigate credit risks.

Financial Risk
Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect in the Company's and its customers' ability to obtain financing. Higher interest rates make it more expensive for the Company to borrow funds to finance its ongoing projects or to obtain financing for new projects. In addition, the Company's access to capital and its cost of financing are also affected by restrictions, such as single borrower limits, imposed by Bangko Sentral of the Philippines (BSP) on bank lending. These could materially and adversely affect the Company's business, financial condition and results of operations.

In order to reduce its earnings volatility, the Company has targeted to significantly increase revenues from recurring sources primarily through rentals from its BPO properties and retail malls. The Company believes this will complement its overall growth strategy by providing recurring cash flows to support its development capital expenditure requirements.

Data Privacy Risk
Data Privacy Risk is an operational risk involving the possible unauthorized access, disclosure and/or destruction by the Company's employees and consultants of sensitive personal information belonging to the Company's clients, suppliers, consultants and employees. The Data Privacy Act of 2012 (Republic Act 10173) requires that due protection and caution must be employed by the Company in handling such sensitive personal information.

To manage this risk, the Company ensures that adequate physical, organizational, and system controls on processes involving the gathering, access, processing, storage and destruction of customers' sensitive personal information are in place. Likewise, continuous improvement on the Company's existing information security is implemented to prevent misuse of personal data. The culture of data protection is also institutionalized within the Company through continuous awareness programs and campaigns.

The Company has also appointed the Data Protection Officer (DPO) to strengthen management of risks relating to the confidentiality and integrity of information while ensuring strict measures to enhance cybersecurity and in compliance with Data Privacy Act of 2012 (Republic Act 10173) and its related regulations on data privacy and security. More details about the Eton Privacy Policy including DPO contact information is available in the company website at https://eton.com.ph/privacy-policy.

Item 2. Properties

Distilled Spirits

TDI and its subsidiaries own the following real estate properties:

Location	Area (sqm)	Present Use
Owned by TDI		
Quiapo, Manila	26,587	Office
Jaro Iloilo	34,662	Investment
Talisay, Neg. Occ.	3,813	Bottle Storage
Davao City	3,000	Investment
Owned by AAC		
Pulupandan, Neg. Occ.	119,082	Distillation Plant
San Mateo, Rizal	11,401	Investment
Talisay, Batangas	139,299	Investment
Tanza, Cavite	53,156	Investment
Owned by ADI		
Ayala Ave., Makati City	89	Investment/Condo
Lian, Batangas	91,722	Distillation Plant

The following are the leased properties of TDI and its subsidiaries:

Location	Present Use	Area (sqm)	Monthly Rental	Lease Expiry Date
Leased by TDI				
Cabuyao, Laguna	Production Plant	170,887	2,155,881	2033
Pinamucan, Batangas	Land rental	18,522	367,500	2033
Calaca, Batangas	Tank rental		555,915	2033
Murcia, Neg. Occ.	Production Plant	51,448	322,615	2033
El Salvador, Mis. Or.	Production Plant	108,843	755,395	2033
Leased by ADI				
Lian, Batangas	Distillation Plant	50,000	50,000	2029
	Totals	**399,700**	**4,207,306**	

Except for the Distillation Plant in Lian Batangas, all lease contracts have a term of fifteen years.

TDIs bottling plant and equipment are located in Cabuyao, Laguna, Murcia, Negros Occidental and El Salvador, Misamis Oriental. The plant equipment and storage facilities are all in good condition. TDIs land in Quiapo, Manila is presently mortgaged to PNB as collateral to TDIs credit line.

AACs distillery plant is located at Pulupandan, Negros Occidental. AAC owns the buildings, machinery and equipment and other structures in it. AAC also has alcohol, molasses and alcohol ageing storage, power generation and wastewater treatment facilities at Pulupandan. Office furniture and fixtures and office equipment are found in its offices in Bacolod and Pulupandan. Lands owned by AAC are located in Pulupandan and Cebu. The Plant and equipment located in Negros plant and the storage facilities are all in good condition.

ADIs distillery plant is in Lian, Batangas. ADI has two distillation plants that produces ethyl alcohol. It also has a 100 kiloliters per day (KLPD) Dehydration Plant started its operation, that is composed of Classical Twin Bed Molecular Sieves which removes water from rectified spirit to produce bioethanol. Likewise, it has alcohol and molasses storage, power generation and wastewater treatment facilities. In 2015, a two (2) megawatt solar power generating facility was also put up in ADIs plant. All transportation equipment owned by ADI are in good condition. The land, building, and building improvements is under mortgage at Philippine National Bank.

Beverage

ABI and its subsidiaries own the following real estate properties:

Location	Area (sqm)	Present Use
Owned by ABI		
Bacoor, Cavite	459	Investment property
Cabuyao, Laguna	302	Investment property
Camarines Norte	3,215	Investment property
General Trias, Cavite	3,200	Investment property
Poblacion, Iloilo	3,782	Investment property
Owned by IPI		
Toril, Davao City	75,734	Production Plant

The following are the leased properties of ABI and its subsidiaries:

Location	**Present Use**	**Area (sqm)**	**Monthly Rental**	**Lease Expiry Date**
Leased by ABI				
Ayala Ave., Makati City	Head Office	1,677	1,761,060	August 2027
Cabuyao, Laguna	Production Plant	542,989	2,402,136	March 2025
Cabuyao, Laguna	Production Plant	59,006	214,072	December 2024
El Salvador, Mis. Or.	Production Plant	1,063,103	304,214	December 2027
El Salvador, Mis. Or.	Production Plant	25,030	128,341	December 2024
Leased by IPI				
San Fernando, Pampanga	Production Plant	85,000	804,057	December 2024
Leased by PWI				
Cabuyao, Laguna	Production Plant	82,600	681,390	December 2022
Leased by APBM				
Myanmar	Production Plant	9,318	US$28,855	December 2036
Myanmar	Warehouse	2,602	5,711	June 2023
Myanmar	Warehouse	2,007	6,505	November 2023
Myanmar	Staff House	372	3,831	February 2023

All lease contracts are renewable at the end of the lease term. In addition to monthly rentals, ABI pays Real Property Taxes on the El Salvador, Misamis Oriental Plant.

The plant and equipment are located at the following areas:

Location	Condition
Cabuyao plant	In good condition
El Salvador plant	In good condition
Davao plant	In good condition
Pampanga plant	In good condition
Myanmar	In good condition

Tobacco

The following comprises properties of FTC:

LOCATION	AREA (sq. m)	Present Use
Brgy. Punta, Calamba, Laguna	49,701	Investment
Bacoor, Cavite	132,294	Investment
Balagtas, Int.Malate, Manila	5,084	Investment
Brgy. Niugan, Cabuyao, Laguna	469,758	Investment
Cabuyao, Laguna	17,438	Investment
Dna Natividad, Quezon Ave., Quezon City	800	Investment
Dna. Natividad, Quezon Ave., Quezon City	1,626	Investment
Dna. Natividad, Quezon Ave., Quezon City	800	Investment
Dna. Natividad, Quezon Ave., Quezon City	1,118	Investment
Concepcion, Marikina	313	Investment
Tagdalit St., Brgy.Manresa, Quezon City	5,165	Warehouse Bldg.
Mandaue City	1,025	Investment
Baybay, Roxas City	2,396	Investment
Baybay, Roxas City	80	Investment
Filinvest Homes, Pagsanjan Cainta, Rizal	474	Investment
Marikina Greenheights, Brgy. Nangka	225	Investment
Antipolo, Rizal	400	Investment
Bo. Mayamot, Antipolo, Rizal	311	Investment
Pasay City	2,222	Investment

FTC leases its office located in Brgy. Kapitolyo, Pasig with a montly rental of P2,000,000 and lease contract will expire on December 31, 2022.

All properties are in good condition and are not covered by any existing mortgages, liens or encumbrances.

Banking

PNB’s corporate headquarters is located at the PNB Financial Center southwest side of Roxas Boulevard, Pasay City, Metro Manila, bounded on the west side by the Pres. Diosdado P. Macapagal Boulevard and on the north side by the World Trade Center building. The Bank leases the premises occupying its Head Office and also houses some of PNB’s domestic subsidiaries.

Disclosed in Exhibit I is the list of Bank-owned properties as of December 31, 2022.

The Bank leases the premises occupied by some of its branches. Lease contracts are generally for periods ranging from one year up to 30 years based on original tenor and are renewable upon mutual agreement of both parties under certain terms and conditions.
Disclosed in Exhibit II is the list of Bank’s branches that are under lease as of December 31, 2022.

The Bank does not have any current plans to acquire any property within the next twelve (12) months.

Information related to Property and Equipment is shown under Note 12 of the Audited Financial Statements of the Bank and Subsidiaries.

Property Development

The Company's investment properties consist of:

Description	Location
Buildings	Eton Centris, Quezon Ave., Cor. EDSA, Diliman, Quezon City; Eton Cyberpod Corinthian, Ortigas Ctr., Pasig City (land under lease agreement) WestEnd Square, Yakal St., cor. Malugay St., Makati City Eton Square Ortigas, Oritgas Avenue, San Juan City
Office condominium unit	6th Floor, Sagittarius Condominium, H. V. dela Costa Street, Salcedo Village, Makati City
Residential unit	Ocean Villa, Ternate, Cavite
Land	EDSA Cor. Quezon Avenue, Diliman, Quezon City; Meralco Avenue, Brgy. Ugong, Pasig City Emerald Ruby, Ortigas, Pasig City Roxas Blvd. Cor. Cuneta Avenue., San Rafael, Pasay City Corta Street, Addition Hills, San Juan, Metro Manila Brgy. Malitlit, Sta. Rosa City, Laguna, Mactan Island Cebu, Loyola Heights, Quezon City

The above properties are owned by the Company and are in good condition. These properties are not covered by any existing mortgage, liens or encumbrances except for the structures at Eton Cyberpod Corinthian and a portion of the land in Brgy. Malitlit, Sta. Rosa City, Laguna.

The Company also entered into various lease agreements as follows:

a. Lease agreements with third parties for the lease of parcels of land in Ortigas Avenue, Quezon City where one of the Parent Company's projects is located. The lease agreement shall be for the period of 20 years which commenced on January 1, 2011 renewable for another 20 years at the option of the lessee, the Parent Company, with lease payment subject to 5% escalation annually.

b. Lease agreement for the lease of parcels of land in San Juan City where one of the Parent Company's projects is located. The lease agreement shall be for the period of 15 years commencing on June 1, 2017 renewable at the option of the lessor with lease payment subject to 5% escalation annually.

The Company's real estate properties consist of :

ETON PROPERTIES PHILIPPINES, INC.	
Eton Baypark Manila	Corner Roxas Boulevard and Kalaw Street, Manila City
Eton Parkview Greenbelt	Gamboa St., Greenbelt, Makati City
Eton Residences Greenbelt	Legaspi St., Greenbelt, Makati City
Eton Emerald Lofts	Corner of Emerald Avenue, Sapphire and Garnet Streets, Ortigas Center, Pasig City
One Archers Place	Taft Avenue beside De La Salle University, Manila City
68 Roces	Don Alejandro Roces Avenue, Quezon City
Belton Place	Yakal St., cor. Malugay St., Makati City
8 Adriatico	Pedro Gil corner Bocobo Extension, Manila City
Eton Tower Makati	Corner Dela Rosa and V.A. Rufino Streets (formerly Herrera Street) in Legazpi Village, Makati City
Tierrabela	Sta. Rosa, Laguna
Riverbend	Sta. Rosa, Laguna
Land	Manggahan, Pasig City

BELTON COMMUNITIES, INC.	
NBC Manors	Quirino Highway, Quezon City
West Wing Residences @ Eton City	Eton City, Sta. Rosa, Laguna
West Wing Residences @ NBC	Quirino Highway, Quezon City
West Wing Villas @ NBC	Quirino Highway, Quezon City

ETON CITY INC.	
South Lake Village	Sta. Rosa, Laguna
Riverbend	Sta. Rosa, Laguna
Tierrabela	Sta. Rosa, Laguna
Village Walk	Sta. Rosa, Laguna
Land	Sta. Rosa, Laguna

Eton Emerald Lofts, NBC Manors and West Wing Residences at NBC are under a joint venture arrangement with the Company as the project developer. The Company acts as both landowner and developer with respect to its other developments. All properties listed above are in good condition and are not covered by any mortgage, liens or encumbrances except for certain undeveloped land located in Sta. Rosa, Laguna and an office building in EDSA corner Ortigas Avenue, Quezon City are used as collateral for a loan secured from Philippine National Bank.

The Company's property and equipment, which consist of transportation equipment, furniture, fixtures and equipment, and leasehold improvements, are mainly used in operations and are located in the main office in Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila, Philippines.

The Company entered into a renewable cancellable lease agreement with PNB, which generally provides for a fixed monthly rent for the Group's office spaces. In 2021, PNB assigned all the rights and interests in the lease agreement to PNB Holdings Corporation. In the same year, the Group and PNB Holdings Corporation executed a lease agreement to increase the lease payments beginning 2021. As a result, the Group recognized gain on lease contract modification amounting to ₱2.6 million.

Item 3. Legal Proceedings

Distilled Spirits

In the ordinary course of business, TDI is contingently liable for lawsuits and claims, which are either pending with the courts or are being contested, the outcomes of which are not presently determinable. In the opinion of the Group's management and legal counsel, the eventual liability under these lawsuits and claims, if any, would not have a material or adverse effect on the Group's financial position and results of operations.

Excise Tax Refund Claim

The new excise tax law or RA 10351 became effective on January 1, 2013, and increased the excise tax rates of, among others, distilled spirits. Another change that was brought in by the new law is the shift in the tax burden of distilled spirits from raw materials to the finished product.

To implement the said law, the Secretary of Finance issued Revenue Regulations No. 17-2012 (RR 17-2012), which, in one of its transitory provisions, disallowed the tax crediting of the excise taxes that were already paid under the old law on the raw materials inventory by end of the year 2012 or by the effectivity of RA 10351 in favor of the excise taxes due on the finished goods inventory.

The Commissioner of Internal Revenue issued on January 9, 2013 Revenue Memorandum Circular (RMC) No. 3-2013. This RMC sought to clarify further certain provisions of RR No. 17-2012 but in effect extended the imposition of the excise tax on both the (1) ethyl alcohol as raw materials in the production of compounded liquors and (2) the manufactured finished product. Per the RMC, both ethyl alcohol and compounded liquor are considered as distinct distilled spirits products and are thus separate taxable items under the new law. This interpretation of the law was however modified with the issuance of RMC No. 18-2013. The new RMC allowed the non-payment of excise tax on ethyl alcohol that were purchased after the issuance of RMC No. 3-2013 to be used as raw materials in the manufacture of compounded liquors provided certain requirements such as posting of surety bonds are complied with. RMC No. 18-2013, however, still maintained that taxes previously paid on the raw materials, i.e., ethyl alcohol/ethanol inventory, at the time of the effectivity of the new excise tax law are still not subject to refund/tax credit to the manufacturers.

Under RR No. 17-2012, the amount of excise tax that was disallowed for tax credit was ₱725.8 million. Said amount represented taxes paid previously on raw materials and were not allowed to be deducted from the excise taxes that became due on the finished goods as taxed under the new law. TDI is contesting the disallowance of the tax credit and is undertaking appropriate legal measures to obtain a favorable outcome.

TDI has paid a total of ₱45.9 million in excise taxes for the raw materials that were purchased/imported for purposes of compounding during the subsistence of RMC No. 3-2013. TDI also would claim this amount on the basis that the RMC was issued without basis and beyond the authority granted by law to the administrative agency.

On February 8, 2019, TDI received the decision of the Court of Tax Appeals (CTA) Second Division denying TDI's claim for refund since TDI failed to prove that there is actual payment of the excise tax being claimed. On February 22, 2019, TDI filed a Motion for Reconsideration. On July 28, 2019, the motion was denied by the CTA Second Division. TDI filed a Petition for Review to the CTA En Banc on August 1, 2019. On October 28, 2020, the petition was denied, affirming the decisions and resolutions made by CTA Second Division. On November 16, 2020, a Motion for Reconsideration was filed by the legal counsel before the CTA En Banc which was also denied on March 22, 2021 for lack of merit. On July 29, 2021, TDI filed a Petition for Review on Certiorari at the Supreme Court.

On March 8, 2023, a public news article stated that the Supreme Court has upheld the CTA decision that denied TDI's tax refund claim. However, as of March 14, 2023, TDI and its legal counsel have not received a copy of the decision. Management believes that the outcome of this contingency will not materially impact the consolidated financial statements.

Beverage
ABI maintains a legal department whose main function is to pursue collection cases and handle litigation arising from labor disputes. As of December 31, 2022, ABI does not have any significant legal proceedings either against it or in pursuit of another party besides those arising from the ordinary course of business.

Tobacco

Sandiganbayan case against Tan Companies
On June 6, 2011, a motion was submitted by the Government seeking to include PMFTC and its directors/officers as additional defendants in the forfeiture case pending before the Sandiganbayan against Mr. Lucio C. Tan, FTC, et al. since 1987. The Government claims that by transferring the assets owned by FTC to PMFTC as a result of the business combination, the FTC assets have been removed beyond the reach of the Government and the court. The Sandiganbayan denied this motion with finality in August 2011, ruling that they are not necessary or indispensable parties under the law. In a decision in June 2012, the Sandiganbayan also dismissed the forfeiture case against all the defendants for failure of the Government to prove that the assets that formed the subject of the case were ill-gotten wealth. The Government's motion for reconsideration was likewise denied in September 2012. On October 29, 2014, FTC received a resolution from the Supreme Court requiring it to submit its memorandum which was subsequently filed on January 30, 2015.

Banking
The Bank is a party to various legal proceedings which arise in the ordinary course of its operations. The Bank and its legal counsel believe that any losses arising from these contingencies, which are not specifically provided for, will not have a material adverse effect on the Consolidated Financial Statements.

Property Development
The Company does not have any pending legal proceeding as of calendar year 2022.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

(a) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters.

1. Market Information

The principal market for the registrant's common equity is the Philippine Stock Exchange.

STOCK PRICES

	CLOSE	**HIGH**	**LOW**
2020			
1st Quarter	8.30	12.24	5.50
2nd Quarter	8.00	9.77	7.11
3rd Quarter	9.00	9.05	7.11
4th Quarter	13.10	14.08	8.64
2021			
1st Quarter	13.50	15.50	12.50
2nd Quarter	12.90	14.10	12.70
3rd Quarter	10.10	13.00	8.50
4th Quarter	9.90	11.30	9.03
2022			
1st Quarter	8.90	10.26	8.55
2nd Quarter	8.10	9.11	8.00
3rd Quarter	8.26	9.58	8.10
4th Quarter	9.20	9.40	7.70
2023			
March 17, 2023*	10.00	10.00	9.89

*Latest practicable trading date before submission of report.

2. Holders

The number of shareholders of record as of December 31, 2022 was 372. Common shares outstanding as of December 31, 2022 were 10,821,388,889. The top 20 stockholders as of December 31, 2022 are as follows:

Stockholders' Name	No. of Common Shares Held	% to Total
Tangent Holdings Corp.	8,046,318,193	74.3557
PCD Nominee Corporation (Filipino)	1,294,972,025	11.9668
PCD Nominee Corporation (Non-Filipino)	718,153,581	6.6364
Dragon Castle Holdings Ltd.	198,535,900	1.8347
Hinner Resources Ltd.	157,195,600	1.4526
Advance Goal Ltd.	152,812,600	1.4121
Absolute Classic Ltd.	95,811,000	0.8854
Conqueror Vision Ltd.	81,913,000	0.7570
Conway Equities, Inc.	35,876,800	0.3315
Pan Asia Securities Corp.	24,481,600	0.2262
Goldlabel Equities Corp.	5,039,800	0.0466
All Seasons Realty Corp.	5,002,294	0.0462

Dragonstar Management Corp.	1,773,900	0.0164
Kentron Holdings & Equities Corp.	569,800	0.0053
Atlas Agricultural & Mercantile & Dev.	299,475	0.0028
Honorio Poblador Jr.	295,230	0.0028
Donald J.D. Nye	272,250	0.0025
Yujuan Huang	181,500	0.0017
Alex M.Tiongco	83,600	0.0008
Cristina Co De Guzman	82,750	0.0007

* LTG has no preferred shares.

3. Dividends

a.) Dividend declarations

BOD Approval Date	Amount of Dividend Per Share		Record Date	Payment Date
	Regular	Special		
May 22, 2020	0.15	0.28	June 8, 2020	June 17, 2020
August 14, 2020	-	0.23	September 2, 2020	September 8, 2020
November 23, 2020	-	0.15	December 9, 2020	December 14, 2020
March 17, 2021	0.15	0.09	March 31, 2021	April 12, 2021
June 11, 2021	-	0.24	June 25, 2021	July 7, 2021
November 19, 2021	-	0.60	December 6, 2021	December 13, 2021
March 16, 2022	0.15	0.15	March 30, 2022	April 8, 2022
May 17, 2022	0.30	-	May 31, 2022	June 13, 2022
August 17, 2022	0.30	-	September 2, 2022	September 13, 2022
November 18, 2022	0.50	-	December 6, 2022	December 14, 2022

b.) Restrictions that limit the ability to pay dividends on common equity or that are likely to happen in the future.

a. "To declare dividends out of the surplus profits when such profit shall, in the opinion of the directors, warrant the same." (par. 3, Article V (Duties of directors, Amended By-Laws).

b. " In lieu of closing the stock transfer book of the Corporation, The Board of Directors may fix in advance an appropriate date consistent with the relevant regulations as may have been issued by the Securities and Exchange Commission and/or the Philippine Stock Exchange, preceding the date of any annual or special meeting of the stockholders or the date for the allotment or rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining the consent of stockholders for any purpose, as record date for the determination of the stockholders entitled to vote, to notice at any such meeting and adjournment thereof, or to any such allotment of rights, or to give such consent, as the case may be notwithstanding any transfer of any stock on the books of the Corporation after such record date fixed as aforesaid, provided, however, that for purposes of declaring dividends, The Board of Directors may fix in advance a date to be determined in accordance with law, for the payment or distribution of such dividend as a record date for the determination of stockholders entitled to such dividend."(par C, Article XIX(Transfer of Stock, Amended By-Laws).

4. Recent Sales of Unregistered Securities (For the Past Three Years)

There was no recorded sale of unregistered securities during the past three years.

ITEM 6. Management's Discussion and Analysis or Plan of Operation

RESULTS OF OPERATIONS

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the consolidated financial statements as at December 31, 2022, 2021 and 2020 included in this report.

2022 vs 2021

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2022	2021
Revenues	₱100,872	₱91,173
Cost of Sales	51,103	42,957
Equity in Net Earnings of Associates and Joint Ventures	16,095	18,021
Operating Expenses	40,080	42,227
Operating Income	25,784	24,011
Other income-net	10,820	3,252
Income Before Income Tax	36,604	27,262
Total Net Income	30,665	20,861
Net Income Attributable to Equity Holders of the Parent Company	25,137	20,246

LT Group, Inc. (LTG) posted a consolidated net income of ₱30.7 billion for the period ended December 31, 2022, 47.0% higher than the ₱20.9 billion net income reported for the same period last year.

The consolidated net income attributable to equity holders of LTG was ₱25.1 billion for 2022, 24.2% higher compared to 2021's ₱20.2 billion. The improvement in the banking, distilled spirits and beverage segments more than offset the decline in the tobacco and property development segments' performance. The bank's net income of ₱11.8 billion for 2022 was significantly higher than 2021 when excluding from last year's income of ₱34.0 billion the ₱33.4 billion gain on the loss of control of PNB Holdings Corporation (PHC) that was eliminated at the consolidated level because PHC is still owned and controlled ultimately by LTG. LTG's share of the gain, at ₱18.9 billion was eliminated from LTG's attributable net income from PNB, bringing the bank's 2021 contribution to ₱308 million. The banking segment's net contribution of ₱6.6 billion net income in the current period was mainly due to the lower provisions for impairment, credit and other losses amounting to ₱7.2 billion in the current period as compared to last year's ₱10.7 billion when the bank was still continuing to build its loan loss reserves in anticipation of the rise in nonperforming Covid-impacted accounts. TDI's net income of ₱1.5 billion, was higher than 2021's ₱1.2 billion due to the double digit growth in liquor volumes and higher bioethanol selling prices. The beverage segment's net income of ₱583 million in 2022 was higher compared to the reported income of ₱475 million last year as a result of volume growth across most product lines. The tobacco segment's net income was ₱15.3 billion for 2022, 12.4% lower than 2021's ₱17.5 billion on account of lower equitized earnings from PMFTC. Property development segment's net income was ₱373 million in 2022, lower than 2021's ₱550 million on account of lower margins in leasing business. Equity in net earnings from VMC amounted to ₱491 million in 2022 higher than the ₱258 million in 2021.

Consolidated revenues were higher by 10.6% at ₱100.9 billion for the period ended December 31, 2022 due to increased revenues reported by all segments on account of the reasons stated above.

Cost of sales and services increased by 19.0% from ₱43.0 billion for the year 2021 to ₱51.1 billion in 2022, primarily attributable to the higher sales volume, raw materials and energy costs by the distilled spirits and beverage segments and interest costs of the banking segment.

Operating expenses amounted to ₱40.1 billion in 2022 from ₱42.2 billion in 2021 or a 5.1% decrease. This was a result of lower general and administrative expenses by 6.3%, from ₱40.3 billion in 2021 to ₱37.8 billion in 2022 and is mainly due to the lower provisions for impairment, credit and other losses by the banking segment. Selling expenses increased to ₱2.3 billion in 2022 from ₱1.9 billion in 2021 as higher advertising, promotions and other related expenses were incurred.

SEGMENT OPERATIONS

Tobacco

The tobacco segment's net income was at ₱15.3 billion for the period ended December 31, 2022, 12.4% lower than 2021's ₱17.5 billion largely due to the decrease in recognized equity in net earnings from PMFTC (FTC's 49.6% owned associate). PMFTC's lower net income was attributed to lower shipment volumes due to trade inventory adjustments and downtrading post the industry-wide price increase.

Banking

The banking segment's net income was ₱11.8 billion in 2022, lower than the ₱34.0 billion recorded in 2021.

Total interest income in the current period of ₱45.2 billion was higher by 6.7% compared to the same period last year on account of the rising interest rate environment in 2022. Total interest expense increased by 4.7% or ₱359 million primarily due to increased interest cost of deposit liabilities as compared to the same period last year. Net interest income of ₱37.3 billion was 7.1% higher year-on-year (y-o-y) as the net interest margin improved to 3.42% from 3.10%.

Net service fees and commission income increased by ₱280 million or 5.3% at ₱5.6 billion for 2022, mainly due to increases in bancassurance, underwriting and securities dealership and deposit-related fees.

Trading and investment securities and net foreign exchange gains were lower at ₱327 million in 2022 compared to 2021's ₱1.5 billion mainly due to the losses on trading and investment securities as a result of the hike in benchmark interest rates during the period.

Other income was lower at ₱8.9 billion for the period ended December 31, 2022 compared to ₱35.4 billion last year mainly due to the recognition of a one-off ₱33.4 billion gain on the loss of control over PNB Holdings Corporation as a subsidiary of the Bank in 2021.

Operating expenses decreased by 3.6% to ₱35.4 billion from ₱36.7 billion due to the lower provisions for impairment, credit and other losses amounting to ₱7.2 billion in the current period as compared to last year's ₱10.7 billion when the bank was still continuing to build its loan loss reserves in anticipation of the rise in nonperforming Covid-impacted accounts.

Distilled Spirits

The distilled spirits segment posted a net income of ₱1.5 billion for 2022, higher than the ₱1.2 billion reported in the same period last year.

Net revenues increased by 18.4% y-o-y to ₱31.6 billion in 2022 mainly due to the improvement in volume and selling prices of liquor and bioethanol.

Cost of sales increased by 19.4% to ₱28.0 billion in the current period as against ₱23.5 billion in the same period last year primarily due to higher sales volume, raw materials and energy costs, excise taxes and freight costs. Gross profit margin was at 11.4% in 2022, lower than the 12.2% in 2021 as the increase in average selling prices were insufficient to cover the higher manufacturing and freight costs.

Operating expenses were higher at ₱1.6 billion in 2022 compared to ₱1.5 billion in 2021 as advertising expenses increased due to higher media and promotion costs.

Beverage

The beverage segment reported net income of ₱583 million for the year ended December 31, 2022, 22.7% higher than ₱475 million in 2021.

Revenues were 23.7% higher at ₱17.2 billion compared to ₱13.9 billion in 2021, mainly driven by volume growth across most product lines. Gross profit margin was lower at 22% from 23% on account of higher raw materials and energy costs.

Operating expenses of ₱2.8 billion in 2022 was higher than the ₱2.4 billion in 2021 mainly due to higher marketing expenses and depreciation to support the higher volume.

Property Development

The property development segment reported a net income of ₱373 million for 2022, lower than the ₱550 million for the same period last year.

Leasing revenues for the current period accounted for ₱1.8 billion or 88.6% of revenues, representing an 8.5% increase over the same period in 2021, due to higher occupancy rates for retail and residential portfolio. Real estate sales amounted to ₱225 million in 2022, from Php138 million in 2021. Gross profit margin on the leasing business decreased from 55% to 47% on account of higher leasing and maintenance costs incurred in 2022.

Operating expenses were lower by 13.1% from ₱863 million in 2021 to ₱750 million in 2022 as general and administrative expenses decreased. Other income decreased to ₱410 million due to lower hotel income and higher finance costs.

2021 vs 2020

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2021	2020
Revenues	₱91,173	₱94,428
Cost of Sales	42,957	42,859
Equity in Net Earnings of Associates and Joint Ventures	18,021	17,615
Operating Expenses	42,227	49,948
Operating Income	24,011	19,236
Other income-net	3,252	2,351
Income Before Income Tax	27,262	21,587
Total Net Income	20,861	22,326
Net Income Attributable to Equity Holders of the Parent Company	20,246	21,022

LT Group, Inc. (LTG) posted a consolidated net income of ₱20.9 billion for the year ended December 31, 2021, lower than the ₱22.3 billion net income reported for 2020.

The consolidated net income attributable to equity holders of LTG was ₱20.2 billion for 2021, 3.7% lower than 2020's ₱21.0 billion. The banking segment's net income increased from ₱2.8 billion for the twelve months ended December 31, 2020 to ₱34.0 billion in the same period of 2021. Part of the bank's income included a ₱33.4 billion gain for PNB Holdings Corporation (PHC) related transaction (which comprised of the gain on remeasurement of the retained interest in PHC of ₱16.5 billion; and gain on loss of control over PHC as a subsidiary of ₱16.9 billion in accordance with PFRS 10, *Consolidated Financial Statements*), that was eliminated at the consolidated level because PHC is still owned and controlled ultimately by LTG. LTG's share of the gain, at ₱18.9 billion was eliminated from LTG's attributable net income from PNB, bringing the bank's 2021 contribution to ₱308 million. The property development segment's net income was ₱550 million in 2021, lower than 2020's ₱802 million. The beverage segment's net income of ₱475 million in 2021 was lower compared to the reported income of ₱591 million in 2020. This was partly offset by the improvements in the operating results of the tobacco and distilled spirits segments. The tobacco segment's net income was ₱17.5 billion for 2021, 3.6% higher than 2020's ₱16.9 billion. Distilled spirits segment's net income was ₱1.2 billion, higher than the ₱1.1 billion recognized for the period ended December 31, 2020. Equity in net earnings from VMC amounted to ₱258 million.

Consolidated revenues amounted to ₱91.2 billion for the year ended December 31, 2021, ₱3.2 billion lower than the ₱94.4 billion earned in 2020 mainly on account of the decreased revenues in the banking and property development segments, partially offset by the higher distilled spirits and beverage segments revenues.

Cost of sales and services were flat at ₱42.9 billion year-on-year (y-o-y).

Operating expenses amounted to ₱42.2 billion in 2021 from ₱49.9 billion in 2020 or a 15.5% decrease. This was as a result of lower general and administrative expenses by 15.8%, from ₱47.9 billion in 2020 to ₱40.3 billion in 2021 and is mainly due to the reduction in provisions for impairment and credit losses by the banking segment. Selling expenses decreased to ₱1.9 billion in 2021 from ₱2.1 billion in 2020 as lower advertising and related expenses were incurred.

SEGMENT OPERATIONS

Banking

The banking segment's net income was ₱34.0 billion in 2021, higher than the ₱2.8 billion recorded in 2020.

Interest income in 2021 of ₱42.4 billion was 9.7% lower compared to 2020 on account of lower yields on loans and receivables, trading and investment securities, deposit with banks and interbank receivables. Total interest expense's significant reduction of 32.1% or ₱3.6 billion was primarily due to the decline in the levels of high-cost deposits as compared to 2020. Net interest income of ₱34.8 billion was 2.7% lower y-o-y as net interest margin declined to 3.1% from 3.3%.

Net service fees and commission income increased to ₱5.3 billion in 2021 compared to 2020's ₱3.7 billion due to higher loan-related and deposit-related fees, as well as significant bancassurance and underwriting fees recognized in 2021.

Trading and investment securities and net foreign exchange gains were lower at ₱1.5 billion in 2021 compared to 2020's ₱4.3 billion mainly due to the decline in net gains on trading and investments securities and loss on sale of non-financial assets.

Other income was higher at ₱36.9 billion for 2021 mainly due to the recognition of the ₱33.4 billion gain recognized for PHC related transaction (which comprised of the gain on remeasurement of the retained interest in PHC of ₱16.5 billion; and gain on loss of control over PHC as a subsidiary of ₱16.9 billion in accordance with PFRS 10, *Consolidated Financial Statements*).

Operating expenses decreased by 17.8% to ₱36.7 billion from ₱44.6 billion due to lower provisions for impairment, credit and other losses by ₱6.2 billion compared to 2020.

Tobacco

The tobacco segment's net income was at ₱17.5 billion for 2021, 3.6% higher than 2020's ₱16.9 billion largely due to recognized equity in net earnings from PMFTC (FTC's 49.6% owned associate).

Distilled Spirits

The distilled spirits segment posted a net income of ₱1.2 billion in 2021, higher than the ₱1.1 billion reported in 2020.

Net revenues increased by 6.7% y-o-y to ₱26.7 billion in 2021 mainly due to the improvement in the sales volume of bioethanol coupled with higher selling prices of liquor products.

Cost of sales increased by 9.8% to ₱23.5 billion in 2021 as against ₱21.4 billion in 2020 primarily due to higher sales volume and higher excise taxes. Gross profit margin was at 12.2% in 2021, lower than the 14.7% in 2020 due to higher liquor production costs and lower gross profit margin on bioethanol products as a result of lower average selling prices.

Operating expenses were lower at ₱1.5 billion in 2021 compared ₱1.8 billion in 2020 as lower advertising, other selling-related and administrative expenses were incurred in the current period.

Property Development

The property development segment reported a net income of ₱550 million in 2021, lower than the ₱802 million in 2020.

Rental revenues for 2021 accounted for ₱1.6 billion or 92.2% of revenues, representing an 8.2% decline as compared to 2020, due to lower occupancy for retail and residential. Real estate sales were 78.7% lower y-o-y to ₱137 million.

Operating expenses were higher by 16.3% from ₱742 million in 2020 to ₱863 million in 2021 as general and administrative expenses incurred increased.

Beverage

The beverage segment's net income was lower at ₱475 million for the year ended December 31, 2021 from ₱591 million in 2020.

Revenues of the beverage segment were higher at ₱13.9 billion in 2021 compared to 2020's ₱13.3 billion, largely on account of alcoholic beverage sales. Sales volume on Cobra Energy drink were higher while bottled water and Vitamilk soymilk registered lower sales volumes. Sales continue to be adversely affected by the various forms of lockdowns imposed since March 2020 up to 2021. Overall gross profit margin declined to 23.5% from 26.0% as a result of higher input costs, such as sugar and fuel, and shift in sales mix.

Operating expenses of ₱2.4 billion in 2021 was higher than the ₱2.3 billion in 2020 due to higher marketing and depreciation expenses.

2020 vs 2019

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2020	2019
Revenues	₱94,428	₱94,151
Cost of Sales	42,859	46,802
Equity in Net Earnings of Associates and Joint Ventures	17,615	14,813
Operating Expenses	49,948	34,608
Operating Income	19,236	27,554
Other income-net	2,351	3,589
Income Before Income Tax	21,587	31,143
Total Net Income	22,326	27,566
Net Income Attributable to Equity Holders of the Parent Company	21,022	23,118

LT Group, Inc. (LTG) posted consolidated net income of ₱22.3 billion for the year ended December 31, 2020, 19.0% lower than the ₱27.6 billion reported for 2019.

The consolidated net income attributable to equity holders of LTG was ₱21.0 billion for 2020, 9.1% lower than 2019's ₱23.1 billion. This was on account of the decline in the operating results of the banking and property development segments, which offset the improvements in the net incomes of the tobacco, distilled spirits and beverage segments. The banking segment's net income decreased from ₱9.9 billion for the year ended December 31, 2019 to ₱2.8 billion in the same period of 2020. Property development segment's net income was ₱802 million in 2020 and ₱900 million for 2019. The tobacco segment's net income increased by ₱1.3 billion from ₱15.6 billion in 2019 to ₱16.9 billion in 2020. Distilled spirits segment's net income was ₱1.1 billion significantly better than the ₱676 million for 2019. The beverage segment's net income of ₱591 million in 2020 was higher compared to the reported income of ₱398 million in 2019. Equity in net earnings in VMC amounted to ₱264 million.

Consolidated revenues amounted to ₱94.4 billion for the year ended December 31, 2020 slightly higher than the ₱94.2 billion earned in 2019 mainly on account of the increased revenues in the distilled spirits segment which outweighs the decline in all other business segments revenues.

Cost of sales and services decreased by 8.4% from ₱46.8 billion for the year ended December 31, 2019 to ₱42.9 billion in the same period in 2020, primarily attributable to the lower interest expense incurred on deposits and other borrowings by the banking segment, lower sales volume by the beverage segment and decline in sales of the property development segment.

Operating expenses amounted to ₱49.9 billion in 2020 from ₱34.6 billion in 2019 or an increase of 44.3%. This was as a result of higher general and administrative expenses by 51.6%, from ₱31.6 billion in 2019 to ₱47.9 billion in 2020 and is mainly due to the additional provisions for impairment and credit losses for the anticipated impact of the Corona Virus Disease 2019 (COVID-19) pandemic to the bank's loan portfolio. Selling expenses slightly decreased to ₱2.1 billion in 2020 from ₱3.0 billion in 2019 as lower advertising and related expenses were incurred.

SEGMENT OPERATIONS

Tobacco

The tobacco segment's net income was ₱16.9 billion for the year ended December 31, 2020, higher than the ₱15.6 billion for 2019 primarily on account of the increase in equity in net earnings from PMFTC (FTC's 49.6% owned associate) from ₱15.4 billion in 2019 to ₱17.1 billion in 2020.

Banking

The banking segment's net income was ₱2.8 billion in 2020, lower than the ₱9.9 billion recorded in 2019 as the bank recognized significant provisions for impairment, credit and other losses of ₱16.9 billion for 2020. On the other hand, there was a substantial improvement in the 2020's net interest income and net gains from trading and investment securities.

Interest income in the current period of ₱47.0 billion was 7.1% lower compared last year on account of the net decrease in interest income from loans and receivables, trading and investment securities and interbank receivables. Total interest expense's significant reduction of 38.7% or ₱7.0 billion was primarily due to the decline in interest expense from high-cost deposit liabilities, bills and acceptances payable and other borrowings partially offset by the increase in interest from bonds payable. This resulted to net interest income of ₱35.8 billion, 10.6% higher year-on-year.

Net service fees and commission income were lower at ₱3.7 billion in 2020 compared to 2019's ₱4.2 billion due to lower volume of banking transactions and waived fees on bank transfers and overseas remittances in compliance with Bayanihan to Heal as One Act.

Trading and investment securities and net foreign exchange gains were higher at ₱4.3 billion in 2020 compared to 2019's ₱2.2 billion as the bank took advantage to dispose of securities with high fair market values.

Operating expenses increased by 56.7% mainly due to larger provisions for impairment, credit and other losses amounting to ₱16.9 billion in 2020 in anticipation of the impact of the COVID-19 pandemic to the bank's loan portfolio compared to ₱2.9 billion that was provided in 2019.

Distilled Spirits

The distilled spirits segment posted a net income of ₱1.1 billion for the year ended December 31, 2020, significantly greater than the ₱676 million reported in 2019.

Net revenues were higher by 29.8% y-o-y to ₱25.0 billion in 2020 mainly due to higher pricing and improvement in the sales volume of liquor.

Cost of sales increased by 32.9% to ₱21.4 billion in 2020 as against ₱16.1 billion in 2019, primarily due to sales volume and higher excise taxes. Gross profit margin was at 14.7% in 2020 lower than the 16.7% in 2019.

Operating expenses were lower at ₱1.8 billion in 2020 compared ₱2.2 billion in 2019 as lower advertising and other related expenses were incurred.

Property Development

The property development segment reported a net income of ₱802 million in 2020 lower than the ₱900 million in 2019.

Rental revenue for 2020 accounted for ₱1.8 billion or 73.3% of revenues, representing an 2.9% growth over the same period in 2019, as lease contracts were renewed at higher rates for the BPO offices. On the other hand, real estate sales were 54.9% lower y-o-y to ₱642 million.

Operating expenses were lower by 19.3% from ₱919 million in 2019 to ₱742 million in 2020 as commissions, advertising and promotional expenses and general and administrative expenses decreased.

Beverage

The beverage segment's net income was higher at ₱591 million for the year ended December 31, 2020 from ₱398 million for 2019.

Revenues of the beverage segment were lower at ₱13.3 billion in 2020 compared to 2019's ₱15.9 billion largely on account of lower sales volume from bottled water and the packaging business. Overall gross profit margin declined to 26.0% from 26.9% as a result of the unfavorable sales mix.

Operating expenses decreased by 10.1% to ₱2.3 billion in 2020 from ₱2.6 billion in 2019 on account of lower advertising and promotional expenses.

In 2020, ABI stopped recording share in losses of its affiliate ABHP as recognition of losses should only be to the extent of investment cost and is consistent with the changes in the plan for the alcoholic beverage business. Equity in net losses from ABHP recognized in 2019 amounted to ₱717 million.

FINANCIAL CONDITION

2022

The Company's consolidated Total Assets as of December 31, 2022 amounted to ₱1.27 trillion, 3.3% lower than the end-2021 balance of ₱1.31 trillion. Current Assets decreased by 9.0% or ₱58.4 billion and Noncurrent Assets were higher by ₱14.7 billion or 2.2%.

The consolidated Current Assets decreased by 9.0% from ₱646.5 billion as of December 31, 2021 to ₱588.0 billion. Cash and Cash Equivalents decreased from ₱265.1 billion as of end-2021 to ₱224.7 billion as of December 31, 2022, as the Group used most of its cash in operating and financing activities. The current portion of Financial Assets at Fair Value through Profit or Loss and Financial Assets at amortized cost decreased due to lower fair values and reclassifications in the portfolio. Loans and Receivables decreased to ₱205.5 billion due to collections in the current period. Current portion of Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI) was higher due primarily to reclassifications from noncurrent in the current period. Due from Related Parties was lower at ₱3.6 billion due to collections from Tangent made in the current period. Inventories as of December 31, 2022 amounted to ₱15.0 billion, 5.1% higher than the end-2021 as ABI increased production and purchase of raw materials and supplies. Other current assets as of December 31, 2022 amounted to ₱13.5 billion, 31.1% higher than end-2021 due to increased deposits to suppliers of ABI and higher prepaid importation charges of TDI.

The 2.2% increase in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Financial Assets at amortized cost and Investment Properties. Financial Assets at Amortized Cost were higher by ₱35.4 billion on account of acquisitions net of maturities and disposals made as of December 31, 2022. Investment properties increased to ₱37.0 billion due primarily to new foreclosures in settlement of uncollected loans or past due accounts in the current period net of disposed ROPAs by the banking segment. The noncurrent portion of Loans and Receivables was higher due to reclassifications from current. The noncurrent portion of Financial Assets at FVTOCI was lower at ₱50.8 billion versus end-2021 of ₱71.5 billion due to the disposal of various securities, net of purchases and decline in the fair values of the investments. Investment in associates and joint ventures account decreased due to higher dividends received from PMFTC than the accrued equitized earnings for the period, slightly offset by the additional investment in AEPDC. Property, plant and equipment was lower due to the depreciation charges in the current period. Other noncurrent assets were lower at ₱5.0 billion as the miscellaneous assets level of the banking segment decreased.

Consolidated Total Liabilities decreased by 5.4% to ₱991.5 billion as of December 31, 2022 from ₱1.05 trillion as of December 31, 2021. This was on account of the decrease in Total Current Liabilities by 3.0% from ₱928.2 billion on December 31, 2021 to ₱900.5 billion as of the end of the current period and the decline in Noncurrent Liabilities by 24.2% from ₱120.1 billion to ₱91.0 billion.

Current portion of Bills and Acceptances Payable decreased by 82.3% due to net settlements of short-term interbank borrowing and repurchase agreements. The current portion of Deposit Liabilities decreased by ₱10.5 billion due primarily to withdrawals. The current portion of Long-term debts was higher at ₱20.4 billion due to the revaluation of foreign currency-denominated bonds and accrual of interests. Accounts payable and accrued expenses were higher due to accruals made in the current period. Financial liabilities at FVPL were higher mainly on account of the increase in the negative fair value balance of stand-alone forwards as of December 31, 2022. Income tax payable of ₱1.8 billion as of end-2022 increased due to higher income tax accruals based on the taxable income of the Group in the current period. Short-term debts were higher at ₱4.5 billion due primarily to higher loans obtained by the beverage segment during the current period. The current portion of Due to Related Parties was lower on account of the payments made in 2022.

The decrease in the Noncurrent Liabilities was on account of the bank's lower noncurrent portion of deposit liabilities mainly due to decreased levels of time deposits and maturity of LTNCD. Long-term debts net of current portion decreased driven by the reclassification of the current portion of foreign currency-denominated bonds. Noncurrent portion of Bills and Acceptances payable increased due to reclassifications. Accrued retirement benefits balance was lower due to the bank's higher contributions in the fund translating to lower liabilities position in the current period.

LTG's consolidated Total Equity improved by 5.0% to ₱276.7 billion as of December 31, 2022, on account of the net increase in the retained earnings brought about by the net income earned for the period ended December 31, 2022 of ₱25.1 billion less dividends declared amounting to ₱15.2 billion. Other comprehensive income decreased due to the lower fair values of Financial Assets at FVTOCI. Non-controlling interests in net assets increased due primarily to the banking segment's minority share in net income in the current period.

2021

The Company's consolidated Total Assets as of December 31, 2021 and December 31, 2020 amounted to ₱1.3 trillion and ₱1.4 trillion, respectively. Current Assets decreased by 5.6% or ₱38.3 billion and Noncurrent Assets were lower by ₱3.0 billion or 0.4%.

The consolidated Current Assets decreased by 5.6% from ₱684.8 billion as of December 31, 2020 to ₱646.5 billion. Cash and Cash Equivalents decreased from ₱304.1 billion as of end-2020 to ₱265.1 billion as of December 31, 2021 on account of lower Due from BSP, Interbank Loans Receivables and Securities under Agreement to Resell of the banking segment. Financial Assets at Fair Value through Profit or Loss decreased from ₱23.9 billion to ₱11.2 billion due to disposals and lower fair values. Assets of disposal group classified as held for sale declined by ₱7.9 billion due to sale of the bank's remaining stake in PNB Gen. Current portion of Financial Assets at Fair Value through Other Comprehensive income (FVTOCI) and Financial Assets at amortized cost increased due to purchases and reclassifications. Due from related parties increased from ₱2.0 billion to ₱7.7 billion as of end-2021 due mainly on the advances made to the ultimate parent company - Tangent. Inventories as of December 31, 2021 amounted to ₱14.3 billion, 8.4% higher than end-2020 due to increased inventory levels of the distilled spirits and beverage segments.

The 0.4% decrease in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Financial Assets at Amortized Cost and Financial Assets at FVTOCI. Financial Assets at Amortized Cost were lower by ₱11.5 billion on account of disposal of various investment securities, net of purchases made as of December 31, 2021. The noncurrent portion of Financial Assets at FVTOCI were lower at ₱71.5 billion versus end-2020 of ₱76.6 billion due to disposal of various securities, net of purchases, decline in the fair values and reclassifications to current portion of the investments. Deferred income tax assets decreased mainly due to enactment of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which lowers the regular corporate income tax rate from 30% to 25%. Investment in associates and joint ventures decreased on account of higher dividends received from PMFTC over the equitized earnings in 2021. Property, plant and equipment and Investment properties were higher by ₱2.6 billion and ₱1.6 billion, respectively, due to acquisitions made by the group for 2021.

Consolidated Total Liabilities decreased by 4.5% to ₱1.0 trillion as of December 31, 2021 from ₱1.1 trillion as of December 31, 2020. This was on account of the decrease in Total Current Liabilities by 2.7% from ₱953.5 billion in December 31, 2020 to ₱928.2 billion as of the end-2021 and decline in Noncurrent Liabilities by 16.6% from ₱144.0 billion to ₱120.0 billion.

Current portion of Bills and Acceptances Payable decreased by 31.8% brought by net settlements of short-term interbank borrowing and repurchase agreement. Current portion of long-term debts were lower by 75.2% as the bank paid currently maturing bonds. Liabilities of disposal group classified as held for sale decreased by ₱6.4 billion due to the sale of the bank's remaining stake in PNB Gen. Accounts payable and accrued expenses decreased due to payments made as of December 31, 2021. Short-term debts as of December 31, 2021 amounted to ₱3.9 billion, 16.9% lower than end-2020 on account of payments made by ABI. Other current liabilities and Income tax payable were lower due to payments made in 2021. Financial liabilities at fair value through profit or loss increased to ₱892 million mainly due to mark-to-market adjustments for 2021.

The decrease in the Noncurrent Liabilities was on account of the bank's lower levels of Noncurrent Deposit Liabilities from ₱58.4 billion as of end-2020 to ₱38.5 billion as of December 31, 2021 as well as lower Noncurrent portion of Bills and Acceptances Payable from ₱14.2 billion as of end-2020 to ₱3.2 billion as of end-2021 brought by net settlements of interbank borrowing and repurchase agreements. Accrued retirement benefits decreased due to remeasurements of liabilities and various settlements during 2021. Long-term debts-net of current portion increased by ₱3.8 billion due to remeasurement and reclassification on bond debts by the banking segment. Other noncurrent liabilities increased due to various accruals made at the end of 2021.

LTG's consolidated Total Equity improved by 3.1% to ₱263.5 billion as of December 31, 2021, on account of the net increase in the retained earnings brought about by the income earned for the period ended December 31, 2021 of ₱20.2 billion less dividends declared amounting to ₱11.7 billion. Other comprehensive income decreased due to the lower fair values of Financial Assets at FVTOCI.

2020

The Company's consolidated Total Assets as of December 31, 2020 and 2019 amounted to ₱1.4 trillion and ₱1.3 trillion, respectively. Current Assets increased by 29.9% or ₱157.7 billion and Noncurrent Assets were lower by ₱70.4 billion or 9.5%.

The consolidated Current Assets increased by 29.9% from ₱527.1 billion as of December 31, 2019 to ₱684.8 billion as of end-2020. Cash and Cash Equivalents increased level from ₱184.9 billion as of end-2019 to ₱304.1 billion as of December 31, 2020 on account of higher Due from BSP, Interbank Loans Receivables, Securities Held Under Agreement to Resell and Due from Other banks of the banking segment. Financial Assets at Fair Value through Other Comprehensive income increased due to purchases of various securities, net of disposal. Financial Assets at Amortized Cost-current increased due to reclassification of currently maturing investments. Current portion of Loans and Receivables declined by ₱37.9 billion from end-2019 balance of ₱260.9 billion on account of lower current loans receivables by the banking segment. Inventories as of December 31, 2020 amounted to ₱13.2 billion, 8.0% higher than end-2019 due to higher ending inventory levels of the distilled spirits segment. On December 11 and October 9, 2020, PNB approved the sale of all its shareholdings in PNB General Insurers Co., Inc. (PNB Gen) to Alliedbankers Insurance Corporation, an affiliate. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position

The 9.5% decrease in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Loans and Receivables, Financial Assets FVTOCI, Financial Assets at Amortized Cost, as well as Investment in associates and joint ventures. Noncurrent portion of Loans and Receivables amounted to ₱393.6 billion, ₱17.7 billion lower than end-2019 level on account of the banking segments net paydowns of loans and receivables and additional provision for impairment, credit and other losses. Financial Assets at FVTOCI and Financial Assets at Amortized Cost were lower by ₱33.9 billion and ₱20.2 billion, respectively on account of disposal of various investment securities, net of purchases made as of December 31, 2020. Investment in associates and joint venture decline of ₱3.5 billion was due to higher dividends received from PMFTC than equitized earnings in 2020. Other noncurrent assets were lower at ₱6.0 billion as of end-2020. Deferred income tax assets (DTA) were higher by ₱6.5 billion, from ₱2.4 billion as of end-2019 to ₱8.9 billion as of December 31, 2020 as additional DTA was recognized on allowance for expected credit losses, for which the bank has the benefit of tax deductions against future taxable income only upon actual write-offs.

Consolidated Total Liabilities increased by 8.5% to ₱1.1 trillion as of December 31, 2020 from ₱1.0 trillion as of December 31, 2019. This was on account of the increase in Total Current Liabilities by 8.8% from ₱876.7 billion in December 31, 2019 to ₱953.5 billion as of the end-2020 and higher Noncurrent Liabilities by 6.6% from ₱135.2 billion to ₱144.0 billion.

Current portion of the banking segment's Deposit Liabilities amounted to ₱822.1 billion as of December 31, 2020, 6.5% higher than end-2019. Current portion of Bills and Acceptances Payable increased by 40.8% brought by increase in the level of interbank borrowing and repurchase agreements. Accounts payable and accrued expenses were lower due to the settlements made in 2020. Short-term debts as of December 31, 2020 amounted to ₱4.7 billion, 8.0% lower than end-2019 on account of payments made by the parent company. Current portion of long-term debts outstanding of ₱1.0 billion as of December 31, 2019 increased to ₱14.5 billion as of December 31, 2020 to recognize the bank's maturing bonds payable. Other current liabilities decreased from ₱18.8 billion as of end-2019 to ₱10.2 billion as of end-2020 due to settlements made. Financial liabilities at fair value through profit or loss increased to ₱701 million mainly from the increase in the volume of transactions for the period. Income tax payable was higher by 46.0% versus the December 31, 2019 level due to the income tax provisions made in 2020.

The increase in the Noncurrent Liabilities was on account of the higher Noncurrent Deposit Liabilities, Bills and Acceptances Payable net of current portion by ₱12.3 billion and ₱10.0 billion, respectively as of December 31, 2020, as the bank had higher levels of deposit and bills and acceptances payable were higher due to increased interbank borrowings and repurchased agreements transactions. Long-term debts net of current portion decreased by ₱16.4 billion due mainly on the reclassification from noncurrent to current of the maturing bonds payable. Other Noncurrent liabilities increased by 75.6% to ₱5.5 billion as of December 31, 2020 from ₱3.1 billion due to various accruals in 2020. Accrued retirement benefits increased due to accruals made for the year 2020.

LTG's consolidated Total Equity slightly increased by 0.6% to ₱255.5 billion as of December 31, 2020, on account of the net increase in the retained earnings brought about by the income earned for the period ended December 31, 2020 of ₱21.0 billion less dividends declared and paid amounting to ₱8.8 billion, which offset the decrease in the other comprehensive income due to lower net unrealized gain in fair value of investments and payment to fully settle the Preferred shares of subsidiaries issued to Parent company amounting to ₱8.5 billion.

KEY PERFORMANCE INDICATORS

LTG uses the following major performance measures. The analyses are based on comparisons and measurements on financial data of the current period against the same period of the previous year. The discussion on the computed key performance indicators can be found in the "Results of Operations" in the MD&A above.

1.) **Gross Profit Ratio**

Gross profit ratio in 2022 was 49.3% versus 52.9% in 2021.

2.) **Return on Equity**

Consolidated Net Income Attributable to Equity Holders of the Parent Company for 2022 amounted to ₱25.1 billion; higher by 24.2% from last year's ₱20.2 billion. Ratio of net income to equity is 12.6% in 2022 and 10.7% in 2021.

3.) **Current Ratio**

Current Ratio for 2022 is 0.65:1 while last year's was 0.70:1.

4.) **Debt-to-equity ratio**

Debt-to-equity ratio for 2022 is 3.58:1 as compared to last year's 3.98:1.

5.) **Earnings per share**

Earnings per share attributable to holders of the parent company for 2022 is ₱2.32 and ₱1.87 in 2021.

The manner by which LTG calculates the indicators above is as follows:

Gross profit ratio	= Gross profit/Net sales
Return on Equity	= Net Income Attributable to Equity Holders of the LTG/Stockholders' equity
Current Ratio	= Current assets/Current liabilities
Debt-to-equity ratio	= Total liabilities/Total equity
Earnings per share	= Net income attributable to holders of the parent company/weighted average number of shares

OTHER MATTERS

(i) The COVID-19 pandemic has affected the overall economy since the government declared an Enhanced Community Quarantine (ECQ) starting mid-March 2020. This affected the industries that LTG operates in particularly the bank, tobacco and the alcoholic and non-alcoholic businesses. Interest rate fluctuations may likewise affect the different businesses of the Group. Aside from this, there are no other trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's increasing or decreasing liquidity in any material way. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Company does not have any liquidity problems.

(ii) There are no events that will trigger direct or contingent financial obligation that is material to LTG, including any default or acceleration of an obligation.

(iii) There are no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LTG with unconsolidated entities or other persons created during the reporting period**.**

(iv) The Group has various on-going and planned capital expenditure projects as follows:

Distilled Spirits

TDI has continuing capex projects for the rehabilitation of its bottling lines , replenishment of pallets inventory and acquisition of delivery vehicles. For the coming year, a major project will be the relocation of the ageing warehouse from Negros to El Salvador. Absolut Distillers Inc. has rehabilitated its existing lagoons to comply with environmental requirements and ensure continuity in operations.

Beverage

ABI continuously makes investments that enhance production safety, improve manufacturing efficiency, and improve the impact of its production processes to the environment.

Apart from investments in the production process, ABI is in the process of re-fleeting its delivery trucks and upgrading its handling equipment to better control its repairs and maintenance costs and ensure safety in the transport of materials and products.

Investments in returnable containers were also made to replace bottles and crates used in the production of Cobra, Vitamilk and alcoholic beverages in returnable glass format.

International Bottled Water Association Certificate of Membership
ABI's bottled water plant in Cabuyao has been a member of the International Bottled Water Association (IBWA) since it started its bottled water business in 1992. IBWA in reference to U.S. FDA regulations of the Code of Federal Regulations prescribes the Good Manufacturing Practices for Processing and Bottling of Bottled Drinking Water. This includes specific design and performance requirements for determining whether the facilities, methods, practices, and controls used in the processing, bottling, holding and shipping of bottled drinking water are in conformance with or are operated or administered in conformity with good manufacturing practices to assure that bottled drinking water is safe and has been processed, bottled, held and transported under sanitary conditions.

ISO 9001:2015 Quality Management System Certification
ISO is a standard setting body that provides requirements, specifications, guidelines or characteristics that ensure that products and services are safe, reliable and are of good quality. To be ISO 9001:2015 certified, an organization must demonstrate its ability to consistently provide products that meets customer and applicable statutory and regulatory requirements. ABI's manufacturing sites were re-certified with validity through 2022-2025.

HACCP Certification
Hazard Analysis and Critical Control Point (HACCP) is a systematic preventive approach to food safety, which addresses physical, chemical, and biological hazards rather than finished product inspection. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points (CCPs) can be created to reduce or eliminate the risks. With its increasing adoption worldwide, HACCP helps the food and beverage industry to put in place, an effective integrated food safety management system, which drives growth in productivity, safety and traceability. ABI's bottled water plant and soy milk plants are HACCP certified through 2023, while IPI's Cabuyao plant is certified through 2024.

Food Safety System Certification

Food Safety System Certification (FSSC 22000) contains a complete certification Scheme for Food Safety Management Systems based on existing standards for certification (ISO 22000, ISO 22003 and technical specifications for sector PRPs). FSSC 22000 is a Global Food Safety Initiative (GFSI) recognized standard. GFSI recognition demonstrates that the FSSC 22000 Scheme meets the highest standards globally, leading to international food industry acceptance. Furthermore, the FSSC 22000 Scheme is widely accepted by accreditation bodies worldwide and supported by essential stakeholders like FoodDrinkEurope and the Consumer Brands Association. ABI's alcoholic beverage plant in Cabuyao is FSSC certified through 2025.

National Sanitation Foundation (NSF) International Certificate of Compliance

NSF International protects and improves global human health. Manufacturers, regulators and consumers look to NSF to facilitate the development of public health standards and provide certifications that help protect food, water, consumer products and the environment. From extensive product testing and material analyses to plant inspections, every aspect of a product's development is thoroughly evaluated before it can earn NSF Certification. ABI's Cabuyao and Sta. Rosa bottled water plants are NSF certified through 2023.

HALAL Product Certification

Halal is an Arabic word that means permissible. A Halal certified product means that the product is permissible or acceptable in accordance with Islamic law. In order for products to receive this certification, they must be from an acceptable source such as a cow or chicken and slaughtered according to Islamic laws. Offering Halal certified products allows Muslim consumers to be confident that the products they use are in alignment with their culture and beliefs. Absolute, Summit and locally produced Vitamilk are HALAL certified products.

(v) The Group recognizes the COVID-19 pandemic effect on the overall Philippine economy. Interest rate fluctuations may likewise affect the different businesses of the Group. Apart from this, there are no known other trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales, revenue or income from continuing operations.

(vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item;

Results of our Horizontal (H) and Vertical (V) analyses showed the following material changes (+/- 5% and above) as of and for the years ended December 31, 2022 and 2021 (negative movement in parenthesis):

1. Cash and cash equivalents – H, (15%)
2. Financial assets at fair value through profit or loss – H, (34%)
3. Financial assets at fair value through other comprehensive income (FVTOCI) - current – H, 15%
4. Financial assets at amortized cost – current – H, (31%)
5. Loans and receivables – current – H, (5%)
6. Due from related parties – H, (54%)
7. Inventories – H, 5%
8. Other current assets – H, 31%
9. Financial assets at FVTOCI - noncurrent – H, (29%)
10. Financial assets at amortized cost – noncurrent – H, 81%
11. Property, plant and equipment at cost – net – H, (10%)
12. Investment properties – H, 8%
13. Other noncurrent assets- H, (14%)

14. Financial liabilities at fair value through profit or loss – current – H, 17%
15. Bills and acceptances payable - current – H, (82%)
16. Short-term debts – H, 14%
17. Accounts payable and accrued expenses – H, 21%
18. Income tax payable – H, 382%
19. Long-term debts-current – H, 467%
20. Current portion of due to related parties – H, (24%)
21. Other current liabilities – H, 11%
22. Deposit liabilities – noncurrent – H, (46%)
23. Bills and acceptances payable - noncurrent – H, 95%
24. Long-term debt – net of current portion – H, (22%)
25. Accrued retirement benefits – H, (56%)
26. Other noncurrent liabilities- H, (6%)
27. Other comprehensive income – H, (17%)
28. Other equity reserves – H, 7%
29. Retained earnings- H, 8%
30. Noncontrolling interests – H, 6%
31. Beverage revenue – H, 23%
32. Distilled spirits revenue – H, 18%
33. Property development revenue – H, 11%
34. Cost of sales and services – H, 19%
35. Equity in net earnings of associates and joint ventures – H, (11%)
36. Selling expenses – H, 20%
37. General and administrative expenses – V, (7%); H, (6%)
38. Finance costs – H, (33%)
39. Finance income – H, 426%
40. Foreign exchange gains – net – H, 90%
41. Others-net – V, 6%; H, 246%
42. Provision for income tax – current – H, 57%
43. Provision for income tax – deferred – H, (122%)
44. Net income- continuing operations – V, 8%; H, 47%
45. Net income- discontinued operations – H, (100%)
46. Total Net Income – V, 8%; H, 47%
47. Net income attributable to equity holders of the company – H, 24%
48. Net income attributable to noncontrolling interests – V, 5%; H, 799%

The causes for these material changes in the balance sheet and income statement accounts are all explained in the Management's Discussion and Analysis (MDA) –Results of Operations and Financial Condition above.

(viii) There are no seasonal aspects that have a material effect on the financial condition or results of operations of LTG.

A. Information on Independent Accountant and other Related Matters

(1) External Audit Fees and Services

a.) Audit and Audit-Related Fees

1. The Audit of the Group's annual financial statements and other services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2022 and 2021.

	2022	2021
LT Group, Inc.	₱1,426,000	₱1,320,000
Distilled Spirits	3,257,100	3,102,000
Beverage	5,385,000	5,000,000
Tobacco	577,500	550,000
Banking	29,740,000	22,383,000
Property Development	2,530,000	2,450,000
Total	₱42,915,600	₱34,805,000

Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrants' financial statements:

none

b.) Tax Fees

LT Group, Inc. and its subsidiaries incurred ₱1,016,000 in 2022 and nil in 2021 for tax services engagement.

c.) All Other Fees

LT Group, Inc. and its subsidiaries incurred ₱6,373,000 and ₱1,916,500 in 2022 and 2021, respectively for consultancy services engagement.

d.) The audit committee's approval policies and procedures for the above services:

Upon recommendation and approval of the audit committee, the appointment of the external auditor is being confirmed in the annual stockholders' meeting. On the other hand, financial statements should be approved by the Board of Directors before these are released**.**

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There are no changes in and disagreements with accountants on any accounting and financial disclosures during the past two years ended December 31, 2022 or during any subsequent interim period.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

1. Directors

Name	Age	Citizenship	Business Experience/Other Directorship within the Last five (5) years	Position/Term of Office/Period Served
Lucio C. Tan	88	Filipino	Chairman of Absolut Distillers, Inc., Alliedbankers Insurance Corporation, Allianz PNB Life Insurance, Air Philippines Corporation, Asia Brewery, Inc., Asian Alcohol Corporation, Basic Holdings Corporation, Buona Sorte Holdings, Inc., Eton Properties Philippines, Inc., Fortune Tobacco Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Himmel Industries, Inc., **MacroAsia Corporation,** Philippine Airlines, Inc., PMFTC Inc., Progressive Farms, Inc., **PAL Holdings, Inc.,** Tanduay Distillers, Inc., Tanduay Brands International, Inc., Tangent Holdings Corporation, The Charter House, Inc., Trustmark Holdings Corporation, University of the East, Zuma Holdings and Management Corporation. He is also a Director of **Philippine National Bank.**	Chairman/ 1Year/ July 2,1999 to present
Carmen K. Tan	82	Filipino	Vice Chairman of Philippine Airlines, Inc. and Director of Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Foremost Farms, Inc., Dynamic Holdings, Ltd, Eton City, Inc., Fortune Tobacco Corporation, Himmel Industries, Inc., **MacroAsia Corporation, PAL Holdings, Inc., Philippine National Bank,** PMFTC Inc., Progressive Farms, Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Sipalay Trading Corporation, Saturn Holdings, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation and Zuma Holdings and Management Corporation.	Vice Chairman/ 1 Year/ October 23, 2020 to May 3, 2022 Director/ 1 Year/ May 5, 2010 to present

Karlu T. Say	53	Filipino	Founder and Director of Dong-A Pharma Phils., Inc., Director and Chief Operating Officer of Eton Properties Management Corp., Eton Properties Philippines, Inc., PNB Holdings Corporation, Director of Alliedbankers Insurance Corporation.	Director/ 1 Year/ May 5, 2021 to and present
Michael G. Tan	57	Filipino	Director, President and Chief Operating Officer of Asia Brewery, Inc.; Director of Tangent Holdings Corp., **MacroAsia Corporation, Philippine National Bank,** PMFTC Inc., Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Trustmark Holdings Corporation, Shareholdings, Inc., Asia's Emerging Dragon Corporation, Paramount Land Equities, Inc., Allied Commercial Bank – Xiamen, Allied Banking Corp (Hongkong) Limited, PNB Global Remittance & Financial Company (Hk) Ltd, Saturn Holdings, Inc., **Victorias Milling Company, Inc**., Maranaw Hotel (Century Park Hotel), and Pan-Asia Securities Corp., and Director and Treasurer of Zuma Holdings and Management Corporation. He is a member of the ASEAN Business Advisory Council (ASEAN BAC) representing the Philippines, a Director and Vice President of the Federation of Filipino Chinese Chambers of Commerce & Industry, Inc., is a Director of Philippine Chamber of Commerce and Industry (PCCI) and Trustee of the Help Educate and Rear Orphans (HERO) Foundation, Inc.	President/ 1 Year/ 05 May 5, 2010 to present (Director since February 21, 2003)
Lucio C. Tan, III	30	Filipino	Director, President and Chief Operating Officer of Tanduay Distillers, Inc.; Vice Chairman and President of Sabre Travel Network Phils. Inc.; Vice President and Director of **PAL Holdings, Inc.**; Vice President of Dunmore Development Corporation; Director of Ali-Eton Property Development Corp, Air Philippines Corporation, Allied Club, Inc., Allied Water Services, Inc., Asia's Emerging Dragon Corporation, Belton Communities, Inc., Eton City, Inc., First Homes, Inc., Fortune Landequities and Resources, Inc., Lufthansa Technik Philippines,	Director/ 1 Year/ December 17, 2019 to present Vice Chairman and Chief Operating Officer/1 Year/May 4, 2022 to present

			MacroAsia Airport Services Corp., **MacroAsia Corporation**, MacroAsia Catering Services, Inc., MacroAsia SATS Food Industries, MacroAsia SATS Inflight Services Corp., PMFTC, Philippine Airlines, Inc., PNB Holdings Corporation, **Philippine National Bank**, and Prior Holdings Corp.; and former Director of Victorias Milling Company, Inc.	
Vivienne K. Tan	54	Filipino	Director of **Philippine National Bank** and Air Philippines Corporation, Member of the Board of Trustees of University of the East and University of the East Ramon Magsaysay Memorial Medical Center, Founding Chairperson of Entrepreneurs School of Asia and Founding Trustee of Philippine Center for Entrepreneurship (Go Negosyo).	Director/ 1 Year/ May 7, 2019 to present
Juanita T. Tan Lee	80	Filipino	Director of Asia Brewery, Inc., Eton Properties Philippines, Inc., and Tanduay Distillers, Inc.; Director and Corporate Secretary of Fortune Tobacco Corporation, Corporate Secretary of Absolut Distillers, Inc., Asian Alcohol Corporation, The Charter House, Inc., Foremost Farms, Inc., Grandspan Development Corporation, Himmel Industries, Inc., Landcom Realty Corporation, PMFTC Inc., Progressive Farms, Inc. and Total Bulk Corporation; Assistant Corporate Secretary of Basic Holdings Corporation; Treasurer of **PAL Holdings, Inc.** and Philippine Airlines, Inc., and a member of the Board of Trustees of the University of the East.	Director/ 1 Year/ May 2, 2012 to present Assistant Corporate Secretary/ 1 Year/ September 13, 2000 to September 17, 2012 Treasurer/ 1 year/ April 8, 2014 to present
Johnip G. Cua	66	**Filipino**	Former President of Procter & Gamble Philippines, Inc., currently the Chairman of the Board of Trustees of the P&Gers Fund, Inc. and Xavier School, Inc., and the Chairman & President of Taibrews Corporation. He is an Independent Director of Asia Brewery, Inc., Century Pacific Food, Inc., First Aviation Academy, **MacroAsia Corporation**, MacroAsia Catering Services, Inc., MacroAsia Airport Services Corporation, MacroAsia SATS Food Industries Corporation, MacroAsia SATS Inflight Services Corporation, **PAL**	Independent Director / 1 Year/ 08 May 2018 to present

			Holdings, Inc. and Philippine Airlines, Inc., PhilPlans First, Inc., and Tanduay Distillers, Inc. He is also a member of the Board of Directors of Interbake Marketing Corporation, Teambake Marketing Corporation, Bakerson Corporation, Lartizan Corporation, Allied Botanical Corporation, and Zenori Corporation. He is also a member of the Board of Trustees of MGCC Foundation and Xavier School Educational & Trust Fund.	
Mary G. Ng	70	**Filipino**	Chief Executive Officer of H&E Group of Companies; an Independent Director of Alliedbankers Insurance Corporation and Eton Properties Philippines, Inc.; Honorary President of the Packaging Institute of the Philippines, the Philippine Plastic Industrial Association of the Philippines, Inc., and the Association of Volunteer Fire Chiefs and Firefighters of the Philippines; First woman Chairman of the ASEAN Federation of Plastic Industries (AFPI); Executive Vice President of Federation of Filipino-Chinese Chamber of Commerce and Industries; Tripartite Board member of the Department of Labor and Employment; Board member of Technical Educational and Skills Development Authority (TESDA); Vice President of the Philippine Piak O Eng Chamber of Commerce and Philippine Piak O Eng Uy's Association; and Director of Philippine Dongshi Townmate Association, Inc., and Tripartite Member of National Tripartite Council.	Independent Director / 1 Year/ May 7, 2019 to present
Wilfrido E. Sanchez	86	**Filipino**	Tax Counsel of Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm; Independent Director of Asia Brewery, Inc., Eton Properties Philippines, Inc., **Philippine National Bank,** and Tanduay Distillers, Inc. Mr. Sanchez is a Trustee of Gokongwei Brothers Foundation and JVR Foundation; Director of **EEI Corporation**, EMCOR, Inc. **House of Investments, Inc.,** J-DEL Investments and Management Corp., Kawasaki Motor Corp., KS Prime Financial Corp., K-Servico, Inc., Trimotors Technology Corp., and Wodel, Inc.	Independent Director/ 1 year/July 31, 2012 to present

Florencia G. Tarriela	76	**Filipino**	Director of PNB Capital and Investment Corporation and PNB International Investments Corporation; Independent Director of Nickel Asia Philippines (NAC); Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation; Board of Advisor of **Philippine National Bank;** Member of the Board of Trustees of Financial Executives of the Philippines (FINEX), Tulay sa Pag-unlad, Inc. (TSPI) and TSPI MBA. She is also a Former Chairman of Philippine National Bank, former Undersecretary of Finance and the First Filipina Vice President of Citibank NA.	Independent Director/ 1 year/August 09, 2012 to present

2. **Executive Officers**

Name/Position	Age	Citizenship	Current Affiliations and Business Experiences in the last 5 years	Term of Office/ Period Served
Lucio C. Tan/ Chairman	88	Filipino	See above	1 Year/July 2, 1999 to present
Lucio C. Tan III/ Vice Chairman and Chief Operating Officer	30	Filipino	See above	1 Year/May 4, 2022 to present
Michael G. Tan/ President	57	Filipino	See above	1 Year/May 5, 2010 to present
Juanita T. Tan Lee/ Treasurer	80	Filipino	See above	1 Year/April 8, 2014 to present
Ma. Cecilia L. Pesayco/ Corporate Secretary	70	Filipino	Corporate Secretary of Asia Brewery, Inc., **PAL Holdings, Inc.**, Trustmark Holdings Corporation, Zuma Holdings and Management Corporation. She is likewise the Chief Legal Counsel of the Tan Yan Kee Foundation.	1 Year/March 31, 1998 to present
Jose Gabriel D. Olives/ Chief Financial Officer (CFO) and Chief Risk Officer (CRO)	76	Filipino	Former Senior Vice President – Finance & Chief Financial Officer of Philippine Airlines, Inc., and Former Chief Finance Officer of Asia Brewery, Inc.	1 Year/August 09, 2012 to present as CFO 1 Year/July 9, 2019 to present as CRO
Dioscoro Teodorico L. Lim/Chief Audit Executive	68	Filipino	Former Chief Audit Executive of Philippine National Bank.	1 Year/July 11, 2017 to present
Nestor C. Mendones/ Deputy Chief Financial Officer	68	Filipino	Senior Vice President-Finance and Chief Finance Officer of Tanduay Distillers, Inc.	1 Year/August 09, 2012 to present

Marivic T. Moya/ Assistant Corporate Secretary and Compliance Officer	62	Filipino	Corporate Secretary of the Philippine Airlines, Inc., and Assistant Corporate Secretary of PAL Holdings, Inc.; Corporate Secretary of MacroAsia SATS Food Industries Corporation, MacroAsia Airport Services Corp., Asia's Emerging Dragons Corp., Aqualink Resources Development Corporation, Tera Connectivity and Information Inc.; Senior Vice President (former Vice President) for Human Resources, Legal and External Relations, Chief Compliance Officer (former Compliance Officer) and Chief Information Officer of MacroAsia Corporation; Corporate Secretary and Director of MacroAsia Properties Development Corp., MacroAsia Air Taxi Services, Inc., MacroAsia Mining Corp., First Aviation Academy, Inc. Naic Water Supply Corporation; Corporate Secretary and former Director of MacroAsia Catering Services Inc., SNV Resources Development Corp., Boracay Tubi System, Inc., Summa Water Resources, Inc.; Former Corporate Secretary and Director of MacroAsia SATS Inflight Services Corporation; Director and Treasurer of Watergy Business Solutions Inc. and Cavite Business Resources Inc.; and Director of Alliedkonsult Eco-solutions Corporation and Cavite Alliedkonsult Services Corporation.	1 Year/June 09, 2014 to present

Independent Directors and their qualifications:

1. Johnip G. Cua, elected as Independent Director since May 8, 2018.

Term of office – 1 year
Period served – 5 years

Educational attainment:
Bachelor of Science in Chemical Engineer, University of the Philippines

Positions held in the last 5 years:
- P&Gers Fund, Inc. – Chairman of the Board of Trustees
- Xavier School, Inc. – Chairman of the Board of Trustees
- Taibrews Corporation – Chairman and President
- Century Pacific Food, Inc. – Independent Director
- First Aviation Academy – Independent Director
- PhilPlans First, Inc. – Independent Director
- Asia Brewery, Inc. – Independent Director

- MacroAsia Corp. – Independent Director
- MacroAsia Catering Services, Inc. – Independent Director
- MacroAsia Airport Services Corp. – Independent Director
- MacroAsia SATS Food Industries Corporation – Independent Director
- MacroAsia SATS Inflight Services Corporation – Independent Director
- PAL Holdings, Inc. – Independent Director
- Philippine Airlines, Inc. – Independent Director
- Tanduay Distillers, Inc. – Independent Director
- Interbake Marketing Corp. – Director
- Teambake Marketing Corp. – Director
- Bakerson Corp. – Director
- Lartizan Corp. – Director
- Allied Botanical Corp. – Director
- Zenori Corp. – Director
- Xavier School Educational & Trust Fund – Member of the Board of Trustees

2. Mary G. Ng, elected as Independent Director since May 7, 2019.

Term of office – 1 year
Period served – 4 years

Positions held in the last 5 years:
- H&E Group of Companies - Chief Executive Officer
- Alliedbankers Insurance Corporation – Independent Director
- Eton Properties Philippines, Inc. – Independent Director
- Packaging Institute of the Philippines - Honorary President
- Philippine Plastic Industrial Association of the Philippines - Honorary President
- Association of Volunteer Fire Chiefs and Firefighters of the Philippines – Honorary President
- ASEAN Federation of Plastic Industries (AFPI) - First woman Chairman
- Federation of Filipino-Chinese Chamber of Commerce and Industries - Executive Vice President
- Department of Labor and Employment - Tripartite Board member
- Technical Educational and Skills Development Authority (TESDA) – Director
- Philippine Piak O Eng Chamber of Commerce and Philippine Piak O Eng Uy's Association - Vice President
- Philippine Dongshi Townmate Association, Inc. – Director
- National Tripartite Council – Tripartite Member

3. Wilfrido E. Sanchez, elected as an Independent Director since July 31, 2012.

Term of office – 1 year
Period served – 11 years

Educational attainment:
Bachelor of Arts, Ateneo de Manila University
Bachelor of Laws, Ateneo de Manila University
Master of Laws, Yale Law School

Positions held in the last 5 years:
- Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Offices – Tax Counsel
- Asia Brewery, Inc. – Independent Director
- Eton Properties Philippines, Inc. – Independent Director
- Philippine National Bank – Independent Director
- Tanduay Distillers, Inc. – Independent Director

- EEI Corporation – Director
- House of Investments, Inc. – Director
- Kawasaki Motor Corp. –Director
- KS Prime Financial Corp. – Director
- Trimotors Technology Corp. – Director
- EMCOR Inc. – Director
- J-DEL Investments and Management Corporation – Director
- K Servico, Inc. – Director
- Wodel, Inc. - Director
- Gokongwei Brothers Foundation - Trustee
- JVR Foundation – Trustee

4. Florencia G. Tarriela, elected as Independent Director since August 9, 2012.

Term of office – 1 year
Period served – 11 years

Educational Attainment:
BSBA major in Economics, University of the Philippines
Master of Arts in Economics, University of California, Los Angeles (UCLA), USA (Topped the Master's Comprehensive Exams and completed the M.A. Degree with an "A" average in three Quarters)

Positions held in the last 5 years:
- PNB Capital and Investment Corporation – Director
- PNB International Investments Corp. – Director
- Nickel Asia Philippines (NAC) – Independent Director
- Tarriela Management Company - Director/Vice President
- Gozon Development Corporation - Director/Vice President/Assistant Treasurer
- Philippine National Bank – Board of Advisor/ former Chairman
- Tulay sa Pag-unlad, Inc. (TSPI) - Trustee
- TSPI MBA - Trustee
- Financial Executive Institute of the Philippines (FINEX) – Trustee

The Independent Directors are duly qualified and suffer from no disqualification under Section 11(5) of the Code of Corporate Governance. Independent director refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the director's fees and shareholdings, he should be independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgment (SEC Memorandum Circular No. 2, Code of Corporate Governance).

4. Significant Employees

All employees of the Group are similarly situated and expected to contribute for the betterment of the Company.

5. Family Relationship

Dr. Lucio C. Tan, married to Ms. Carmen K. Tan, is the father of Ms. Karlu T. Say, Mr. Michael G. Tan and Ms. Vivienne K. Tan, and the grandfather of Mr. Lucio C. Tan III.

6. **Involvement in Certain Legal Proceedings during the past 5 years**

The Directors and Executive Officers of LTG are not involved in (a) any bankruptcy petition by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

The following compensation was given to officers and directors for the reporting year.

Summary Compensation Table

Annual Compensation

	Year	Salary	Bonus	Others*
Four (4) most highly compensated executive officers (see below)	2023 (Estimate)	₱ 9,406,320	₱ 830,720	₱ 3,102,000
	2022	8,551,200	755,200	2,820,000
	2021	8,040,000	670,000	2,890,000
All other officers and directors as a group unnamed	2023 (Estimate)	-	-	7,496,500
	2022	-	-	6,815,000
	2021	400,000	33,333	6,800,000

The following constitute LTG's four (4) most highly compensated executive officers (on a consolidated basis):

1. Mr. Lucio C. Tan is the Chairman of the Board of Directors and Chief Executive Officer (CEO).
2. Mr. Michael Tan is the President.
3. Atty. Ma. Cecilia L. Pesayco is the Corporate Secretary.
4. Ms. Juanita T. Tan Lee is the Treasurer.

a) Standard Arrangements – The Directors of LTG receive a Director's allowance of P30,000.00 a month and a per diem of P25,000.00 for every board meeting and P15,000.00 for every committee meeting attended. Other than the stated allowance and the per diem of the Directors, there are no other standard arrangements to which the Directors of LTG are compensated, or are to be compensated, directly or indirectly, for any services provided as a Director, including any additional amounts payable for Committee participation or special assignments, for the last completed fiscal year and the ensuing year.

b) Other Arrangements – None

c) Employment contract or compensatory plan or arrangement – None

Warrants and Options Outstanding: Repricing

a.) There are no outstanding warrants or options held by LTG's CEO, the named executive officers, and all officers and directors as a group.
b.) This is not applicable since there are no outstanding warrants or options held by LTG's CEO, executive officers and all officers and directors as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management as of December 31, 2022.

1. Security Ownership of Certain Record and Beneficial Owners of more than 5%

Title of Class	Name and Address of Record Owner and relationship with Issuer	Name of Beneficial Ownership and relationship with Record Owner	Citizenship	No. of Shares	Percent of Class
Common	Tangent Holdings Corporation (THC) Unit 3, 11/F, Bench Tower, 30th Street corner Rizal Drive, Crescent Park West, Bonifacio Global City, Taguig City Controlling Stockholder	Lucio C. Tan Majority Shareholder	Filipino	8,046,318,193/ Record Owner	74.36%

Each shareholder of the Company is entitled to vote only to the extent of the number of shares registered in his/her/its name. The Board of Directors of THC, comprised of Dr. Lucio C. Tan, Ms. Carmen K. Tan, Ms. Sheila T. Pascual and Messrs. Harry C. Tan, and Michael G. Tan, has the right to vote or direct the voting or disposition of LTG's shares held by THC.

2. Security Ownership of Management as of December 31, 2022

Title of Class	Name of Beneficial owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Beneficial Ownership
Common	Lucio C. Tan	2,200 R (direct)	Filipino	Nil
Common	Carmen K. Tan	2,200 R (direct)	Filipino	Nil
Common	Karlu T. Say	1,000 R (direct) and 530,000 (indirect)	Filipino	Nil
Common	Michael G. Tan	1,151,996 R (direct)	Filipino	Nil
Common	Lucio C. Tan III	1,100 R (direct)	Filipino	Nil
Common	Vivienne K. Tan	1,000 R (direct)	Filipino	Nil
Common	Juanita T. Tan Lee	1,100 R (direct)	Filipino	Nil
Common	Johnip G. Cua	1,000 R (direct)	Filipino	Nil
Common	Mary G. Ng	1,000 R (direct)	Filipino	Nil

Common	Wilfrido E. Sanchez	1,000 R (direct)	Filipino	Nil
Common	Florencia G. Tarriela	1,000 R (direct)	Filipino	Nil
Common	Ma. Cecilia L. Pesayco	2,200 R (direct)	Filipino	Nil
N/A	Jose Gabriel D. Olives	None N/A	Filipino	N/A
N/A	Dioscoro Teodorico L. Lim	None N/A	Filipino	N/A
N/A	Nestor C. Mendones	None N/A	Filipino	N/A
N/A	Marivic T. Moya	None N/A	Filipino	N/A

Security ownership of all directors and officers as a group unnamed is 1,696,796 representing 0% of LTG's total outstanding capital stock.

*There are no additional shares which the listed beneficial and record owners have the right to acquire within 30 days from any warrants, options, rights and conversion privileges or similar obligations or otherwise.

3. Voting Trust Holders of 5% or more

There are no voting trust holders of 5% or more of the common shares.

4. Changes in Control

None

Item 12. Certain Relationships and Related Transactions

The Group, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of purchase and sale of inventories, advances, management, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

There are no other transactions undertaken or to be undertaken by the Group in which any director or executive officer, any nominee for election as director, any beneficial owner of more than 5% of the Company's outstanding shares (direct or indirect) or any member of his immediately family was involved or had a direct or indirect material interest.

The Group's employees are required to promptly disclose any business and family-related transactions with the Group to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

The effects of the related party transactions on the financial statements have been identified in Note 22 of the Notes to Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

Item 13. Corporate Governance Report

This will be filed separately.

Item 14. Sustainability Report

Please refer to the attached 2021 Sustainability Report.

PART V – EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

a. Exhibits - see accompanying Index to Exhibits (page 88)

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Group or require no answer

b. Reports on SEC Form 17-C

SEC Form 17-C (Current Reports), which has been filed during the year, is no longer filed as part of the exhibits.

LIST OF ITEMS REPORTED UNDER SEC FORM 17-C
(from January 2022 to December 2022)

Date of Report	Subject Matter Disclosed
February 9, 2022	Calling of the Annual Stockholders' Meeting
March 7, 2022	Calling of the Analysts'/Investors' Briefing
March 16, 2022	Declaration of Regular Cash Dividend of Php0.15 per share and Special Cash Dividend of Php0.15 per share to all its Stockholders as of March 30, 2022.
March 18, 2022	Press Release: LTG Reports 2021 Unaudited Attributable Net Income of Php20.25 billion, 4% Lower than 2020's Php21.02 billion.
May 5, 2022	Results of Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors
May 5, 2022	Material Information/Press Release: Outlook for 2022
May 5, 2022	Calling of the Analysts'/Investors' Briefing
May 13, 2022	Press Release: LTG Reports First Quarter 2022 Attributable Net Income of Php6.53 billion, 1% Higher than 1Q21's Php6.49 billion
May 18, 2022	Declaration of Special Cash Dividend of Php0.30 per share to all stockholders of record as of May 31, 2022
August 1, 2022	Calling of the Analysts'/Investors' Briefing
August 12, 2022	Material Information/Press Release: LTG Reports First Half 2022 Attributable Net Income of Php15.40 billion, 313% Higher than 1H21's Php3.73 billion
August 17, 2022	Declaration of Special Cash Dividend of Php0.30 per share to all its Stockholders as of September 2, 2022
September 2, 2022	Material Information/Transaction: Sale of Asian Alcohol Corporation
November 2, 2022	Calling of the Analysts'/Investors' Briefing
November 10, 2022	Appointment of Mr. Chester Y. Luy as member of the Board of Advisors of the Company
November 11, 2022	Press Release: LTG Reports First Nine Months 2022 Attributable Net Income of Php20.41 billion, 105% Higher than 9M2021's Php9.95 billion
November 18, 2022	Declaration of Special Cash Dividend of Php0.50 per share to all its Stockholders as of December 6, 2022

December 1, 2022	Change in Directors and/or Officers: Early Retirement of Atty. Erwin C. Go as Chief Counsel and the Appointment of Atty. Abelardo T. Domondon as the Chief Counsel
December 13, 2022	Material Information/Transaction: Intended but not consummated Sale and Purchase Agreement by Tanduay Distillers, Inc together with Prior Holdings, Inc. and Castelbridge Investment Corporation and acquisition by Victorias Milling Company, Inc. of 100% of the outstanding capital stock of Asian Alcohol Corporation

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code (SRC) and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized in the City of Makati on MAR 1 4 2023.

By:

Lucio C. Tan
Chairman and Chief Executive Officer

Nestor C. Mendones
Deputy Chief Financial Officer

Michael G. Tan
President

Susan T. Lee
Principal Accounting Officer

Jose Gabriel D. Olives
Chief Financial Officer

Ma. Cecilia L. Pesayco
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 1 4 2023 at MAKATI CITY affiants exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Lucio C. Tan	P8176878B	16-Nov-21	Manila, Philippines
Michael G. Tan	P6647242B	14-Apr-21	PE Singapore
Jose Gabriel D. Olives	P7769394A	02-Jul-18	Manila, Philippines
Nestor C. Mendones	P3103903B	06-Sep-19	NCR West, Philippines
Susan T. Lee	P3633584B	25-Oct-19	NCR West, Philippines
Ma. Cecilia L. Pesayco	P9737563B	23-Apr-22	Manila, Philippines

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 9566504 /1-3-2023 /Makati City
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VI-0017668 /01-31-2019
Commission No. M-149 until 31 December 2024

Doc. No. 365
Page No. 73
Book No. CXLVIII
Series of 2023

LT GROUP, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

* These schedules which are required by part IV(e) of SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Consolidated Financial Statements.

LT GROUP, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **LT Group, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for each of the three years ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the 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 Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Signed under oath by the following:

Lucio C. Tan Chairman and Chief Executive Officer	**Michael G. Tan** President	**Jose Gabriel D. Olives** Chief Financial Officer

SUBSCRIBED AND SWORN to before me this MAR 14 2023 at Makati City, affiants exhibiting to me their Passport numbers, as follows:

Name	Passport No.	Date Issue	Place of Issue
Lucio C. Tan	P8176878B	11/16/2021	Manila, Philippines
Michael G. Tan	P6647242B	04/14/2021	PE, Singapore
Jose Gabriel D. Olives	P7769394A	07/02/2018	Manila, Philippines

Doc. No. 367
Page No. 74
Book No. CXLVIII
Series of 2023

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 9566504 /1-3-2023 /Makati City
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VI-0017668 /01-31-2019
Commission No. M-149 until 31 December 2024

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

SEC Registration Number

P	W	-	0	0	0	0	0	3	4	3

C O M P A N Y   N A M E

L T   G R O U P ,   I N C .   A N D
S U B S I D I A R I E S

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

1 1 t h   F l o o r ,   U n i t   3   B e n c h
T o w e r ,   3 0 t h   S t .   c o r n e r   R i z a l
D r i v e   C r e s c e n t   P a r k   W e s t   5
B o n i f a c i o   G l o b a l   C i t y ,
T a g u i g   C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - A	N / A	N / A

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

Company's Email Address	Company's Telephone Number	Mobile Number
info@ltg.com.ph	(02) 8808-1266	+639278375844

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
372	May 4	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Gabriel D. Olives	josegabriel.olives@ltg.com.ph	8808-1266	N/A

CONTACT PERSON's ADDRESS

11th Floor, Unit 3 Bench Tower, 30th St. corner Rizal Drive Crescent Park West 5 Bonifacio Global City, Taguig City

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

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
LT Group, Inc.
11th Floor, Unit 3 Bench Tower
30th St. corner Rizal Drive Crescent Park West 5,
Bonifacio Global City, Taguig City

Opinion

We have audited the consolidated financial statements of LT Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adequacy of Allowance for Credit Losses on Finance Receivables

Philippine National Bank's (PNB, a subsidiary) application of the expected credit losses (ECL) model in calculating the allowance for credit losses on finance receivables (shown as part of "Loans and receivables") is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting PNB's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information in calculating ECL.

Allowance for credit losses on finance receivables as of December 31, 2022 and the provision for credit losses in 2022 amounted to ₱40.9 billion and ₱7.2 billion, respectively.

The disclosures related to the allowance for credit losses on finance receivables are included in Notes 8 and 32 of the financial statements.

Audit Response

We obtained an understanding of the board approved methodologies and models used for PNB's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed PNB's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place; (c) tested PNB's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in PNB's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral violations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of PNB's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We involved our internal specialists in the performance of the above procedures.

We reviewed the completeness of the disclosures made in the financial statements.

Recognition of Deferred Tax Assets

As of December 31, 2022, the deferred tax assets of PNB amounted to ₱6.0 billion. The recognition of deferred tax assets is significant to our audit because the assessment process is complex and involves judgment and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of PNB.

The disclosures in relation to deferred income taxes are included in Note 29 to the consolidated financial statements.

Audit response

We evaluated the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of PNB and the industry, including future market circumstances. We also assessed the timing of the reversal of future taxable and deductible temporary differences.

Accounting for Investment in PMFTC, Inc.

The Group has an investment in PMFTC. Inc. (PMFTC, an associate) that is accounted for under the equity method. For the year ended December 31, 2022, the Group's share in the net income of PMFTC amounted to ₱15.5 billion and accounts for 50% of the Group's consolidated net income. This matter is significant to our audit because of the materiality of the amount being equitized to the Group.

The disclosures in relation to the Group's investment in PMFTC are included in Note 11 to the consolidated financial statements.

Audit Response

We sent instructions to the statutory auditor of PMFTC to perform an audit of the relevant financial information of PMFTC for the purpose of the Group's consolidated financial statements. These audit instructions cover their scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with the statutory auditor of PMFTC about their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2022. We reviewed the working papers of the statutory auditor of PMFTC, focusing on the procedures performed on key audit areas. We discussed with PMFTC's statutory auditor the results of their audit. We also obtained the financial information of PMFTC as of and for the year ended December 31, 2022 and recomputed the Group's share in net income for the year then ended.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 PFRSs, 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.

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 auditor's 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 auditor's 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Aileen L. Saringan.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 72557-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-058-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564694, January 3, 2023, Makati City

March 14, 2023

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱224,745,923**	₱265,139,174
Financial assets at fair value through profit or loss (FVTPL) [Notes 6 and 21]	**7,379,126**	11,205,269
Financial assets at fair value through other comprehensive income (FVTOCI) [Notes 7 and 17]	**86,852,606**	75,800,753
Financial assets at amortized cost (Notes 7 and 17)	**31,511,748**	45,931,953
Loans and receivables (Notes 8 and 17)	**205,494,119**	216,143,944
Inventories (Note 9)	**15,010,773**	14,286,523
Due from related parties (Note 22)	**3,556,476**	7,685,534
Other current assets (Note 10)	**13,497,126**	10,298,762
Total Current Assets	**588,047,897**	646,491,912
Noncurrent Assets		
Loans and receivables - net of current portion (Notes 8 and 17)	**409,434,007**	407,515,357
Financial assets at FVTOCI (Notes 7 and 17)	**50,761,530**	71,468,657
Financial assets at amortized cost (Notes 7 and 17)	**78,956,212**	43,523,890
Investments in associates and joint ventures (Note 11)	**21,589,874**	22,208,309
Property, plant and equipment (Note 12):		
At appraised values	**58,504,993**	60,468,871
At cost	**12,268,828**	13,642,782
Investment properties (Note 13)	**37,045,004**	34,447,353
Deferred income tax assets - net (Note 29)	**6,524,012**	6,291,847
Other noncurrent assets (Notes 14, 23 and 37)	**4,985,212**	5,777,386
Total Noncurrent Assets	**680,069,672**	665,344,452
TOTAL ASSETS	**₱1,268,117,569**	₱1,311,836,364

LIABILITIES AND EQUITY		
Current Liabilities		
Deposit liabilities (Note 15)	**₱831,605,372**	₱842,061,358
Financial liabilities at FVTPL (Notes 16 and 21)	**1,039,776**	891,531
Bills and acceptances payable (Note 17)	**8,798,056**	49,780,354
Accounts payable and accrued expenses (Note 18)	**21,854,536**	18,115,661
Short-term debts (Note 19)	**4,490,000**	3,940,000
Current portion of long-term debts (Note 19)	**20,399,948**	3,597,299
Income tax payable	**1,839,835**	381,539
Due to related parties (Note 22)	**50,000**	65,325
Other current liabilities (Notes 20 and 37)	**10,375,775**	9,381,064
Total Current Liabilities (Carried Forward)	**900,453,298**	928,214,131

(Forward)

	December 31	
	2022	2021
Total Current Liabilities (Brought Forward)	**₱900,453,298**	₱928,214,131
Noncurrent Liabilities		
Deposit liabilities - net of current portion (Note 15)	**20,796,801**	38,508,755
Bills and acceptances payable (Note 17)	**6,182,317**	3,173,443
Long-term debts - net of current portion (Note 19)	**46,312,355**	59,046,035
Net retirement benefits liability (Note 23)	**796,500**	1,817,657
Deferred income tax liabilities - net (Note 29)	**8,450,442**	8,499,173
Other noncurrent liabilities (Note 20)	**8,464,180**	9,040,491
Total Noncurrent Liabilities	**91,002,595**	120,085,554
Total Liabilities	**991,455,893**	1,048,299,685
Equity		
Attributable to equity holders of the Company (Notes 1, 7, 12, 23, 24, 30 and 36):		
Capital stock	**10,821,389**	10,821,389
Capital in excess of par	**35,906,231**	35,906,231
Other comprehensive income, net of deferred income tax effect	**11,935,325**	14,410,914
Other equity reserves	**(5,529,303)**	(5,959,881)
Retained earnings	**145,723,736**	134,905,274
Shares of stock of the Company held by subsidiaries	**(12,519)**	(12,519)
	198,844,859	190,071,408
Non-controlling interests (Notes 1, 7, 12 and 30)	**77,816,817**	73,465,271
Total Equity	**276,661,676**	263,536,679
TOTAL LIABILITIES AND EQUITY	**₱1,268,117,569**	₱1,311,836,364

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except for Basic/Diluted Earnings Per Share)

	Years Ended December 31		
	2022	2021	2020
REVENUE (Note 24)			
Banking	**₱50,843,607**	₱49,319,441	₱54,800,902
Distilled spirits	**31,559,876**	26,648,772	25,000,110
Beverage	**16,216,881**	13,173,729	12,227,532
Property development	**2,251,558**	2,031,373	2,399,390
	100,871,922	91,173,315	94,427,934
COST OF GOODS SOLD AND SERVICES (Note 24)	**51,102,930**	42,957,014	42,858,864
GROSS INCOME	**49,768,992**	48,216,301	51,569,070
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 11)	**16,094,575**	18,021,180	17,614,907
	65,863,567	66,237,481	69,183,977
OPERATING EXPENSES			
Selling expenses (Note 25)	**2,283,909**	1,905,020	2,051,114
General and administrative expenses (Note 26)	**37,795,783**	40,321,877	47,897,268
	40,079,692	42,226,897	49,948,382
OPERATING INCOME	**25,783,875**	24,010,584	19,235,595
OTHER INCOME (CHARGES)			
Foreign exchange gains - net	**1,548,877**	816,015	747,095
Finance costs (Note 27)	**(484,614)**	(364,873)	(341,467)
Finance income (Note 27)	**219,285**	41,663	42,421
Others - net (Note 28)	**9,536,173**	2,758,831	1,902,969
	10,819,721	3,251,636	2,351,018
INCOME BEFORE INCOME TAX	**36,603,596**	27,262,220	21,586,613
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**6,445,510**	4,112,063	5,976,621
Deferred	**(506,920)**	2,309,683	(6,648,541)
	5,938,590	6,421,746	(671,920)
NET INCOME FROM CONTINUING OPERATIONS	**30,665,006**	20,840,474	22,258,533
NET INCOME FROM DISCONTINUED OPERATIONS (Note 37)	–	20,615	67,583
NET INCOME	**₱30,665,006**	₱20,861,089	₱22,326,116

	Years Ended December 31		
	2022	2021	2020
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	**₱25,137,400**	₱20,246,467	₱21,021,996
Non-controlling interests	**5,527,606**	614,622	1,304,120
	₱30,665,006	₱20,861,089	₱22,326,116
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Company (Note 31)	**₱2.32**	₱1.87	₱1.94
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Company from Continuing Operations (Note 31)	**₱2.32**	₱1.87	₱1.94

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
NET INCOME	**₱30,665,006**	₱20,861,089	₱22,326,116
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Net changes in fair value of financial assets at FVTOCI, net of tax (Note 7)	**(4,764,711)**	(3,178,301)	(734,748)
Translation adjustments	**752,592**	684,700	(275,320)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(4,012,119)**	(2,493,601)	(1,010,068)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Share in aggregate gains (losses) on life insurance policies	**762,490**	412,444	(1,051,118)
Net changes in fair value of financial assets at FVTOCI (Note 7)	**(359,252)**	(971,776)	(1,616,606)
Income tax effect	**89,813**	242,944	484,982
	(269,439)	(728,832)	(1,131,624)
Remeasurement gains (losses) on defined benefit plans (Note 23)	**2,789,805**	573,756	(1,516,399)
Income tax effect	**(697,451)**	(143,439)	454,920
	2,092,354	430,317	(1,061,479)
Share in remeasurement gains (losses) on defined benefit plans of associates (Note 11)	**(1,394,576)**	290,433	203,269
Net revaluation increase (decrease) on property, plant and equipment (Note 12)	**(508,786)**	1,569,183	39,444
Income tax effect	**127,196**	(392,296)	(11,833)
	(381,590)	1,176,887	27,611
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	**809,239**	1,581,249	(3,013,341)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(3,202,880)**	(912,352)	(4,023,409)
TOTAL COMPREHENSIVE INCOME	**₱27,462,126**	₱19,948,737	₱18,302,707
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	**₱23,923,395**	₱20,618,903	₱18,286,014
Non-controlling interests	**3,538,731**	(670,166)	16,693
	₱27,462,126	₱19,948,737	₱18,302,707

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Thousands)

	Attributable to Equity Holders of the Company (Notes 1, 7, 12, 23, 24, 30 and 36)															
					Other Comprehensive Income (Loss)											
	Capital Stock	Capital in Excess of Par	Preferred Shares of Subsidiaries Issued to Parent Company	Reserves of Disposal Group Classified as Held for Sale	Cumulative Translation Adjustments	Net Changes in Financial Assets at FVTOCI (Note 7)	Remeasurement Gains (Losses) on Defined Benefit Plans (Note 23)	Revaluation Increment on Property, Plant and Equipment (Note 12)	Remeasurement Gains on Defined Benefit Plans of an Associate (Note 11)	Total Other Comprehensive Income (Loss), Net of Deferred Income Tax Effect	Other Equity Reserves	Retained Earnings	Shares of Stock of the Company Held by Subsidiaries	Total	Non-controlling Interests (Notes 2, 7, 12 and 30)	Total
BALANCES AT JANUARY 1, 2020	**₱10,821,389**	**₱35,906,231**	**₱8,538,837**	**₱–**	**₱692,552**	**₱4,619,445**	**(₱1,203,707)**	**₱12,726,318**	**₱1,203,707**	**₱18,038,315**	**₱1,024,653**	**₱112,604,635**	**(₱12,519)**	**₱186,921,541**	**₱67,086,030**	**₱254,007,571**
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	21,021,996	–	21,021,996	1,304,120	22,326,116
Other comprehensive income (loss)	–	–	–	–	(147,788)	(1,780,973)	(718,599)	301,675	203,269	(2,142,416)	(593,566)	–	–	(2,735,982)	(1,287,427)	(4,023,409)
Total comprehensive income (loss) for the year	–	–	–	–	(147,788)	(1,780,973)	(718,599)	301,675	203,269	(2,142,416)	(593,566)	21,021,996	–	18,286,014	16,693	18,302,707
Cash dividends declared	–	–	–	–	–	–	–	–	–	–	–	(8,765,324)	–	(8,765,324)	(85,645)	(8,850,969)
Early redemption of preferred shares	–	–	(8,538,837)	–	–	–	–	–	–	–	–	–	–	(8,538,837)	–	(8,538,837)
Increase in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,376,784	2,376,784
Other equity reserve	–	–	–	–	–	–	–	–	–	–	(2,489,457)	–	–	(2,489,457)	336,283	(2,153,174)
Effect of change in accounting policy on borrowing costs (Note 2)	–	–	–	88,616	–	(29,209)	(59,407)	–	–	(88,616)	–	–	–	–	394,197	394,197
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	–	–	–	–	–	–	–	(751,046)	–	(751,046)	–	751,046	–	–	–	–
BALANCES AT DECEMBER 31, 2020	**10,821,389**	**35,906,231**	**–**	**88,616**	**544,764**	**2,809,263**	**(1,981,713)**	**12,276,947**	**1,406,976**	**15,056,237**	**(2,058,370)**	**125,612,353**	**(12,519)**	**185,413,937**	**70,124,342**	**255,538,279**
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	20,246,467	–	20,246,467	614,622	20,861,089
Other comprehensive income (loss)	–	–	–	–	342,761	(2,271,272)	305,525	1,420,784	290,433	88,231	284,205	–	–	372,436	(1,284,788)	(912,352)
Total comprehensive income (loss) for the year	–	–	–	–	342,761	(2,271,272)	305,525	1,420,784	290,433	88,231	284,205	20,246,467	–	20,618,903	(670,166)	19,948,737
Cash dividends declared	–	–	–	–	–	–	–	–	–	–	–	(11,687,100)	–	(11,687,100)	–	(11,687,100)
Increase in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	–	441,157	441,157
Other equity reserve	–	–	–	–	–	–	–	–	–	–	(4,185,716)	–	–	(4,185,716)	3,569,938	(615,778)
Reversal of reserves of disposal group classified as held for sale	–	–	–	(88,616)	–	–	–	–	–	–	–	–	–	(88,616)	–	(88,616)
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	–	–	–	–	–	–	–	(733,554)	–	(733,554)	–	733,554	–	–	–	–
BALANCES AT DECEMBER 31, 2021	**10,821,389**	**35,906,231**	**–**	**–**	**887,525**	**537,991**	**(1,676,188)**	**12,964,177**	**1,697,409**	**14,410,914**	**(5,959,881)**	**134,905,274**	**(12,519)**	**190,071,408**	**73,465,271**	**263,536,679**

(Forward)

	Attributable to Equity Holders of the Company (Notes 1, 7, 12, 23, 24, 30 and 36)															
					Other Comprehensive Income (Loss)											
	Capital Stock	Capital in Excess of Par	Preferred Shares of Subsidiaries Issued to Parent Company	Reserves of Disposal Group Classified as Held for Sale	Cumulative Translation Adjustments	Net Changes in Financial Assets at FVTOCI (Note 7)	Remeasurement Gains (Losses) on Defined Benefit Plans (Note 23)	Revaluation Increment on Property, Plant and Equipment (Note 12)	Remeasurement Gains on Defined Benefit Plans of an Associate (Note 11)	Total Other Comprehensive Income (Loss), Net of Deferred Income Tax Effect	Other Equity Reserves	Retained Earnings	Shares of Stock of the Company Held by Subsidiaries	Total	Non-controlling Interests (Notes 1, 7, 12 and 30)	Total
BALANCES AT DECEMBER 31, 2021	**₱10,821,389**	**₱35,906,231**	**₱–**	**₱–**	**₱887,525**	**₱537,991**	**(₱1,676,188)**	**₱12,964,177**	**₱1,697,409**	**₱14,410,914**	**(₱5,959,881)**	**₱134,905,274**	**(₱12,519)**	**₱190,071,408**	**₱73,465,271**	**₱263,536,679**
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	25,137,400	–	25,137,400	5,527,606	30,665,006
Other comprehensive income (loss)	–	–	–	–	399,542	(2,746,538)	2,457,350	(360,361)	(1,394,576)	(1,644,583)	430,578	–	–	(1,214,005)	(1,988,875)	(3,202,880)
Total comprehensive income (loss) for the year	–	–	–	–	399,542	(2,746,538)	2,457,350	(360,361)	(1,394,576)	(1,644,583)	430,578	25,137,400	–	23,923,395	3,538,731	27,462,126
Cash dividends declared	–	–	–	–	–	–	–	–	–	–	–	(15,149,944)	–	(15,149,944)	–	(15,149,944)
Increase in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	–	330,235	330,235
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	482,580	482,580
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	–	–	–	–	–	–	–	(831,006)	–	(831,006)	–	831,006	–	–	–	–
BALANCES AT DECEMBER 31, 2022	**₱10,821,389**	**₱35,906,231**	**₱–**	**₱–**	**₱1,287,067**	**(₱2,208,547)**	**₱781,162**	**₱11,772,810**	**₱302,833**	**₱11,935,325**	**(₱5,529,303)**	**₱145,723,736**	**(₱12,519)**	**₱198,844,859**	**₱77,816,817**	**₱276,661,676**

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱36,603,596**	₱27,262,220	₱21,586,613
Income before income tax from discontinued operations (Note 37)	–	20,615	88,001
Income before income tax	**36,603,596**	27,282,835	21,674,614
Adjustments for:			
Equity in net earnings of associates (Note 11)	**(16,094,575)**	(18,021,180)	(17,614,907)
Provision for losses (Notes 8 and 26)	**7,129,045**	10,816,497	16,883,793
Depreciation and amortization (Notes 12, 13 and 14)	**6,398,842**	5,741,054	5,677,820
Finance costs (Note 27)	**484,614**	364,873	341,467
Finance income (Note 27)	**(219,285)**	(41,663)	(42,421)
Movement in accrued retirement benefits (Note 23)	**377,132**	492,593	(583,714)
Dividend income (Note 28)	**(72,283)**	(5,679)	(5,679)
Gain on disposal of other noncurrent assets (Notes 12, 13 and 28)	–	–	(196,019)
Operating income before changes in working capital	**34,607,086**	26,629,330	26,134,954
Decrease (increase) in:			
Financial assets at FVTPL	**3,826,143**	12,653,055	(10,388,944)
Receivables	**1,551,916**	(17,880,364)	38,698,806
Inventories	**(724,250)**	(1,110,918)	(978,734)
Other current assets	**(3,198,364)**	8,556,087	(7,081,387)
Increase (decrease) in:			
Deposit liabilities	**(23,867,940)**	58,550	62,272,608
Financial liabilities at FVTPL	**148,245**	190,292	455,620
Accounts payable and accrued expenses	**3,590,278**	(1,935,196)	(4,554,291)
Other current and noncurrent liabilities	**989,261**	(3,043,155)	(204,012)
Cash generated from operations	**16,922,375**	24,117,681	104,354,620
Income taxes paid, including creditable withholding and final taxes	**(4,805,486)**	(4,738,591)	(5,679,490)
Interest paid	**(301,617)**	(619,856)	(1,241,781)
Interest received	**269,499**	44,716	41,683
Dividends received (Notes 11, 22 and 28)	**72,283**	5,679	5,679
Net cash from operating activities	**12,157,054**	18,809,629	97,480,711

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Financial assets at FVTOCI (Note 7)	**(₱638,254,305)**	(₱224,263,439)	(₱169,859,472)
Financial assets at amortized cost	**(162,172,316)**	(34,009,921)	(56,130,885)
Property, plant and equipment (Note 12)	**(1,548,742)**	(7,136,148)	(4,879,544)
Software (Note 14)	**(1,707,436)**	(283,472)	(283,472)
Investment properties (Note 13)	**(7,406,216)**	(1,609,978)	(205,934)
Additional investment in joint venture and associates	**(1,774,684)**	(831,118)	(1,044,120)
Dividends received from joint venture and associates (Note 11)	**19,250,184**	20,834,216	21,751,985
Proceeds from sale of:			
Financial assets at FVTOCI (Note 7)	**642,875,429**	209,478,786	158,936,702
Financial assets at amortizaed cost	**141,160,199**	39,790,071	61,359,549
Other assets (Notes 12 and 13)	**605,433**	652,329	1,299,817
Advances (extended to) received from affiliates	**4,113,733**	(5,731,032)	74,934
Net cash from (used in) investing activities	**(4,858,721)**	(3,109,706)	11,019,560
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Bill and acceptance payable (Note 17)	**237,506,670**	237,327,616	168,973,402
Short-term debts (Note 19)	**1,465,000**	–	1,850,000
Long-term debts (Note 19)	**5,559,083**	–	–
Payments of:			
Bill and acceptance payable (Note 17)	**(274,667,279)**	(271,058,488)	(145,443,067)
Dividends (Note 30)	**(15,149,944)**	(11,687,100)	(8,850,969)
Long-term debts (Note 19)	**–**	(7,099,310)	(2,826,812)
Short-term debts (Note 19)	**(915,000)**	(800,000)	(2,260,000)
Principal portion of lease liabilities	**(1,490,114)**	(1,304,689)	(794,735)
Net cash from (used in) financing activities	**(47,691,584)**	(54,621,971)	10,647,819
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(40,393,251)**	(38,922,048)	119,148,090
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**265,139,174**	304,061,222	184,913,132
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱224,745,923**	₱265,139,174	₱304,061,222

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issue of the Consolidated Financial Statements

Corporate Information

LT Group, Inc. ("LTG" or the "Company") is a stock corporation incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on May 27, 1937 to engage in the trading business. On November 17, 1947, the Company's shares of stock were listed in the Philippine Stock Exchange (PSE). The Company's corporate life is 50 years from the date of incorporation and was extended for another 50 years from and after May 27, 1987. On September 22, 1995, the Philippine SEC approved the change in the Company's primary purpose to that of a holding company. On July 30, 1999, the Company acquired Twin Ace Holdings Corp., now known as Tanduay Distillers, Inc. (TDI), a producer of distilled spirits, through a share swap with Tangent Holdings Corporation ("Tangent" or the "Parent Company"). The share swap resulted in LTG wholly owning TDI and Tangent increasing its ownership in LTG to 97.0%. The Company's primary purpose is to engage in the acquisition by purchase, exchange, assignment, gift or otherwise; and to hold, own and use for investment or otherwise; and to sell, assign, transfer, exchange, lease, let, develop, mortgage, enjoy and dispose of, any and all properties of every kind and description and wherever situated, as to and to the extent permitted by law.

After a series of restructuring activities in 2012 and 2013, LTG has expanded and diversified its investments to include the beverages, tobacco, property development and banking businesses, all belonging to Mr. Lucio C. Tan and his family and assignees (collectively referred to as the "Controlling Shareholders"). These business segments in which LTG and subsidiaries (collectively referred to as the "Group") operate are described in Note 4 to the consolidated financial statements.

As of December 31, 2022 and 2021, LTG is 74.36%-owned by its ultimate parent company, Tangent, which is also incorporated in the Philippines.

The official business address of the Head Office is 11th Floor, Unit 3 Bench Tower, 30th St. Corner Rizal Drive Crescent Park West 5, Bonifacio Global City, Taguig City.

Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were authorized for issue by the Board of Directors (BOD) on March 14, 2023.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets and liabilities at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVTOCI) that have been measured at fair value, and land and land improvements, plant buildings and building improvements, and machineries and equipment that have been measured at revalued amounts. The consolidated financial statements are presented in Philippine peso (Peso), the functional and presentation currency of LTG. All values are rounded to the nearest thousand Peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs include statements named PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements include the financial statements of LTG and the following subsidiaries:

	Percentage of Ownership						
	2022		2021		2020		Country of
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect	Incorporation
Distilled Spirits							
Tanduay Distillers, Inc. (TDI) and subsidiaries	100.0	–	100.0	–	100.0	–	Philippines
Absolut Distillers, Inc. (ADI)	–	96.0	–	96.0	–	96.0	Philippines
Asian Alcohol Corporation (AAC)	–	95.0	–	95.0	–	95.0	Philippines
Tanduay Brands International, Inc. (TBI)	–	100.0	–	100.0	–	100.0	Philippines
Beverages							
Asia Brewery, Incorporated (ABI) and subsidiaries	99.9	–	99.9	–	99.9	–	Philippines
Agua Vida Systems, Inc.	–	99.9	–	99.9	–	99.9	Philippines
Interbev Philippines, Inc.	–	99.9	–	99.9	–	99.9	Philippines
Waterich Resources Corp.	–	99.9	–	99.9	–	99.9	Philippines
Packageworld, Inc.	–	99.9	–	99.9	–	99.9	Philippines
AB Nutribev Corp.	–	99.9	–	99.9	–	99.9	Philippines
Asia Pacific Beverage Pte. Ltd. (APB Singapore)	–	99.9	–	99.9	–	99.9	Singapore
Asia Pacific Beverages Myanmar Company Limited (APB Myanmar)	–	90.0	–	90.0	–	90.0	Myanmar
Tobacco							
Shareholdings, Inc. (Shareholdings)	97.7	–	97.7	–	97.7	–	Philippines
Fortune Tobacco Corporation (FTC)	82.7	16.9	82.7	16.9	82.7	16.9	Philippines
Property Development							
Saturn Holdings, Inc.	100.0	–	100.0	–	100.0	–	Philippines
Paramount Landequities, Inc. (PLI) and Subsidiaries	100.0	–	100.0	–	100.0	–	Philippines
Eton Properties Philippines, Inc. (Eton)	–	99.6	–	99.6	–	99.6	Philippines
Belton Communities, Inc. (BCI)	–	99.6	–	99.6	–	99.6	Philippines
Eton City, Inc. (ECI)	–	99.6	–	99.6	–	99.6	Philippines
FirstHomes, Inc. (FHI)	–	99.6	–	99.6	–	99.6	Philippines
Eton Properties Management Corporation (EPMC)	–	99.6	–	99.6	–	99.6	Philippines
Banking							
Bank Holding Companies (Note 22) (1)	80-100	–	80-100	–	80-100	–	Various
Philippine National Bank (PNB) and Subsidiaries(2)	–	56.5	–	56.5	–	56.5	Philippines
PNB Capital and Investment Corporation (PNB Capital)	–	56.5	–	56.5	–	56.5	Philippines
PNB Securities, Inc. (PNB Securities)	–	56.5	–	56.5	–	56.5	Philippines
PNB Forex, Inc.	–	56.5	–	56.5	–	56.5	Philippines
PNB General Insurers, Inc. (PNB Gen)	–	56.5	–	56.5	–	56.5	Philippines
PNB Corporation - Guam (PNB Guam)	–	56.5	–	56.5	–	56.5	United States of America (USA)
PNB International Investments Corporation (PNB IIC)	–	56.5	–	56.5	–	56.5	USA
PNB Remittance Centers, Inc. (PNB RCI)	–	56.5	–	56.5	–	56.5	USA
PNB RCI Holding Co. Ltd.	–	56.5	–	56.5	–	56.5	USA
PNB Remittance Co. (Canada)	–	56.5	–	56.5	–	56.5	Canada
PNB Europe PLC	–	56.5	–	56.5	–	56.5	United Kingdom
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	–	56.5	–	56.5	–	56.5	Hong Kong
Japan-PNB Leasing and Finance Corporation (Japan-PNB Leasing)	–	50.8	–	50.8	–	50.8	Philippines
Japan - PNB Equipment Rentals Corporation	–	50.8	–	50.8	–	50.8	Philippines
PNB Savings Bank	–	56.5	–	56.5	–	56.5	Philippines
Allied Bank Philippines (UK) Plc (ABUK)	–	56.5	–	56.5	–	56.5	United Kingdom
Allied Commercial Bank (ACB)	–	55.9	–	55.9	–	55.9	Republic of China

	Percentage of Ownership						
	2022		2021		2020		Country of
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect	Incorporation
Allianz-PNB Life Insurance, Inc. (APLII) (formerly PNB LII)	–	44.0	–	44.0	–	44.0	Philippines
Allied Leasing and Finance Corporation (ALFC)	–	57.2	–	57.2	–	57.2	Philippines
Allied Banking Corporation (Hongkong) Limited (ABCHKL)	–	51.0	–	51.0	–	51.0	Hong Kong
ACR Nominees Limited	–	51.0	–	51.0	–	51.0	Hong Kong
Oceanic Holdings (BVI) Ltd. (OHBVI)	–	27.8	–	27.8	–	27.8	USA
Other Investments							
PNB Holdings Corporation (PNB Holdings) [3]	–	56.5	–	56.5	–	56.5	Philippines
Mabuhay Global Holding Company Pte. Ltd. (MGHCPL) [4]	–	–	–	–	100.0	–	Singapore
Mabuhay Digital Technologies, Inc. (MDTI)	100.0	–	100.0	–	–	100.0	Philippines
Mabuhay Digital Philippines, Inc. (MDPI)	100.0	–	100.0	–	–	100.0	Philippines
Asia's Emerging Dragon Corporation	60.0	40.0	60.0	40.0	60.0	40.0	Philippines

(1) *As of December 31, 2022, 2021 and 2020, the Bank Holding Companies consist of 27 entities with aggregate direct ownership interest of 59.83% in PNB, of which 20 companies are incorporated in the Philippines and seven (7) companies are incorporated in the British Virgin Islands (see Note 22).*

(2) *Represents the effective ownership interest of LTG through the collective ownership of the Bank Holding Companies in the merged PNB.*

(3) *This pertains to the effective ownership through the Bank Holding Companies and PNB. In 2021, PNB declared its 51% ownership interest in PNB Holdings as property dividends to its stockholders. Effective ownership of the Group before and after the declaration of property dividends is still at 56.5% (i.e., 28.8% indirect ownership through the Bank Holding Companies and 27.7% indirect ownership through PNB).*

(4) *Incorporated on May 17, 2018, MGHCPL holds direct ownership interest in MDTI, incorporated on September 28, 2018, to offer shared services for technology infrastructure across the Group, and MDPI, incorporated on November 7, 2018 to engage business of electronic money, including payment and remittance services. In 2021, the Company acquired the 100% ownership interest in MDTI and MDPI from MGHCPL.*

Subsidiaries are entities over which the Company has control. Specifically, the Group controls an investee if and only if the Group has:

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

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

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated and are considered as an impairment indicator of the assets transferred.

Non-controlling interests
Non-controlling interests represent equity in subsidiaries not attributable, directly or indirectly, to the equity holders of LTG and subsidiaries. Non-controlling interests represents the portion of profit or loss and the net assets not held by the Group. Transactions with non-controlling interests are accounted for as equity transactions.

Non-controlling interests shares in losses even if the losses exceed the non-controlling equity interests in the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity; recognizes the fair value of the consideration received, the fair value of any investment retained, and any retained earnings or deficit in consolidated statement of income; and reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer has the option to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When a business is acquired, the financial assets and financial liabilities assumed are assessed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in consolidated statement of income or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair values of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

A CGU to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Group shall recognize the impairment loss. Impairment losses relating to goodwill cannot be reversed in subsequent periods.

The Group performs its impairment test of goodwill on an annual basis every December 31 or earlier whenever events or changes in circumstances indicate that goodwill may be impaired.

Common control business combinations
Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent (i.e., Controlling Shareholders) before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Q&A No. 2011-02, PFRS 3.2 - *Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interest method.

In applying the pooling-of-interests method, the Group follows the Philippine Interpretations Committee Q&A No. 2012-01, PFRS 3.2 - *Application of the Pooling of Interest Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity as other equity reserve, i.e., either contribution or distribution of equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- As a policy, comparatives are presented as if the entities had always been combined.

Noncurrent Assets and Disposal Group Held for Sale and Discontinued Operations

The Group classifies noncurrent assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such, noncurrent assets and disposal groups are measured at the lower of their carrying amounts and fair value less costs to sell (i.e., the incremental costs directly attributable to the sale, excluding finance costs and income taxes).

The Group regards the criteria for held for sale classification as met only when:

- the Group has initiated an active program to locate a buyer;
- the Group is committed to the plan to sell the asset or disposal group, which should be available for immediate sale in its present condition;
- the sale is highly probable (i.e, expected to happen within one year from the date of the classification); and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The Group presents separately the assets and liabilities of disposal group classified as held for sale in the consolidated statement of financial position.

The Group classifies a disposal group as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group excludes discontinued operations from the results of continuing operations and presents them as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

If the above criteria are no longer met, the Group ceases to classify the asset or disposal group as held for sale. In such cases, the Group measures such asset or disposal group at the lower of its:

- carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had it not been classified as such; and
- recoverable amount at the date of the subsequent decision not to sell.

The Group also amends financial statements for the periods since classification as held for sale if the asset or disposal group that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. Accordingly, for all periods presented, the Group reclassifies and includes in income from continuing operations the results of operations of the asset or disposal group previously presented in discontinued operations.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations: Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The Group adopted the amendments beginning January 1, 2022. The amendments did not have a material impact on the Group.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The Group adopted the amendments beginning January 1, 2022. The amendments did not have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group adopted the amendments beginning January 1, 2022. The amendments did not have a material impact on the Group.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

    - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

      The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

      The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

      The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  The Group adopted the amendments beginning January 1, 2022. The amendments did not have a material impact on the Group.

<u>Future Changes in Accounting Policies</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

    - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
    - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Error, Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Adoption of the Deferral of Certain Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-04*

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14, Series of 2018, and SEC Memorandum Circular No. 3, Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular No. 34, Series of 2020, which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

  A summary of the PIC Q&A provisions covered by the SEC deferral follows:

		Deferral Period
a.	Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b.	Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04 on determining whether the transaction price includes a significant financing component.
- PIC Q&A 2020-02 on determining which uninstalled materials should not be included in calculating the POC.

On July 8, 2021, the SEC issued SEC MC No. 8, series of 2021 amending the transition provision of the above PIC Q&A providing real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach. With this, real estate companies are finally able to fully comply with PFRS 15 and revert to full PFRS financial reporting for the calendar year 2021.

After the deferral period, real estate companies have an accounting policy option of applying either the full retrospective approach or modified retrospective approach as provided under SEC MC No. 8-2021.

The property development segment availed of the SEC relief to defer the above specific provision of PIC Q&A No. 2018-12-D (as amended by PIC Q&A 2020-04) in determining whether the transaction price includes a significant financing component. Had this provision been adopted, the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements in case a full retrospective approach is applied. Depending on the approach of adoption, the adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability for all years presented (full retrospective approach), and the opening balance of retained earnings (full retrospective approach and modified retrospective approach).

Based on the Group's evaluation, the effect of the SEC relief to the consolidated financial statements is not significant.

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

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

  The adoption will not materially affect the Group.

Deferred effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group continues to assess the impact of the above new and amended accounting standards and Interpretations effective subsequent to 2022 on the Group's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Significant Accounting Policies Applicable to the Group

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
The Group measures certain financial instruments and nonfinancial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and investment properties carried at cost are disclosed in Note 34.

Fair value is the price that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:

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

The principal or the most advantageous market must be accessible to the Group. The Group measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Group uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Group measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest Level of input that is significant to the fair value measurement as a whole:

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

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

External valuers are involved for valuation of significant assets, such as properties and financial assets at FVTPL and financial assets at FVTOCI. Involvement of external valuers is decided upon annually by the respective segment management after discussion with and approval by the audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy, as explained above.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition, and that are subject to an insignificant risk of change in value.

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

Financial Instruments - Initial Recognition
The Group recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Group), while derivatives are recognized on trade date (i.e., the date that the Group commits to purchase or sell). The Group recognizes deposits, amounts due to banks and customers and loans when cash is received by the Group or advanced to the borrowers.

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

Financial Instruments - Classification and Subsequent Measurement
The Group classifies and measures financial assets at FVTPL unless these are measured at FVTOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

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

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

For financial liabilities, the Group classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

Financial assets at FVTPL
Financial assets at FVTPL include the following:

- Financial assets held for trading - those acquired for the purpose of selling or repurchasing in the near term;
- Derivative instruments - contracts entered into by the Group (such as currency forwards, currency swaps, interest rate swaps and warrants) as a service to customers and as a means of reducing or managing their respective financial risk exposures, as well as for trading purposes;
- Financial assets that are not SPPI, irrespective of the business model; or
- Debt financial assets designated upon initial recognition at FVTPL - those assets where the Group applied the fair value option at initial recognition if doing so eliminates or significantly reduces an accounting mismatch

The Group carries financial assets at FVTPL in the consolidated statement of financial position at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group recognizes any gains or losses arising from changes in fair values of financial assets at FVTPL directly in the consolidated statement of income under ‘Trading and investment securities gains (losses) - net’, except for currency forwards and currency swaps, where fair value changes are included under ‘Foreign exchange gains - net’.

Financial assets at FVTOCI
Financial assets at FVTOCI include debt and equity securities, which are subsequently measured at fair value. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVTOCI, net of tax, in the consolidated statement of comprehensive income as ‘Net changes in fair value of financial assets at FVTOCI, net of tax’.

Debt securities at FVTOCI are those that meet both of the following conditions:

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

The Group reports the effective yield component of debt securities at FVTOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVTOCI, in the consolidated statement of income. When the debt securities at FVTOCI are disposed of, the cumulative gain or loss previously recognized in OCI is recognized as ‘Trading and securities gain (loss) - net’ in the consolidated statement of income. The Group recognizes the expected credit losses (ECL) arising from impairment of such financial assets in OCI with a corresponding charge to ‘Provision for impairment, credit and other losses’ in the consolidated statement of income.

Equity securities designated at FVTOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. The Group recognizes the dividends earned on holding the equity securities at FVTOCI in the consolidated statement of income when the right to payment has been established. Gains and losses on disposal of these equity securities at FVTOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to ‘Retained earnings’ or any other appropriate equity account upon disposal. The Group does not subject equity securities at FVTOCI to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

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

This accounting policy relates to the statement of financial position captions ‘Due from Bangko Sentral ng Pilipinas (BSP)’, ‘Due from other banks’, ‘Interbank loans receivable’, ‘Securities held under agreements to resell’, ‘Investment securities at amortized cost’, and ‘Loans and receivables’.

The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in ‘Interest income’, and the ECL arising from impairment of such financial assets in ‘Provision for impairment, credit and other losses’ in the consolidated statement of income.

Financial liabilities at amortized cost
The Group classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under ‘Deposit liabilities’, ‘Bills and acceptances payable’, ‘Bonds payable’ or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Repurchase and reverse repurchase agreements
The Group does not derecognize from the statement of financial position securities sold under agreements to repurchase at a specified future date (‘repos’). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date (‘reverse repos’). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

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

Derecognition of Financial Assets and Liabilities
Financial assets
The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:

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

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

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the consolidated statements of income.

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

<u>Impairment of Financial Assets</u>
ECL methodology
The Group's loss impairment method on financial instruments applies a forward-looking ECL approach, which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial instrument since origination (12-month ECL). Otherwise, if an SICR is observed, then the Group extends its ECL estimation until the end of the life of the financial instrument (Lifetime ECL). Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Staging assessment
The Group categorizes financial instruments subject to the ECL methodology into three stages:

- Stage 1 - comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Group recognizes 12-month ECL for Stage 1 financial instruments.
- Stage 2 - comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Group recognizes Lifetime ECL for Stage 2 financial instruments.
- Stage 3 - comprised of financial instruments which have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on their estimated future cash flows. The Group recognizes Lifetime ECL for Stage 3 (credit-impaired) financial instruments.

Definition of "default" and "cure"
The Group considers default to have occurred when:

- the obligor is past due for more than 90 days on any material credit obligation to the Group; or
- the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable.

The Group no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determining SICR
At each reporting date, the Group assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group's assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days ("backstop").

The Group assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management's close attention. Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

The Group looks at the quantitative element through statistical models or credit ratings process or scoring process that captures certain information, which the Group considers as relevant in assessing changes in credit risk. The Group also looks at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

Transfer between stages
The Group transfers credit exposures from Stage 1 to Stage 2 if there is an SICR from initial recognition date. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then the Group reverts them to Stage 1.

The Group transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:

- quantitative - characterized by payments made within an observation period; and
- qualitative - pertain to the results of assessment of the borrower's financial capacity.

Generally, the Group considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under *Derecognition of Financial Assets and Liabilities*.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans
The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL
ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) - an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) - an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) - an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate - represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group applies a simplified ECL approach for its other loans and receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to product conditions over the span of a given observation period.

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

Investments in Associates and Joint Ventures
Investment in associates pertains to entities over which the Group has significant influence but not control. Investment in joint ventures pertains to the Group's interest in joint ventures, which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The joint venture arrangements requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its investments in associates and joint ventures using the equity method.

Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associates and joint ventures. The Group's share in the associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' and joint ventures' equity reserves is recognized directly in other comprehensive income. When the Group's share of losses in the associate and joint venture equals or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture. Profits and losses resulting from transactions between the Group and the associates and joint ventures are eliminated to the extent of the interest in the associates and joint ventures.

Where necessary, adjustments are made to the financial statements of the associates and joint ventures to bring the accounting policies used in line with those used by the Group.

For additional acquisitions resulting to a significant influence over an associate whose original investments were previously held at fair value through other comprehensive income, the changes in fair value previously recognized are reversed through equity reserves to bring the asset back to its original cost. The difference between the sum of consideration and the share of fair value of net assets at date the investment becomes an associate is recognized as goodwill which is retained in the carrying value of the investment or a gain in consolidated net income under "Equity in net earnings of associates".

Upon loss of significant influence over the associate or upon loss of joint control on the jointly controlled entity, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associates and joint ventures upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized either in consolidated statement of income or in consolidated statement of comprehensive income.

Other Current Assets
Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises mainly of prepaid importation charges and excise tax, prepaid rentals and insurance premiums and other prepaid items, and creditable withholding tax. Prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of income when incurred.

Prepaid importation charges are applied to respective asset accounts, i.e., inventories and equipment, as part of their direct cost once importation is complete. Prepaid excise taxes are applied to inventory as part of its cost once related raw material item is consumed in the production. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Property, Plant and Equipment
Property, plant and equipment, other than land and land improvements, plant buildings and building improvements, and machineries and equipment, are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation of that cost. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are expensed in the consolidated statement of income as incurred. Borrowing costs incurred during the construction of a qualifying asset is likewise included in the initial cost of property, plant and equipment.

Land and land improvements, plant buildings and building improvements, and machineries and equipment are stated at revalued amounts based on a valuation performed by professionally qualified, accredited and independent appraisers. Revaluation is made every three to five years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of reporting period. For subsequent revaluations, the accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals the revalued amount. Any resulting increase in the asset's carrying amount as a result of the revaluation is credited directly to "Revaluation increment on property, plant and equipment, net of related deferred income tax effect" (presented as part of "Other comprehensive income" in the equity section of the consolidated statement of financial position).

Any resulting decrease is directly charged against any related revaluation increment to the extent that the decrease does not exceed the amount of the revaluation increment in respect of the same asset. Further, the revaluation increment of depreciable property, plant and equipment is transferred to retained earnings as the asset is used by the Group. The amount of the revaluation increment transferred would be the difference between the depreciation and amortization based on the revalued carrying amount of the asset and depreciation and amortization based on the asset's original cost. In case the asset is retired or disposed of, the related remaining revaluation increment is transferred directly to retained earnings. Transfers from revaluation increment to retained earnings are not made through profit or loss.

Construction in progress consists of properties in the course of construction for production or administrative purposes, which are carried at cost less any recognized impairment loss. This includes cost of construction and equipment, and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Returnable containers (i.e., returnable bottles and crates) are stated at cost less accumulated depreciation and any impairment in value. Cost of manufactured containers comprises materials used and applicable allocation of fixed and variable labor and overhead cost. Amortization of returnable containers is included under "Selling expenses" account in the consolidated statement of income.

Deposit value for the containers loaned to customer is included as part of "Trade payable" under "Accounts payable and accrued expenses" account in the consolidated statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
At appraisal values:	
Land improvements	5 - 15
Plant buildings and building improvements	8 - 50
Machineries and equipment	5 - 30
Office and administration buildings	20 - 40
Leasehold improvements	3 - 30 or lease term, whichever is shorter
Transportation equipment	2 - 5
Returnable containers	5 - 7
Furniture, fixtures and other equipment	3 - 20

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Depreciation or amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the item is derecognized.

When assets are sold or retired, their cost and accumulated depreciation and amortization and any impairment in value are removed from the accounts, and any gain or loss resulting from their disposal is recognized in the consolidated statement of income.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU

assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term, as follows:

	Estimated useful life
ROU assets - branch premises	1 - 25
ROU assets - land	10 - 40
ROU assets - warehouse	5 - 15
ROU assets - warehouse equipment	5 - 15

ROU assets are subject to impairment.

Investment Properties

Investment properties are initially measured at cost, including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless the exchange lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. Any gain or loss on the exchange is recognized in "Net gains on sale or exchange of assets" and presented in the "Others" account in the consolidated statement of income. Foreclosed properties are classified under "Investment properties" upon:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (*dacion en pago*).

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

Subsequent to initial recognition, depreciable investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is calculated on a straight-line basis using the estimated useful life from the time of acquisition of the investment properties.

The estimated useful life of the depreciable investment properties which generally include building and improvements ranges from 5 to 50 years.

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

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

Investment properties also include ROU assets involving real properties that are subleased to other entities.

For those ROU assets that qualify as investment properties, i.e., those land and buildings that are subleased by the Company, these are classified under investment properties in accordance with paragraph 48 of PFRS 16. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Other Properties Acquired

Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Group applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the estimated useful life of five years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

Intangible Assets

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

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

Intangibles with finite lives

Software costs, included in "Other noncurrent assets", are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over five years on a straight-line basis.

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Impairment of Noncurrent Nonfinancial Assets

Property, plant and equipment, investment properties, other properties, investments in associates and joint ventures, and software costs

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating units') fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations or to the revaluation increment for assets carried at revalued amount, in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation or amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated (or to the aggregate carrying amount of a group of cash-generating units to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of the reporting period.

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

Refer to the significant accounting policies generally applicable to the consumer products, banking and property development for the specific recognition criteria that must also be met before revenue is recognized.

Costs and Expenses
Costs and expenses are recognized in the consolidated statement of income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Selling and general and administrative expenses
Selling expenses are costs incurred to sell or distribute merchandise, it includes advertising and promotions and freight and handling, among others. General and administrative expenses constitute costs of administering the business. Selling and general and administrative expenses are expensed as incurred.

Taxes and licenses
Taxes and licenses include all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees and are recognized as costs and expenses when incurred.

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service cost
- net interest on the net defined benefit liability or asset
- remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in consolidated statement of income.

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

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

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refund from the plan or reduction in future contribution to the plan.

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

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-based Payment
Employees of the Group receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The Group determines the cost of equity-settled transactions at fair value at the date when the grant is made, and recognizes as 'Compensation and fringe benefits', together with a corresponding increase in equity ('Other equity reserves'), over the period in which the service is fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects to the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. Capitalization ceases when pre-selling of real estate inventories under construction commences. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are expensed as incurred.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Debt Issue Costs
Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVTPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the consolidated statement of financial position.

Leases
The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

- Right-of-use assets

  At the commencement date of the lease (i.e, the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

  The Group presents the right-of-use assets in 'Property, plant and equipment' and subjects it to impairment in line with the Group's policy on impairment of nonfinancial assets.

- Lease liabilities

  At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Group's incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

  After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Cost of banking services'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

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

  The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

Group as a lessor
For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the consolidated statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in 'Interest income on loans and receivables' in the consolidated statement of income.

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.

Foreign Currency-denominated Transaction and Translation

The Group's consolidated financial statements are presented in Philippine peso, which is also LTG's functional currency. Each of the subsidiaries determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the individual entities in the Group in their respective functional currencies at the foreign exchange rates prevailing at the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of income.

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

Foreign Currency Deposit Unit (FCDU) and Overseas Subsidiaries

As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Group, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation shall be recognized in consolidated statement of income.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Deferred income tax

Deferred income tax is recognized on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered. It is probable that sufficient future taxable profits will be available against which a deductible temporary difference can be utilized when there are sufficient taxable temporary difference relating to the same taxation authority and the same taxable entity which are expected to reverse in the same period as the expected reversal of the deductible temporary difference. In such circumstances, the deferred income tax asset is recognized in the period in which the deductible temporary difference arises.

Deferred income taxes relating to items recognized directly in OCI are also recognized in OCI and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Accounts payable and accrued expenses” in the consolidated statement of financial position.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Equity

Capital stock is measured at par value for all shares issued by the Group. When the Group issue more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Capital in excess of par is the portion of the paid-in capital representing excess over the par or stated value.

Other equity reserves include effect of transactions with non-controlling interest and equity adjustments arising from business combination under common control and other group restructuring transactions.

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs. Other comprehensive income (loss) of the Group includes cumulative translation adjustments, net changes in fair values of financial assets at FVTOCI, remeasurement gains (losses) on defined benefit plans, revaluation increment in property, plant and equipment and share in other comprehensive income of associates.

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policies and other capital adjustments. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders after adjustments for any unrealized items which are considered not available for dividend declaration. Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Treasury shares are owned equity instruments that are reacquired. Where any member of the Group purchases the Company's capital stock (presented as "Shares of stock of the Company held by subsidiaries"), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effect, is included in equity attributable to the equity holders of the Company.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period after giving retroactive effect to stock dividends declared and stock rights exercised during the period, if any.

Diluted EPS is calculated by dividing the aggregate of net income attributable to common shareholders by the weighted average number of common shares outstanding during the period adjusted for the effects of any dilutive shares.

Dividends on Common Shares
Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Company. Stock dividends are treated as transfers from retained earnings to capital stock. Dividends for the year that are approved after the end of reporting period are dealt with as a non-adjusting event after the end of reporting period.

Events After the Reporting Period
Events after the end of reporting period that provides additional information about the Group's position at the end of reporting period (adjusting event) are reflected in the consolidated financial statements. Events after the end of reporting period that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

Segment Reporting
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 4 to the consolidated financial statements.

Significant Accounting Policies Generally Applicable to Banking

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

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

Service Fees and Commission Income
The banking segment earns fee and commission income from diverse range of services it provides to its customers:

Fee income earned from services that are provided over a certain period of time
The banking segment accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.

Bancassurance fees
The banking segment recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.

Fee income from providing transaction services
The banking segment recognizes the fees arising 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, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the banking segment recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

The banking segment recognizes loan syndication fees as revenue when the syndication has been completed and the banking segment retains no part of the loans for itself or retains part at the same EIR as the other participants.

<u>*Credit Card Revenues*</u>
Interchange fee and revenue from rewards redeemed.
The banking segment takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the banking segment's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The banking segment operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the banking segment. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The banking segment allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The banking segment defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The banking segment includes the deferred balance under 'Other liabilities' in the consolidated statement of financial position.

Commissions on credit cards
The banking segment recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Commissions on installment credit sales
The banking segment records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The banking segment recognizes the excess over cost as 'Unearned and other deferred income', which is shown as a deduction from 'Loans and receivables' in the consolidated statement of financial position. The banking segment amortizes and recognizes as revenue the unearned and other deferred income over the installment terms using the effective interest method.

<u>*Other Income*</u>
The banking segment recognizes income from sale of properties upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

The following are revenue streams of the banking segment, which are covered by accounting standards other than PFRS 15:

Interest income
Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVTOCI are recognized based on effective interest method of accounting to calculates the amortized cost of a financial asset or a financial liability and allocate the interest income or interest expense.

The banking segment records interest income using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. In calculating EIR, the banking segment considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The banking segment adjusts the carrying amount of the financial instrument through ‘Interest income’ in the consolidated statement of income based on the original EIR.

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

Trading and investment securities gains - net
The banking segment recognizes in ‘Trading and investment securities gains - net’ the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVTOCI.

Insurance premiums and commissions on reinsurance
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. The banking segment recognizes premiums from short-duration insurance contracts and reinsurance commissions as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The banking segment recognizes in the consolidated statement of income for the period the net changes in provisions for unearned premiums and deferred reinsurance premiums.

Dividend income
The banking segment recognizes dividend income when the Group’s right to receive payment is established.

Rental income
The banking segment accounts for rental income arising on leased properties on a straight-line basis over the lease terms of ongoing leases, which is recorded in the consolidated statement of income under ‘Miscellaneous income’.

Commitment fees
The banking segment defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as revenue over the expected life of the loan.

Income on direct financing leases and receivables financed
The banking segment recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables'.

Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Financial Guarantees and Undrawn Loan Commitments
The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under 'Bills and acceptances payable' or 'Other liabilities' in the consolidated statement of financial position.

Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the consolidated statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position.

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

Fiduciary Activities
The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Significant Accounting Policies Generally Applicable to Consumer Products

Sale of Consumer Goods
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The Group enters into a marketing and distributorship agreement in which the Group undertakes to sell the products specified including its quantity indicated in an approved purchased order exclusively to the marketing distributors. No other promised goods or services was specified in the contract or provided based on the customary business practice. This is considered as one performance obligation; hence, no allocation of transaction price is needed. The Group recognizes revenue at a point in time, once the goods are delivered.

- *Sale of goods.* Revenue from sale of goods is recognized at a point in time, once the goods are sold and delivered.

- *Sale of commercial bottles.* Revenue from sale of commercial bottles is recognized at a point in time, once goods are sold and delivered.

- *Revenue from services and tolling fees.* Revenue from services and tolling fees is recognized by the Group at a point in time when the services have been rendered.

Cost of Consumer Goods Sold
Cost of consumer goods sold is recognized as expense where the related goods are sold.

Consumer Goods Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition are accounted for as follows:

Finished goods and work in process include direct materials, direct labor, and manufacturing overhead costs. Raw materials include purchase cost. The cost of these inventories is determined using the following:

	Distilled Spirits	Beverage
Finished goods	Moving-average	Weighted-average
Work in process	Moving-average	Weighted-average
Raw materials and materials and supplies	Moving-average	Moving-average

NRV of finished goods is the estimated selling price less the estimated costs of marketing and distribution. NRV of work in process is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. For raw materials and materials and supplies, NRV is current replacement cost.

Significant Accounting Policies Generally Applicable to Property Development

Property Development Revenue and Cost Recognition
Real estate sales
The Group derives its real estate sales from sale of residential lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on the physical proportion of work done on the real estate project which requires technical determination by the Group's project engineers. Based on the monthly project accomplishment report approved by the site project manager which integrates the surveys of performance to date of the construction activities.

Rental income
Rental income under non-cancellable leases of investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term or based on the terms of the lease contract or certain percentage of the gross revenue of the tenants, as applicable.

Charges and expenses recoverable from tenants
Income arising from expenses recharged to tenants in “Other income” account is recognized in the period in which the compensation becomes receivable.

Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group’s in-house technical staff.

The cost of real estate sales recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage-of-completion used for revenue recognition purposes.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the “Selling expenses” account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Cost of rental income
Cost of rental income is recognized in relation to the leasing activities of the Group. This includes general, administrative and selling expenses allocated to the leasing activities, rental expense on the property leased to tenants and depreciation of the investment properties.

Rooms and other operated departments
Revenue from room rentals and other ancillary services are recognized at point in time or when the services are rendered. Revenue from other ancillary services include, among others, business center related services and car rentals, food packages, laundry service, telephone service, and spa/gym services.

Costs of services
Costs of services include expenses incurred by the Group for the generation of revenue from room rentals and other ancillary services. Costs of services are expensed as incurred.

<u>Real Estate Inventories</u>
Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes: (a) acquisition cost of subdivision land; (b) amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units; (c) planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and (d) borrowing costs capitalized prior to start of pre-selling activities for the real estate project.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Customers' Deposits including Excess of Collections over Recognized Receivables
Customers' deposits represent payments from buyers of property development segment which will be applied against the related contracts receivables. This account also includes the excess of collections over the recognized contracts receivables, which is based on the revenue recognition policy of the Group.

Security Deposits
Security deposits, included in the "Other current liabilities" and "Other noncurrent liabilities" accounts in the liabilities section of the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

Determination of functional currency
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Group to use its judgment to determine the functional currency of the Group, including its foreign operations, such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to each entity or reporting unit.

In making this judgment, the Group considers the following:

- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Classification of financial assets
The Group classifies its financial assets depending on the results of the SPPI tests and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- Business objectives and strategies for holding financial assets
- Performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets
- Attendant risks and the tools applied in managing them
- Compensation structure, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions
- Frequency and timing of disposals

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP.

Determination of fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models. The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives.

Revenue recognition on real estate sales
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) assessment of the probability that the entity will collect the consideration from the buyer; (c) determination of the transaction price; (d) application of the output/input method as the measure of progress in determining real estate revenue; (e) determination of the actual costs incurred as cost of goods sold; and (f) recognition of cost to obtain a contract.

a) *Existence of a contract.* The Group's primary document for a contract with a customer is a signed contract to sell. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

b) *Revenue recognition method and measure of progress.* The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

   The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customer.

c) *Identifying performance obligation.* The Group has various contracts to sell covering residential lots and condominium units. The Group concluded that there is one performance obligation in each of these contracts because:(i) for residential lots, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract; (ii) for the contract covering condominium units, the developer has the obligation to deliver the house or condominium unit duly constructed on a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the customer.

Revenue recognition on sale of consumer goods
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint. (d) recognition of revenue as the Group satisfies the performance obligation.

a) *Existence of a contract.* The Group's primary document for a contract with a customer for each type of revenue stream is:

   - *Sale of goods.* The Group determined that an approved purchase order related to a signed marketing and distributorship agreement qualifies as a contract provided that each of the party's rights regarding the goods to be transferred is clearly identified including the product specification and payment terms.

   - *Sale of commercial bottles.* The Group determined that an approved purchase order with terms clearly identified including the product specification and payment terms qualifies as a contract.

   The Group also considers the probability that it will be able to collect the consideration to which it will be entitled in exchange for the goods sold or services rendered in determining if a contract exists.

b) *Determining the method to estimate variable consideration and assessing the constraint.* The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will be subjected to constraint.

Factors such as the following are considered:

- high susceptibility to factors outside the Group's influence;
- timing of the resolution of the uncertainty, and
- having a large number and broad range of possible outcomes.

Contracts from sale of goods and commercial bottles allow the customer to return spoiled or damaged goods which will be segregated and replaced. No adjustment to the amount originally billed to the customer. The right of return will be constrained since the amount of consideration is highly susceptible to factors outside of the Group's influence and the contract has a large number and broad range of possible consideration amounts.

c) *Recognition of revenue as the Group satisfies the performance obligation.* The Group recognizes its revenue for all revenue streams at a point in time, where the goods are sold and delivered and when services were already rendered.

Operating lease commitments - the Group as lessor
The Group has entered into commercial property leases on its investment properties and certain motor vehicles and items of machinery. The Group has determined, based on an evaluation of the terms and conditions of the lease agreements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties and so accounts for these leases as operating leases (see Note 37).

Determination of lease term for lease contracts with renewal and termination options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates
Upon adoption of the Philippine Interpretation IFRIC 23, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. The Group determined, based on its tax assessment, in consultation with its tax counsel, that it is probable that its

uncertain tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have significant impact on the consolidated financial statements of the Group.

Classification of properties
The Group determines whether a property is classified as real estate inventory, investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flow largely independent of the other assets held by an entity.

Real estate inventory comprises of property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction. Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. Owner-occupied properties classified and presented as property, plant and equipment, generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of the financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Contingencies
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 37).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Credit losses on financial assets
For banking segment, the Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:

- Segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively.
- Quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages.
- Determination of expected life of the financial asset and expected recoveries from defaulted accounts.

- Development of ECL models, including the various formulas and the choice of inputs
- Determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs.
- Selection of forward-looking information and determination of probability weightings to derive the ECL.

In response to the changing credit environment due to the protracted COVID-19 pandemic, as well as the effects of the Russia-Ukraine conflict, rising interest rates, inflation, and other ‘black swan’ events which may potentially occur, the Group reviews on a monthly basis its loan portfolio, particularly for accounts that have shown or are beginning to show increases in credit risk. The Group performs comprehensive review of the default profile of its accounts to determine if there are factors or indicators not captured in the risk rating model. If there are noted weaknesses in the model, where possible, the Group recalibrates the parameter estimates to the ECL models to incorporate internal default experience, as well as most recent available external data affecting each segment of the Group’s loan portfolio.

Starting April 2020, the Group reviewed the conduct of its impairment assessment and ECL methodologies. The Group revisited the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassessed the framework for macroeconomic overlay, incorporating pandemic and other stress scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

For the other segments, provision matrix was used to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, property collaterals and coverage by letters of credit and other forms of credit insurance).

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of the customer’s actual default in the future.

Refer to Notes 8 and 14 for the carrying values of loans and receivables and receivables from Special Purpose Vehicle (SPV), respectively.

Recognition of deferred income tax assets
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates.

The Group reassesses its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook and effects on specific industries and trade of the protracted COVID-19 pandemic, Russia-Ukraine conflict, rising interest rates, inflation, and other ‘black swan’ events (such as longer lasting supply shock inflation pressure, credit rating downgrade, deep recession in the USA and Europe, and emergence of a new pandemic).

Details of the Group’s recognized and unrecognized deferred income tax assets is disclosed in Note 29.

Present value of lease liabilities
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

The carrying amount of lease liabilities is disclosed in Note 37.

Present value of retirement obligation
The Group determines the cost of defined benefit pension plan and other post-employment benefits using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group reviews all assumptions at each reporting date.

The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases are based on the Group's policy considering the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The present value of retirement obligation is disclosed in Note 23.

Measurement of NRV of inventories
The Group's estimates of the NRV of its consumer goods inventories and materials and supplies are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

With respect to the Group's real estate inventories, the Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of cost of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Details of the carrying value of the Group's inventories are disclosed in Note 9.

Valuation of property, plant and equipment under revaluation basis
The Group's land and land improvements, plant buildings and building improvements, and machineries and equipment are carried at revalued amounts, which approximate their fair values at the date of the revaluation, less any subsequent accumulated depreciation and amortization and accumulated impairment losses. The valuations of property, plant and equipment are performed by independent appraisers. Revaluations are made every three to five years to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of reporting period.

Property, plant and equipment at appraised values amounted to ₱58.5 billion and ₱60.5 billion as of December 31, 2022 and 2021, respectively (see Note 12).

Estimation of useful lives of property, plant and equipment and investment properties
The Group estimates the useful lives and residual values of property, plant and equipment and investment properties based on internal technical evaluation and experience with similar assets. Estimated useful lives and residual values of property, plant and equipment and investment properties are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment and investment properties would increase the recorded depreciation expenses and decrease the carrying value of property, plant and equipment and investment properties.

In 2022 and 2021, there were no significant changes made in the useful lives and residual values of the property, plant and equipment and investment properties. Details and the carrying value of depreciable property, plant and equipment, and investment properties as of December 31, 2022 and 2021 is disclosed in Notes 12 and 13.

Assessment of impairment of nonfinancial assets and estimation of recoverable amount
The Group assesses impairment on its investments in joint ventures and associates whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the Group considers the following triggers for an impairment review on its investments in joint ventures and associates:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its property, plant and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:

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

Except for investment properties and land and building where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value-in-use (VIU), which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The VIU calculation is most sensitive to the following assumptions: production volume, price, exchange rates, capital expenditures, and long-term growth-rates.

The carrying values of the Group's investments in joint ventures and associates, property, plant and equipment, investment properties, intangible assets, and other nonfinancial assets are disclosed in Notes 11, 12, 13 and 14, respectively.

Assessment of whether the Company's purchase of fixed assets and inventories from AB HPI constitute an acquisition of business or asset
The Company determined that the purchase of fixed assets and inventories from AB HPI constitutes an acquisition of group of assets since (a) the Company did not acquire control over any processes needed to manufacture the existing products of AB HPI nor did it acquire an organized workforce; and (b) the Company did not obtain any carryover rights to produce and sell the existing products of AB HPI as of December 31, 2022.

Refer to Note 11 for the details of the purchase of fixed assets and inventories from AB HPI.

4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's identified operating segments classified as business groups, which are consistent with the segments reported to LTG's BOD, its Chief Operating Decision Maker (CODM), are as follows:

- Banking, provides full range of banking and other financial services to corporate, middle-market and retail customers, the National Government (NG), local government units (LGUs) and government-owned and controlled corporations (GOCCs) and various government agencies, including deposit-taking, lending, bills discounting, foreign exchange dealing, investment banking, fund transfers or remittance servicing and full range of retail banking and trust services and other insurance services. The Group conducts its banking business through PNB and its subsidiaries.

- Distilled Spirits, which is involved in manufacturing, compounding, bottling, importing, buying and selling of rum, spirit beverages, liquor and bioethanol products. The Group conducts its distilled spirits business through TDI and its subsidiaries.

- Beverage, which is engaged in brewing and soft drinks and bottled water manufacturing in the Philippines. It also operates other plants, which includes commercial glass division and corrugated cartons and metal closures production facility, to support the requirements of its brewing, bottled water, non-beer products operations and to act as a service contractor and enter into service agreements for the supply of services. The Group conducts its beverage business through ABI and its subsidiaries, associate and joint venture.

- Tobacco, which is a supplier and manufacturer of cigarettes, casings, tobacco, packaging, labels and filters. The Group conducts its tobacco business through FTC's interest in PMFTC, Inc. (PMFTC).

- Property Development, which is engaged in ownership, development, leasing and management of residential properties, including but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; acquisition, purchasing, development and selling of subdivision lots. The Group conducts its property development business through Eton and its subsidiaries.

- Others, consist of various holding companies (LTG, AEDC, Paramount, Saturn, Shareholdings, and Bank Holding Companies) that provide financing for working capital and capital expenditure requirements of the operating businesses of the Group.

The BOD of LTG reviews the operating results of the business units to make decisions on resource allocation and assesses performance. Segment revenue and segment expenses are measured in accordance with PFRSs. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statements of income. Finance costs (including interest expense) and income taxes are managed per business segment.

The Group's assets are located mainly in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. The Group's banking segment operates in key cities in the USA, Canada, Western Europe, Middle East and Asia. The distribution of assets and revenues of the banking segment outside the Philippines constitute 1.7% and 2.2% as of December 31, 2022, respectively, and 0.2% and 2.8% as of December 31, 2021 of the Group's consolidated assets and revenues, respectively.

Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies. TDI's investment property is adjusted at the consolidated level to carry it at cost in accordance with the Group's policy. Certain assets and liabilities of PNB are also adjusted at the consolidated level of LTG to reflect the original carrying values prior to the merger of PNB and ABC.

Segment assets are resources owned and segment liabilities are obligations incurred by each of the operating segments excluding intersegment balances which are eliminated.

Segment revenue and expenses are those directly attributable to the segment except that intersegment revenue and expense are eliminated only at the consolidated level. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The components of capital expenditures reported to the CODM are the acquisitions of property, plant and equipment during the period.

The Group's distilled spirits segment derives liquor revenue from two major distributors which averaged 99% of the segment's total liquor revenue in 2022, 2021 and 2020. The other segments of the Group have no significant customer that contributes 10% or more of their segment revenues.

The following tables present the information about the Group's operating segments:

For the year ended December 31, 2022:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Segment revenue:							
External customers	₱50,843,607	₱31,559,876	₱16,216,881	₱–	₱1,143,977	₱1,107,581	₱100,871,922
Inter-segment	117,729	61,014	1,007,789	–	831,805	(2,018,337)	–
	50,961,336	31,620,890	17,224,670	–	1,975,782	(910,756)	100,871,922
Cost of goods sold and services	9,346,027	28,005,598	13,428,544	–	1,153,648	(830,887)	51,102,930
Gross profit	41,615,309	3,615,292	3,796,126	–	822,134	(79,869)	49,768,992
Equity in net earnings of associates and joint ventures	(56,060)	–	61,444	15,461,496	–	627,695	16,094,575
	41,559,249	3,615,292	3,857,570	15,461,496	822,134	547,826	65,863,567
Selling expenses	–	911,617	1,369,531	–	2,761	–	2,283,909
General and administrative expenses	35,382,372	659,916	1,420,737	297,919	747,656	(712,817)	37,795,783
Operating income	6,176,877	2,043,759	1,067,302	15,163,577	71,717	1,260,643	25,783,875
Foreign exchange gains (losses) - net	1,608,281	26,340	6,064	(117,170)	6,804	18,558	1,548,877
Finance income	–	44,160	19,455	315,598	13,388	(173,316)	219,285
Finance costs	–	(53,498)	(260,132)	–	(299,508)	128,524	(484,614)
Others - net	8,911,847	(207,103)	25,266	11,973	692,318	101,872	9,536,173
Income before income tax	16,697,005	1,853,658	857,955	15,373,978	484,719	1,336,281	36,603,596
Provision for income tax	4,931,228	384,777	275,417	37,123	111,422	198,623	5,938,590
Segment profit from:							
Continuing operations	11,765,777	1,468,881	582,538	15,336,855	373,297	1,137,658	30,665,006
Discontinued operations	–	–	–	–	–	–	–
	₱11,765,777	₱1,468,881	₱582,538	₱15,336,855	₱373,297	₱1,137,658	₱30,665,006
Segment profit attributable to:							
Equity holders of the Company	₱11,714,107	₱1,466,876	₱579,401	₱15,336,855	₱373,297	(₱4,333,136)	₱25,137,400
Non-controlling interests	51,670	2,005	3,137	–	–	5,470,794	5,527,606
Depreciation and amortization expense	4,044,067	636,581	1,956,640	36,756	366,473	(641,675)	6,398,842

Other financial information of the operating segments as of December 31, 2022 is as follows:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Assets:							
Current assets	**₱537,671,669**	**₱19,159,272**	**₱20,826,361**	**₱14,991,417**	**₱8,647,442**	**(₱13,248,264)**	**588,047,897**
Noncurrent assets	**602,847,076**	**9,331,703**	**15,432,784**	**11,591,207**	**22,352,276**	**18,514,626**	**680,069,672**
	₱1,140,518,745	**₱28,490,975**	**₱36,259,145**	**₱26,582,624**	**₱30,999,718**	**₱5,266,362**	**1,268,117,569**
Liabilities:							
Current liabilities	**₱898,204,863**	**₱5,116,546**	**₱10,076,295**	**₱303,526**	**₱7,790,574**	**(₱21,038,506)**	**₱900,453,298**
Noncurrent liabilities	**79,405,266**	**831,002**	**944,553**	**95,001**	**3,599,967**	**6,126,806**	**91,002,595**
	₱977,610,129	**₱5,947,548**	**₱11,020,848**	**₱398,527**	**₱11,390,541**	**(₱14,911,700)**	**₱991,455,893**
Investments in associates and joint ventures	**₱2,688,764**	**₱–**	**₱164,971**	**₱8,227,070**	**₱–**	**₱10,509,069**	**₱21,589,874**
Equity attributable to:							
Equity holders of the Company	**159,359,238**	**22,335,893**	**25,186,993**	**26,184,097**	**19,609,177**	**(53,830,539)**	**198,844,859**
Non-controlling interests	**3,549,378**	**207,534**	**51,304**	**–**	**–**	**74,008,601**	**77,816,817**
Additions to noncurrent assets:							
Property, plant and equipment	**19,667,204**	**8,268,866**	**13,991,294**	**82,010**	**912,384**	**27,852,063**	**70,773,821**
Investment properties	**12,684,829**	**239,009**	**14,002**	**2,108,595**	**20,984,232**	**1,014,337**	**37,045,004**
Short-term debts	**–**	**–**	**4,490,000**	**–**	**–**	**–**	**4,490,000**
Long-term debts	**62,075,488**	**434,237**	**549,526**	**–**	**4,926,148**	**(1,273,096)**	**66,712,303**

For the year ended December 31, 2021:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Segment revenue:							
External customers	₱49,319,441	₱26,648,772	₱13,173,729	₱–	₱888,536	₱1,142,837	₱91,173,315
Inter-segment	154,880	65,018	748,650	–	863,347	(1,831,895)	–
	49,474,321	26,713,790	13,922,379	–	1,751,883	(689,058)	91,173,315
Cost of goods sold and services	8,608,926	23,465,492	10,652,572	–	779,198	(549,174)	42,957,014
Gross profit	40,865,395	3,248,298	3,269,807	–	972,685	(139,884)	48,216,301
Equity in net earnings of associates and joint ventures	50,789	–	46,781	17,600,810	–	322,800	18,021,180
	40,916,184	3,248,298	3,316,588	17,600,810	972,685	182,916	66,237,481
Selling expenses	–	842,796	1,036,698	–	25,526	–	1,905,020
General and administrative expenses	36,693,181	682,797	1,388,128	168,043	837,843	551,885	40,321,877
Operating income	4,223,003	1,722,705	891,762	17,432,767	109,316	(368,969)	24,010,584
Foreign exchange gains - net	743,549	37,257	6,064	14,616	4,150	10,379	816,015
Finance income	–	10,538	7,518	42,808	8,235	(27,436)	41,663
Finance costs	–	(94,714)	(201,616)	–	(257,231)	188,688	(364,873)
Others - net	35,336,752	(67,018)	(18,196)	5,532	798,561	(33,296,800)	2,758,831
Income before income tax	40,303,304	1,608,768	685,532	17,495,723	663,031	(33,494,138)	27,262,220
Provision for (benefit from) income tax	5,545,194	366,508	210,358	(7,227)	112,849	194,064	6,421,746
Segment profit from:							
Continuing operations	34,758,110	1,242,260	475,174	17,502,950	550,182	(33,688,202)	20,840,474
Discontinued operations	(735,365)	–	–	–	–	755,980	20,615
	₱34,022,745	₱1,242,260	₱475,174	₱17,502,950	₱550,182	(₱32,932,222)	₱20,861,089
Segment profit attributable to:							
Equity holders of the Company	₱33,963,333	₱1,237,830	₱469,268	₱17,502,950	₱550,182	(₱33,477,096)	₱20,246,467
Non-controlling interests	59,412	4,430	5,906	–	–	544,874	614,622
Depreciation and amortization expense	2,673,644	624,415	1,796,937	46,925	412,243	186,890	5,741,054

Other financial information of the operating segments as of December 31, 2021 is as follows:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Assets:							
Current assets	₱599,353,375	16,754,953	17,796,934	14,286,955	9,744,300	(11,444,605)	646,491,912
Noncurrent assets	586,057,462	10,778,690	15,785,928	14,945,127	22,702,015	15,075,230	665,344,452
	₱1,185,410,837	27,533,643	33,582,862	29,232,082	32,446,315	3,630,625	1,311,836,364
Liabilities:							
Current liabilities	₱925,534,374	5,406,099	8,058,760	307,572	6,542,370	(17,635,044)	928,214,131
Noncurrent liabilities	105,783,546	1,024,560	1,314,949	88,735	6,680,286	5,193,478	120,085,554
	₱1,031,317,920	6,430,659	9,373,709	396,307	13,222,656	(12,441,566)	1,048,299,685
Investments in associates and joint ventures	₱2,468,107	–	103,527	11,729,777	–	7,906,898	22,208,309
Equity attributable to:							
Equity holders of the Company	150,873,774	20,893,287	24,171,404	28,835,775	19,223,659	(53,926,491)	190,071,408
Non-controlling interests	3,219,143	209,697	37,749	–	–	69,998,682	73,465,271
Additions to noncurrent assets:							
Property, plant and equipment	21,231,002	9,413,571	14,528,673	85,530	1,008,420	27,844,457	74,111,653
Investment properties	9,633,839	245,728	14,002	2,108,595	21,291,373	1,153,816	34,447,353
Short-term debts	–	895,000	3,940,000	–	–	(895,000)	3,940,000
Long-term debts	57,148,812	390,497	584,163	–	6,644,964	(2,125,102)	62,643,334

For the year ended December 31, 2020:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Segment revenue:							
External customers	₱54,800,902	₱25,000,110	₱12,227,532	₱–	₱2,399,390	₱–	₱94,427,934
Inter-segment	172,341	31,674	1,052,637	–	–	(1,256,652)	–
	54,973,243	25,031,784	13,280,169	–	2,399,390	(1,256,652)	94,427,934
Cost of goods sold and services	12,113,434	21,361,215	9,829,697	–	706,116	(1,151,598)	42,858,864
Gross profit	42,859,809	3,670,569	3,450,472	–	1,693,274	(105,054)	51,569,070
Equity in net earnings of associates and joint ventures	88,476	–	35,575	17,106,456	–	384,400	17,614,907
	42,948,285	3,670,569	3,486,047	17,106,456	1,693,274	279,346	69,183,977
Selling expenses	–	1,030,449	988,609	–	32,056	–	2,051,114
General and administrative expenses	44,655,737	765,772	1,335,837	172,095	710,002	257,825	47,897,268
Operating income	(1,707,452)	1,874,348	1,161,601	16,934,361	951,216	21,521	19,235,595
Foreign exchange gains - net	919,555	(43,043)	(21,535)	(97,786)	(4,293)	(5,803)	747,095
Finance income	–	1,146	21,390	56,642	19,847	(56,604)	42,421
Finance costs	–	(97,293)	(185,900)	–	(272,686)	214,412	(341,467)
Others - net	1,684,400	(203,438)	(74,511)	31,551	469,738	(4,771)	1,902,969
Income before income tax	896,503	1,531,720	901,045	16,924,768	1,163,822	168,755	21,586,613
Provision for (benefit from) income tax	(1,798,238)	414,164	310,299	31,448	361,721	8,686	(671,920)
Segment profit from:							
Continuing operations	2,694,741	1,117,556	590,746	16,893,320	802,101	160,069	22,258,533
Discontinued operations	67,583	–	–	–	–	–	67,583
	₱2,762,324	₱1,117,556	₱590,746	₱16,893,320	₱802,101	₱160,069	₱22,326,116
Segment profit attributable to:							
Equity holders of the Company	₱2,751,489	₱1,103,128	₱583,793	₱16,893,320	₱802,101	(₱1,111,835)	₱21,021,996
Non-controlling interests	10,835	14,428	6,953	–	–	1,271,904	1,304,120
Depreciation and amortization expense	3,047,381	564,556	1,613,481	50,702	404,088	(2,389)	5,677,819

Other financial information of the operating segments as of December 31, 2020 is as follows:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Assets:							
Current assets	₱644,182,968	₱15,205,078	₱17,743,633	₱5,627,322	₱8,832,453	(₱6,784,029)	₱684,807,425
Noncurrent assets	599,009,724	9,263,659	16,304,213	18,062,891	22,989,484	2,685,058	668,315,029
	₱1,243,192,692	₱24,468,737	₱34,047,846	₱23,690,213	₱31,821,937	(₱4,098,971)	₱1,353,122,454
Liabilities:							
Current liabilities	₱946,187,119	₱5,042,772	₱8,894,934	₱296,163	₱5,555,961	(₱12,442,685)	₱953,534,264
Noncurrent liabilities	136,649,515	769,034	1,669,777	89,023	7,624,513	(2,751,951)	144,049,911
	₱1,082,836,634	₱5,811,806	₱10,564,711	₱385,186	₱13,180,474	(₱15,194,636)	₱1,097,584,175
Investments in associates and joint ventures	₱2,310,410	₱–	₱56,746	₱14,558,923	₱–	₱6,851,704	₱23,777,783
Equity attributable to:							
Equity holders of the Company	157,154,782	18,463,080	23,440,873	23,305,027	18,641,464	(55,591,289)	185,413,937
Non-controlling interests	3,201,276	193,849	42,262	–	–	66,686,955	70,124,342
Additions to noncurrent assets:							
Property, plant and equipment	2,545,427	768,244	2,557,243	35,937	56,933	5,342	5,969,126
Investment properties	86,693	–	–	–	906,080	–	992,773
Short-term debts	–	400,000	4,740,000	–	–	(400,000)	4,740,000
Long-term debts	65,422,351	383,404	591,373	–	6,585,776	(3,240,260)	69,742,644

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2022	2021
	(In Thousands)	
Cash and other cash items	**₱23,220,417**	₱29,012,418
Cash equivalents:		
Due from BSP	**94,701,360**	161,001,912
Securities held under agreements to resell	**64,523,862**	15,796,673
Due from other banks	**26,010,183**	27,222,083
Interbank loans receivables*	**16,290,101**	32,106,088
	₱224,745,923	₱265,139,174

**net of allowance for ECL*

a. Cash and other cash items consist of cash on hand and in banks and short-term investments. Cash in banks earn interest at bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group.

b. Due from BSP is composed of interest-bearing short-term placements with BSP and a demand deposit account to support the regular operations of PNB, which consists of:

	2022	2021
	(In Thousands)	
Demand deposit	**₱74,701,360**	₱81,273,307
Term deposit facility (TDF)	**20,000,000**	79,728,605
	₱94,701,360	₱161,001,912

TDFs bear annual interest rates ranging from 5% to 6.43% in 2022 and 1.50% to 1.88% in 2021.

c. Interbank loans receivables bear annual interest ranging from 1.5% to 6.4% in 2022 for peso-denominated interbank loans receivables and from 0.4% to 5.3% and from 0.0% to 1.5% in 2022 and 2021, respectively, for foreign currency-denominated interbank loans receivables.

d. Securities held under agreements to resell bear interest ranging from 2.00% to 5.50%, from and 1.50% to 2.50% in 2022 and 2021, respectively.

The fair value of the treasury bills pledged under these agreements as of December 31, 2022 and 2021 amounted to ₱64.3 billion and ₱16.0 billion, respectively, for the Group (Note 33).

e. Interest earned on cash and other cash items and cash equivalents are presented under “Banking revenue” and “Finance income”, respectively (see Notes 24 and 27).

6. Financial Assets at FVTPL

Financial assets at FVTPL consist of:

	2022	2021
	(In Thousands)	
Government securities	**₱4,371,670**	₱7,956,013
Private debt securities	**1,610,682**	1,841,548
Derivative assets (Notes 21 and 33)	**1,361,951**	1,365,051
Unit investment trust fund (UITF)	**31,925**	37,612
Equity securities	**2,898**	5,045
	₱7,379,126	₱11,205,269

The effective interest rates of debt securities at FVTPL range from:

	2022	2021
Government securities	**1.4% - 8.0%**	1.4% - 9.5%
Private debt securities	**4.9% - 6.9%**	4.9% - 6.9%

7. Financial Assets at FVTOCI and Financial Assets at Amortized Cost

Financial Assets at FVTOCI
This account consists of:

	2022	2021
	(in thousands)	
Government securities (Note 17)	**₱118,396,055**	₱120,764,925
Private debt securities	**15,430,870**	23,115,480
Equity securities:		
Quoted	**2,078,059**	2,052,667
Unquoted	**1,709,152**	1,336,338
	137,614,136	147,269,410
Noncurrent portion	**(50,761,530)**	(71,468,657)
	₱86,852,606	₱75,800,753

a. For the years ended December 31, 2022, 2021 and 2020, the nominal interest rates of government securities range from 0.2% to 26.2%, 0.1% to 18.3% and 0.2% to 18.3%, respectively.

b. For the years ended December 31, 2022, 2021 and 2020, the nominal interest rates of private debt securities range from 0.5% to 6.4%, 0.4% to 6.9% and 2.0% to 6.9% respectively.

c. As of December 31, 2022 and 2021, the fair value of financial assets at FVTOCI in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions with foreign banks amounted to ₱2.5 billion and ₱32.8 billion, respectively (see Note 17). The counterparties have an obligation to return the securities to PNB once the obligations have been settled. In case of default, the foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement.

d. Other debt securities consist of notes issued by private entities. As of December 31, 2022 and 2021, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱119.5 million and ₱131.5 million, respectively.

Financial Assets at Amortized Cost
This account consists of:

	2022	2021
Private debt securities	**₱36,082,780**	₱59,144,715
Government securities	**78,233,180**	34,133,294
	114,315,960	93,278,009
Less allowance for expected credit losses	**(3,848,000)**	(3,822,166)
	110,467,960	89,455,843
Noncurrent portion	**(78,956,212)**	(43,523,890)
	₱31,511,748	₱45,931,953

In 2022 and 2021, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.

As of December 31, 2022 and 2021, the fair value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱5.5 billion and ₱5.6 billion, respectively (see Note 17).

8. Loans and Receivables

Loans and receivables consist of:

	2022	2021
	(In Thousands)	
Finance receivables (Notes 17 and 22)	**₱632,837,081**	₱644,557,364
Trade receivables	**19,078,556**	15,651,207
Other receivables	**4,467,755**	3,312,442
	656,383,392	663,521,013
Allowance for credit losses	**(41,455,266)**	(39,861,712)
	614,928,126	623,659,301
Noncurrent portion	**(409,434,007)**	(407,515,357)
	₱205,494,119	₱216,143,944

Finance Receivables

	2022	2021
	(In Thousands)	
Receivables from customers:		
Loans and discounts	**₱579,956,975**	₱597,979,601
Customers' liabilities on acceptances, letters of credit and trust receipts	**17,651,337**	15,425,196
Credit card receivables	**14,382,681**	11,407,608
Bills purchased (Note 20)	**1,236,798**	1,364,543
Lease contract receivable	**873,878**	2,628,289
	614,101,669	628,805,237
Other receivables:		
Accrued interest receivable	**7,071,980**	6,053,656
Sales contract receivables	**6,240,309**	6,029,384
Accounts receivable	**5,620,135**	4,191,402
Miscellaneous	**559,098**	595,929
	19,491,522	16,870,371
	633,593,191	645,675,608
Unearned and other deferred income	**(756,110)**	(1,118,244)
	632,837,081	644,557,364
Allowance for credit losses	**(40,941,534)**	(39,340,761)
	591,895,547	605,216,603
Noncurrent portion	**(409,345,493)**	(407,515,357)
	₱182,550,054	₱197,701,246

a. Lease contract receivable

An analysis of the Group's lease contract receivable as of December 31 is presented as follows:

	2022	2021
	(In Thousands)	
Gross investment in lease contract receivable		
Due within one year	**₱446,485**	₱1,245,258
Due beyond one year but not over five years	**196,987**	643,821
Due beyond five years	**–**	14,344
	643,472	1,903,423
Residual value of leased equipment		
Due within one year	**₱107,634**	₱505,784
Due beyond one year but not over five years	**122,772**	219,082
	230,406	724,866
Total lease contract receivable	**₱873,878**	₱2,628,289

b. Interest income on loans and receivables amounted to ₱34.3 billion, ₱34.2 billion and ₱37.2 billion in 2022, 2021 and 2020, respectively (see Note 24).

As of December 31, 2022 and 2021, 69.5% and 69.4%, respectively, of the total receivable from customers of PNB were subject to interest repricing. As of December 31, 2022 and 2021, 70.5% and 68.3%, respectively, of the total receivables from customers of PNB were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.1% to 11.2% in 2022, from 1.0% to 9.0% in 2021 and from 1.1% to 9.0% in 2020 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2022, from 1.1% to 31.5% in 2021 and from 1.1% to 21.0% in 2020 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 4.2% to 20.2% in 2022 and from 3.3% to 21.0% in 2021 and 2020.

The reconciliation of allowance for the receivables from customers of the Banking segment are shown below.

	Consolidated							
	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱459,223**	**₱859,753**	**₱24,311,397**	**₱25,630,373**	₱437,633	₱690,482	₱18,092,141	₱19,220,256
Transfers to Stage 1	**124,442**	**(122,231)**	**(2,211)**	**–**	1,375,088	(51,070)	(1,324,018)	–
Transfers to Stage 2	**(13,026)**	**7,561,264**	**(7,548,238)**	**–**	(21,796)	170,627	(148,831)	–
Transfers to Stage 3	**(2,707)**	**(181,214)**	**183,921**	**–**	(41,035)	(97,886)	138,921	–
Provisions (reversals)	**1,040,999**	**(1,848,298)**	**4,953,289**	**4,145,990**	1,136,551	501,195	10,381,492	12,019,238
Accounts charged off	**–**	**–**	**(14,581)**	**(14,581)**	–	–	(1,100)	(1,100)
Loan settlement through dacion (Note 33)	**–**	**–**	**(4,580,430)**	**(4,580,430)**	–	–	–	–
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	–	–	(2,520,236)	(2,520,236)
Effect of collections and other movements	**(153,893)**	**(314,918)**	**26,381**	**(442,430)**	(2,427,218)	(353,595)	(306,972)	(3,087,785)
Ending Balance	**1,455,038**	**5,954,356**	**17,329,528**	**24,738,922**	459,223	859,753	24,311,397	25,630,373
LGU								
Beginning Balance	**265**	**10,632**	**67,798**	**78,695**	24,040	1,737	24,916	50,693
Provisions (reversals)	**261**	**(2,141)**	**(2,080)**	**(3,960)**	22,642	3,902	2,296	28,840
Effect of collections and other movements	**(54)**	**(20)**	**–**	**(74)**	(46,417)	4,993	40,586	(838)
Ending Balance	**472**	**8,471**	**65,718**	**74,661**	265	10,632	67,798	78,695
Credit Cards								
Beginning Balance	**61,472**	**26,686**	**2,319,769**	**2,407,927**	38,224	26,246	2,523,198	2,587,668
Transfers to Stage 1	**14,583**	**(5,637)**	**(8,946)**	**–**	39,251	(6,432)	(32,819)	–
Transfers to Stage 2	**(1,666)**	**2,188**	**(522)**	**–**	(2,254)	5,721	(3,467)	–
Transfers to Stage 3	**(2,726)**	**(3,171)**	**5,897**	**–**	(9,135)	(9,282)	18,417	–
Provisions (reversals)	**375,074**	**71,292**	**216,035**	**662,401**	(98,840)	17,705	1,085,746	1,004,611
Accounts charged off	**–**	**–**	**(602,113)**	**(602,113)**	–	–	(1,399,465)	(1,399,465)
Effect of collections and other movements	**44,772**	**(7,616)**	**199,211**	**236,367**	94,226	(7,272)	128,159	215,113
Ending Balance	**491,509**	**83,742**	**2,129,331**	**2,704,582**	61,472	26,686	2,319,769	2,407,927
Retail SMEs								
Beginning Balance	**156,723**	**16,002**	**1,643,255**	**1,815,980**	361,274	20,786	1,426,132	1,808,192
Transfers to Stage 1	**15,101**	**(386)**	**(14,715)**	**–**	7,502	(1,634)	(5,868)	–
Transfers to Stage 2	**(51,349)**	**51,549**	**(200)**	**–**	(351)	2,151	(1,800)	–
Transfers to Stage 3	**(736)**	**(1,050)**	**1,786**	**–**	(5,680)	(6,204)	11,884	–
Provisions (reversals)	**155,930**	**22,928**	**344,916**	**523,774**	31,995	(1,617)	42,831	73,209
Accounts charged off	**–**	**–**	**(207,724)**	**(207,724)**	–	–	–	–
Effect of collections and other movements	**(75,048)**	**(62,412)**	**60,912**	**(76,548)**	(238,017)	2,520	170,076	(65,421)
Ending Balance	**200,621**	**26,631**	**1,828,230**	**2,055,482**	156,723	16,002	1,643,255	1,815,980
Housing Loans								
Beginning Balance	**256,953**	**54,367**	**3,121,446**	**3,432,766**	99,896	107,786	2,166,204	2,373,886
Transfers to Stage 1	**527,271**	**(17,691)**	**(509,580)**	**–**	395,713	(45,005)	(350,708)	–
Transfers to Stage 2	**(5,794)**	**71,159**	**(65,365)**	**–**	(2,061)	35,012	(32,951)	–
Transfers to Stage 3	**(33,977)**	**(26,337)**	**60,314**	**–**	(11,394)	(53,478)	64,872	–
Provisions (reversals)	**(206,039)**	**(335,412)**	**1,332,275**	**790,824**	391,794	(7,381)	(888,382)	(503,969)
Effect of collections and other movements	**(90,744)**	**369,022**	**(149,234)**	**129,044**	(616,995)	17,433	2,162,411	1,562,849
Ending Balance	**447,670**	**115,108**	**3,789,856**	**4,352,634**	256,953	54,367	3,121,446	3,432,766

(Forward)

	Consolidated							
	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	**₱8,996**	**₱2,166**	**₱1,467,584**	**₱1,478,746**	₱146,165	₱43,152	₱843,487	₱1,032,804
Transfers to Stage 1	**85,614**	**(671)**	**(84,943)**	**–**	58,625	(2,965)	(55,660)	–
Transfers to Stage 2	**(197)**	**5,619**	**(5,422)**	**–**	(113)	8,396	(8,283)	–
Transfers to Stage 3	**(350)**	**(1,213)**	**1,563**	**–**	(615)	(3,229)	3,844	–
Provisions (reversals)	**(72,234)**	**(3,455)**	**459,134**	**383,445**	73,402	6,628	(708,378)	628,348)
Accounts charged off	**–**	**–**	**(1,899)**	**(1,899)**	–	–	(9,133)	(9,133)
Effect of collections and other movements	**(985)**	**(193)**	**(332,018)**	**(333,196)**	(268,468)	(49,816)	1,401,707	1,083,423
Ending Balance	**20,844**	**2,253**	**1,503,999**	**1,527,096**	8,996	2,166	1,467,584	1,478,746
Other Loans								
Beginning Balance	**242,940**	**8,236**	**716,032**	**967,208**	72,427	59,443	1,922,895	2,054,765
Transfers to Stage 1	**302,607**	**(3,134)**	**(299,473)**	**–**	222,313	(12,979)	(209,334)	–
Transfers to Stage 2	**(50)**	**27,615**	**(27,565)**	**–**	(875)	90,473	(89,598)	–
Transfers to Stage 3	**(506)**	**(2,527)**	**3,033**	**–**	(4,109)	(20,370)	24,479	–
Provisions (reversals)	**(290,921)**	**(7,934)**	**330,221**	**31,366**	(131,066)	(583)	(333,647)	(465,296)
Accounts charged off	**–**	**–**	**(3,780)**	**(3,780)**	–	–	(20,328)	(20,328)
Effect of collections and other movements	**(238,320)**	**55,941**	**458,649**	**276,270**	84,250	(107,748)	(578,435)	(601,933)
Ending Balance	**15,750**	**78,197**	**1,177,117**	**1,271,064**	242,940	8,236	716,032	967,208
Other Receivables								
Beginning Balance	**81,507**	**33,359**	**3,414,200**	**3,529,066**	69,326	19,486	3,197,574	3,286,386
Transfers to Stage 1	**26**	**(5)**	**(21)**	**–**	1,295	(15)	(1,280)	–
Transfers to Stage 2	**(758)**	**10,530**	**(9,772)**	**–**	(967)	22,649	(21,682)	–
Transfers to Stage 3	**(4,861)**	**(15,475)**	**20,336**	**–**	(12,748)	(67,882)	80,630	–
Provisions (reversals)	**(10,889)**	**20,157**	**655,009**	**664,277**	(598,194)	(13,427)	131,248	(480,373)
Accounts charged off	**–**	**–**	**(2,579)**	**(2,579)**	–	–	(9,287)	(9,287)
Loan settlement through dacion (Note 33)	**–**	**–**	**(11,313)**	**(11,313)**	–	–	–	–
Effect of collections and other movements	**22,968**	**99,664**	**(84,990)**	**37,642**	622,795	72,548	36,997	732,340
Ending Balance	**87,993**	**148,230**	**3,980,870**	**4,217,093**	81,507	33,359	3,414,200	3,529,066
Total Loans and Receivables								
Beginning Balance	**1,268,079**	**1,011,201**	**37,061,481**	**39,340,761**	1,248,985	969,118	30,196,547	32,414,650
Transfers to Stage 1	**1,069,644**	**(149,755)**	**(919,889)**	**–**	2,099,787	(120,100)	(1,979,687)	–
Transfers to Stage 2	**(72,840)**	**7,729,924**	**(7,657,084)**	**–**	(28,417)	335,029	(306,612)	–
Transfers to Stage 3	**(45,863))**	**(230,987)**	**276,850**	**–**	(84,716)	(258,331)	343,047	–
Provisions (reversals)	**992,181**	**(2,082,863)**	**8,288,799**	**7,198,117**	828,284	506,422	9,713,206	11,047,912
Accounts charged off	**–**	**–**	**(832,676)**	**(832,676)**	–	–	(1,439,313)	(1,439,313)
Loan settlement through dacion (Note 33)	**–**	**–**	**(4,591,743)**	**(4,591,743)**	–	–	–	–
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	–	–	(2,520,236)	(2,520,236)
Effect of collections and other movements	**(491,304)**	**139,468**	**178,911**	**(172,925)**	(2,795,844)	(420,937)	3,054,529	(162,252)
Ending Balance	**₱2,719,897**	**₱6,416,988**	**₱31,804,649**	**₱40,941,534**	₱1,268,079	₱1,011,201	₱37,061,481	₱39,340,761

Trade Receivables

Trade receivables consist of:

	2022	2021
	(In Thousands)	
Consumer goods	**₱17,978,654**	₱15,591,720
Contract receivables	**708,173**	59,487
Lease receivables	**391,729**	–
	19,078,556	15,651,207
Allowance for credit losses	**(476,950)**	(246,122)
	18,601,606	15,405,085
Noncurrent portion of contract receivables	**(88,514)**	–
	₱18,513,092	₱15,405,085

Trade receivables on consumer goods pertain to receivables from various customers of distilled spirits, beverages and tobacco segments, which are noninterest-bearing and generally have 30 to 90 days' terms.

Other Receivables
Other receivables are due and demandable and include accrued interest receivable pertaining to interest earned on cash and cash equivalents and unpaid utility charges to tenants and receivables from sale of various assets.

Movements of Allowance for Credit Losses
Details and movements of allowance for credit losses as follows:

	December 31, 2022			
	Finance Receivables	**Trade Receivables**	**Other Receivables**	**Total**
	(In Thousands)			
Balance at beginning of year	**₱39,340,761**	**₱246,122**	**₱274,829**	**₱39,861,712**
Provisions (reversals) during the year (Note 26)	**7,198,117**	–	**(69,072)**	**7,129,045**
Accounts charged off, transfers and others	**(5,597,344)**	**230,828**	**(168,975)**	**(5,535,491)**
Balance at end of year	**₱40,941,534**	**₱476,950**	**₱36,782**	**₱41,455,266**

	December 31, 2021			
	Finance Receivables	Trade Receivables	Other Receivables	Total
	(In Thousands)			
Balance at beginning of year	₱34,411,405	₱303,551	₱11,240	₱34,726,196
Provisions during the year (Note 26)	11,047,912	10,264	274,829	11,333,005
Accounts charged off, transfers and others	(6,118,556)	(67,693)	(11,240)	(6,197,489)
Balance at end of year	₱39,340,761	₱246,122	₱274,829	₱39,861,712

9. Inventories

Inventories consist of:

	2022	2021
	(In Thousands)	
At Cost:		
Consumer goods:		
Alcohol	**₱3,650,581**	₱4,819,501
Beverage	**4,292,228**	2,904,499
	7,942,809	7,724,000
Real estate inventories:		
Condominium and residential units for sale	**430,865**	422,183
Land held for future development	**217,542**	217,542
Subdivision land under development	**3,666,508**	3,758,806
	4,314,915	4,398,531
Fuel, materials and supplies	**1,134,268**	974,767
	13,391,992	13,097,298
At NRV - Materials and supplies	**1,618,781**	1,189,225
	₱15,010,773	₱14,286,523

Allowance for inventory obsolescence on materials and supplies amounted to ₱4.1 million as of December 31, 2022 and 2021.

a. Components of the consumer goods inventories are as follows:

	2022	2021
	(In Thousands)	
Finished goods	**₱1,460,258**	₱1,206,369
Work in process	**1,611,017**	1,536,504
Raw materials	**4,871,534**	4,981,127
	₱7,942,809	₱7,724,000

Cost of consumer goods inventories recognized as expenses under cost of goods sold amounted to ₱17.9 billion, ₱14.6 billion and ₱14.1 billion in 2022, 2021 and 2020, respectively (see Note 24).

b. Movements in real estate inventories are set out below:

	2022	2021
	(In Thousands)	
Balance at beginning of year	**₱4,398,531**	₱4,382,363
Construction/development costs incurred	**142,819**	71,222
Disposals and others	**(226,435)**	(55,054)
Balance at end of year	**₱4,314,915**	₱4,398,531

10. **Other Current Assets**

	2022	2021
	(In Thousands)	
Assets of disposal group classified as held for sale	**₱2,464,603**	₱–
Prepaid expenses	**2,460,720**	2,658,143
Advances to suppliers	**2,282,424**	1,507,586
Creditable withholding taxes (CWT)	**1,694,430**	1,876,158
Input VAT	**1,667,311**	1,644,556
Deferred charges	**1,477,762**	1,065,090
Stationeries, office supplies and stamps on hand	**398,770**	87,476
Excise tax	**262,686**	649,482
Miscellaneous cash and other cash items	**71,457**	201,956
Others	**716,963**	608,315
	₱13,497,126	₱10,298,762

a. Assets of disposal group classified as held for sale pertains to the assets of AAC, a subsidiary of TDI. Based on management's assessment, this met the criteria and qualifies as a disposal group held for sale. Assets of AAC as of December 31, 2022 consist of the following:

Cash	₱100,618
Inventories	343,894
Property, plant and equipment	1,093,742
Investment properties	642,258
Others	248,091
	₱2,464,603

b. Prepaid expenses include prepaid importation charges amounting to ₱1,336.5 million and ₱1,221.5 million as of December 31, 2022 and 2021, respectively. Prepaid importation charges pertain to the purchases of raw materials by the distilled spirits.

c. Advances to suppliers pertain to deposits made for raw material purchases and are applied upon delivery of the related inventories.

d. CWTs pertain mainly to the amounts withheld from income derived from sale of consumer goods and real estate inventories. The CWTs can be applied against any income tax liability of a company in the Group to which the CWTs relate.

e. Excise tax pertains to advance tax payments to the Bureau of Internal Revenue (BIR) on sale of alcoholic beverages.

f. Others include interoffice floats and advances to contractors.

11. **Investment in Associates and Joint Ventures**

Investments in Associates and Joint Ventures

The Group has the power to participate in the financial and operating policy decisions of PMFTC, Victorias Milling Company, Inc. (VMC), AB HPI, and APLII. The Group also has 50% interest in ABI Pascual Holdings Private Limited (ABI Pascual Holdings) and ALI-Eton Property Development Corporation (AEPDC) which are jointly controlled entities.

	Ownership		Amount	
	2022	2021	**2022**	2021
			(In Thousands)	
Associates:				
PMFTC	**49.6%**	49.6%	**₱7,313,230**	₱10,883,513
VMC	**30.9%**	30.9%	**3,774,931**	3,340,834
APLII	**44.0%**	44.0%	**2,688,764**	2,468,107
AB HPI	**50.0%**	50.0%	**–**	–
Joint Ventures:				
AEPDC	**50.0%**	50.0%	**7,647,978**	5,412,328
ABI Pascual Holdings	**50.0%**	50.0%	**164,971**	103,527
			₱21,589,874	₱22,208,309

Equity in net earnings consists of:

	2022	2021	2020
		(In Thousands)	
PMFTC	**₱15,461,496**	₱17,600,810	₱16,932,501
Others	**633,079**	420,370	682,406
	₱16,094,575	₱18,021,180	₱17,614,907

Investment in PMFTC
Details of investment in PMFTC are as follows:

	2022	2021
	(In Thousands)	
Acquisition cost	**₱13,483,541**	₱13,483,541
Accumulated equity in net earnings:		
Balance at beginning of year	**(3,259,551)**	(110,881)
Equity in net earnings	**15,461,496**	17,600,810
Cash dividends (Note 22)	**(19,190,868)**	(20,749,480)
Balance at end of year	**(6,988,923)**	(3,259,551)
Accumulated share in other comprehensive income	**818,612**	659,523
	₱7,313,230	₱10,883,513

On February 25, 2010, FTC and PMPMI combined their respective domestic business operations by transferring selected assets and liabilities to PMFTC in accordance with the provisions of the Asset Purchase Agreement (APA) between FTC and its related parties and PMPMI. The establishment of PMFTC allows FTC and PMPMI to benefit from their respective, complementary brand portfolios as well as cost synergies from the resulting integration of manufacturing, distribution and procurement, and the further development and advancement of tobacco industry growing in the Philippines. FTC and PMPMI hold equal economic interest in PMFTC. Since PMPMI has majority of the members of the BOD, it has control over PMFTC. FTC considers PMFTC as an associate.

As a result of FTC's divestment of its cigarette business to PMFTC, FTC initially recognized the investment amounting to ₱13.5 billion, representing the fair value of the net assets contributed by FTC, net of unrealized gain of ₱5.1 billion. The transaction was accounted for similar to a contribution in a joint venture based on Standing Interpretations Committee (SIC) Interpretation 13, *Jointly Controlled Entities-Non-Monetary Contributions by Venturers*, where FTC recognized only that portion of the gain which is attributable to the interests of PMPMI amounting to ₱5.1 billion in 2010. The portion attributable to FTC is being recognized once the related assets and liabilities are realized, disposed or settled. FTC recognized a gain of about ₱293.0 million each year starting 2011 until 2017 and an outright loss of ₱2.0 billion in 2010, which are included in the "Equity in net earnings" in these periods. Further, as a result of the transfer of selected assets and liabilities, portion of the revaluation increment on FTC's property, plant and equipment amounting to ₱1.9 billion was transferred to retained earnings.

Also, as a result of the transaction, FTC has obtained the right to sell (put option) its interest in PMFTC to PMPMI, except in certain circumstances, during the period from February 25, 2015 through February 24, 2018, at an agreed-upon value. On December 10, 2013, the BOD of LTG approved the waiver by FTC of its rights under the Exit Rights Agreement entered into with PMI and confirmed the execution of the Termination Agreement.

Summarized financial information of PMFTC, based on its financial statements as at December 31, 2022 and 2021 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2022	2021
	(In Thousands)	
Current assets	**₱52,127,377**	₱50,381,367
Noncurrent assets	**28,478,321**	29,622,125
Current liabilities	**24,167,426**	22,236,683
Noncurrent liabilities	**4,720,614**	5,253,090
Equity	**51,717,658**	52,513,719
Equity interest of the Parent Company	**49.6%**	49.6%
Share in net assets of the acquiree	**25,651,958**	26,046,805
Acquisition-related fair value adjustments, adjustments relating to differences in accounting policies and others	**(18,338,728)**	(15,163,292)
Carrying value of investment	**₱7,313,230**	₱10,883,513

Summarized financial information of PMFTC, based on its financial statements as of December 31, are set out below:

	2022	2021	2020
		(In Thousands)	
Revenue	**₱176,007,078**	₱172,762,533	₱174,956,574
Costs and expenses	**(134,565,385)**	(127,882,015)	(125,822,537)
Income before income tax	**41,441,693**	44,880,518	49,134,037
Provision for income tax	**(10,536,036)**	(9,661,727)	(14,911,929)
Net income	**30,905,657**	35,218,791	34,222,108
Other comprehensive income (loss)	**320,745**	585,549	(63,186)
Total comprehensive income	**₱31,226,402**	₱35,804,340	₱34,158,922
Group's share of total comprehensive income for the year	**₱15,488,295**	₱17,758,953	₱16,942,825

Investment in VMC

Details of investment in VMC are as follows:

	2022	2021
	(In Thousands)	
Acquisition cost	**₱1,459,768**	₱1,459,768
Accumulated equity in net earnings:		
Balance at beginning of year	**1,827,731**	1,654,091
Equity in net earnings	**491,046**	258,376
Cash dividends (Note 22)	**(59,316)**	(84,736)
Balance at end of year	**2,259,461**	1,827,731
Share in remeasurement gain on defined benefit plans	**(2,758)**	(5,125)
Balance of convertible notes	**58,460**	58,460
	₱3,774,931	₱3,340,834

On February 15, 2016, VMC approved the acquisition of its own shares. The sale agreement had been executed on February 18, 2016 and led to the acquisition of 300.0 million treasury shares. This resulted in an increase in the Parent Company's percentage of ownership from 22.5% to 25.1%. On the same date, the Group, through FTC, acquired additional shares of stock of VMC amounting to ₱660.3 million resulting to an increase in the Group's effective ownership in VMC to 30.2%.

On May 23, 2017, portions of the convertible notes amounting to ₱58.94 million were converted to shares of stock of VMC resulting to an increase in the Group's percentage of ownership to 30.9% as of December 31, 2017.

The summarized financial information of VMC as of August 31, 2022 and 2021 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2022	2021
	(In Thousands)	
Current assets	**₱4,236,359**	₱3,851,240
Noncurrent assets	**7,108,633**	6,498,798
Current liabilities	**751,030**	588,046
Noncurrent liabilities	**994,476**	862,428
Equity	**9,599,486**	8,899,564
Equity interest of the Parent Company	**30.9%**	30.9%
Share in net assets of the acquiree	**2,966,241**	2,749,965
Fair value adjustments and others	**808,690**	590,869
Carrying value of investment	**₱3,774,931**	₱3,340,834

Summarized statements of comprehensive income of VMC for the years ended August 31 are as follows:

	2022	2021	2020
		(In Thousands)	
Revenue	**₱8,550,322**	₱7,468,247	₱7,437,424
Costs and expenses	**(7,460,683)**	(6,607,202)	(6,431,233)
Income before income tax	**1,089,639**	861,045	1,006,191
Provision for income tax	**(123,569)**	(74,809)	(152,468)
Net income	**966,070**	786,236	853,723
Other comprehensive income (loss)	**7,820**	42,790	(26,009)
Total comprehensive income	**₱973,890**	₱829,026	₱827,714
Group's share of total comprehensive income for the year	**₱300,932**	₱256,169	₱255,764

Investment in APLII
On December 21, 2015, PNB entered into a 15-year exclusive partnership with Allianz SE under the following arrangements, subject to regulatory approvals:

- Allianz SE will acquire 12,750 shares representing 51% stockholdings of APLII and will have management control over the new joint venture company;
- The new joint venture company will operate under the name of "Allianz-PNB Life Insurance, Inc.";
- A 15-year distribution agreement which will provide Allianz an exclusive access to the branch network of PNB and PNB Savings Bank.

The sale of APLII was completed on June 6, 2016 for a total consideration of US$66.0 million (₱3.1 billion). Pursuant to the sale of APLII, PNB also entered into a distribution agreement with APLII where PNB will allow APLII to have exclusive access to the distribution network of PNB and its subsidiary, PNB Savings Bank, over a period of 15 years. Both the share purchase agreement and distribution agreement have provisions referring to one another, making the distribution agreement an integral component of the sale transaction. Accordingly, the purchase consideration of US$66.0 million (₱3.1 billion) was allocated between the sale of the 51% interest in APLII and the Exclusive Distribution Rights (EDR) amounting to US$44.9 million (₱2.1 billion) and US$21.1 million (₱1.0 billion), respectively.

PNB will also receive variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

The Group recognized gain on sale of the 51% interest in APLII amounting to ₱400.3 million, net of taxes and transaction costs amounting to ₱276.7 million and ₱153.3 million, respectively. The deferred revenue amounting to ₱976.2 million allocated to the EDR was presented as "Other deferred revenue" and will be amortized to income over 15 years from date of sale (see Note 20). Amortization amounting to ₱36.5 million was recognized in 2016 (see Note 28). Prior to the sale of shares to Allianz SE, PNB acquired additional 15% stockholdings from the minority shareholders for a consideration amounting to ₱292.4 million between June 2, 2016 and June 5, 2016.

Consequently, PNB accounted for its remaining 44% ownership interest in APLII as an associate. At the date of loss of control, PNB's investment in APLII was remeasured to ₱2.7 billion based on the fair value of its retained equity. PNB recognized gain on remeasurement amounting to ₱1.6 billion in the 2016 consolidated statement of income.

The fair value of the retained equity was based on a combination of the income approach and market approach.

On September 21, 2016, the Philippine SEC approved the amendment of PNB Life Insurance, Inc.'s article of incorporation to reflect the change in corporate name to Allianz-PNB Life Insurance, Inc.

Summarized financial information of APLII as of December 31, 2022 and 2021 follows:

	2022	2021
	(In thousands)	
Current assets	**₱1,452,894**	₱2,189,208
Noncurrent assets	**90,446,895**	76,895,902
Current liabilities	**1,535,802**	3,217,567
Noncurrent liabilities	**87,928,050**	73,827,220
Equity	**2,435,937**	2,040,323
Equity interest of the Parent Company	**44%**	44%
Share in net assets of the acquiree	**1,071,812**	897,742
Fair value adjustments and others	**1,616,952**	1,570,365
Carrying value of investment	**₱2,688,764**	₱2,468,107

Summarized statements of total comprehensive income of APLII for the year ended December 31 are as follows:

	2022	2021	2020
	(In Thousands)		
Revenue	**₱4,344,038**	₱3,732,388	₱3,132,745
Costs and expenses	**(4,486,380)**	(3,624,691)	(2,846,825)
Net income (loss)	**(142,342)**	107,697	285,920
Other comprehensive loss	**(262,006)**	–	297,096
Total comprehensive income (loss)	**(₱404,348)**	₱107,697	₱583,016
Group's share of total comprehensive income (loss) for the year	**(₱177,913)**	₱47,387	₱256,527

Investment in AB HPI
On May 6, 2016, AB HPI was incorporated and registered with the Philippine SEC for 1,000 authorized shares at ₱1,000 par value per share under the name of Broncobrew, Incorporated (Broncobrew). The Philippine SEC approved the change in corporate name of Broncobrew to AB Heineken Philippines Inc. on July 12, 2016.

On May 30, 2016, the Group, through ABI, fully paid its initial subscription to 250 common shares at 1,000 par value per share purchased additional 250 common shares at issue price of ₱4,750,000. On November 15, 2016, the Group purchased additional 782,400 common shares at ₱1,000 par value per share out of the proposed increase in the authorized capital stock of AB HPI. The Group's subscription to AB HPI represents 50% ownership interest.

In accordance with the Shareholders' Agreement entered into by the Group and Heineken International B.V. on May 27, 2016, the Group sold nonmonetary assets, (i.e., inventories, returnable containers and brands), to AB HPI for a total consideration of ₱782.4 million. The nonmonetary assets were sold at their carrying amounts, except for the brands which resulted to a gain of ₱46.3 million. The Group also recognized the investment amounting to ₱1,843.6 million representing 50% of the fair value of AB HPI's net assets.

On March 20, 2020, the Group made additional capital infusion amounting to ₱31.3 million to support the operations of AB HPI.

On December 21, 2020, the Group entered into an amended Shareholders' Agreement contemporaneously with the Termination Deed with Heineken and AB HPI, to wind down the business and operations of AB HPI effective on December 31, 2020. The amended Shareholders' Agreement was entered into to amend, restate and eventually terminate the Shareholders' Agreement entered into on May 27, 2016 in its entirety, including the other agreements covered by the said agreement.

Furthermore, in accordance with the Termination Deed, the Group acquired fixed assets, including beer equipment, inventories and spare parts, from AB Heineken for proceeds totaling to ₱1.6 billion. The Group accounted for the purchase of these assets as an acquisition of group of assets and recognized these assets based on their acquisition cost.

On December 22, 2020, additional capital infusion amounting to ₱361.1 million was made to cover for AB HPI's outstanding debts, winding up and maintenance costs, consultant fees and taxes.

Details of the investment in an associate as of December 31 are as follows:

	2022	2021
	(In Thousands)	
Acquisition cost	**₱1,179,754**	₱1,179,754
Accumulated equity in net earnings:		
Balance at the beginning and end of the year	**(1,196,585)**	(1,196,585)
Excess of share in net losses in an associate over the cost of investment in an associate	**₱16,831**	₱16,831

In 2022 and 2021, the Group recorded a provision for excess of share in net losses of the associate over the cost of investment in and advance to an associate amounting to ₱16.8 million. This was recorded as part of "Other noncurrent liabilities" account on the consolidated balance sheet.

Pursuant to the Termination Deed, ABI recorded reversal of share in net losses of AB HPI to the extent of its legal obligation to further contribute in case of insufficient funding of AB HPI to settle its liabilities in 2020, proportionate to its ownership in AB HPI, amounting to ₱32.6 million.

The reconciliation of the net assets of the foregoing material associate to the carrying amount of the interest in this associate recognized in the consolidated balance sheets is as follows:

	2022	2021
Net assets	**₱13,425**	₱13,425
Proportionate ownership	**50%**	50%
	₱6,713	₱6,713

Summarized financial information of AB HPI as of December 31, 2022 and 2021 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2022	2021
	(In Thousands)	
Current assets	**₱935,967**	₱935,967
Current liabilities	**922,542**	922,542
Equity	**₱13,425**	₱13,425

For the year ended December 31, 2022, AB HPI has no operations, hence, no significant transaction impacting profit or loss. Summarized statements of comprehensive income of AB HPI for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
Revenue	₱789,518	₱2,668,605
Costs and expenses	(1,545,082)	(3,810,276)
Total comprehensive loss	₱755,564	₱1,141,671
Group's share of total comprehensive loss	₱–	₱–

Investment in AEPDC
On January 21, 2016, the Company entered into an agreement with Ayala Land Inc. (ALI) to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portion of Pasig City and Quezon City. On April 15, 2016, the Company infused ₱20.0 million to the joint project with ALI.

On July 5, 2017, the Company subscribed to additional 25,200,000 common shares and 226,800,000 preferred shares from AEPDC's increase in authorized capital stock for a consideration totaling to ₱252.0 million.

On November 20, 2017, the Company made additional capital infusion amounting to ₱370.0 million for the joint venture's initial purchase of land in exchange for 370,000,000 common shares.

In 2018, the Company made additional capital infusion totaling to ₱1.5 billion for the joint venture's project planning and development and direct operating expenses.

On July 16 and November 19, 2019, the Company infused additional capital totaling to ₱1,195.0 million for subscription of remaining unsubscribed shares and for increase in authorized capital stock.

On April 28 and July 27, 2020, the Company infused additional capital totaling ₱1,083.5 million for the joint venture's capital expenditure on construction projects and working capital.

On February 22, May 11 and December 13, 2021, the Company infused additional capital totaling ₱833.0 million for the joint venture's capital expenditure on construction projects and working capital.

On April 29 and November 25, 2022 , the Company infused additional capital totaling ₱2,099.0 million for the joint venture's capital expenditure on construction projects and working capital.

Details of the investment in a joint venture as of December 31 are as follows:

	2022	2021
	(In Thousands)	
Acquisition cost:		
Balance at beginning of year	**₱5,287,500**	₱4,454,500
Additional capital infusion during the year	**2,099,000**	833,000
Balance at end of year	**7,386,500**	5,287,500
Accumulated equity in net earnings:		
Balance at the beginning of the year	**124,828**	60,405
Share in net income of a joint venture	**136,650**	64,423
Balance at end of year	**261,478**	124,828
Ending balance	**₱7,647,978**	₱5,412,328

Summarized financial information of AEPDC as of December 31, 2022 and 2021 follows:

	2022	2021
	(In thousands)	
Current assets	**₱16,056,792**	₱13,677,474
Noncurrent assets	**6,081,276**	4,506,255
Current liabilities	**6,627,948**	6,249,887
Noncurrent liabilities	**219,309**	862,949
Equity	**15,290,811**	11,070,893

Summarized statements of total comprehensive income of AEPDC for the year ended December 31 are as follows:

	2022	2021
	(In Thousands)	
Revenue	**₱1,966,855**	₱844,572
Costs and expenses	**(1,599,992)**	(690,112)
Income before income tax	**366,863**	154,460
Provision for income tax	**(93,566)**	(25,614)
Total comprehensive income	**₱273,297**	₱128,846
Group's share of total comprehensive income	**₱136,650**	₱64,423

Investment in ABI Pascual Holdings
On February 15, 2012, ABI and Corporation Empresarial Pascual, S. L. (CEP), an entity organized and existing under the laws of Spain, agreed to form ABI Pascual Holdings, a jointly controlled entity organized and domiciled in Singapore. In accordance with the Agreement, ABI and CEP (the "venturers") will hold 50% interest in ABI Pascual Holdings. Further, the arrangement requires unanimous agreement for financial and operating decisions among venturers.

On November 21, 2012, ABI Pascual Holdings created ABI Pascual Foods Incorporated (ABI Pascual Foods), an operating company, incorporated and domiciled in the Philippines, that will develop a business of marketing and distributing certain agreed products. As part of the joint venture agreement, the venturers also agreed to execute a product distribution agreement.

As of December 31, 2012, ABI has an investment in ABI Pascual Holdings amounting to ₱20.1 million, while ABI Pascual Holdings has an investment in ABI Pascual Foods amounting to ₱40.2 million. The joint venture has started operations in September 2013.

The Group determined that its advances to ABI Pascual Foods represents the Group's long-term interest in ABI Pascual Holdings and its subsidiary that, in substance, form part of the Group's net investment in the joint venture.

The summarized financial information of ABI Pascual Holdings as of December 31 follows:

	2022	2021
	(In thousands)	
Current assets	**₱398,619**	₱529,034
Noncurrent assets	**4,012**	3,151
Current liabilities	**66,390**	404,092
Noncurrent liabilities	**6,936**	13,285
Total equity	**329,305**	114,808

The summarized statements of comprehensive income of ABI Pascual Holdings for the years ended December 31 are as follows:

	2022	2021
	(In Thousands)	
Revenue	**₱501,204**	₱398,464
Costs and expenses	**335,345**	274,241
Income before income tax	**165,859**	124,223
Provision for income tax	**43,123**	30,937
Net income	**122,736**	93,286
Other comprehensive income	**3,280**	7,731
Total comprehensive income	**₱126,016**	₱101,017
Group's share of total comprehensive income	**₱63,088**	₱39,566

Disclosures on Subsidiary with Material Non-controlling Interest
Following is the financial information of PNB, which has material non-controlling interests of 43.53% as of and for the years ended December 31:

	2022	2021	2020
		(In Thousands)	
Accumulated balances of material non-controlling interest	**₱3,549,378**	₱3,219,143	₱3,201,276
Net income allocated to material non-controlling interest	**51,670**	59,412	10,835
Total comprehensive income allocated to material non-controlling interest	**343,580**	282,293	319,237

On February 9, 2013, PNB acquired 100% of the voting common stock of ABC. PNB accounted for the business combination with ABC under the acquisition method of PFRS 3. In the LTG consolidated financial statements, the merger of PNB and ABC and the acquisition of PNB through the Bank Holding Companies are accounted for under the pooling-of-interests method. Thus, the summarized financial information of PNB below is based on the amounts in the consolidated financial statements of PNB prepared under the pooling-of-interests method before the Group's intercompany eliminations.

Statements of Comprehensive Income:

	2022	2021	2020
		(In Thousands)	
Revenue	**₱50,961,336**	₱49,474,321	₱54,973,243
Cost of services	**(9,346,027)**	(8,608,926)	(12,113,434)
General and administrative expenses	**(35,382,372)**	(34,172,945)	(44,655,737)
Foreign exchange gains - net	**1,608,281**	743,549	919,555
Other income - net	**8,855,787**	32,867,305	1,772,876
Income before income tax	**16,697,005**	40,303,304	896,503
Benefit from (provision for) income tax	**(4,931,228)**	(5,545,194)	1,798,238
Net income from continuing operations	**11,765,777**	34,758,110	2,694,741
Net income (loss) from discontinued operations	–	(735,365)	67,583
Net income	**11,765,777**	34,022,745	2,762,324
Other comprehensive loss	**(2,887,965)**	(2,052,906)	(2,023,525)
Total comprehensive income	**₱8,877,812**	₱31,969,839	₱738,799

	2022	2021	2020
		(In Thousands)	
Net income attributable to:			
Equity holders of the Parent Company	**₱11,714,107**	₱33,963,333	₱2,751,489
Non-controlling interests	**51,670**	59,412	10,835
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**8,534,232**	31,687,546	756,023
Non-controlling interests	**343,580**	282,293	(17,224)
Dividends declared to non-controlling interests	**13,345**	4,705	19,161

Statements of Financial Position:

	2022	2021
	(In Thousands)	
Current assets	**₱537,671,669**	₱599,353,375
Noncurrent assets	**602,847,076**	586,057,462
Current liabilities	**898,204,863**	925,534,374
Noncurrent liabilities	**79,405,266**	105,783,546
Equity attributable to:		
Equity holders of the Parent Company	**159,359,238**	150,873,774
Non-controlling interest	**3,549,378**	3,219,143

Statements of Cash Flows:

	2022	2021	2020
		(In Thousands)	
Operating	**₱6,270,264**	₱18,675,489	₱97,190,366
Investing	**(10,452,461)**	(6,878,382)	(6,726,929)
Financing	**(40,608,849)**	(51,527,513)	30,464,746
Net increase (decrease) in cash and cash equivalents	**(₱44,791,046)**	(₱39,730,406)	₱120,928,183

12. **Property, Plant and Equipment**

December 31, 2022

	At Appraised Values				At Cost							
	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Subtotal	Office and Administration Buildings and Improvements	Transportation Equipment	Returnable Containers	Furniture, Fixtures and Other Equipment	Construction in Progress	Subtotal	Right-of-Use Assets	Total
						(In Thousands)						
Cost												
Balance at beginning of year	**₱44,571,546**	**₱12,226,089**	**₱25,970,509**	**₱82,768,144**	**₱5,251,382**	**₱3,111,095**	**₱5,828,357**	**₱7,738,462**	**₱706,663**	**₱22,635,959**	**₱6,807,439**	**₱112,211,542**
Additions/transfers (Note 13)	**306**	**174,837**	**787,256**	**962,399**	**421,808**	**180,002**	**801,683**	**1,512,918**	**167,382**	**3,083,793**	**696,522**	**4,742,714**
Net decrement in appraised value	**(229,621)**	**(107,690)**	**(171,475)**	**(508,786)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(508,783)**
Disposals/transfers/others (Note 28)	**2,410,509**	**(394,900)**	**(3,015,159)**	**(999,550)**	**(974,713)**	**(90,258)**	**–**	**(621,434)**	**(483,548)**	**(2,169,953)**	**(342,732)**	**(3,512,238)**
Balance at end of year	**46,752,740**	**11,898,336**	**23,571,131**	**82,222,207**	**4,698,477**	**3,200,839**	**6,630,040**	**8,629,946**	**390,497**	**23,549,799**	**7,161,229**	**112,933,235**
Accumulated Depreciation, Amortization and Impairment Losses												
Balance at beginning of year	**2,581,239**	**7,292,633**	**12,425,401**	**22,299,273**	**521,719**	**2,531,064**	**4,211,619**	**6,651,372**	**–**	**13,915,774**	**1,884,842**	**38,099,889**
Depreciation and amortization	**(21,359)**	**319,868**	**1,138,999**	**1,437,508**	**(298,319)**	**247,916**	**476,199**	**1,301,941**	**–**	**1,727,737**	**1,305,342**	**4,470,587**
Disposals/transfers/others (Note 28)	**–**	**(207)**	**(19,360)**	**(19,567)**	**712,641**	**(82,370)**	**–**	**(646,588)**	**–**	**(16,317)**	**(375,178)**	**(411,062)**
Balance at end of year	**2,559,880**	**7,612,294**	**13,545,040**	**23,717,214**	**936,041**	**2,696,610**	**4,687,818**	**7,306,725**	**–**	**15,627,194**	**2,815,006**	**42,159,414**
Net Book Value	**₱44,192,860**	**₱4,286,042**	**₱10,026,091**	**₱58,504,993**	**₱3,762,436**	**₱504,229**	**₱1,942,222**	**₱1,323,221**	**₱390,497**	**₱7,922,605**	**₱4,346,223**	**₱70,773,821**

December 31, 2021

	At Appraised Values				At Cost							
	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Subtotal	Office and Administration Buildings and Improvements	Transportation Equipment	Returnable Containers	Furniture, Fixtures and Other Equipment	Construction in Progress	Subtotal	Right-of-Use Assets	Total
						(In Thousands)						
Cost												
Balance at beginning of year	₱40,574,827	₱20,576,200	₱25,039,674	₱86,190,701	₱8,249,265	₱3,082,311	₱5,294,316	₱14,228,945	₱1,144,170	₱31,999,007	₱3,746,868	₱121,936,576
Additions/transfers (Note 13)	3,472,964	579,792	1,865,674	5,918,430	176,372	80,699	592,364	1,082,956	514,910	2,447,301	3,431,709	11,797,440
Net increment in appraised value	523,755	245,635	391,120	1,160,510	–	–	–	–	–	–	–	1,160,510
Disposals/transfers/others (Note 28)	–	(9,175,538)	(1,325,959)	(10,501,497)	(3,174,255)	(51,915)	(58,323)	(7,573,439)	(952,417)	(11,810,349)	(371,138)	(22,682,984)
Balance at end of year	44,571,546	12,226,089	25,970,509	82,768,144	5,251,382	3,111,095	5,828,357	7,738,462	706,663	22,635,959	6,807,439	112,211,542
Accumulated Depreciation, Amortization and Impairment Losses												
Balance at beginning of year	2,038,064	7,318,915	16,915,249	26,272,228	5,220,113	2,167,104	3,805,343	11,629,876	–	22,822,436	1,336,640	50,431,304
Depreciation and amortization	–	393,456	1,087,971	1,481,427	1,796,880	513,160	281,914	104,146	–	2,696,100	643,849	4,821,376
Disposals/transfers/others (Note 28)	543,175	(419,738)	(5,577,819)	(5,454,382)	(6,495,274)	(149,200)	124,362	(5,082,650)	–	(11,602,762)	(95,647)	(17,152,791)
Balance at end of year	2,581,239	7,292,633	12,425,401	22,299,273	521,719	2,531,064	4,211,619	6,651,372	–	13,915,774	1,884,842	38,099,889
Net Book Value	41,990,307	4,933,456	13,545,108	60,468,871	4,729,663	580,031	1,616,738	1,087,090	706,663	8,720,185	4,922,596	74,111,653

Right-of-use assets

December 31, 2022

	Bank Premises	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Total
Cost					
Balance at beginning of year	**₱5,384,124**	**₱1,245,714**	**₱128,063**	**₱49,538**	**₱6,807,439**
Additions/transfers	**803,905**	**–**	**–**	**–**	**803,905**
Transfers/others	**(367,364)**	**(7,650)**	**(850)**	**–**	**(375,864)**
Balance at end of year	**5,820,665**	**1,238,064**	**127,213**	**49,538**	**7,235,480**
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	**1,644,824**	**157,389**	**48,490**	**34,139**	**1,884,842**
Depreciation and amortization	**1,205,712**	**53,659**	**34,306**	**11,665**	**1,305,342**
Transfers/others	**(375,178)**	**45,293**	**28,958**	**–**	**(300,927)**
Balance at end of year	**2,475,358**	**256,341**	**111,754**	**45,804**	**2,889,257**
Net Book Value	**₱3,345,307**	**₱981,723**	**₱15,459**	**₱3,734**	**₱4,346,223**

December 31, 2021

	Bank Premises	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Total
Cost					
Balance at beginning of year	₱2,402,908	₱1,219,878	₱74,544	₱49,538	₱3,746,868
Additions/transfers	3,352,354	25,836	53,519	–	3,431,709
Transfers/others	(371,138)	–	–	–	(371,138)
Balance at end of year	5,384,124	1,245,714	128,063	49,538	6,807,439
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	1,176,303	115,605	22,258	22,474	1,336,640
Depreciation and amortization	564,168	41,784	26,232	11,665	643,849
Transfers/others	(95,647)	–	–	–	(95,647)
Balance at end of year	1,644,824	157,389	48,490	34,139	1,884,842
Net Book Value	₱3,739,300	₱1,088,325	₱79,573	₱15,399	₱4,922,597

Revaluation of Land and Land Improvements, Plant Buildings and Machineries and Equipment

The corresponding fair values of land and land improvements, plant buildings and building improvements, and machineries and equipment are determined based on valuation performed by Philippine SEC-accredited and independent appraisers. The fair value of the land was determined using the market data approach based on available market evidence and the fair values for land improvements, plant buildings, and machineries and equipment were derived using the depreciated replacement cost. The dates of the latest appraisal valuations were December 31, 2022, 2021, and 2020 (see Note 34).

Movements in revaluation increment, net of deferred income tax effect, are as follows:

	2022	2021
	(In Thousands)	
Revaluation increment on the property, plant and equipment, net of deferred income tax effect:		
Balance at beginning of year	**₱20,650,569**	₱20,207,236
Net revaluation increase (decrease)	**(381,590)**	1,176,887
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	**(831,006)**	(733,554)
Balance at end of year	**₱19,437,973**	₱20,650,569
Attributable to:		
Equity holders of the Company	**₱11,772,813**	₱12,964,177
Non-controlling interests	**7,665,163**	7,686,392
	₱19,437,976	₱20,650,569

If land and land improvements, plant buildings and building improvements, and machineries and equipment were measured using the cost model, the carrying amount would be as follows:

	2022	2021
	(In Thousands)	
Cost		
Land and land improvements	**₱9,137,689**	₱9,425,784
Plant buildings and improvements	**21,196,966**	21,019,350
Machineries and equipment	**33,151,530**	32,328,420
	63,486,185	62,773,554
Accumulated depreciation		
Land and land improvements	**(4,151,116)**	(3,863,021)
Plant buildings and improvements	**(15,124,253)**	(13,080,488)
Machineries and equipment	**(15,955,719)**	(14,490,041)
	(35,231,088)	(31,433,550)
	₱28,255,097	₱31,340,004

Depreciation

Depreciation of property, plant and equipment charged to operations is as follows:

	2022	2021	2020
		(In Thousands)	
Continuing operations:			
Cost of goods sold and services (Note 24)	**₱1,804,042**	₱1,718,078	₱1,611,117
Selling expenses (Note 25)	**623,076**	476,052	328,123
General and administrative expenses (Note 26)	**2,043,469**	2,627,246	2,720,215
	₱4,470,587	₱4,821,376	₱4,659,455

As of December 31, 2022 and 2021, the Group's "Construction in progress" under the "Property, plant and equipment" account pertains to AAC's major rehabilitation of plant facilities and PNB's construction of building.

Out of the total additions in 2022 and 2021, ₱1.4 million and ₱34.4 million remain to be unpaid as of December 31, 2022 and 2021, respectively, which represent non-cash investing activities.

Certain property and equipment of the Group with carrying amount of ₱75.6 million and ₱92.6 million are temporarily idle as of December 31, 2022 and 2021, respectively.

Borrowing Costs
Unamortized capitalized borrowing costs amounted to ₱8.79 million and ₱9.2 million as of December 31, 2022 and 2021, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 4.5% in 2015. There was no borrowing cost capitalized in 2022, 2021 and 2020.

13. Investment Properties

Movements of the Group's investment properties are as follows (in thousands):

	December 31, 2022				
	Land	**Buildings and Improvements**	**Residential Unit**	**Construction in Progress**	**Total**
Cost					
Balance at beginning of year	**₱18,843,137**	**₱13,676,726**	**₱5,881,213**	**₱3,966,848**	**₱42,367,924**
Additions	**4,013,930**	**2,797,066**	**–**	**–**	**6,810,996**
Disposals/transfers/others	**1,679,529**	**(3,875,995)**	**–**	**(2,418,157)**	**(4,614,623)**
Balance at end of year	**24,536,596**	**12,597,797**	**5,881,213**	**1,548,691**	**44,564,297**
Accumulated Depreciation and Impairment Losses					
Balance at beginning of year	**2,501,903**	**5,255,667**	**163,001**	**–**	**7,920,571**
Depreciation	**–**	**508,565**	**–**	**–**	**508,565**
Disposals/transfers/others	**–**	**(909,843)**	**–**	**–**	**(909,843)**
Balance at end of year	**2,501,903**	**4,854,389**	**163,001**	**–**	**7,519,293**
Net Book Value	**₱22,034,693**	**₱7,743,408**	**₱5,718,212**	**₱1,548,691**	**₱37,045,004**

	December 31, 2021				
	Land	Buildings and Improvements	Residential Unit	Construction in Progress	Total
Cost					
Balance at beginning of year	₱22,151,980	₱14,845,043	₱42,096	₱3,322,539	₱40,361,658
Additions	280,030	304,609	5,839,117	644,309	7,068,065
Disposals/transfers/others	(3,588,873)	(1,472,926)	–	–	(5,061,799)
Balance at end of year	18,843,137	13,676,726	5,881,213	3,966,848	42,367,924
Accumulated Depreciation and Impairment Losses					
Balance at beginning of year	2,501,903	4,981,889	40,491	–	7,524,283
Depreciation	–	326,229	122,510	–	448,739
Disposals/transfers/others	–	(52,451)	–	–	(52,451)
Balance at end of year	2,501,903	5,255,667	163,001	–	7,920,571
Net Book Value	₱16,341,234	₱8,421,059	₱5,718,212	₱3,966,848	₱34,447,353

The Group's investment properties consist of parcels of land for appreciation, residential and condominium units for lease and for sale, and real properties foreclosed or acquired in settlement of loans which are all valued at cost. Foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱199.9 million and ₱229.8 million as of December 31, 2022 and 2021, respectively. The Group is exerting continuing efforts to dispose these properties.

In 2016, the Group reclassified certain properties from "property, plant and equipment" to "Investment property" with aggregate carrying amount of ₱4.7 billion. These properties mainly consist of the office spaces in the Allied Bank Center in Makati City leased out and land in Buendia, Makati City being held for future development.

As of December 31, 2022 and 2021, the Group's "Construction in progress" under the "Investment property" account pertains to the construction of building intended for leasing and which is expected to be completed in 2025.

Fair Values of Investment Properties

Below are the fair values of the investment properties as of December 31, 2022, which were determined by professionally qualified, SEC-accredited and independent appraisers based on market values *(in thousands)*:

Property	Approach	Fair Value	Valuation Report Date
Land	Market approach	₱143,763,044	December 31, 2022
Building and improvements	Market approach	24,121,543	December 31, 2022
		₱167,884,587	

The estimated fair value of the land and building and improvements was arrived at using the Market Approach. In this approach, the value of the land and building were based on sales and listings of comparable property registered within the vicinity. The approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator.

The valuations were performed by Philippine SEC-accredited and independent valuer. The valuation model used in accordance with that recommended by the International Valuation Standards Council has been applied. These valuation models are consistent with the principles in PFRS 13.

The fair values of land and building and improvements were updated to reflect the value of comparable property registered within the vicinity as of December 31, 2022.

The fair value of investment properties of the Group was determined using acceptable valuation approaches and both observable and unobservable inputs (see Note 34).

Rent Income and Direct Operating Expenses of Investment Properties

Rental income and direct operating expenses arising from the investment properties of property development segment amounted to ₱2,026.4 million and ₱927.2 million in 2022, ₱1,893.7 million and ₱724.1 million in 2021 and ₱1,757.7 million and ₱466.6 million in 2020, respectively (see Note 24). Rental income of the banking segment on its investment properties is presented under "Other income (charges)" (see Note 28).

Depreciation of investment properties charged to operations follows:

	2022	2021	2020
		(In Thousands)	
Cost of rental income (Note 24)	**₱355,472**	₱295,588	₱296,517
General and administrative expenses (Note 26)	**153,093**	153,151	259,839
	₱508,565	₱448,739	₱556,356

14. **Other Noncurrent Assets**

Other noncurrent assets consist of:

	2022	2021
	(In Thousands)	
Software costs	**₱2,144,378**	₱2,538,411
Deferred charges	**1,477,860**	1,065,090
Prepaid excise taxes (Note 37)	**771,713**	801,820
Creditable withholding taxes	**451,537**	449,842
Net retirement plan assets (Note 23)	**265,850**	268,910
Distribution network access	**229,401**	229,401
Chattel properties - net	**211,619**	227,187
Advances to suppliers	**182,529**	147,016
Refundable and security deposits	**176,690**	8,370
Goodwill	**163,735**	163,735
Deferred input VAT	**116,814**	136,399
Others - net	**219,997**	1,220,637
	6,412,123	7,256,818
Allowance for probable losses	**(1,426,911)**	(1,479,432)
	₱4,985,212	₱5,777,386

a. Movements in software costs are as follows:

	2022	2021
	(In Thousands)	
Balance at beginning of year	**₱2,538,411**	₱2,680,548
Additions	**881,572**	661,544
Amortization (Note 26)	**(1,219,901)**	(461,630)
Other adjustments	**(55,704)**	(342,051)
Balance at end of year	**₱ 2,144,378**	₱2,538,411

Additions to software costs pertain primarily to the upgrade of the core banking system of the banking segment.

b. In 2018, the Group reclassified the prepaid excise taxes of TDI from "Other current assets" to "Other noncurrent assets" in light of the Court of Tax Appeals decision dated February 7, 2019.

c. Deferred input VAT arises mainly from the acquisition of capital goods.

d. The distribution network access, which was acquired on March 31, 2017, covers APB Myanmar's relations with Myanmar Distribution Group, its exclusive distributor.

e. Refundable deposits consist principally of amounts paid by the property development segment to its utility providers for service applications and guarantee deposit to Makati Commercial Estate Association (MACEA) for plans processing, monitoring fee and development charge of the Group's projects. Deposits paid to utility companies will be refunded upon termination of the service contract while guarantee deposit paid to MACEA will be refunded upon project completion.

f. The Group recognized goodwill which pertains mainly to ADI amounting to ₱144.70 million, respectively. As of December 31, 2022 and 2021, the Group performed its annual impairment testing of goodwill related to its CGUs, ADI.

   The recoverable amount of ADI is determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the increase in demand for products based on TDI's projected sales volume increase, selling price increase and cost and expenses increase. The pre-tax discount rate applied to the cash flow projection is 11.2% and 10.5% in 2022 and 2021, respectively. The growth rate used to extrapolate the cash flows of until beyond the five-year period is 6.5% as of December 31, 2022 and 6.0% as of December 31, 2021. Management assessed that this growth rate is comparable with the average growth for the industry in which ADI operates. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of ADI to exceed its recoverable amount, which is based on value-in-use. As of December 31, 2022 and 2021, the recoverable amount of ADI is higher than its carrying value.

g. As of December 31, 2022 and 2021, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱229.1 million and ₱241.8 million, respectively. As of December 31, 2022 and 2021, the total recoverable value of certain chattel mortgage properties of PNB that were impaired is at ₱1.2 million and ₱0.9 million, respectively.

h. The Group has receivable from an SPV amounting to ₱500 million. This represents fully provisioned subordinated notes received by the Group from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.

i. Miscellaneous assets mainly pertain to interoffice floats. The bank provided allowance for probable losses on floats which are long outstanding.

j. Movements in the allowance for probable losses on non-current assets follow:

	2022	2021
	(In Thousands)	
Balance at beginning of year	**₱1,479,432**	₱1,314,007
Provisions (Note 28)	**–**	165,425
Transfers and others	**(52,521)**	–
	₱1,426,911	₱1,479,432

15. **Deposit Liabilities**

	2022	2021
	(In Thousands)	
Savings	**₱501,114,987**	₱484,227,339
Demand	**220,043,866**	216,367,830
Time	**131,243,320**	179,974,944
	852,402,173	880,570,113
Presented as noncurrent	**(20,796,801)**	(38,508,755)
	₱831,605,372	₱842,061,358

Of the total deposit liabilities of the Group, ₱27.8 billion and ₱28.6 billion are non-interest bearing as of December 31, 2022 and 2021, respectively. Annual interest rates of the remaining deposit liabilities follow:

	2022	2021
Foreign-currency denominated deposit liabilities	**0.00% to 5.50%**	0.01% to 3.00%
Peso-denominated deposit liabilities	**0.10% to 6.12%**	0.10% to 6.75%

Under existing BSP regulations, non-FCDU deposit liabilities of PNB is subject to reserves equivalent to 12.00%, while peso-denominated LTNCDs are subject to reserves equivalent to 4.00%. As of December 31, 2022 and 2021, available reserves booked under "Due from BSP" amounted to ₱74.7 billion and ₱81.3 billion, respectively (see Note 5).

Long-term Negotiable Certificates of Time Deposits (LTNCDs)
Time deposit of the Group includes the following LTNCDs:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2022	Carrying Value 2021
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,584,136**	₱4,578,946
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,198,193**	8,187,523
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	**6,347,683**	6,339,910
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	**–**	3,761,261
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	**–**	5,377,750
		₱28,315,000			**₱19,130,012**	₱28,245,390

Other significant terms and conditions of the above LTNCDs follow:

a. Issue price at 100.00% of the face value of each LTNCD.

b. The LTNCDs bear interest rate per annum on its principal amount from and including the Issue Date thereof, up to but excluding the Early Redemption Date or Maturity Date (as the case may be). Interest in respect of the LTNCD will be calculated on an annual basis and will be paid in arrears quarterly on the last day of each successive Interest Period.

c. Unless earlier redeemed, the LTNCDs shall be redeemed by PNB on maturity date at an amount equal to one hundred percent (100%) of the aggregate issue price thereof, plus any accrued and unpaid interest thereon. The LTNCDs may not be redeemed at the option of the holders.

d. The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of PNB, enforceable according to the related Terms and Conditions, and shall at all times rank paripassu and without any preference or priority among themselves and at least paripassu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

e. Subject to the "Events of Default" in the Terms and Conditions, the LTNCDs cannot be pre-terminated at the instance of any CD Holder before Maturity Date. In the case of an event of default, none of the CD Holders may accelerate the CDs on behalf of other CD Holders, and a CD Holder may only collect from PNB to the extent of his holdings in the CDs. However, PNB may, subject to the General Banking Law of 2000, Section X233.9 of the Manual of Regulations for Banks, Circular No. 304 Series of 2001 of the BSP and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding CDs on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

f. The LTNCDs are insured by the PDIC up to a maximum amount of ₱0.5 million subject to applicable laws, rules and regulations, as the same may be amended from time to time.

g. Each Holder, by accepting the LTNCDs, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by PNB arising under or in connection with the LTNCDs; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Interest expense on deposit liabilities presented under "Cost of banking services" amounted to ₱5.2 billion, ₱4.8 billion and ₱7.3 billion in 2022, 2021 and 2020, respectively (see Note 24).

In 2022, 2021 and 2020, interest expense on LTNCDs of the Group includes amortization of transaction costs amounting to ₱29.6 million, ₱33.4 million and ₱59.9 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱40.0 million and ₱69.6 million as of December 31, 2022 and 2021, respectively.

16. Financial Liabilities at FVTPL

Financial liabilities at fair value through profit or loss consist of derivatives liabilities amounting to ₱1,039.8 million and ₱891.5 million as of December 31, 2022 and 2021, respectively (see Notes 21 and 33).

17. Bills and Acceptances Payable

Bills and acceptances payable consist of:

	2022	2021
	(In Thousands)	
Bills payable to:		
BSP and local banks	**₱1,036,491**	₱37,482,381
Foreign banks	**6,665,834**	8,263,434
Others	**–**	98,086
	7,702,325	45,843,901
Acceptances outstanding	**7,278,048**	7,109,896
	14,980,373	52,953,797
Presented as noncurrent	**(6,182,317)**	(3,173,443)
	₱8,798,056	₱49,780,354

Annual interest rates are shown below:

	2022	2021	2020
Peso-denominated	**0.3% - 4.3%**	1.0% - 2.0%	4.0% - 6.5%
Foreign currency-denominated	**1.9% - 5.5%**	0.1% - 1.2%	0.1% - 4.4%

As of December 31, 2022 and 2021, bills payable with a carrying amount of ₱6.6 billion and ₱38.5 billion are secured by a pledge of financial assets at FVTOCI with fair values of ₱2.5 billion and ₱32.8 billion, respectively, and investment securities at amortized cost with carrying values of ₱5.5 billion and ₱5.3 billion, respectively, and fair values of ₱5.5 billion and ₱5.6 billion, respectively (see Note 7).

Interest expense on bills payable is included under "Cost of banking services" amounting to ₱0.4 billion in 2022, ₱0.5 billion in 2021 and ₱0.9 billion in 2020 (see Note 24).

18. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	2022	2021
	(In Thousands)	
Trade payables	**₱7,439,068**	₱3,154,756
Nontrade payables	**742,774**	506,615
Accrued expenses:		
Purchase of materials and supplies and others	**6,494,354**	2,154,293
Taxes and licenses	**1,339,777**	905,539
Accrued interest	**999,856**	816,859
Advertising and promotional expenses	**956,657**	985,735
PDIC insurance premiums	**803,612**	1,191,720
Project development costs	**675,051**	1,167,420
Retention payable	**600,908**	613,124
Rent and utilities payable	**300,029**	178
Other benefits - monetary value of leave credits	**289,033**	2,358,716
Information technology-related expenses	**256,339**	665,191
Due to government agencies	**407,580**	457,006
Output VAT	**411,123**	395,637
Other payables	**138,375**	2,742,872
	₱21,854,536	₱18,115,661

Trade Payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 days terms. Trade payables arise mostly from trade purchases of the banking group and purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts.

Retention Payable

Retention payable is the amount deducted from the total billing of the contractor which will be paid upon completion of the contracted services of Eton.

Accrued Project Development Costs

Accrued project development costs represent costs incurred by the Property Development segment in the development and construction of real estate projects.

Other Payables

Other payables include outside services, travel and transportation, employee benefits, management, director and other professional fees of the Group which are not individually material

19. **Short-term and Long-term Debts**

Short-term Debts
As of December 31, 2022 and 2021, outstanding unsecured short-term debts amounted to ₱4,490.0 million and ₱3,940.0 million, respectively. The loans, which are subject to annual interest rates ranging from 3.2% to 7.0% in 2022 and 3.3% to 5.0% in 2021, are payable lump-sum on various dates within one year and subject to renewal upon agreement by the Group and counterparty banks.

Long-term Debts

	2022	2021
	(In Thousands)	
Bonds payable	**₱58,439,097**	₱53,383,421
Lease liabilities (Note 35, 37)	**5,017,860**	5,144,046
Unsecured term loans	**3,255,346**	4,115,867
	66,712,303	62,643,334
Current portion	**(20,399,948)**	(3,597,299)
	₱46,312,355	₱59,046,035

PNB's Bonds Payable
The fixed rate medium term senior notes are drawdowns from PNB's Medium Term Note Programme (the MTN Programme), which was established on April 13, 2018 with an initial nominal size of US$1.0 billion. On June 14, 2019, PNB increased the size of its MTN Programme to US$2.0 billion. Both issued fixed rate medium term senior notes are listed in the Singapore Exchange Securities Trading Limited.

The fixed rate bonds represent PNB's maiden issuance of Philippine peso-denominated bonds in Philippine Dealing & Exchange Corp.

As of December 31, 2022 and 2021, the unamortized transaction cost of bonds payable amounted to ₱92.8 million and ₱168.7 million. Amortization of transaction costs amounting to ₱75.9 million and ₱83.5 million was charged to 'Interest expenses - bonds payable' in the consolidated statement of income (Note 19).

Unsecured term loans of Eton
On January 28, 2013, Eton entered into an unsecured term loan agreement with Banco de Oro (BDO) amounting to ₱2.0 billion to finance the construction of Eton projects. The term loan bears a nominal interest rate of 5.53% and will mature on January 26, 2018. Principal repayments will start one year from the date of availment and are due annually while interest payments are due quarterly starting April 28, 2014. Effective on October 28, 2013, Eton and BDO agreed to the new interest rate of 4.75%. Eton settled the outstanding loans upon their maturity in January 2018.

In 2016, Eton entered into an unsecured term loan agreement with Asia United Bank (AUB) amounting to ₱1.5 billion, to finance the construction of Eton's projects. The term loan bears a nominal interest rate of 5% and will mature on September 28, 2023. Principal repayments will commence two years from the date of availment and are due quarterly while interest payments are due quarterly starting December 28, 2016.

In 2018, Eton entered into an unsecured term loan agreement with Bank of the Philippine Islands (BPI) amounting to ₱5.0 billion to finance the construction of the Eton's projects. On July 31, 2018, ₱0.5 billion was initially drawn and an additional ₱1.0 billion on September 26, 2018. The term loan with BPI has a nominal rate of 6.8% and 7.9% for the first and second drawdown, respectively. In 2021 and 2020, Eton availed loan drawdowns totaling to ₱1,700.0 million and ₱1,800.0 million, respectively, with a nominal rate of 5% for each of the drawdown. Principal repayments will commence a year from the date of initial borrowing and due quarterly, while interest payments are due quarterly.

Finance costs
Interest recognized on short-term and long-term debts, except for subordinated debts, are presented under "Finance costs" in the consolidated statements of income (see Note 27). Interest costs from subordinated debts are included in the "Cost of banking services" (see Note 24).

Compliance with debt covenants
As of December 31, 2022 and 2021, the Group has complied with the financial and non-financial covenants of its long-term debts.

20. Other Liabilities

	2022	2021
	(In Thousands)	
Dormant credits	**₱1,558,713**	₱1,303,713
Managers' checks and demand drafts outstanding	**1,548,448**	1,256,121
Provisions (Note 37)	**1,376,289**	1,095,325
Deferred revenue	**1,155,171**	1,391,578
Payable to landowners	**1,061,191**	1,061,191
Customers' deposits	**945,825**	1,475,684
Due to Treasurer of the Philippines	**891,709**	882,769
Bills purchased - contra (Note 8)	**877,767**	1,053,517
Interoffice floats	**537,628**	537,628
Tenants' rental deposits	**663,907**	411,502
Due to other banks	**276,770**	213,257
Withholding taxes payable	**310,530**	309,897
Margin deposits and cash letters of credit	**224,033**	325,829
Payment order payable	**220,949**	196,718
Miscellaneous tax securities	**211,642**	131,875
Advance rentals	**136,644**	217,857
Deposit on lease contracts	**75,129**	593,903
Others	**6,767,610**	5,963,191
	18,839,955	18,421,555
Noncurrent portion	**(8,464,180)**	(9,040,491)
	₱10,375,775	₱9,381,064

Payables to Landowners
In various dates in 2014, Eton executed a ₱1,061.2 million promissory note, subject to interest rate of PDSTF 3 years plus 0.50% spread, to various landowners in relation to its purchase of land located in Laguna with total purchase price of ₱1.3 billion. In June 2017, the payment of the various promissory notes were extended for another three years.

Interest expense related to payables to landowners amounted to ₱50.3 million, net of capitalized portion of ₱10.1 million in 2020 (nil in 2022 and 2021) [see Notes 12, 13 and 27].

Customers' Deposits
Customers' deposits represent payments from buyers of residential units which will be applied against the corresponding contracts receivables which are recognized based on the revenue recognition policy of the Group. This account includes the excess of collections over the recognized receivables amounting to ₱995.3 million and ₱995.1 million as of December 31, 2022 and 2021, respectively.

Deposits and Deferred Credits
Other liabilities of the property development segment include tenants' rental deposits, advance rentals and other deferred credits. Security deposits pertain to the amounts paid by the tenants at the inception of the lease which is refundable at the end of the lease term. Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term depending on the lease contract. Deferred credits represent the excess of the principal amount of the security deposits over its fair value. Amortization of deferred credits is included in "Rental income" in the consolidated statements of income.

Others
Other liabilities pertains to liabilities of disposal group classified as held for sale amounting to ₱278.1 million and banking segment's liabilities which include insurance contract liabilities, accounts payable, bills purchased - contra, remittance-related payables, overages, advance rentals and sundry accounts.

21. **Derivative Financial Instruments**

The table in the next page show the fair values of derivative financial instruments entered into by the Group, recorded as derivative assets or derivative liabilities (included under "Financial assets and liabilities at FVTPL") , together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding as of December 31, 2022 and 2021 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	December 31, 2022				December 31, 2021			
	Assets	**Liabilities**	**Average Forward Rate**	**Notional Amount***	Assets	Liabilities	Average Forward Rate	Notional Amount*
				(In Thousands)				
Freestanding derivatives:								
Currency forwards								
BUY:								
USD	**₱749,512**	**₱760,764**	**55.76**	**₱1,539,816**	₱1,355,660	₱274	51.00	₱3,861,673
GBP	**–**	**–**	**–**	**–**	47	16	1.35	6,325
EUR	**243**	**57,543**	**1.06**	**72,318**	6	5	1.13	12,645
SGD	**303**	**–**	**0.74**	**7**	31	–	0.74	1
PHP	**172**		**0.13**	**24**	–	1,544	1.00	1,788,750
SELL:								
USD	**604,222**	**65**	**55.76**	**644,843**	990	887,819	51.00	1,374,345
CAD	**–**	**75**	**0.73**	**1,700**	141	11	0.78	2,125
GBP	**2,765**	**–**	**1.20**	**2,000**	30	884	1.35	8,500
HKD	**187**	**236**	**0.13**	**321,189**	1,714	108	0.13	2,217,580
EUR	**3,803**	**70,519**	**1.06**	**62,040**	2	153	1.13	19,443
JPY	**216**	**11,911**	**0.01**	**534,700**	6,124	9	0.01	1,080,000
SGD	**–**	**348**	**0.74**	**1,700**	16	436	0.74	1,400
AUD	**9**	**55**	**0.67**	**700**	–	228	0.72	500
NZD	**319**	**–**	**0.63**	**400**	–	36	0.68	400
PHP	**200**	**138,260**	**1.00**	**2,743,406**	290	8	1.00	509,708
	₱1,361,951	**₱1,039,776**			₱1,365,051	₱891,531		

** The notional amounts pertain to the original currency except for the embedded derivatives, which represent the equivalent to USD amount.*

The table below shows the rollforward analysis of net derivatives assets (liabilities):

	2022	2021
	(In Thousands)	
Balance at beginning of year		
Derivative assets	**₱1,365,051**	₱370,653
Derivative liabilities	**891,531**	701,239
	473,520	(330,586)
Changes in fair value		
Currency forwards and spots*	**(147,028)**	805,748
Interest rate swaps and warrants**	**–**	(23,472)
	(147,028)	782,276
Net availments (settlements)	**(4,317)**	21,830
Balance at end of year		
Derivative assets	**1,361,951**	1,365,051
Derivative liabilities	**1,039,776**	891,531
	₱322,175	₱473,520

* *Presented as part of "Foreign exchange gains-net".*
** *Presented as part of "Trading and investment securities gains-net"*

The changes in fair value of the derivatives are included in "Trading and securities gains - net" presented as part of "Banking revenues" in the consolidated statements of income (see Note 24).

22. **Related Party Transactions**

The Company has transacted with its subsidiaries, associates and other related parties as follows:

Parent Company, Subsidiaries, Associates and Joint Ventures

Parent Company
Tangent

Subsidiaries
TDI and Subsidiaries
- AAC
- ADI
- TBI

ABI and Subsidiaries
- AB Nutribev
- Agua Vida Systems, Inc.
- Asia Pacific Beverage Pte Ltd
- Asia Pacific Beverages Myanmar Company Limited
- Interbev
- Packageworld
- Waterich

FTC
Shareholdings
Saturn
Paramount and Subsidiaries
- Eton
  - BCI
  - ECI
  - EPMC
  - FHI

Bank Holding Companies:
- All Seasons Realty Corp.
- Allmark Holdings Corp.
- Caravan Holdings, Corp.
- Dunmore Development Corp.
- Dynaworld Holdings Inc.
- Fil-Care Holdings Inc.
- Ivory Holdings, Inc.
- Kenrock Holdings Corp.
- Kentwood Development Corp.
- La Vida Development Corp.
- Leadway Holdings, Inc.
- Merit Holdings & Equities Corp.
- Multiple Star Holdings Corp.
- Pioneer Holdings & Equities, Inc.
- Profound Holdings Inc.
- Purple Crystal Holdings, Inc.
- Safeway Holdings & Equities Inc.
- Society Holdings Corp.
- Solar Holdings Corp.
- Total Holdings Corp.
- Donfar Management Ltd.
- Fast Return Enterprises Ltd.
- Fragile Touch Investments Ltd.
- Key Landmark Investments Ltd.
- Mavelstone International Ltd.
- True Success Profits Ltd.
- Uttermost Success, Ltd.
  - PNB and Subsidiaries

Mabuhay Digital Philippines, Inc.
Mabuhay Digital Technologies, Inc.

Associates
APLII
AB HPI
PMFTC
VMC

Joint Ventures
ABI Pascual Holdings
- ABI Pascual Foods

AEPDC

Entities Under Common Control
Ascot Holdings, Inc.
Basic Holdings Corporation
Billinge Investments Limited
Bright Able Holdings Ltd.
Complete Best Development Ltd.
Cormack Investments Ltd
Cosmic Holdings Corp.
Cube Factor Holdings, Inc.
Dyzum Distillery Inc.
Foremost Farms Inc.
Grand Cargo and Warehousing Services., Inc.
Grandspan Development Corp.
Grandway Konstruct, Inc.
Harmonic Holdings Corp.
Heritage Holdings Corp.
Hibersham Assets Ltd.
High Above Properties Ltd.
Himmel Industries Inc.
In Shape Group Ltd.
Lapu Lapu Packaging
Link Great International Ltd.
Lucky Travel Corporation
Maxell Holdings, Corp.
Negros Biochem Corporation
Networks Holdings & Equities, Inc.
Orient Legend Developments Ltd.
Penick Group Limited
Philippine Airlines, Inc.
Pol Holdings, Inc.
Polima International Limited
Proton Realty & Development Corporation
Rapid Movers & Forwarders Co. Inc.
Sierra Holdings & Equities, Inc.
Step Dragon Co. Limited
Trustmark Holdings Corporation
Upright Profits Ltd.

The consolidated statements of income include the following revenue and other income-related (costs and other expenses) account balances arising from transactions with related parties:

	Nature	2022	2021	2020
			(In Thousands)	
Associates	Dividend income	**₱19,250,184**	₱20,834,736	₱21,751,985
	Purchases of inventories	**(366,912)**	(794,530)	(427,183)
	Sales	**–**	–	418,772
	Leases	**35,100**	35,100	35,100
Entities Under Common Control	Banking revenue - interest on loans and receivables	**723,194**	575,833	1,895,183
	Rent income	**55,117**	35,719	28,001
	Interest income on loans and advances	**51,026**	51,737	22,688
	Sales of consumer products	**2,147**	7,405	7,331
	Other income	**20,424**	86,856	96,523
	Freight and handling	**(20,635)**	(8,676)	(17,517)
	Purchases of inventories	**(6,696)**	(6,785)	(6,479)
Entities Under Common Control	Management and professional fees	**(326,399)**	(558,372)	(558,372)
	Cost of banking services - interest expense on deposit liabilities	**(570,304)**	(211,108)	(99,403)
	Outside services	**–**	–	(71,771)
	Rent expense	**22,794**	–	(23,710)
	Cost of goods sold and services	**(42,768)**	(866)	(1,213)
	Advertising expense	**–**	–	–
Key Management	Short-term employee benefits	**(517,114)**	(460,711)	(587,077)
	Post-employment benefits	**(47,424)**	(50,629)	(70,204)

The consolidated statements of financial position include the following asset (liability) account balances with related parties:

	Financial Statement Account	Terms and Conditions	Amount/Volume 2022	Amount/Volume 2021	Outstanding Balance 2022	Outstanding Balance 2021
			(In Thousands)			
Parent Company	Due to related parties	On demand; non-interest bearing	**(₱15,325)**	₱–	**₱–**	(₱15,325)
	Due from related parties	Maturity terms ranging from 90 days to 3 years; 2.5% interest per annum	**(4,129,300)**	5,729,300	**2,109,000**	6,238,300
Associates	Other receivables - dividends	Payable monthly	**–**	20,749,480	**–**	–
	Trade receivables	- do -	**–**	–	**121,253**	121,253
	Nontrade receivables	- do -	**(181)**	–	**8,747**	8,928
	Account payable and other liabilities	30 to 60 days terms; non-interest bearing	**(366,912)**	794,530	**(366,912)**	–
Entities Under Common Control	Finance receivables	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.20% to 9.70% with maturity terms ranging from 60 days to 12 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱9.6 billion	**723,194**	575,833	**41,077,025**	57,580,429
	Trade receivables	- do -	**2,147**	7,405	**23,812**	21,665
	Other receivables	- do -	**20,424**	86,856	**47,904**	27,480
	Due from related parties	On demand; non-interest bearing	**242**	1,732	**1,447,476**	1,447,234
	Advances to suppliers	- do -	**(42,768)**	866	**43,269**	501
	Deposit liabilities	With annual rates ranging from 0.10% to 1.50% and maturity ranging from 30 days to 365 days	**4,235,274**	15,060,480	**40,352,466**	36,117,192
	Account payable and other liabilitites	30 to 90 days terms; non-interest bearing	**–**	(139,703)	**478,265**	478,265
	Due to related parties	On demand; non-interest bearing	**–**	–	**(50,000)**	(50,000)

As of December 31, 2022 and 2021, the outstanding related party balances are unsecured and settlement occurs in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with Tangent, parent company

- In December 2021, Tangent obtained loans from the Group totaling ₱5.7 billion with additional loans during the year amounting to ₱0.6 billion, which ₱4.7 billion was paid in various dates in 2022.

- In 2022 and 2021, the Group declared cash dividends to stockholders of which ₱11.3 billion and ₱8.7 billion, respectively were paid to Tangent.

Transactions with Associates

- Dividend income from PMFTC amounted to ₱19.2 billion in 2022 and ₱20.7 billion in 2021 (see Note 11).

- The Group purchases raw materials such as raw and refined sugar and molasses from VMC.

- ABI entered into an operating lease agreement with AB HPI to lease portions of its two breweries, in Cabuyao, Laguna and El Salvador, Misamis Oriental, subject to the terms and conditions of an asset lease agreement signed last November 15, 2016. The lease has a fixed yearly increase as specified in the contract.

- ABI sold inventories to AB HPI aside from the nonmonetary assets sold on November 15, 2016, including work in progress, amounting to ₱423.3 million. In 2022 and 2021, ABI rendered services in favor of AB HPI related to supplies, both imported and locally-purchased, advertising expense, promotions, professional fees, engineering fee and shared expenses in the plant.

  In 2020, in accordance with the Termination Deed, ABI acquired fixed assets, including beer equipment, inventories and spare parts, from AB HPI for purchase price totaling to ₱1.6 billion.

Transactions with Entities under Common Control

- Due to related parties include cash advances provided to the Group to support its working capital requirements.

- Several subsidiaries of the Group entered into management services agreements with Basic Holdings Corporation for certain considerations. Management fees are recorded under “Outside services” in “Cost of goods sold” and “Professional fees” in the “General and administrative expenses”.

- The property development segment purchases parcels of land from other related parties for use in its various projects.

- Several entities under common control maintain peso and foreign currency denominated deposits and short-term and long-term loans with PNB. Interest income and financing charges related to these transactions are reported under "Banking revenue" and "Cost of banking services", respectively (see Note 24).

23. Retirement Benefits

The Group has funded, noncontributory defined benefit retirement plans, administered by a trustee, covering all of its permanent employees. As of December 31, 2022 and 2021, the Group is in compliance with Article 287 of the Labor Code, as amended by Republic Act No. 7641.

Details of the Group's net retirement plan assets and liabilities are as follows:

	2022	2021
	(In Thousands)	
Net retirement plan assets:		
FTC	**₱259,793**	₱256,485
LTG	**6,057**	1,940
TBI	–	10,485
	₱265,850	₱268,910
Net retirement benefits liabilities:		
PNB and subsidiaries	**₱378,850**	₱920,581
ABI and subsidiaries	**203,859**	640,422
Eton and subsidiaries	**158,174**	141,134
ADI	**47,869**	46,556
TBI	**2,807**	–
AAC	–	56,184
TDI	**4,941**	12,780
	₱796,500	₱1,817,657

The following tables summarize the components of net retirement plan assets and net retirement benefits liability recognized in the consolidated statements of financial position, the net benefit expenses recognized in the consolidated statements of income and the remeasurement losses (gains) recognized in consolidated statements of comprehensive income.

Net retirement plan assets:

	2022			2021			2020		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Net Retirement Plan Assets**	Defined Benefit Obligations	Fair Value of Plan Assets	Net Retirement Plan Assets	Defined Benefit Obligations	Fair Value of Plan Assets	Net Retirement Plan Assets
					(In Thousands)				
Beginning balance	**₱111,086**	**(₱379,996)**	**(₱268,910)**	₱125,747	(₱375,184)	(₱249,437)	₱157,751	(₱417,710)	(₱259,959)
Change in status of retirement plan	–	–	–	–	–	–	(62,878)	65,525	2,647
Net retirement benefits expense (income) in profit or loss:									
Current service cost	**14,678**	**–**	**14,678**	6,577	–	6,577	16,934	(1,465)	15,469
Net interest cost	**5,395**	**(16,030)**	**(10,635)**	4,851	(14,520)	(9,669)	5,040	(16,381)	(11,341)
	20,073	**(16,030)**	**4,043**	11,428	(14,520)	(3,092)	21,974	(17,846)	4,128
Contributions	–	**(14,098)**	**(14,098)**	–	(8,030)	(8,030)	–	(8,030)	(8,030)
Benefits paid	**(4,877)**	**4,877**	**–**	(4,835)	4,835	–	–	–	–
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:									
Financial assumptions	**(13,069)**	**20,173**	**7,104**	4,256	–	4,256	19,040	–	19,040
Demographic assumptions	**–**	**805**	**805**	–	11,088	11,088	–	894	894
Experience adjustments	**(7,062)**	**12,268**	**5,206**	(25,510)	1,815	(23,695)	(10,140)	1,983	(8,157)
	(20,131)	**33,246**	**13,115**	(21,254)	12,903	(8,351)	8,900	2,877	11,777
Ending balance	**₱106,151**	**(₱372,001)**	**(₱265,850)**	₱111,086	(₱379,996)	(₱268,910)	₱125,747	(₱375,184)	(₱249,437)

Net retirement benefits liabilities:

	2022			2021			2020		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
					(In Thousands)				
Beginning balance	**₱10,107,396**	**(₱8,289,739)**	**₱1,817,657**	₱11,130,110	(₱8,711,473)	₱2,418,637	₱11,334,593	(₱9,634,850)	₱1,699,743
Change in status of retirement plan				–	–	–	62,878	(65,525)	(2,647)
Net retirement benefits cost in profit or loss:									
Current service cost	**1,012,069**	**–**	**1,012,069**	970,694	–	970,694	832,107	–	832,107
Net interest cost	**527,651**	**(448,643)**	**79,008**	385,429	(300,486)	84,943	445,783	(325,044)	120,739
Past service cost	**312,332**	**–**	**312,332**	–	–	–	25,454	–	25,454
	1,852,052	**(448,643)**	**1,403,409**	1,356,123	(300,486)	1,055,637	1,303,344	(325,044)	978,300
Contributions	**–**	**(976,430)**	**(976,430)**	(750,120)	(209,028)	(959,148)	–	(1,117,108)	(1,117,108)
Benefits paid from plan assets	**–**	**–**	**–**	(686,967)	686,967	–	(537,982)	537,982	–
Benefits paid directly from book reserves	**(1,068,558)**	**1,068,558**	**–**	–	–	–	(1,440)	–	(1,440)
Settlement benefits paid directly by the Group	**(44,042)**	**44,042**	**–**	–	–	–	(6,092)	–	(6,092)
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:									
Financial assumptions	**(471,353)**	**373,145**	**(98,208)**	(647,100)	–	(647,100)	1,052,016	–	1,052,016
Demographic assumptions	**(1,195,424)**	**(5,317)**	**(1,200,741)**	–	–	-	(55,142)	–	(55,142)
Experience adjustments	**(218,881)**	**69,694**	**(149,187)**	(294,650)	244,281	(50,369)	(243,410)	128,580	(114,830)
	(1,885,658)	**437,522**	**(1,448,136)**	(941,750)	244,281	(697,469)	753,464	128,580	882,044
Effect of disposal group classified as held for sale	**–**	**–**	**–**	–	–	–	(62,899)	48,736	(14,163)
Ending balance	**₱8,961,190**	**(₱8,164,690)**	**₱796,500**	₱10,107,396	(₱8,289,739)	₱1,817,657	₱12,845,866	(₱10,427,229)	₱2,418,637

The fair value of plan assets as of December 31 is as follows:

	2022	2021
	(In Thousands)	
Cash and cash equivalents	**₱4,010,871**	₱3,934,168
Receivables	**160,380**	84,364
Equity investments:		
Financial institutions	**701,165**	1,017,676
Other	**628,389**	953,003
Debt investments:		
Investment in private debt securities	**626,677**	587,954
Investments in government securities	**1,796,154**	2,011,167
Others	**613,054**	81,403
Fair value of plan assets	**₱8,536,690**	8,669,735

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2022	2021
Cash and cash equivalents	**47%**	45%
Receivables	**2%**	1%
Equity investments	**16%**	23%
Debt investments	**28%**	30%
Others	**7%**	1%
Fair value of plan assets	**100%**	100%

The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The plan assets have diverse investments and do not have concentration risk.

The Group's defined pension plan are funded through the contributions made by the Group to the trust.

The principal assumptions used in determining pension benefit obligations for the Group's plans as of January 1 are shown below:

	2022	2021	2020
Discount rate	**4.70% - 5.10%**	3.45%-7.37%	3.40%-3.80%
Future salary increases	**4.00% - 8.00%**	3.00%-10.00%	3.00%-10.00%

As of December 31, 2022, the discount and future salary increase rates are 6.92%-7.15% and 4.00%-10.00%, respectively.

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

	2022		2021	
	Change in rate	**Increase (Decrease) in Present Value of Defined Benefit Obligations**	Change in rate	Increase (Decrease) in Present Value of Defined Benefit Obligations
Discount rates	**+1.00%**	**(₱589,152)**	0.50%	(₱729,343)
	-1.00%	**631,760**	-0.50%	799,196
Future salary increases	**+1.00%**	**706,805**	1.00%	895,656
	-1.00%	**(632,758)**	-1.00%	(785,500)

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1% increment in salary increase rate, 0.5% decrement in the discount rate and a 10% improvement in the employee turnover rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1% decrement in salary increase rate, 0.5% increment in the discount rate and a 10% increase in the employee turnover rate but with reverse impact.

The Group employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan asset of the Group is allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's failure to contribute in accordance with its general funding strategy.

Shown below is the maturity analysis of the undiscounted benefit payments of the Group *(in thousands)*:

	2022	2021
One year and less	**₱1,736,846**	₱1,585,137
More than one year up to five years	**5,528,064**	5,321,019
More than five years up to 10 years	**5,002,975**	4,981,493
More than 10 years up to 15 years	**5,106,646**	4,702,291
More than 15 years	**53,121,932**	52,357,497

The Group expects to contribute ₱1.2 billion to the defined benefit pension plan in 2023. The average duration of the defined benefit obligations at the end of the reporting period is 14.0 years as of December 31, 2022 and 2021.

Transactions with Retirement Plans

Management of the retirement funds of the banking segment is handled by the PNB Trust Banking Group (TBG). The fair value of the plan assets as of December 31, 2022 and 2021 for the Group includes investments in the PNB shares of stock with fair value amounting to ₱156.2 million and ₱165.2 million classified as financial assets at FVTPL. No limitations and restrictions are provided and voting rights over these shares are exercised by a trust officer or any of its designated alternate officer of TBG.

As of December 31, 2022 and 2021, financial assets at FVTPL and at amortized costs include government and private debt securities and various funds. Deposits with other banks pertain to Special Deposit Accounts placement with BSP.

The retirement funds of the other companies in the Group are maintained by PNB, as the trustee bank. PNB's retirement funds have no investments in debt or equity securities of the companies in the Group.

24. **Revenue and Cost of Goods Sold and Services**

Revenue consist of:

	2022	2021	2020
	(In Thousands)		
Banking revenue (Note 5)	**₱50,843,607**	₱49,319,441	₱54,800,902
Sale of consumer goods	**47,776,757**	39,822,501	37,227,642
Rental income (Note 13)	**2,026,439**	1,893,706	1,757,701
Real estate sales	**225,119**	137,667	641,689
	₱100,871,922	₱91,173,315	₱94,427,934

<u>Disaggregated revenue information</u>
Set out below is the disaggregation of the Group's revenues from contracts with customers and revenues not covered under PFRS 15 for the year ended December 31, 2022 *(in thousands)*:

	Goods/Services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	**Total**
Sale of consumer goods	₱47,776,757	₱–	₱–	**₱47,776,757**
Service fees and commission income	6,997,609	–	–	**6,997,609**
Real estate sales	–	225,119	–	**225,119**
Interest income	–	–	45,126,781	**45,126,781**
Rental income	–	–	2,026,439	**2,026,439**
Trading and securities losses - net	–	–	(1,280,783)	**(1,280,783)**
	₱54,774,366	₱225,119	₱45,872,437	**₱100,871,922**

Banking revenue consists of:

	2022	2021	2020
	(In Thousands)		
Interest income on:			
Loans and receivables (Note 8)	**₱34,306,910**	₱34,002,946	₱37,180,110
Trading and investment securities (Note 21)	**8,447,607**	6,596,086	7,162,523
Deposits with banks and others	**1,417,661**	1,248,155	2,192,050
Interbank loans receivable	**954,603**	400,356	244,007
	45,126,781	42,247,543	46,778,690
Service fees and commission income	**6,997,609**	6,340,326	4,684,572
Trading and securities gains (losses) - net	**(1,280,783)**	731,572	3,337,640
	₱50,843,607	₱49,319,441	₱54,800,902

Sale of consumer goods consists of:

	2022	2021	2020
	(In Thousands)		
Gross sales	**₱50,761,426**	₱42,421,388	₱39,638,196
Less sales returns, discounts and allowances	**(2,984,669)**	(2,598,887)	(2,410,554)
	₱47,776,757	₱39,822,501	₱37,227,642

Cost of goods sold and services consists of:

	2022	2021	2020
		(In Thousands)	
Cost of consumer goods sold:			
Materials used and changes in inventories (Note 9)	**₱17,938,542**	₱14,580,312	₱14,071,399
Taxes and licenses	**14,234,198**	11,385,173	9,874,192
Depreciation and amortization (Notes 12, 13 and 14)	**1,731,982**	1,679,530	1,589,194
Freight and handling	**1,374,885**	1,031,483	499,292
Fuel and power	**1,319,435**	1,293,306	1,037,620
Personnel costs	**1,248,866**	1,240,849	1,094,204
Communication, light and water	**783,266**	525,481	562,574
Outside services	**584,126**	484,804	471,877
Repairs and maintenance	**579,288**	511,739	480,955
Others	**570,750**	571,720	425,294
	40,365,338	33,304,397	30,106,601
Cost of banking services	**9,140,692**	8,573,207	12,046,147
Cost of real estate sales (Note 9)	**226,435**	55,053	239,524
Cost of rental income (Note 13)	**1,370,465**	1,024,357	466,592
Cost of goods sold and services	**₱51,102,930**	₱42,957,014	₱42,858,864

Other expenses include insurance, utilities and outside services which are individually not significant as to amounts.

Cost of banking services consist of:

	2022	2021	2020
		(In Thousands)	
Interest expense on:			
Deposit liabilities (Note 15)	**₱5,166,332**	₱4,778,047	₱7,311,731
Bills payable and other borrowings (Notes 7 and 17)	**433,973**	511,921	846,642
Bonds payable	**2,111,192**	2,231,863	2,904,528
	7,711,497	7,521,831	11,062,901
Services fees and commission expense	**1,429,195**	1,051,376	983,246
	₱9,140,692	₱8,573,207	₱12,046,147

25. Selling Expenses

	2022	2021	2020
		(In Thousands)	
Advertising and promotions	**₱1,027,998**	₱896,479	₱719,197
Depreciation and amortization (Note 12)	**623,076**	476,052	328,123
Personnel costs	**145,712**	151,125	143,312
Management, consulting and professional fees	**105,608**	107,910	109,230
Royalties	**113,996**	78,149	60,439
Materials and consumables	**27,776**	15,139	19,820
Communication, light and water	**22,018**	16,542	15,009

(Forward)

	2022	2021	2020
		(In Thousands)	
Fuel and oil	**₱2,947**	₱2,656	₱2,287
Commissions	**384**	23,594	28,568
Freight and handling	**–**	–	526,280
Others	**214,394**	137,374	98,849
	₱2,283,909	₱1,905,020	₱2,051,114

Others include occupancy fees, repairs and maintenance, insurance, taxes and licenses, outside services, an entertainment, amusement and recreation, which are individually not significant as to amounts.

26. General and Administrative Expenses

	2022	2021	2020
		(In Thousands)	
Personnel costs	**₱10,681,708**	₱10,924,480	₱11,057,462
Provision for credit losses (Note 8)	**7,129,045**	10,816,497	15,878,029
Taxes and licenses	**5,623,939**	4,411,375	4,993,514
Depreciation and amortization (Notes 12, 13 and 14)	**3,613,554**	2,247,378	3,413,200
Outside services	**2,002,298**	1,888,113	1,823,620
Insurance	**1,798,088**	2,014,664	1,853,290
Information technology	**1,193,975**	1,304,930	1,448,623
Occupancy	**1,161,775**	1,930,751	1,000,948
Marketing and promotional	**1,070,147**	719,070	738,387
Management, consulting and professional fees	**1,045,619**	936,946	993,329
Travel and transportation	**442,357**	383,935	375,254
Materials and consumables	**305,913**	318,241	304,952
Communication, light and water	**266,151**	208,541	216,714
Repairs and maintenance	**180,023**	173,200	164,065
Freight and handling	**144,088**	141,869	30,973
Fuel and oil	**28,802**	21,517	20,333
Loss on loan modifications	**–**	–	1,587,605
Litigation	**–**	–	37,271
Others	**1,108,301**	1,880,370	1,959,699
	₱37,795,783	₱40,321,877	₱47,897,268

'Loss on loan modifications' pertains to the adjustment for the changes in expected cash flows of credit exposures, as a result of modifications in the original terms and conditions of the loan which include, but not limited to, changes in interest rates, principal amount, maturity date, and payment terms. In 2020, PNB accommodated modifications in the terms and conditions of certain loans of borrowers, which have been directly impacted by the COVID-19 pandemic. The loss is computed as the difference between the gross carrying amount of the loan and the present value of the modified contractual cash flows, discounted at the original effective interest rate of the loan. Subsequent accretion to interest income in 2022 and 2021 amounted to ₱369.2 million and ₱351.5 million, respectively.

Others include expense items mainly relating to banking operations, which are individually not significant as to amounts.

27. Finance Costs and Finance Income

Details of finance costs and finance income (other than the banking segment) are as follows:

	2022	2021	2020
		(In Thousands)	
Finance costs (Note 19):			
Short-term debts	**₱260,132**	₱201,616	₱185,900
Unsecured term loan and notes payable (Note 20)	**224,482**	163,257	155,567
	₱484,614	₱364,873	₱341,467
Finance income:			
Cash and other cash items (Note 5)	**₱219,285**	₱41,663	₱37,892
Interest-bearing contracts receivable (Note 8)	–	–	4,529
	₱219,285	₱41,663	₱42,421

28. Other Income (Charges)

	2022	2021	2020
		(In Thousands)	
Net gains (losses) on sale or exchange of assets	**₱7,795,284**	(₱19,979)	₱196,019
Rental income and dues (Note 13)	**321,297**	1,357,043	664,229
Recoveries from charged off assets	**303,435**	85,164	203,750
Rooms and other operated departments	**219,489**	220,186	205,183
Management fees	**174,081**	163,322	31,916
Income from assets acquired	**95,736**	183,173	258,708
Dividend income	**72,283**	69,015	51,815
Provision for probable losses (Notes 14 and 38)	–	165,425	677,089
Marketing allowance and income from wire transfers	–	–	241,353
Reversal of provision for expected credit loss (Note 8)	–	–	(45,974)
Gain on retirement	–	–	17,853
Others	**554,568**	535,482	(598,972)
	₱9,536,173	₱2,758,831	₱1,902,969

a. Rental income and dues significantly pertain to income arising from charges and expenses recharged to tenants. Loss on cancelled contracts represents the loss incurred by the Group as a result of cancellation of contracts to sell by the buyer or the Group in general.

b. Net gains on sale or exchange of assets include sale of investment properties of the banking segment in 2022, 2021 and 2020 amounting to ₱5,703.9 million, ₱15.2 million and ₱11.7 million, respectively.

c. Others include income and expense items mainly relating to banking operations, which are individually not significant as to amounts.

29. **Income Taxes**

Income taxes include the corporate income tax, which is discussed below, and final taxes paid, which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as “Provision for income tax” in the consolidated statements of income.

Under Philippine tax laws, PNB and its certain subsidiaries are subject to percentage and other taxes (presented as “Taxes and Licenses” in the consolidated statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. Republic Act No. 9294, an act restoring the tax exemption of OBUs and FCDUs, provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% income tax.

a. Details of the Group’s deferred income tax assets and liabilities as of December 31 follow:

	2022		2021	
	Net Deferred Income Tax Assets[(1)]	**Net Deferred Income Tax Liabilities**[(2)]	Net Deferred Income Tax Assets[(3)]	Net Deferred Income Tax Liabilities[(4)]
	(In Thousands)			
Recognized directly in the consolidated statements of income:				
Deferred income tax assets on:				
Allowance for impairment loss on:				
Receivables	**₱8,615,818**	**₱128,045**	₱8,562,723	₱104,593
Inventories	**30,728**	**10,540**	31,488	10,538
Property, plant and equipment	**2,428**	**–**	4,976	–
Allowance for probable losses on excise taxes	**–**	**104,364**	–	104,164
Accumulated depreciation on investment properties	**520,544**	**–**	495,884	–
Unrealized losses on:				
Inventories on hand	**–**	**4,665**	–	4,656
Sale of property to a subsidiary	**419,070**	**5,502**	395,542	5,491
Deferred rent income	**162,342**	**15,678**	129,050	10,599
Net retirement benefits liabilities	**91,912**	**196,489**	121,399	214,275
Reserves and others	**174,197**	**295,687**	51,981	288,314
Advance rentals	**–**	**32,163**	–	21,744
Accrued expenses	**372,660**	**22,008**	469,714	14,879
Unamortized past service cost	**3,569**	**7,484**	7,316	7,479
Unrealized forex losses	**–**	**1,162**	–	1,160
Difference between right-of-use assets and lease liabilities	**39,238**	**108,407**	80,425	75,592
	10,432,506	**932,194**	10,350,498	863,484

(Forward)

	2022		2021	
	Net Deferred Income Tax Assets[(1)]	**Net Deferred Income Tax Liabilities[(2)]**	Net Deferred Income Tax Assets[(3)]	Net Deferred Income Tax Liabilities[(4)]
		(In Thousands)		
Deferred income tax liabilities on:				
Fair value gain on investment properties	**(₱1,414,221)**	**₱–**	(₱918,043)	₱–
Excess of fair values over carrying values of property, plant and equipment acquired through business combination	**(161,634)**	**(43,364)**	(210,574)	(36,556)
Gain on re-measurement of a previously held interest	**(246,651)**		(246,651)	–
Unrealized foreign exchange gains	**(342,947)**	**(2,583)**	(346,586)	(2,582)
Borrowing cost capitalized to property, plant, and equipment	**(35,958)**	**(220,161)**	(73,703)	(175,087)
Deferred rental income	**(44,956)**	**(75,723)**	(42,073)	(60,116)
Difference between tax and book basis of accounting for real estate transactions		**(77,632)**	–	(61,631)
Unamortized debt cost	**(1,134)**	**(1,320)**	(2,325)	(1,048)
Gain on asset share swap		**(443,110)**	–	(443,110)
Net retirement plan assets	**(5,804)**	**(104,303)**	(3,380)	(99,624)
Net changes in fair values of FVTPL financial assets	**(58,719)**	**(79,730)**	(51,247)	(34,527)
Others	**(27,997)**	**(34,238)**	(605,606)	(30,217)
	(2,340,021)	**(1,082,164)**	(2,500,188)	(944,498)
	8,092,485	**(149,970)**	7,850,310	(81,014)
Recognized directly in equity:				
Deferred income tax assets on:				
Remeasurement losses on retirement benefits	**11,529**	**11,368**	6,713	40,478
Deferred income tax liabilities on:				
Revaluation increment on property, plant and equipment	**(1,564,192)**	**(8,270,677)**	(1,536,629)	(8,395,132)
Remeasurement gains on defined benefit plans	**(13,928)**	**(21,461)**	(28,547)	(21,460)
Unrealized gains on changes in fair value of financial assets at FVTOCI	**(1,882)**	**(19,702)**	–	(42,045)
	(1,580,002)	**(8,311,840)**	(1,565,176)	(8,458,637)
	(1,568,473)	**(8,300,472)**	(1,558,463)	(8,418,159)
	₱6,524,012	**(₱8,450,442)**	₱6,291,847	(₱8,499,173)

(1) *Pertain to IPI, PWI, ABNC, AVSI, ADI, Eton and PNB*
(2) *Pertain to LTG, Saturn, PLI, AAC, TDI, ABI and FTC*
(3) *Pertain to IPI, ADI, Eton and PNB*
(4) *Pertain to LTG, Saturn, PLI, AAC, TDI, ABI, PWI and FTC*

Details of the Group's net deferred income tax assets and liabilities are as follows:

	2022	2021
	(In Thousands)	
Net deferred income tax assets:		
PNB and subsidiaries	**₱6,017,780**	₱5,806,384
Eton and subsidiaries	**419,070**	395,542
Bank holding companies	**60,495**	59,340
ABI and subsidiaries	**10,258**	21,026
TDI and subsidiaries	**16,409**	9,555
	₱6,524,012	₱6,291,847
Net deferred income tax liabilities:		
PNB and subsidiaries	**₱7,133,553**	₱7,310,014
Paramount	**443,110**	443,110
TDI and subsidiaries	**400,944**	393,072
ABI and subsidiaries	**212,537**	115,531
FTC	**95,001**	88,735
Eton and subsidiaries	**76,101**	105,877
Saturn	–	3,035
LTG	**9,466**	5,278
Bank holding companies	**79,730**	34,521
	₱8,450,442	₱8,499,173

b. Provision for current income tax consists of:

	2022	2021	2020
		(In Thousands)	
RCIT	**₱4,587,430**	₱2,660,808	₱4,481,774
MCIT	**1,190**	14,197	2,080
Final tax	**1,856,890**	1,437,058	1,492,767
Provision for current income tax	**₱6,445,510**	₱4,112,063	₱5,976,621

c. As of December 31, 2022 and 2021, the Group has not recognized deferred income tax assets on certain deductible temporary differences such as NOLCO, excess MCIT and other items based on the assessment that sufficient taxable profit will not be available to allow the deferred income tax assets to be utilized as follows:

	2022	2021
	(In Thousands)	
Net retirement benefits liability	**₱658,363**	₱1,199,030
Allowance for credit losses	**9,124,826**	14,507,309
Derivative liabilities	**1,037,348**	891,346
Unamortized past service cost	**2,140,071**	2,541,881
NOLCO	**1,661,662**	1,485,229
Excess MCIT	**26,738**	27,543
Allowance for inventory obsolescence	**17,241**	16,848
Others	**309,178**	380,049

Details of the Group's NOLCO follow *(in thousands)*:

Year Incurred	December 31, 2021	Additions	Expired	December 31, 2022	Expiry Year
2019	₱157,938	₱–	(₱157,938)	₱–	2022
2020	281,099	–	–	281,099	2025
2021	1,046,192	–	–	1,046,192	2026
2022	–	334,371	–	334,371	2025
	₱1,485,229	₱334,371	(₱157,938)	₱1,661,662	

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2021 and 2022 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2022, the Group has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act.

Details of the Group's MCIT follow *(in thousands)*:

Year Incurred	December 31, 2022	Addition	Expired	December 31, 2022	Expiry Year
2019	₱925	₱–	(₱925)	₱–	2022
2020	26,093	–	–	26,093	2023
2021	525	–	–	525	2024
2022	–	120	–	120	2025
	₱27,543	₱120	(₱925)	₱26,738	

d. A reconciliation of the Group's provision for income tax computed based on income before income tax at the statutory income tax rates to the provision for income tax shown in the consolidated statements of income is as follows:

	2022	2021	2020
		(In Thousands)	
Provision for income tax at statutory income tax rate from:			
Continuing operations	**₱9,150,899**	₱6,815,555	₱6,475,984
Discontinued operations	**–**	–	26,400
	9,150,899	6,815,555	6,502,384
Adjustments resulting from:			
Nontaxable income	**(5,039,157)**	(3,524,312)	(643,033)
Equity in net earnings of associates	**(4,023,644)**	(4,505,295)	(5,284,472)
Non-deductible expenses	**2,712,313**	8,694,202	5,936,027
NOLCO and other deductible temporary differences for which no deferred income tax assets were recognized in current year	**2,567,494**	2,592,694	(582,527)

(Forward)

	2022	2021	2020
		(In Thousands)	
Income subjected to final tax	**(₱882,010)**	(₱2,581,817)	(₱6,424,101)
Effect of availment of ITH	−	(35,963)	(47,490)
Change in tax rate	−	(77,224)	−
Others	**1,452,695**	(956,094)	(128,708)
Provision for income tax	**₱5,938,590**	₱6,421,746	(₱671,920)

e. Impact of CREATE Law

Applying the provisions of the CREATE Law, the Group is subjected to lower regular corporate income tax rate of 25.00% effective July 1, 2020. The following are the impact of CREATE in the 2021 financial statements of the Group:

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates applicable to the Group for the taxable year 2020 is 27.50% and 1.50%, respectively. This resulted in reduction in the current income tax due for the taxable year 2020 amounting to ₱374.0 million for the Group. The reduced amounts were reflected in the 2020 Annual Income Tax Returns filed in 2021. For financial reporting purposes, such reductions in the 2020 current income taxes were recognized in the 2021 financial statements as reduction to 2021 income tax expense.

- The deferred tax assets as of December 31, 2021 were also remeasured using the lower RCIT rate of 25.00%. The net decrease in the deferred tax balances amounting to ₱508.1 million for the Group, reduced the provision for deferred tax by ₱507.8 million for the Group, and other comprehensive income by ₱0.3 million for the Group.

There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Act.

30. **Equity**

Capital Stock

Authorized and issued capital stock of the Company are as follows:

Authorized capital stock at ₱1 par value	
At beginning and end of year	25,000,000,000 shares
Issued capital stock at ₱1 par value:	
At beginning and end of year	₱10,821,388,889

a. Capital stock is held by a total of 372 and 377 stockholders as of December 31, 2022 and 2021, respectively.

b. Track record of registration:

Date	Number of Shares Licensed	Issue/Offer Price
August 1948	100,000	₱1.00
November 1958	500,000	1.00
December 1961	1,000,000	1.00
March 1966	2,000,000	1.00
March 1966	6,000,000	1.00
October 1995	247,500,000	1.00
October 2011	398,138,889	4.22
April 2013	1,840,000,000	20.50

In April 2013, LTG issued 1,840.0 million shares for ₱37.7 billion, where excess over par value amounting to ₱35.9 billion was recorded as capital in excess of par. Stock issue costs amounting to ₱1.1 billion were charged against capital in excess of par in 2013. Other offering-related expenses amounting to ₱59.0 million were charged directly to "General and administrative expenses".

Retained Earnings and Dividends

a. The Company's BOD approved the declaration and distribution of the following cash dividends:

Date of declaration	Date of record	Date of payment	Dividend per share	Amount
2022:				
November 18, 2022	December 6, 2022	December 14, 2022	₱0.50	₱5,410,694,440
August 17, 2022	September 2, 2022	September 13, 2022	0.30	3,246,416,667
May 17, 2022	May 31, 2022	June 13, 2022	0.30	3,246,416,667
March 16, 2022	March 30, 2022	April 8, 2022	0.30	3,246,416,667
				₱15,149,944,441
2021:				
November 19, 2021	December 6, 2021	December 13, 2021	₱0.60	₱6,492,833,333
June 11, 2021	June 25, 2021	July 7, 2021	0.24	2,597,133,333
March 17, 2021	March 31, 2021	April 12, 2021	0.24	2,597,133,334
				₱11,687,100,000
2020:				
November 23, 2020	December 9, 2020	December 14, 2020	₱0.15	₱1,623,208,334
August 14, 2020	September 2, 2020	September 8, 2020	0.23	2,488,919,445
May 22, 2020	June 8, 2020	June 17, 2020	0.43	4,653,197,222
				₱8,765,325,001

b. Retained earnings include undistributed earnings amounting to ₱154.1 billion, ₱141.7 billion and ₱98.1 billion as of December 31, 2022, 2021 and 2020, respectively, representing accumulated earnings of subsidiaries and equity in net earnings of associates and joint ventures, which are not available for dividend declaration until received in the form of dividends from the combining entities and associates. Retained earnings available for dividend declaration as at December 31, 2022 amounted to ₱44.6 billion.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury (shares of stock of the company held by subsidiaries), unrealized foreign exchange gains except those attributable to cash and cash equivalents, fair value adjustment or gains arising from mark-to-market valuation, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of December 31, 2022 and 2021.

Preferred Shares of Subsidiaries issued to Parent Company

On March 20, 2013, the respective BOD's and stockholders of various Bank Holding Companies approved the increase in their authorized capital stocks comprising of common shares and preferred shares with par value of ₱1.00 per share. The preferred shares were subscribed by Tangent through conversion of its advances into investments in certain Bank Holding Companies (see Note 22).

Upon approval of the Philippine SEC of the increase in authorized capital stock of Bank Holding Companies on various dates in October, November and December 2013, preferred shares amounting to ₱7.4 billion presented under "Preferred shares of subsidiary issued to Parent Company" were issued to Tangent. Unissued preferred shares amounting to ₱6.0 billion which are pending approval of the Philippine SEC are presented under "Deposit for future stock subscription" as of December 31, 2013. Upon approval of the Philippine SEC on various dates in 2014, the remaining preferred shares of ₱6.0 billion and additional conversion of advances to preferred shares during the year of ₱4.7 billion were issued to Tangent.

In 2020, preferred shares of the subsidiary issued to Tangent amounting to ₱18.1 billion were redeemed.

The preferred shares have the following features: non-voting, non-cumulative and non-participating as to dividends, non-redeemable for a period of seven years from the issuance and redeemable at the option of the Bank Holding Companies after seven years from the issuance thereof.

Other Equity Reserves

Other equity reserves as at December 31 consist of:

	2022	2021
	(In Thousands)	
Equity adjustments arising from business combination under common control (Note 1)	**₱445,113**	₱445,113
Equity adjustments from sale of the Company's shares of stock held by a subsidiary	**(6,448,518)**	(6,448,518)
Equity adjustment in aggregate reserves on life insurance policies	**121,217**	(309,361)
Effect of transaction with non-controlling interest	**66,658**	66,658
Effect of sale of a subsidiary to Company	**99,655**	99,655
Effect of sale of direct interest in a subsidiary	**186,572**	186,572
	(₱5,529,303)	(₱5,959,881)

Shares of Stock of the Company Held by Subsidiaries

Shares held by subsidiaries include 4.9 million shares owned by All Seasons amounting to ₱12.5 million as of December 31, 2022 and 2021. As of December 31, 2011, Saturn owned 76.5 million shares of the Company. On July 25, 2012, the shares of stocks owned by Saturn were sold to Tangent at ₱4.50 per share. As a result, the excess of the selling price over the cost of the treasury shares amounting to ₱193.2 million is presented as an addition to other equity reserves.

Non-controlling Interests

Below are the changes in non-controlling interests:

	2022	2021	2020
	(In Thousands)		
Balance as of January 1	**₱73,465,271**	₱70,124,342	₱67,086,030
Net income attributable to non-controlling interests	**5,527,606**	614,622	1,304,120
Share in other comprehensive income, net of deferred income tax effect:			
Net change in aggregate reserves on life insurance policies	**331,912**	128,239	(457,555)
Remeasurement gains (losses) on defined benefit plans (Notes 2 and 23)	**(364,996)**	124,792	(342,880)
Revaluation increment on property plant and equipment	**(21,229)**	(243,897)	(274,064)
Cumulative translation adjustments	**353,050**	341,939	(127,530)
Net changes in financial assets at FVOCI (Note 7)	**(2,287,612)**	(1,635,861)	(85,398)
Reserves of disposal group classified as held for sale	**–**	–	394,197
Dividends received	**–**	–	(85,645)
Acquisition of shares of subsidiaries from the Controlling Shareholders	**330,235**	441,157	2,376,784
Other equity reserves	**482,580**	3,569,938	336,283
Balance as of December 31	**₱77,816,817**	₱73,465,271	₱70,124,342

31. **Basic/Diluted Earnings Per Share**

The following tables reflect the net income and share data used in the earnings per share computations:

Basic/diluted earnings per share were calculated as follows:

	2022	2021	2020
	(In Thousands)		
Net income attributable to equity holders of the Company	**₱25,137,400**	₱20,246,467	₱21,021,996
Divided by weighted-average number of shares	**10,821,389**	10,821,389	10,821,389
Basic/diluted EPS for net income attributable to equity holders of the Company	**₱2.32**	₱1.87	₱1.94

Net income from continuing operations is attributable to:

	2022	2021	2020
	(In Thousands)		
Equity holders of the Company	**₱25,137,400**	₱20,234,820	₱20,983,832
Non-controlling interests	**–**	11,647	38,164
	₱25,137,400	₱20,246,467	₱21,021,996

Earnings per share attributable to equity holders of the Company from continuing operations:

	2022	2021	2020
		(In Thousands)	
Net income from continuing operations attributable to equity holders of the Company	**₱25,137,400**	₱20,234,820	₱20,983,832
Divided by weighted-average number of shares	**10,821,389**	10,821,389	10,821,389
Basic/diluted EPS for net income from continuing operations attributable to equity holders of the Company	**₱2.32**	₱1.87	₱1.94

There are no potential common shares with dilutive effect on the basic earnings per share in 2022, 2021 and 2020.

32. Financial Risk Management Objectives and Policies

The Group's financial risk management strategies are handled on a group-wide basis, side by side with those of the other related companies within the Group. The Group's management and the BOD of the various companies comprising the Group review and approve policies for managing these risks. Management closely monitors the funds and financial transactions of the Group.

Financial Risk Management Objectives and Policies of the Banking Segment

Risk Management Framework

The banking segment's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the banking segment's BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by the banking segment's senior management.

The banking segment's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the banking segment's continuing profitability.

The banking segment defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Bank's capital position to drop below its desired level resulting in either a ₱13.3 billion increase in risk-weighted assets or a ₱1.7 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

Resulting from the assessments based on the premise identified above, the banking segment's Parent Bank agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2020-2022, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the Internal Capital Adequacy Assessment Process (ICAAP) document and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:
1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:
4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Cyber Security Risk

The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:

- implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- establishing recommended limits based on the results of its analysis of exposures.

Credit Risk
For the banking segment, credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The banking segment manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial sector and credit management sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the bank segment in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the Capital Adequacy Ratio (CAR) report;

- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;
- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify the following: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The bank segment follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward looking conditions.

Credit-related commitments
The exposures represent guarantees, standby letters of credit (LCs) issued by the banking segment's Parent Bank and documentary/commercial LCs which are written undertakings by banking segment's Parent Bank. To mitigate this risk, the banking segment's Parent Bank requires hard collaterals for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Collateral and other credit enhancement
As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The banking segment follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Sector which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The banking segment is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group's banking segment is shown below:

	2022			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
		(In Millions)		
Securities held under agreements to resell	**₱64,524**	**₱64,334**	**₱190**	**₱64,334**
Loans and receivables:				
Receivables from customers*:				
Corporates	**516,316**	**289,978**	**425,412**	**90,904**
Local government units (LGU)	**2,771**	**–**	**2,771**	**–**
Credit Cards	**13,094**	**–**	**13,094**	**–**
Retail small and medium enterprises (SME)	**4,735**	**3,594**	**2,822**	**1,913**
Housing Loans	**24,241**	**37,043**	**7,119**	**17,122**
Auto Loans	**5,570**	**11,421**	**1,765**	**3,805**
Others	**11,393**	**4,991**	**8,437**	**2,956**
Other receivables	**14,980**	**–**	**14,980**	**–**
	₱657,624	**₱411,361**	**₱476,590**	**₱181,034**

**Receivables from customers exclude residual value of the leased asset (Note 8).*

	2021			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
		(In Millions)		
Securities held under agreements to resell	₱15,797	₱15,800	₱–	₱15,797
Loans and receivables:				
Receivables from customers*:				
Corporates	527,719	247,962	429,892	97,827
LGU	4,241	–	4,241	–
Credit Cards	10,749	–	10,749	–
Retail SME	7,523	6,972	5,716	1,807
Housing Loans	27,485	7,264	25,913	1,572
Auto Loans	7,286	6,739	3,946	3,340
Others	7,887	7,711	6,632	1,255
Other receivables	13,339	–	13,339	–
	₱622,026	₱292,448	₱500,428	₱121,598

**Receivables from customers exclude residual value of the leased asset (Note 8).*

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others.

Credit risk concentration
The banking segment's credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The banking segment analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and investment securities. To mitigate risk concentration, the banking segment constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty

For each CRR, the banking segment sets limits per client or counterparty based on the regulatory Single Borrowers Limit. For trading and investment securities, the banking segment limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration

The table below shows the banking segment's credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	2022			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
	(In Millions)			
Philippines	**₱552,598**	**₱237,143**	**₱120,953**	**₱910,694**
Asia (excluding the Philippines)	**26,641**	**21,914**	**36,746**	**85,301**
United Kingdom	**8,865**	**6,709**	**22,039**	**37,613**
USA and Canada	**2,096**	**8,378**	**13,190**	**23,664**
Other European Union Countries	**2,079**	**–**	**8,655**	**10,734**
Middle East	**524**	**1,855**	**10**	**2,389**
Oceania	**66**	**–**	**3**	**69**
	₱592,869	**₱275,999**	**₱201,596**	**₱1,070,464**

**Loans and receivables exclude residual value of the leased asset*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets'*

	2021			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
	(In Millions)			
Philippines	₱556,479	₱200,907	₱176,809	₱934,195
Asia (excluding the Philippines)	29,779	43,637	39,214	112,630
USA and Canada	8,202	18,728	16,566	43,496
United Kingdom	1,820	5,318	2,477	9,615
Other European Union Countries	8,356	21	1,062	9,439
Middle East	924	–	145	1,069
Oceania	668	–	3	671
	₱606,228	₱268,611	₱236,276	₱1,111,115

**Loans and receivables exclude residual value of the leased asset*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets'*

c. Concentration by Industry

The tables in the next page show the industry sector analysis of the banking segment's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	2022			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*** **	**Total**
	(In Millions)			
Primary target industry:				
Financial intermediaries	**₱119,770**	**₱19,521**	**₱73,231**	**₱212,522**
Wholesale and retail	**87,945**	**–**	**–**	**87,945**
Electricity, gas and water	**77,714**	**9,306**	**–**	**87,020**
Manufacturing	**59,847**	**167**	**–**	**60,014**
Transport, storage and communication	**40,563**	**–**	**–**	**40,563**
Agriculture, hunting and forestry	**5,193**	**–**	**–**	**5,193**
Public administration and defense	**1,627**	**–**	**–**	**1,627**
Secondary target industry:				
Government	**2,795**	**196,640**	**127,598**	**327,033**
Real estate, renting and business activities	**92,958**	**14,283**	**14**	**107,255**
Construction	**27,006**	**–**	**–**	**27,006**
Others**	**77,452**	**36,081**	**753**	**114,286**
	₱592,870	**₱275,998**	**₱201,596**	**₱1,070,464**

* *Loans and receivables exclude residual value of the leased asset (Note 8).*
** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
*** *Other financial assets include the following financial assets: "Due from BSP", "Due from other banks", "Interbank loans receivable", "Securities held under agreements to resell" and other financial assets booked under "Other Assets".*

	2021			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
	(In Millions)			
Primary target industry:				
Financial intermediaries	₱126,159	₱43,483	₱53,561	₱223,203
Wholesale and retail	86,433	–	–	86,433
Electricity, gas and water	72,426	10,303	–	82,729
Transport, storage and communication	51,693	4	–	51,697
Manufacturing	46,915	130	–	47,045
Agriculture, hunting and forestry	8,271	–	–	8,271
Public administration and defense	6,409	–	–	6,409
Secondary target industry:				
Government	4,240	159,001	182,319	345,560
Real estate, renting and business activities	95,268	13,730	–	108,998
Construction	26,281	–	–	26,281
Others**	82,133	41,961	396	124,490
	₱606,228	₱268,612	₱236,276	₱1,111,116

* *Loans and receivables exclude residual value of the leased asset (Note 8).*
** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
*** *Other financial assets include the following financial assets: "Due from BSP", "Due from other banks", "Interbank loans receivable", "Securities held under agreements to resell" and other financial assets booked under "Other Assets".*

The internal limit of the banking segment based on the Philippine Standard Industry Classification sub-industry is 12% for priority industry, 8% for regular industry, 30% for power industry and 25% for activities of holding companies versus total loan portfolio.

Credit quality per class of financial assets

Loans and Receivables

The segmentation of the banking segment's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the banking segment's exposures can be categorized as either of the following:

- Non-Retail Portfolio - consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the banking segment's Non-Retail Portfolio segments are as follows: Sovereigns, Financial Institutions, Specialized Lending (e.g., Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs.
- Retail Portfolio - consists of exposures to individual person/s or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar credit risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

The credit quality of the Non-Retail Portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The banking segment's Parent Bank maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

The banking segment developed specific borrower rating models to capture specific and unique risk characteristics of each of the Non-Retail Portfolio segments. The BRR is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well. The banking segment uses a single scale with 26 risk grades for all its borrower risk rating models. The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the banking segment in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9-grades, i.e., FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g., CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the banking segment in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the banking segment's receivables from customers are defined below:

Credit quality	**26-grade CRR system**
High S&P Equivalent Global Rating: AAA to BBB-	*BRR 1 Excellent* Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. *BRR 2 Very Strong* Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. *BRR 3 Strong* Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low.

Credit quality	26-grade CRR system
	BRR 4-6 Good Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low. *BRR 7-9 Satisfactory* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low. *BRR 10-12 Adequate* Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	*BRR 13-15 Average* Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility. *BRR 16-18 Acceptable* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility. *BRR 19-20 Vulnerable* Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility.
Substandard S&P Equivalent Global Rating: B+ to CCC-	*BRR 21-22 Weak* Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility. *BRR 23-25 Watchlist* Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating: D	*BRR 26 Default* Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

For the Retail segment of the portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the banking segment's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
		(In Millions)		
Subject to CRR				
Non-Retail - Corporate				
High	**₱210,563**	**₱–**	**₱–**	**₱210,563**
Standard	**198,910**	**30,732**	**–**	**229,642**
Substandard	**29,953**	**31,164**	**–**	**61,117**
Impaired	**–**	**–**	**26,950**	**26,950**
	439,426	**61,896**	**26,950**	**528,272**
Subject to Scoring & Unrated				
Non-Retail	**2,849**	**11,761**	**1,184**	**15,794**
Corporate	**96**	**11,724**	**1,118**	**12,938**
LGU	**2,753**	**37**	**66**	**2,856**
Retail	**41,072**	**1,411**	**13,920**	**56,403**
Auto Loans	**4,956**	**102**	**1,970**	**7,028**
Housing Loans	**18,930**	**644**	**9,015**	**28,589**
Retail SME	**4,029**	**349**	**2,026**	**6,404**
Credit Card	**13,157**	**316**	**909**	**14,382**
Others	**9,377**	**1,547**	**1,987**	**12,911**
	53,298	**14,719**	**17,091**	**85,108**
	₱492,724	**₱76,615**	**₱44,041**	**₱613,380**

	2021			
	Stage 1	Stage 2	Stage 3	Total
		(In Millions)		
Subject to CRR				
Non-Retail - Corporate				
High	₱213,839	₱–	₱–	₱213,839
Standard	212,873	3,844	–	216,717
Substandard	40,872	21,006	–	61,878
Impaired	–	–	53,191	53,191
	467,584	24,850	53,191	545,625
Subject to Scoring & Unrated				
Non-Retail	10,135	158	2,367	12,660
Corporate	5,919	110	2,299	8,328
LGU	4,216	48	68	4,332
Retail	42,973	1,081	18,383	62,437
Auto Loans	5,943	163	2,733	8,839
Housing Loans	20,002	487	10,429	30,918
Retail SME	6,559	162	2,802	9,523
Credit Card	10,469	269	2,419	13,157
Others	7,520	377	1,198	9,095
	60,628	1,616	21,948	84,192
	₱528,212	₱26,466	₱75,139	₱629,817

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	2022				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
			(In Millions)		
Housing Loans	**₱297**	**₱599**	**₱596**	**₱8,202**	**₱9,694**
Auto Loans	**61**	**75**	**66**	**1,869**	**2,071**
Retail SME	**61**	**21**	**48**	**1,815**	**1,945**
Credit Card	**1**	**103**	**233**	**631**	**968**
LGU	**8**	**–**	**–**	**58**	**66**
Others	**719**	**108**	**50**	**1,254**	**2,131**
Total	**₱1,147**	**₱906**	**₱993**	**₱13,829**	**₱16,875**

	2021				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
			(In Millions)		
Housing Loans	₱463	₱366	₱798	₱9,454	₱11,081
Auto Loans	107	112	180	2,500	2,899
Retail SME	293	147	73	965	1,478
Credit Card	2	77	264	2,093	2,436
LGU	–	–	–	25	25
Others	247	107	112	1,543	2,009
Total	₱1,112	₱809	₱1,427	₱16,580	₱19,928

Trading and Investment Securities and Other Financial Assets
In ensuring quality investment portfolio, PNB uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e., Moody's Investors Service) as follows:

- Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.
- A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.
- Baa1 and below - represents those investments which fall under any of the following grade:
  - Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
  - Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
  - B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
  - Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
  - Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
  - C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the banking segment, excluding receivables from customers, which are monitored using external ratings.

	December 31, 2022					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
			(In Millions)			
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱94,701**	**₱94,701**
Due from other banks	**3,257**	**18,388**	**3,259**	**24,904**	**1,116**	**26,020**
Interbank loans receivables	**1,571**	**2,685**	**–**	**4,256**	**12,036**	**16,292**
Securities held under agreements to resell	**–**	**21,207**	**17,235**	**38,442**	**26,084**	**64,526**
Financial assets at FVOCI						
Government securities	**3,310**	**554**	**114,076**	**117,940**	**–**	**117,940**
Private debt securities	**596**	**252**	**160**	**1,008**	**14,429**	**15,437**
Quoted equity securities	**–**	**–**	**58**	**58**	**734**	**792**
Unquoted equity securities	**–**	**–**	**389**	**389**	**23,632**	**24,021**
Investment securities at amortized cost						
Government securities	**145**	**7,951**	**69,893**	**77,989**	**209**	**78,198**
Private debt securities	**–**	**8,877**	**1,159**	**10,036**	**26,083**	**36,119**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**17,925**	**17,925**

[1/] *'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of PNB.*

[2/] *Loans and receivables - Others is composed of accrued interest receivable, accounts receivable, sales contracts receivable and other miscellaneous receivables, net of allowances (see Note 8)*

	December 31, 2021					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
			(In Millions)			
Due from BSP[1/]	₱–	₱–	₱–	₱–	₱161,002	₱161,002
Due from other banks	3,267	17,610	4,274	25,151	2,082	27,233
Interbank loans receivables	1,840	24,082	1,224	27,146	4,967	32,113
Securities held under agreements to resell	–	–	–	–	15,797	15,797
Financial assets at FVTOCI						
Government securities	6,882	2,789	110,624	120,295	159	120,454
Private debt securities	577	–	590	1,167	21,948	23,115
Quoted equity securities	–	–	48	48	559	607
Unquoted equity securities	–	–	406	406	23,404	23,810
Investment securities at amortized cost:						
Government securities	128	201	33,748	34,077	237	34,314
Private debt securities	670	26,131	2,804	29,605	29,358	58,963
Financial asset at amortized cost:						
Loans and receivables - Others [2/]	–	–	–	–	16,870	16,870

1/ *'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of PNB.*

2/ *Loans and receivables - Others is composed of accrued interest receivable, accounts receivable, sales contracts receivable and other miscellaneous receivables, net of allowances (see Note 8)*

Liquidity Risk and Funding Management

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

The banking segment's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the banking segment's business operations or unanticipated events created by customer behavior or capital market conditions. The banking segment seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the banking segment on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the banking segment's financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
			(In Millions)			
Financial Assets						
COCI	**₱22,218**	**₱–**	**₱–**	**₱–**	**₱–**	**₱22,218**
Due from BSP and other banks	**125,114**	–	–	–	–	**125,114**
Interbank loans receivable	**8,876**	**1,313**	**2,442**	**4,109**	–	**16,740**
Securities held under agreements to resell	**60,878**	**3,784**	–	–	–	**64,662**
Financial assets at FVTPL:						
Government securities	**200**	**1,080**	**296**	**1,054**	**6,650**	**9,280**
Private debt securities	**12**	**21**	**18**	**51**	**3,224**	**3,326**
Equity securities	**3**	–	–	–	–	**3**
Derivative assets:						
Gross contractual receivable	**40,036**	**7,665**	**10,332**	**3,260**	**15**	**61,308**
Gross contractual payable	**(39,051)**	**(7,543)**	**(10,098)**	**(3,240)**	–	**(59,932)**
Financial Assets at FVTOCI:						
Government securities	**87,743**	**3,615**	**9,340**	**9,487**	**141,545**	**251,730**
Private debt securities	**3,418**	**1,165**	**284**	**2,883**	**42,342**	**50,092**
Equity securities	**1,614**	–	–	–	**23,199**	**24,813**
Investment securities at amortized cost						
Government securities	**6,044**	**10,034**	**6,718**	**2,835**	**149,213**	**174,844**
Private debt securities	**1,243**	**6,417**	**11,656**	**10,451**	**37,190**	**66,957**
Financial assets at amortized cost:						
Receivables from customers	**95,929**	**75,908**	**32,256**	**14,027**	**528,529**	**746,649**
Other receivables	**7,227**	**904**	**1,587**	**787**	**8,684**	**19,189**
Other assets	**51**	–	–	–	**19**	**70**
Total financial assets	**₱421,555**	**₱104,363**	**₱64,831**	**₱45,704**	**₱940,610**	**₱1,577,063**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱222,500**	**₱–**	**₱–**	**₱–**	**₱–**	**₱222,500**
Savings *	**359,731**	–	–	–	–	**359,731**
Time and LTNCDs *	**138,446**	**96,586**	**26,247**	**16,416**	**21,788**	**299,483**

(Forward)

	2022					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
			(In Millions)			
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**₱27,156**	**₱38,707**	**₱17,168**	**₱558**	**₱–**	**₱83,589**
Gross contractual receivable	**(26,737)**	**(38,304)**	**(16,952)**	**(556)**	**–**	**(82,549)**
Bills and acceptances payable	**8,335**	**3,571**	**30**	**44**	**3,145**	**15,125**
Bonds payable	**–**	**–**	**17,772**	**686**	**42,883**	**61,341**
Accrued interest payable and accrued other expenses payable	**2,996**	**146**	**167**	**59**	**480**	**3,848**
Other liabilities	**6,530**	**482**	**444**	**983**	**1,785**	**10,224**
Total financial liabilities	**₱738,957**	**₱101,188**	**₱44,876**	**₱18,190**	**₱70,081**	**₱973,292**

** High-yield savings accounts are included under time deposits.*

	December 31, 2021					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
			(In Millions)			
Financial Assets						
COCI	₱27,553	₱–	₱–	₱–	₱–	₱27,553
Due from BSP and other banks	198,068	–	–	–	–	198,068
Interbank loans receivable	19,806	10,716	1,067	568	–	32,157
Securities held under agreements to resell	15,803	–	–	–	–	15,803
Financial assets at FVTPL:						
Government securities	57	18	35	11,386	4,781	16,277
Private debt securities	–	18	176	31	2,580	2,805
Equity securities	17	–	12	24	1,515	1,568
Derivative assets:						
Gross contractual receivable	61,532	14,897	7,910	4,590	13	88,942
Gross contractual payable	(60,680)	(14,705)	(7,645)	(4,535)	–	(87,565)
Financial Assets at FVTOCI:						
Government securities	78,745	4,637	3,109	1,614	148,755	236,860
Private debt securities	3,445	1,412	8,989	854	45,107	59,807
Equity securities	–	8	8	23,006	1,749	24,771
Investment securities at amortized cost						
Government securities	6,362	215	6,969	6,158	54,936	74,640
Private debt securities	5,270	2,318	25,945	33,115	61,667	128,315
Financial assets at amortized cost:						
Receivables from customers	90,898	79,058	45,428	19,183	528,784	763,351
Other receivables	5,776	194	749	163	9,786	16,668
Other assets	136	–	–	1	14	151
Total financial assets	₱452,788	₱98,786	₱92,752	₱96,158	₱859,687	₱1,600,171
Financial Liabilities						
Deposit liabilities:						
Demand	₱219,091	₱–	₱–	₱–	₱–	₱219,091
Savings*	332,015	–	–	–	–	332,015
Time and LTNCDs*	184,258	98,415	19,410	22,530	30,400	355,013
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	20,905	30,667	17,595	255	–	69,422
Gross contractual receivable	(20,620)	(30,260)	(17,395)	(255)	–	(68,530)
Bills and acceptances payable	35,961	12,411	1,156	2,419	1,038	52,985
Bonds payable	–	–	952	952	55,263	57,167
Accrued interest payable and accrued other expenses payable	1,380	420	439	75	422	2,736
Other liabilities	6,022	1,092	277	314	2,389	10,094
Total financial liabilities	₱779,012	₱112,745	₱22,434	₱26,290	₱89,512	₱1,029,993

** High-yield savings accounts are included under time deposits.*

BSP Reporting for Liquidity Positions and Leverage
To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the banking segment computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2022 and 2021, LCR reported to the BSP with certain adjustments is 246.25% and 188.31%, respectively.

The banking segment also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2022 and 2021, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2022	2021
Available stable funding	**₱852,706**	₱867,468
Required stable funding	**621,402**	630,819
NSFR	**137.22%**	137.51%

Market Risks
Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the banking segment's trading and structural portfolios.

Trading Market Risk
Trading market risk exists in the banking segment as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The banking segment is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risk in the trading portfolio, the banking segment uses the Value-at-Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation methodology (with 99% confidence level) to measure the banking segment's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 400-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the banking segment's BOD. The VaR figures are back-tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are also reported to the ROC.

The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be under estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

The validity of the assumptions underlying the banking segment's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The banking segment adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The banking segment uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results.

For the years 2022 and 2021, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99.00% confidence level. Nonetheless, closer monitoring and regular review of the model's parameters and assumptions are being conducted.

To complement the VaR approximations, the banking segment conducts stress testing on a quarterly basis, the results of which are being reported to the banking segment's BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

Since VaR is an integral part of the banking segment's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the banking segment. VaR is computed on an undiversified basis; hence, the banking segment does not consider the correlation effects of the three trading portfolios.

The table below show the trading VaR:

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
		(In Millions)		
December 29, 2022	**₱1.98**	**₱130.50**	**₱0.00**	**₱132.48**
Average Daily	**6.77**	**161.09**	**0.00**	**167.09**
Highest	**25.45**	**889.57**	**0.00**	**895.51**
Lowest	**0.87**	**118.10**	**0.00**	**131.61**
December 29, 2021	3.67	87.21	42.28	133.17
Average Daily	6.93	401.78	39.50	448.21
Highest	24.90	670.75	48.48	701.79
Lowest	0.88	87.21	23.49	133.17

** FX VaR is the bankwide foreign exchange risk*
*** The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Non-trading Market Risk

Interest rate risk
The banking segment seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the banking segment to interest rate risk. PNB measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the banking segment an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Group BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the banking segment:

	2022					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
			(In Millions)			
Financial Assets*						
Due from BSP and other banks	**₱57,045**	**₱12,538**	**₱3,792**	**₱7,079**	**₱40,258**	**₱120,712**
Interbank loans receivable and securities held under agreements to resell	**69,846**	**4,826**	**2,119**	**4,023**	**–**	**80,814**
Receivables from customers and other receivables - gross**	**38,027**	**45,573**	**34,155**	**35,260**	**188,412**	**341,427**
Total financial assets	**₱164,918**	**₱62,937**	**₱40,066**	**₱46,362**	**₱228,670**	**₱542,953**

	2022					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
			(In Millions)			
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱114,431**	**₱82,874**	**₱27,877**	**₱50,253**	**₱244,506**	**₱519,941**
Time***	**57,117**	**30,219**	**11,044**	**9,461**	**4,273**	**112,114**
Bonds payable	**–**	**–**	**16,697**	**–**	**41,742**	**58,439**
Bills and acceptances payable	**9,383**	**3,640**	**17**	**370**	**1,570**	**14,980**
Total financial liabilities	**₱180,931**	**₱116,733**	**₱55,635**	**₱60,084**	**₱292,091**	**₱705,474**
Repricing gap	**(₱16,013)**	**(₱53,796)**	**(₱15,569)**	**(₱13,722)**	**(₱63,421)**	**(₱162,521)**
Cumulative gap	**(16,013)**	**(69,809)**	**(85,378)**	**(99,100)**	**(162,521)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 8).*
****Excludes LTNCD.*

	2021					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
			(In Millions)			
Financial Assets*						
Due from BSP and other banks	₱125,574	₱12,581	₱4,001	₱7,196	₱38,758	₱188,110
Interbank loans receivable and securities held under agreements to resell	34,549	10,772	1,466	1,115	–	47,902
Receivables from customers and other receivables - gross**	128,716	64,305	18,405	30,948	103,945	346,319
Total financial assets	288,839	87,658	23,872	39,259	142,703	582,331
Financial Liabilities*						
Deposit liabilities:						
Savings	135,672	68,263	23,806	49,986	220,894	498,621
Time***	93,532	43,040	4,788	3,236	7,134	151,730
Bonds payable	–	–	–	–	53,383	53,383
Bills and acceptances payable	42,931	8,030	44	260	1,689	52,954
Total financial liabilities	₱272,135	₱119,333	₱28,638	₱53,482	₱283,100	₱756,688
Repricing gap	₱16,704	(₱31,675)	(₱4,566)	(₱14,223)	(₱140,397)	(₱174,157)
Cumulative gap	16,704	(14,972)	(19,537)	(33,760)	(174,156)	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 8).*
****Excludes LTNCD.*

The following table sets forth, for the year indicated, the impact of changes in interest rates on the banking segment's repricing gap for the years ended December 31:

	2022		2021	
	Income Before Income Tax	**Equity**	Income Before Income Tax	Equity
		(In Millions)		
+50bps	**(₱353)**	**(₱353)**	(₱76)	(₱76)
-50bps	**353**	**353**	76	76
+100bps	**(705)**	**(705)**	(152)	(152)
-100bps	**705**	**705**	152	152

As one of the long-term goals in the risk management process, the banking segment has also implemented the adoption of the economic value approach in measuring the impact of the interest rate risk in the banking books to complement the earnings at risk approach using the modified duration approach. Cognizant of this requirement, the the banking segment has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

Foreign currency risk
Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The banking segment takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the banking segment's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the banking segment's Parent Bank and foreign currency-denominated borrowings appearing in the regular books of the banking segment's Parent bank.

Foreign currency deposits are generally used to fund the banking segment's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the banking segment's Parent Bank has additional foreign currency assets and liabilities in its foreign branch network.

The banking segment's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The banking segment believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the banking segment is involved.

The table below summarizes the banking segment's exposure to foreign exchange rate risk. Included in the table are the financial assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine peso equivalent).

	December 31, 2022			December 31, 2021		
	USD	**Others***	**Total**	USD	Others*	Total
			(In Millions)			
Assets						
COCI and due from BSP	**₱84**	**₱221**	**₱305**	₱215	₱494	₱709
Due from other banks	**15,808**	**6,252**	**22,060**	14,160	4,403	18,563
Interbank loans and securities held under agreements to resell	**1,056**	**1,963**	**3,019**	1,824	2,314	4,138
Loans and receivables	**27,846**	**9,648**	**37,494**	27,523	11,002	38,525
Financial Assets at FVTPL	**1**	**2**	**3**	171	2	173
Financial Assets at FVTOCI	**837**	**1,359**	**2,196**	520	1,570	2,090
Financial assets at amortized cost	**145**	**512**	**657**	134	175	309
Other assets	**123**	**1,120**	**1,243**	5,820	1,224	7,044
Total assets	**45,900**	**21,077**	**66,977**	50,367	21,184	71,551
Liabilities						
Deposit liabilities	**8,239**	**7,994**	**16,233**	8,006	7,778	15,784
Derivative liabilities				–	–	–
Bills and acceptances payable	**11,984**	**17**	**12,001**	49,118	277	49,395
Accrued taxes, interest and other expenses	**93**	**82**	**175**	53	14	67
Other liabilities	**26,256**	**2,200**	**28,456**	1,115	2,211	3,326
Total liabilities	**46,572**	**10,293**	**56,865**	58,292	10,280	68,572
Net Exposure	**(₱672)**	**₱10,784**	**₱10,112**	(₱7,925)	₱10,904	₱2,979

* *Other currencies include UAE Dirham (AED,) Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), PHP, Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso were ₱55.76 to US$1.00 as of December 31, 2022 and ₱51.00 to US$1.00 as of December 31, 2021.

The following tables set forth the impact of the range of reasonably possible changes in the USD:PHP exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2022 and 2021:

	2022		2021	
	Income Before Income Tax	**Equity**	Income Before Income Tax	Equity
		(In Millions)		
+1.00%	**(₱15)**	**(₱7)**	(₱84)	(₱79)
-1.00%	**15**	**7**	84	79

The Group does not expect the impact of the volatility on other currencies to be material.

Financial Risk Management Objectives and Policies of the Companies in the Group other than the Banking Segment

Risk Management Strategies
The Group's principal financial instruments comprise of short-term and long-term debts and COCI. The main purpose of these financial instruments is to ensure adequate funds for the Group's operations and capital expansion. Excess funds are invested in available-for-sale financial assets with a view to liquidate these to meet various operational requirements when needed. The Group has various other financial assets and financial liabilities such as receivables and accounts payable and accrued expenses which arise directly from its operations.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risks (consisting of foreign exchange risk, interest rate risk and equity price risk).

Credit Risk
The Group manages its credit risk by transacting with counterparties of good financial condition and selecting investment grade securities. The Group trades only with recognized, creditworthy third parties. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. Management closely monitors the fund and financial condition of the Group.

In addition, credit risk of property development segment is managed primarily through analysis of receivables on a continuous basis. The credit risk for contracts receivables is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

Concentration risk
Concentrations arise when a number of counterparties are engaged in similar business activities having similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

Concentration risk per business segment could arise on the following:

- Distilled spirits segment's annual sales pertain mainly to two trusted parties with sales to them comprising about 99% of the total segment revenue.
- Beverage segment annual sales pertain mainly to 13 parties with sales to them comprising about 100% of the total beverage sales.
- Tobacco and property development segments are not exposed to concentration risk because it has diverse base of counterparties.

Credit quality per class of financial assets
"Standard grade" accounts consist of financial assets from trusted parties with good financial condition. "Substandard grade" accounts, on the other hand, are financial assets from other counterparties with relatively low defaults. The Group did not regard any financial asset as "high grade" in view of the erratic cash flows or uncertainty associated with the financial instruments. "Past due but not impaired" are items with history of frequent default, nevertheless, the amount due are still collectible. Lastly, "Impaired financial assets" are those that are long-outstanding and have been provided with allowance for doubtful accounts.

Set out below is the information about the credit risk exposure on the Group's financial assets using provision matrix (in millions):

As of December 31, 2022:

			Trade and other receivables					
	Cash in Banks	**Due from related parties**	**Current**	**Days past due < 30 days**	**30-60 days**	**61-90 days**	**> 90 days**	**Total**
Expected credit loss rate	**–%**	**–%**	**0.13% - 82.00%**	**0.13% - 78.9%**	**0.13% - 36.00%**	**0.13% - 93.06%**	**5.00% - 47.00%**	
Estimated total gross carrying amount at default	**₱224.7**	**₱3,556.5**	**₱8,240.8**	**₱2,633.9**	**₱2,846.8**	**₱1,704.5**	**₱3,652.6**	**₱19,078.6**
Expected credit loss	**₱–**	**₱–**	**₱1.0**	**₱19.4**	**₱16.3**	**₱70.9**	**₱369.4**	**₱477.0**

As of December 31, 2021:

			Trade and other receivables					
	Cash in banks	Due from related parties	Current	Days past due < 30 days	30-60 days	61-90 days	> 90 days	Total
Expected credit loss rate	–%	–%	0.13% - 82.00%	0.13% - 78.9%	0.13% - 36.00%	0.13% - 93.06%	5.00% - 47.00%	
Estimated total gross carrying amount at default	₱265.1	₱7,685.5	₱6,760.4	₱2,160.7	₱2,335.4	₱1,398.3	₱2,996.4	₱15,651.2
Expected credit loss	₱–	₱–	₱0.5	₱10.0	₱8.4	₱36.6	₱190.6	₱246.1

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

The Group's objective is to maintain a balance between continuity of funding and sourcing flexibility through the use of available financial instruments. The Group manages its liquidity profile to meet its working and capital expenditure requirements and service debt obligations. As part of the liquidity risk management program, the Group regularly evaluates and considers the maturity of its financial assets (e.g., trade receivables, other financial assets) and resorts to short-term borrowings whenever its available cash or matured placements is not enough to meet its daily working capital requirements. To ensure availability of short-term borrowings, the Group maintains credit lines with banks on a continuing basis.

The Group relies on budgeting and forecasting techniques to monitor cash flow concerns. The Group also keeps its liquidity risk minimum by prepaying, to the extent possible, interest bearing debt using operating cash flows.

The following tables show the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as well as the financial assets used for liquidity management *(in millions)*:

	2022			2021		
	< 1 year	**1 to 3 years**	**Total**	< 1 year	1 to 3 years	Total
Financial assets:						
Cash and other cash items	**₱224,745**	**₱–**	**₱224,745**	₱265,139	₱–	₱265,139
Trade receivables	**19,079**	**–**	**19,079**	15,651	–	15,651
Other receivables	**4,468**	**–**	**4,468**	3,312	–	3,312
Due from related parties	**3,556**	**–**	**3,556**	7,686	–	7,686
Refundable deposits	**177**	**–**	**177**	8	–	8
Financial assets at FVTPL	**7,379**	**–**	**7,379**	11,205	–	11,205
	₱259,404	**₱–**	**₱259,404**	₱303,001	₱–	₱303,001
Financial liabilities:						
Short term debts	**₱4,490**	**₱–**	**₱4,490**	₱3,940	₱–	₱3,940
Accounts payable and other liabilities*	**19,697**	**–**	**19,697**	16,357	–	16,357
Long-term debts	**20,400**	**46,312**	**66,712**	3,597	59,046	62,643
Due to related parties	**50**	**–**	**50**	65	–	65
Other liabilities	**10,376**	**8,464**	**18,840**	9,381	9,040	18,421
	₱55,013	**₱54,776**	**₱109,789**	₱33,340	₱68,086	₱101,426

**Excluding non-financial liabilities amounting to ₱2,158 million and ₱1,758 million as of December 31, 2022 and 2021, respectively.*

Market Risks of the Group other than the Banking Segment

The Group's operating, investing, and financing activities are directly affected by changes in foreign exchange rates and interest rates. Increasing market fluctuations in these variables may result in significant equity, cash flow and profit volatility risks for the Group. For this reason, the Group seeks to manage and control these risks primarily through its regular operating and financing activities.

Management of financial market risk is a key priority for the Group. The Group generally applies sensitivity analysis in assessing and monitoring its market risks. Sensitivity analysis enables management to identify the risk position of the Group as well as provide an approximate quantification of the risk exposures. Estimates provided for foreign exchange risk, cash flow interest rate risk, price interest rate risk and equity price risk are based on the historical volatility for each market factor, with adjustments being made to arrive at what the Group considers to be reasonably possible.

Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of changes in the levels of equity indices and value of individual stocks. In 2022, 2021 and 2020, changes in fair value of equity instruments held as equity instruments at FVTOCI due to a reasonable possible change in equity interest, with all other variables held constant, will increase profit by ₱110.1 million, ₱108.8 million and ₱209.7 million, respectively, if equity prices will increase by 5.3%, 5.3% and 14.8%, respectively. An equal change in the opposite direction would have decrease equity by the same amount.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. As of December 31, 2022 and 2021, the Group's long-term debts are not exposed to the risk in changes in market interest rates since the debts are issued at fixed rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly at interval of three months or six months.

Foreign currency risk
The non-banking segment of the Group is not significantly affected by foreign currency risk since the Group has no significant foreign currency transactions.

33. Offsetting of Financial Assets and Financial Liabilities

The Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

Financial assets recognized at end of reporting period by type	Gross carrying Amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the consolidated statement of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of Financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
			(In Thousands)			
December 31, 2022:						
Derivative assets (Notes 6 and 21)	**₱61,149,066**	**(₱59,787,115)**	**₱1,361,951**	**₱73,039**	**₱–**	**₱1,288,912**
Securities sold under agreements to repurchase (Note 5)	**64,523,863**	**–**	**64,523,863**	**–**	**64,334,349**	**189,514**
	₱125,672,929	**(₱59,787,115)**	**₱65,885,814**	**₱73,039**	**₱64,334,349**	**₱1,478,426**
December 31, 2021:						
Derivative assets (Notes 6 and 21)	₱88,929,845	(₱87,564,794)	₱1,365,051	₱240,111	₱–	₱1,124,940
Securities sold under agreements to repurchase (Note 5)	15,796,673	–	15,796,673	–	(16,084,357)	–
	₱104,726,518	(₱87,564,794)	₱17,161,724	₱240,111	(₱16,084,357)	₱1,124,940

Financial liabilities

Financial assets recognized at end of reporting period by type	Gross carrying Amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the consolidated statement of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of Financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
			(In Thousands)			
December 31, 2022:						
Derivative liabilities (Notes 16 and 21)	**₱70,051,569**	**(₱69,011,793)**	**₱1,039,776**	**₱456,745**	**₱–**	**₱583,031**
Securities sold under agreements to repurchase (Note 8)*	**6,595,689**	**–**	**6,595,689**	**–**	**7,981,190**	**–**
Total	**₱76,647,258**	**(₱69,011,793)**	**₱7,635,465**	**₱456,745**	**7,981,190**	**₱583,031**
December 31, 2021:						
Derivative liabilities (Notes 16 and 21)	₱70,313,430	(₱69,421,899)	₱891,531	₱49,120	₱–	₱842,411
Securities sold under agreements to repurchase (Note 8)*	38,494,178	–	38,494,178	–	38,336,528	157,650
Total	₱108,807,608	(₱69,421,899)	₱39,385,709	₱49,120	₱38,336,528	₱1,000,061

** Included in bills and acceptances payable in the consolidated statement of financial position.*

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

34. Fair Value Measurement

The Group has assets and liabilities that are measured at fair value on a recurring and non-recurring basis in the consolidated statements of financial position after initial recognition. Recurring fair value measurements are those that another PFRSs requires or permits to be recognized in the consolidated statements of financial position at the end of each reporting period. These include financial assets and liabilities at FVTPL and FVTOCI. Non-recurring fair value measurements are those that another PFRSs requires or permits to be recognized in the consolidated statement of financial position in particular circumstances. These include land and land improvements, buildings and building improvements and machineries and equipment measured at revalued amount and investment properties measured at cost but with fair value measurement disclosure.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties, land and land improvements, plant buildings and building improvements and machineries and equipment. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

As of December 31, the carrying values of the Group's financial assets and liabilities approximate their respective fair values, except for the following financial instruments:

	2022		2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	(In Thousands)			
Financial Assets:				
Financial assets at amortized cost	**₱110,467,960**	**₱111,403,001**	₱89,455,843	₱94,871,927
Loans and receivables:				
Receivables from customers	**597,198,888**	**629,572,434**	597,979,601	635,709,624
	₱707,666,848	**₱740,975,435**	₱687,435,444	₱730,581,551
Financial Liabilities:				
Financial liabilities at amortized cost:				
Deposit liabilities:				
Time deposits	**₱112,113,308**	**₱112,113,308**	₱151,729,554	₱151,729,554
Bills payables	**7,702,325**	**7,625,229**	45,843,901	45,860,995
Long-term debts:				
Unsecured term loan	**3,255,346**	**3,255,346**	4,115,867	4,115,867
Bonds payable	**58,439,097**	**56,833,468**	53,383,421	54,724,962
LTNCD	**19,130,012**	**18,922,562**	28,245,390	28,314,622
Other liabilities:				
Payable to landowners	**1,061,191**	**1,061,191**	1,061,191	1,061,191
Tenants' rental deposits	**487,342**	**487,342**	411,502	411,502
	₱202,188,621	**₱200,298,446**	₱284,790,826	₱286,218,693

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

Cash equivalents. Carrying amounts approximate fair values due to the relatively short-term maturity of these investments.

Debt securities. Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are obtained from independent parties offering pricing services, estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities. Fair values of quoted equity securities are based on quoted market prices. While fair values of unquoted equity securities are the same as the carrying value since the fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Loans and receivables. For loans with fixed interest rates, fair values are estimated by discounted cash flow methodology, using the Group's current market lending rates for similar types of loans. For loans with floating interest rates, with repricing frequencies on a quarterly basis, the Group assumes that the carrying amount approximates fair value.

Liabilities. Except for time deposit liabilities, subordinated debt, bonds payable, unsecured term loans, notes payable, payable to landowners, tenants' rental deposits and advance rentals, the carrying values approximate fair values due to either the presence of a demand feature or the relatively short-term maturities of these liabilities.

Derivative instruments. Fair values are estimated based on quoted market prices or acceptable valuation models.

Time deposit liabilities, bills payable with long term maturity and subordinated debt including designated at FVTPL. Fair value is determined using the discounted cash flow methodology.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following assets and liabilities measured at fair value and at cost but which fair values are disclosed and their corresponding level in fair value hierarchy:

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
		(In Thousands)		
Assets measured at fair value:				
Financial assets				
Financial assets at FVTPL:				
Held-for-trading:				
Government securities	**₱27,009**	**₱4,344,662**	**₱–**	**₱4,371,671**
Derivative assets	–	**1,361,951**	–	**1,361,951**
Private debt securities	**146,495**	**1,464,186**	–	**1,610,681**
Equity securities	**2,898**	–	–	**2,898**
Designated at FVTPL:				
Investment in UITFs	–	**31,925**	–	**31,925**
Financial assets at FVTOCI:				
Government securities	**55,867,413**	**62,072,370**	–	**117,939,783**
Private debt securities	**233,298**	**1,128,254**	**23,451,320**	**24,812,872**
Equity securities**	**244,224**	**15,186,646**	–	**15,430,870**
	₱56,521,337	**₱85,589,994**	**₱23,451,320**	**₱165,562,651**
Non-financial assets				
Property, plant and equipment***				
Land and land improvements	**₱–**	**₱–**	**₱44,192,860**	**₱44,192,860**
Plant buildings and building improvements	–	–	**4,286,042**	**4,286,042**
Machineries and equipment	–	–	**10,026,091**	**10,026,091**
	₱–	**₱–**	**₱58,504,993**	**₱58,504,993**

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
		(In Thousands)		
Liabilities measured at fair value:				
Financial liabilities				
Financial liabilities at FVTPL:				
Designated at FVTPL:				
Derivative liabilities	**₱–**	**₱1,039,776**	**₱–**	**₱1,039,776**
Assets for which fair values are disclosed:				
Financial Assets				
Financial assets at amortized cost	**14,695,749**	**96,707,252**	–	**111,403,001**
Loans and receivables:				
Receivables from customers	–	–	**610,493,878**	**610,493,878**
	₱14,695,749	**₱96,707,252**	**₱610,493,878**	**₱721,896,879**
Non-financial Assets				
Investment properties***				
Land	**₱–**	**₱–**	**₱29,868,859**	**₱29,868,859**
Buildings and improvements	–	–	**3,510,670**	**3,510,670**
	₱–	**₱–**	**₱33,379,529**	**₱33,379,529**
Liabilities for which fair values are disclosed:				
Financial liabilities				
Financial liabilities at amortized cost:				
Deposit liabilities:				
Time deposits	**₱–**	**₱–**	**₱112,113,308**	**₱112,113,308**
Long term debts:				
Bills payable	**–**	**–**	**7,625,229**	**7,625,229**
Unsecured term loan	**–**	**–**	**3,255,346**	**3,255,346**
Bonds payable	**39,955,398**	**16,878,070**	–	**56,833,468**
LTNCD	**–**	**18,922,562**	–	**18,922,562**
Other liabilities:				
Payable to landowners	–	–	**1,061,191**	**1,061,191**
Tenants' rental deposits	–	–	**487,342**	**487,342**
	₱39,955,398	**₱35,800,632**	**₱124,542,416**	**₱200,298,446**

* *Excludes cash component*
** *Excludes unquoted available-for-sale securities*
*** *Based on the fair values from appraisal reports which are different from their carrying amounts which are carried at cost.*

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets measured at fair value:				
Financial Assets				
Financial assets at FVTPL:				
Held-for-trading:				
Government securities	₱3,309,163	₱4,646,850	₱–	₱7,956,013
Derivative assets	949,208	892,340	–	1,841,548
Private debt securities	–	1,365,051	–	1,365,051
Equity securities	5,045	–	–	5,045
Designated at FVTPL:				
Investment in UITFs	–	37,612	–	37,612
Financial assets at FVTOCI:				
Government securities	63,357,650	57,407,275	–	120,764,925
Private debt securities	252,902	500,259	22,362,318	23,115,479
Equity securities**	903,611	1,149,056	–	2,052,667
	₱68,777,579	₱65,998,443	₱22,362,318	₱157,138,340
Non-financial assets				
Property, plant and equipment***				
Land and land improvements	₱–	₱–	₱41,990,307	₱41,990,307
Plant buildings and building improvements	–	–	4,933,456	4,933,456
Machineries and equipment	–	–	13,545,108	13,545,108
	₱–	₱–	₱60,468,871	₱60,468,871

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Liabilities measured at fair value:				
Financial liabilities				
Financial liabilities at FVTPL:				
Designated at FVTPL:				
Derivative liabilities	₱–	₱891,531	₱–	₱891,531
Assets for which fair values are disclosed:				
Financial Assets				
Financial assets at amortized cost	17,676,548	77,195,379	–	94,871,927
Loans and receivables:				
Receivables from customers			635,709,624	635,709,624
	₱17,676,548	₱78,086,910	₱635,709,624	₱731,473,082
Non-financial Assets				
Investment properties***				
Land	₱–	₱–	₱26,914,713	₱26,914,713
Buildings and improvements	–	–	3,030,859	3,030,859
	₱–	₱–	₱29,945,572	₱29,945,572
Liabilities for which fair values are disclosed:				
Financial liabilities				
Financial liabilities at amortized cost:				
Deposit liabilities:				
Time deposits	₱–	₱–	₱151,729,554	₱151,729,554
Long term debts:				
Bills payable	–	–	45,860,995	45,860,995
Unsecured term loan	–	–	4,115,867	4,115,867
Bonds payable	38,997,788	15,727,174	–	54,724,962
LTNCD	–	28,314,622	–	28,314,622
Other liabilities:				
Payable to landowners	–	–	1,061,191	1,061,191
Tenants' rental deposits	–	–	411,502	411,502
	₱38,997,788	₱44,041,796	₱203,179,109	₱286,218,693

* *Excludes cash component*
** *Excludes unquoted available-for-sale securities*
*** *Based on the fair values from appraisal reports which are different from their carrying amounts which are carried at cost.*

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

The unquoted debt securities fair values are estimated based on the market data approach that makes use of market multiples derived from a set of comparable. Multiples were determined that is most relevant to assessing the value of the unquoted securities (e.g., earnings, book value). The selection of the appropriate multiple within the range is based on qualitative and quantitative factors specific to the measurement.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Significant input used in determining fair values of financial instruments under Level 2 comprises of interpolated market rates of benchmark securities. For investments in UITFs, fair values are determined based on published NAVPU as of reporting date.

As of December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of property, plant and equipment and investment properties held by the Group:

	Valuation Techniques	Significant Unobservable Inputs	Range of Estimates
Property, plant and equipment:			
Land and land improvements	Market Data Approach	Price per square meter	₱6,000 - ₱6,200
Plant buildings and building improvements			
Building	Replaceable Fixed Asset Valuation Approach	Replacement cost Estimated total floor area	₱4,287 - ₱10,000 24 - 1548 sq.m
Building improvements	Replaceable Fixed Asset Valuation Approach	Replacement cost Estimated number of components	₱2.8 million - ₱26.5 million 315 - 723 components
Machineries and equipment	Replaceable Fixed Asset Valuation Approach	Replacement cost Estimated number of components	₱3,200 - ₱8.6 million 465 - 1,162 components
Investment properties:			
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence	₱800 - ₱100,000
Land and building	Market Data Approach and Replacement Cost Approach	New Reproduction Cost	

Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land. Significant increases (decreases) in the current replacement cost would result in significantly higher (lower) appraised values whereas significant increase (decrease) in the remaining useful life of the property, plant and equipment over their total useful life would result in significantly higher (lower) appraised values.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's property, plant and equipment and investment properties are as follows:

	Description
Valuation Techniques	
Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Replaceable Fixed Asset Valuation Approach	This method requires an analysis of the buildings and other land improvements by breaking them down into major components. Bills of quantities for each component using the appropriate basic unit are prepared and related to the unit cost for each component developed on the basis of current costs of materials, labor, plant and equipment prevailing in the locality to arrive at the direct costs of the components. Accrued depreciation was based on the observed condition.
Replacement Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of Reproduction Cost New of the improvements.
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.

	Description
Valuation Techniques	
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

35. Notes to Consolidated Statements of Cash Flows

Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2022 and 2021 follow:

	2022			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱52,953,797**	**(₱37,160,609)**	**(₱812,815)**	**₱14,980,373**
Short-term debts (Note 19)	**3,940,000**	**550,000**	**–**	**4,490,000**
Bonds payable and unsecured loans (Note 19)	**57,499,288**	**5,559,083**	**(7,874,620)**	**55,183,751**
Lease liabilities (Note 19, 37)	**5,144,046**	**(1,490,114)**	**1,363,928**	**5,017,860**
	₱119,537,131	**(₱32,541,640)**	**(₱7,323,507)**	**₱79,671,984**

	2021			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱87,159,450	(₱36,426,226)	₱2,220,573	₱52,953,797
Short-term debts (Note 19)	4,740,000	(800,000)	–	3,940,000
Bonds payable and unsecured loans (Note 19)	66,967,388	(7,099,310)	(10,600,524)	49,267,554
Lease liabilities	2,775,256	(1,304,689)	3,673,479	5,144,046
	₱161,642,094	(₱45,630,225)	(₱4,706,472)	₱111,305,397

Others include the effects of foreign exchange revaluations, amortization of transaction costs, and accretion of interest.

Non-cash Transactions
The Group applied creditable withholding taxes against its income tax payable amounting to ₱0.2 billion, ₱1.6 billion and ₱2.8 billion in 2022, 2021 and 2020, respectively.

The Group acquired investment properties through foreclosure and rescission amounting to ₱4.3 billion, ₱0.5 billion, and ₱0.1 billion in 2022, 2021 and 2020, respectively.

Non-cash Investing Activities
As of December 31, 2022 and 2021, unpaid additions to property, plant and equipment amounted to ₱1.4 million and ₱34.4 million, respectively, which is included as part of "Accounts payable and accrued expenses".

36. Capital Management

The main thrust of the Group's capital management policy is to ensure that the Group complies with externally imposed capital requirements, maintains a good credit standing and has a sound capital ratio to be able to support its business and maximize the value of its shareholders equity. The Group is also required to maintain debt-to-equity ratios to comply with certain loan agreements and covenants in 2022 and 2021.

The Group's dividend declaration is dependent on the availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change were made in the objectives, policies or processes in 2022 and 2021.

The Group considers its total equity reflected in the consolidated statements of financial position as its capital. The Group monitors its use of capital and the Group's capital adequacy by using leverage ratios, specifically, debt ratio (total debt/total equity and total debt) and debt-to-equity ratio (total debt/total equity). Included as debt are the Group's total liabilities while equity pertains to total equity as shown in the consolidated statements of financial position.

The table below shows the leverage ratios of the Group:

	2022	2021
	(In Thousands, except ratios)	
Total liabilities	**₱991,455,893**	₱1,048,299,685
Total equity	**276,661,676**	263,536,679
Total liabilities and equity	**₱1,268,117,569**	₱1,311,836,364
Debt ratio	**0.78:1**	0.80:1
Debt-to-equity ratio	**3.58:1**	3.98:1

Regulatory Qualifying Capital for the Banking Segment
The banking segment is subject to the regulatory requirements of the BSP. PNB manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods. PNB has complied with all externally imposed capital requirements throughout the year.

BSP reporting for capital management
Under existing BSP regulations, the determination of PNB's compliance with regulatory requirements and ratios is based on the amount of PNB's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on Regulatory Accounting Principles (RAP), which differ from PFRSs in some respects. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (PNB and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of PNB, provided that the same shall be excluded for dividend purposes.

On August 29, 2019, the MB of the BSP approved the integration of PNB Savings Bank (PNBSB) with PNB. One of the integration incentives granted by the BSP was a temporary capital relief by not deducting the amount of investment of PNB in PNBSB from CET1 Capital in computing the CAR on a solo basis. The relief commenced on the date of net asset transfer and shall become effective until approval by the SEC of the reduction of authorized capital stock of PNBSB.

PNB considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, PNB maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. PNB has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. PNB complies with the required annual submission of updated ICAAP.

BSP Reporting for Basel III Leverage Ratio
BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%. BLR is computed based on RAP.

37. Leases, Provision and Contingencies and Other Matters

Leases

The Group as lessor
The Group entered into lease agreements with third parties covering its investment property portfolio, certain motor vehicles and items of machinery. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenues, whichever is higher. The Group records rental income on a straight-line basis over less non-cancellable lease term. Any difference between the calculated rental income and amount actually received is recognized as "Deferred rent" (see Note 8).

The Group has tenants' rental deposits and advance rentals which are presented under "Other noncurrent liabilities". Tenants' rental deposits pertain to the amounts paid by the tenants at the inception of the lease which is refundable at the end of the lease term. Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term depending on the lease contract.

In May and November 2020, Eton granted discounts to its lessees totaling to ₱107.2 million.

An analysis of the Group's lease contract receivables are as follows:

	2022	2021
	(In Thousands)	
Within one year	**₱446,485**	₱1,232,961
After one year but not more than five years	**196,987**	643,821
More than five years	**–**	14,344
	₱643,472	₱1,891,126

The Group as lessee
The Group has entered into commercial leases for its branch sites/premises, land where the related investment property or property, plant and equipment is build/constructed, warehouse and warehouse equipment, ATM offsite location and other equipment. These non-cancellable leases have lease terms of 1 to 40 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group ROU asset is composed of the PNB's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy' in the consolidated statements of income) amounted to ₱270.2 million, ₱251.5 million and ₱580.6 million in 2022, 2021 and 2020, respectively, for the Group, of which ₱201.6 million, ₱223.2 million and ₱532.9 million in 2022, 2021, and 2020, respectively, pertain to the PNB. Rent expense in 2022 and 2021 pertains to expenses from short-term leases and leases of low-value assets.

As of December 31, 2022 and 2021, the Group has no contingent rent payable.

As of December 31, the carrying amounts of 'Lease liabilities' are as follows:

	2022	2021
	(In Thousands)	
Balance at beginning of year	**₱5,144,046**	₱2,775,256
Additions	**1,059,931**	3,462,536
Interest expense	**290,671**	210,943
Payments	**(1,490,114)**	(1,304,689)
Transfers	**13,326**	–
Balance at end of year	**₱5,017,860**	₱5,144,046

Future minimum lease receivables under finance leases are as follows:

	2022	2021
	(In Thousands)	
Within one year	**₱1,087,134**	₱1,232,961
Beyond one year but not more than five years	**3,460,037**	643,821
More than five years	**1,066,927**	14,344
Total	**5,614,098**	1,891,126
Less amounts representing finance charges	–	13,770
Present value of minimum lease payments	**₱5,614,098**	₱1,877,356

Trust Operations

Securities and other properties held by PNB in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of PNB. Such assets held in trust were carried at a value of ₱152.7 billion and ₱143.3 billion as of December 31, 2022 and 2021, respectively. In connection with the trust functions of PNB, government securities amounting to ₱1.6 billion (included under 'Financial assets at amortized cost') as of December 31, 2022 and 2021, are deposited with the BSP in compliance with trust regulations.

In compliance with existing banking regulations, PNB transferred from surplus to surplus reserves the amounts of ₱24.7 million, ₱23.2 million and ₱20.4 million in 2022, 2021 and 2020, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital.

Provisions and Contingencies

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the consolidated financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

Excise Tax Refund Claim

The new excise tax law or RA 10351 became effective on January 1, 2013, and increased the excise tax rates of, among others, distilled spirits. Another change that was brought in by the new law is the shift in the tax burden of distilled spirits from raw materials to the finished product.

To implement the said law, the Secretary of Finance issued Revenue Regulations No. 17-2012 (RR 17-2012), which, in one of its transitory provisions, disallowed the tax crediting of the excise taxes that were already paid under the old law on the raw materials inventory by end of the year 2012 or by the effectivity of RA 10351 in favor of the excise taxes due on the finished goods inventory.

The Commissioner of Internal Revenue issued on January 9, 2013 Revenue Memorandum Circular (RMC) No. 3-2013. This RMC sought to clarify further certain provisions of RR No. 17-2012 but in effect extended the imposition of the excise tax on both the (1) ethyl alcohol as raw materials in the production of compounded liquors and (2) the manufactured finished product. Per the RMC, both ethyl alcohol and compounded liquor are considered as distinct distilled spirits products and are thus separate taxable items under the new law. This interpretation of the law was however modified with the issuance of RMC No. 18-2013. The new RMC allowed the non-payment of excise tax on ethyl alcohol that were purchased after the issuance of RMC No. 3-2013 to be used as raw materials in the manufacture of compounded liquors provided certain requirements such as posting of surety bonds are complied with. RMC No. 18-2013, however, still maintained that taxes previously paid on the raw materials, i.e., ethyl alcohol/ethanol inventory, at the time of the effectivity of the new excise tax law are still not subject to refund/tax credit to the manufacturers.

Under RR No. 17-2012, the amount of excise tax that was disallowed for tax credit was ₱725.8 million. Said amount represented taxes paid previously on raw materials and were not allowed to be deducted from the excise taxes that became due on the finished goods as taxed under the new law. TDI is contesting the disallowance of the tax credit and is undertaking appropriate legal measures to obtain a favorable outcome.

TDI has paid a total of ₱45.9 million in excise taxes for the raw materials that were purchased/imported for purposes of compounding during the subsistence of RMC No. 3-2013. TDI also would claim this amount on the basis that the RMC was issued without basis and beyond the authority granted by law to the administrative agency.

On February 8, 2019, TDI received the decision of the Court of Tax Appeals (CTA) Second Division denying TDI's claim for refund since TDI failed to prove that there is actual payment of the excise tax being claimed. On February 22, 2019, TDI filed a Motion for Reconsideration. On July 28, 2019, the motion was denied by the CTA Second Division. TDI filed a Petition for Review to the CTA En Banc on August 1, 2019. On October 28, 2020, the petition was denied, affirming the decisions and resolutions made by CTA Second Division. On November 16, 2020, a Motion for Reconsideration was filed by the legal counsel before the CTA En Banc which was also denied on March 22, 2021 for lack of merit. On July 29, 2021, TDI filed a Petition for Review on Certiorari at the Supreme Court.

On March 8, 2023, a public news article stated that the Supreme Court has upheld the CTA decision that denied TDI's tax refund claim. However, as of March 14, 2023, TDI and its legal counsel have not received a copy of the decision. Management believes that the outcome of this contingency will not materially impact the consolidated financial statements.

Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations

On various dates in 2020, the respective BODs of PNB and PNB Holdings approved the sale of all their holdings in PNB Gen for cash. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position as of December 31, 2020. The business of PNB Gen represented the entirety of the PNB's non-life insurance business.

The results of PNB Gen were previously presented in the 'Others' section of the business segment disclosure.

The results of operation of PNB Gen are presented below:

	2021	2020
Interest Income on		
Loans and receivables	₱35	₱202
Investment securities at amortized cost and FVOCI	19,830	81,734
Deposits with banks and others	34	5,087
	19,899	87,023
Interest Expense on		
Lease liabilities	530	2,698
Net Interest Income	19,369	84,325

(Forward)

	2021	2020
Net Service Fees and Commission Income	₱110	₱19,718
Insurance premium	202,543	955,640
Insurance benefits and claims	143,605	716,820
Net Insurance Premium	58,938	238,820
Other Income		
Foreign exchange gains (losses) - net	1,804	(2,878)
Trading and investment securities gains - net	–	9,123
Total Operating Income	80,221	349,108
Operating Expenses		
Compensation and fringe benefits	37,040	152,265
Depreciation and amortization	6,592	28,862
Provision for (reversal of) credit losses	1,174	29,781
Occupancy and equipment-related costs	903	1,910
Taxes and licenses	290	4,750
Miscellaneous	8,832	43,539
Total Operating Expenses	54,831	261,107
Income Before Income Tax	25,390	88,001
Provision for Income Tax	4,775	20,418
Net Income from Discontinued Operations	₱20,615	₱67,583

Net Insurance Premium
This account consists of:

	2021	2020
Net insurance premiums		
Gross earned premium	₱385,904	₱2,385,857
Reinsurer’s share of gross earned premiums	(183,361)	(1,430,217)
	202,543	955,640
Less net insurance benefits and claims		
Gross insurance contract benefits and claims paid	207,003	2,241,488
Reinsurer’s share of gross insurance contract benefits and claims paid	(130,493)	(1,983,736)
Gross change in insurance contract liabilities	48,017	1,410,172
Reinsurer’s share of change in insurance contract liabilities	19,078	(951,104)
	143,605	716,820
	₱58,938	₱238,820

Net cash flows of PNB Gen follow:

	2021	2020
Net cash flows from operating activities	(₱36,288)	(₱27,016)
Net cash flows from investing activities	18,740	(242,063)
Net cash flows from financing activities	(1,912)	(22,648)
	(₱19,460)	(₱291,727)

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
LT Group, Inc.
11th Floor, Unit 3 Bench Tower
30th St. corner Rizal Drive Crescent Park West 5
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of LT Group, Inc. and Subsidiaries as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated March 14, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 72557-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-058-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564694, January 3, 2023, Makati City

March 14, 2023

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE A. – Financial Assets
DECEMBER 31, 2022
(in thousands Php)

(1) Financial Assets at Fair Value through Profit or Loss
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securities				
Fixed Rate Treasury Notes	-	926,551	899,631	58,914
Republic of the Philippines (ROP) Bonds	-	905,738	819,971	21,437
Retail Treasury Bonds	-	156,652	156,811	109,958
Treasury Bills	-	2,523,235	2,495,258	1,232
	-	**4,512,176**	**4,371,671**	**191,541**
Private debt securities				
Ayala Land Inc	-	12,550	12,544	743
Del Monte	-	-	-	2,715
Petron	-	688,635	698,965	47,306
San Miguel Global Power Holdings Corp	-	274,850	267,693	17,515
SM Prime Holdings Inc.	-	501,950	484,984	24,431
Vista Land & Lifestyle	-	148,000	146,495	8,435
	-	**1,625,985**	**1,610,681**	**101,145**
Equity securities				
GT Capital Pref Series B	1,000	824	950	-
San Miguel Corp - Pref 2I	25,970	1,909	1,948	-
	26,970	**2,733**	**2,898**	**-**
Derivatives				
Allied Bank Hongkong	-	-	2,123	-
Australia and New Zealand Bank- Manila	-	654,930	37,245	-
Banco de Oro Universal Bank	-	5,943,095	121,181	-
Bank of Commerce	-	84,285	379	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Bank of the Philippine Islands	-	4,123,430	136,188	-
Chemtrust Global Market Inc	-	183	25	-
China Banking Corporation	-	1,299,020	36,881	-
Chinatrust Phils Commercial Bank Corp.	-	311,750	28,884	-
Deutsche Bank AG Manila Branch	-	653,690	51,975	-
East West Banking Corporation	-	15,000	9,024	-
Goldman Sachs International	-	514	171	-
Hongkong and Shanghai Banking Corp. Manila	-	2,031,225	100,660	-
Individuals	-	8,090	8,963	-
Insular Oil Corporation	-	1,759,809	54,927	-
Internationale Nederlanden Bank Manila	-	671,710	767	-
Jetti Petroleum Inc	-	563,740	5,502	-
JPMorgan Chase Bank Manila Branch	-	62,000	212,329	-
JPMorgan Chase Bank Singapore Branch	-	4,115	3,425	-
Maybank Philippines Inc.	-	1,120,440	5,225	-
Metropolitan Bank & Trust Company	-	3,323,580	157,333	-
MUFG Bank, Ltd., Manila Branch	-	615,500	2,109	-
Petron Corporation	-	2,817,750	27,341	-
Philippine National Bank- Singapore Branch	-	-	303	-
Republic of the Philippines	-	15,337	-	-
Rizal Commercial Banking Corp.	-	111,760	250	-
Rockfort Realty Corporation	-	128	17	-
Security Bank Corporation	-	1,166,100	83,780	-
Sellchem Global Trading, Inc.	-	101	14	-
Simon Industrial Products Trading Corp.	-	101	14	-
Standard Chartered Bank London Branch	-	13,034,030	13,063	-
Standard Chartered Bank Manila Branch	-	3,994,340	152,597	-
UBS AG Zurich	-	53,592,275	63,363	-
Union Bank of the Philippines	-	2,342,370	44,119	-
University of the Cordilleras Inc	-	617	1,765	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Wells Fargo Bank N.A.	-	135	9	-
	-	**100,321,150**	**1,361,951**	**-**
Investment in UITFs				
Prime Peso MMF	-	31,925	31,925	-
Total Financial Assets at Fair Value through Profit or Loss	**26,970**	**106,493,969**	**7,379,126**	**292,686**

(2) Financial Assets at Fair Value through Other Comprehensive Income
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securities				
Bangko Sentral ng Pilipinas	-	43,000,000	42,937,302	-
China National Offshore Oil Corp LTD	-	557,550	553,736	11,080,888
Development Bank Of The Phils.	-	-	-	-
Fixed Rate Treasury Notes	-	23,845,371	22,478,205	767,454,641
Kingdom of Saudi Arabia	-	1,505,385	1,480,018	23,780,753
Power Sector	-	1,282,365	1,329,979	15,419,888
Republic of Indonesia	-	899,629	891,625	8,883,355
Republic of the Philippines (ROP) Bonds	-	4,346,169	4,114,445	115,269,775
Retail Treasury Bonds	-	44,991,000	42,653,949	1,146,264,453
Small Business Loan asset backed securities	-	55,476	1,365	(1,426,831)
Treasury Bills	-	23,000	21,474	1,591,282,647
Treasury Bills - SGD	-	330,473	328,374	4,243,039
Treasury Gilts	-	154,303	289,666	1,557,069
US Government	-	278,775	271,642	1,707,043
US Treasury Notes	-	774,995	764,646	3,405,727
	-	**122,044,491**	**118,116,426**	**3,688,922,448**

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Private debt securities				
Aboitiz Power Corp	-	562,300	541,612	29,665,261
AC Energy Finance International Limited	-	2,952,227	2,257,892	99,030,120
Arthaland Corporation	-	252,500	251,524	465,346
Ayala Land Inc	-	474,530	470,720	31,724,107
Banco De Oro	-	613,026	609,293	7,353,107
Bank of the Philippine Island	-	164,477	159,681	1,949,330
Development Bank of the Philippines	-	-	-	-
Energy Development Corp	-	9,640	9,626	494,345
Export-Import Bank of Korea	-	613,305	590,610	2,897,117
Filinvest Land Inc	-	-	-	-
First Pacific Company Limited	-	-	-	-
FPC Resources	-	-	-	28,037,928
FPC Treasury Limited	-	966,903	911,714	2,068,565
Hutchison Whampoa Limited	-	987,421	964,462	11,482,939
International Container Terminal Services Inc.	-	4,844,663	4,813,198	146,793,422
Korea Devt Bank	-	-	-	-
Megaworld Corp	-	860,000	851,687	46,040,100
Metropolitan Bank & Trust Co.	-	-	-	52,500,000
Petron Corporation	-	2,502,229	2,111,639	130,490,390
Phoenix Petroleum	-	-	-	-
Rizal commercial Banking Corp	-	395,861	384,196	8,845,660
San Miguel Corp	-	94,900	92,399	131,819,154
Sinopec Corp	-	193,470	186,043	5,715,867
SM Investments Corp	-	164,477	160,235	8,625,977
SM Prime Holdings	-	15,000	14,540	704,653
South Luzon Tollway Corp	-	-	-	3,215,988
State Bank of India	-	-	-	816,747
STI Education	-	50,000	49,798	2,904,250
Union Bank	-	-	-	282,978
Ayala Corporation	-	100,000	99,091	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Security Bank Corporation	-	5,850	5,752	-
	-	**16,822,779**	**15,535,712**	**753,923,352**
Equity securities				
Allied Banker Insurance	200,000	20,000	20,000	-
Alphaland Balesin Island Resort Corp.	1	2,500	2,500	-
Apo Golf & Country Club	1	100	315	-
Asia Pacific Trust & Development	0	1,500	0	-
Bacnotan Steel Industries	3,345,000	0	0	-
Baguio City Country Club	1	60	6,000	-
Baguio Gold Mining (Now:PAL Holdings)	8,452,500	99	99	-
Bancnet, Inc.	49,999	5,000	5,000	-
BAP Credit Guaranty Corp.	29,800	2,980	1,138	-
Bayantel	8,244	8	0	-
Bayantel 31% Tranche B.	83,997	14,851	0	-
BULAWAN MINING (BUMICO)	0	0	0	-
CAMP JOHN HAY	1	650	200	-
Camp John Hay Golf Club	2	160	400	-
Capitol Hills Golf and Country Club, Inc.	10	29	400	-
Cebu Country Club, Inc.	1	29	13,000	-
Club Filipino	2	26	600	-
CRUZ TEL CO.	30	3	0	-
Development Academy Of the Phillippines	1,500	1,500	0	-
Eagle Ridge Golf & Country Club	30	3,450	6,000	-
Eastridge Golf Course & Village (A)	2	1,800	800	-
Evercrest Golf	2	500	0	-
Evercrest Golf Club-A	2	1,000	1,000	-
Fairways & Bluewater Resort	294	359,695	71,230	-
FASTECH SYNERGY	1,337,807	8,519	0	-
Fil-Am Resources	2,500,000	27	0	-
Forest Hills Golf And Country Club	1	170	170	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Heavenly Garden Dev't Corp.	5,000	500	500	-
Iligan Golf & Country Club	1	1	0	-
ILOILO GOLF & COUNTRY CLUB	1	88	14	-
Inco Mining	46,875	2	0	-
Infanta Minerals	1,000,000	10	0	-
Investment in Management Account	0	0	48,575	-
Lepanto Consolidated Mining Co."A"	4,973	1	1	-
Lepanto Consolidated Mining Co."B"	1,776	0	0	-
LGU Guarantee Corp.	100,000	10,000	2	-
LGU Guarantee Corp.(Banker Asso. Phils.) PSE	0	0	0	-
LUISITA GOLF & COUNTRY CLUB	1	840	350	-
Makati Sports Club-A	1	30	800	-
Manila Golf & Country Club Inc-Corporate	4	23,692	420,000	-
MANILA POLO CLUB	1	2,600	30,000	-
MARIKUDO COUNTRY CLUB OF ILOILO CITY	1	18	0	-
Manila Electric Cooperative	8,884	89	1	-
MIMOSA GOLF & COUNTRY CLUB	1	827	400	-
Manila Southwoods Golf & Country Club A	1	850	3,000	-
Manila Southwoods Golf & Country Club B	1	3,500	6,400	-
Mount Malarayat Golf & Country Club	15	35,380	12,000	-
Mount Malarayat Golf Club C	1	2,750	800	-
Mount Malarayat I	1	1,512	800	-
Negros Occidental Golf & Country Club	5	100	150	-
Northern Tel Co.	1,800	18	0	-
Orchard Golf & Country Club	2	3,250	3,000	-
PA Alvarez Perpetual Notes	0	386,250	388,884	-
PAL Holdings Inc.	4,494,947	53,040	26,520	-
Palicpican Beach and Sport Club	2	170	170	-
Paper Ind.Corp. of the Phils.	13,525	19	0	-
Philippine Columbian Association	1	8	90	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Phillippine Dealing System	73,000	7,300	14,813	-
PLDT Communications & Energy Ventures Inc. (Piltel)	650	10	0	-
Phililippine Central Depository & Trust Corp.	31,690	3,169	6,431	-
Phililippine Central Depository Inc.	28,291	3,669	5,741	-
Philippine Clearing House Corporation	42,000	4,200	2,101	-
Phillippine Dealing System Holding Corp.	97,436	7,300	19,772	-
Phillippine Electric Corporation	202,440	95	0	-
Philippine Overseas Drilling & Oil Dev’t	695,625	69	7	-
Phillippine Oil Development Co., Inc.	500,000	13	0	-
Philex Mining Corporation	151	0	1	-
Philippine Airlines, Inc.	19,855,803	19,856	19,856	-
Philippine Central Depository Inc.	175	23	36	-
Philippine Racing Club	30,331,103	142,582	158,025	-
Philippine Long Distance Company	2,801	44	1	-
PICOP Resources Inc.	19,008,000	798	0	-
PLDT Communation & Energy Veture	0	0	0	-
PLDT Preferred Shares	108,375	1,084	0	-
Primo Oleo Chemicals	6,638,151	66,382	66,382	-
Proton Chemical Industries Common Shares	44,419	0	0	-
Philippine Telegraph & Telephone Corporation	5,000,000	0	0	-
Pueblo De Oro Golf Country Club	2	1,411	718	-
Puerto Azul Sports & Beach Club	2	170	700	-
Quezon City Sports Club	1	32	800	-
Republic Telephone Company	6,052	5	0	-
Riviera Golf & Country Club	2	2,627	1,120	-
Rural Bank of Ibajay	340	11	16	-
Santa Elena Golf & Country Club	1	852	8,500	-
Sierra Grande Country Club, Inc.	100	32	32	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Small Business Guarantee	0	0	0	-
Southern Iloilo Telephone Co.	20	2	0	-
Santa Elena Golf Club-A	2	3,100	17,000	-
Subic Bay Golf & Country Club	1	950	0	-
Subic Bay Yatch Club	58	93,000	14,500	-
SWIFT - ABC	8	0	0	-
SWIFT Shareholders-PNB	9	0	0	-
Tagaytay Highlands	268	950	495,450	-
Tagaytay Midlands	1	500	1,500	-
Tayud Golf & Country Club	1	6	0	-
Ternate Dev't Corporation (11-30-2005)	0	0	0	-
Universal Rightfield Prop. Inc.	2,883,000	69	0	-
Valle Verde Country Club, Inc.	1	13	450	-
Valley Golf & Country Club	4	231	12,500	-
Victoria Golf & Country Club	1	110	120	-
Wack Wack Golf & Country Club	10	174,994	678,000	-
Wack Wack Golf & Country Club (PNB Savings)	3	48,137	174,000	-
United Doctors Service Corporation	233,166	3,730	13,720	-
University of the East	26,250,000	26,250	11,216	-
Grandspan Development Corp	3,000,000	30,000	33,167	-
Foremost Frams, Inc.	92,990	93	79	-
Himmel Industries	73	7	7	-
MacroAsia Corporation	205,140,000	363,202	1,133,928	-
Western Minolco Corp.	11,382,000	17	0	-
	353,335,273	**1,957,296**	**3,961,998**	**-**
Total Financial Assets at Fair Value through Comprehensive Income	**353,335,273**	**140,824,566**	**137,614,136**	**4,442,845,799**

(3) Financial Assets at Amortized Cost
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securities				
Bangko Sentral ng Pilipinas	-	223,020	269,834	9,373
China National Offshore Oil Corp Ltd.	-	390,285	388,118	11,239
Federal Reserve	-	5,865	5,863	-
Fixed Rate Treasury Notes	-	26,999,117	27,818,244	1,012,701
Home Guaranty Corp	-	-	-	22
Kingdom of Saudi Arabia	-	373,559	374,765	2,828
Landbank of the Phils	-	158,512	152,019	-14,422
Power Sector Assets & Liabilities Management Corporation	-	1,073,841	1,212,618	25,924
Republic of Indonesia	-	3,355,537	3,392,695	153,383
Republic of the Philippines (ROP) Bonds	-	8,867,140	9,113,673	178,484
Retail Treasury Bonds	-	27,622,915	28,012,834	849,742
Treasury Bills	-	-	-	430
US Government	-	7,248,150	7,187,537	79,216
US Treasury Notes	25,000	139,388	139,282	1,589
	25,000	**76,457,329**	**78,067,482**	**2,310,509**
Private debt securities				
AC Energy Finance International Limited	-	669,060	668,693	30,732
Agricultural Bank of China LTD HK	-	-	-	23,963
AT&T Inc.	-	-	-	7,533
Ayala Land Inc	-	641,900	641,541	38,255
Banco de Oro	-	4,325,584	4,324,503	117,043
Bank of China	-	8,251,740	8,146,298	154,796
Bank of the Philippine Island	-	1,131,827	1,158,465	9,247
China Constuction Bank	-	-	-	1,253
Cyberzone Properties Inc	-	803,680	803,654	-
Export- Import Bank of Korea	-	501,795	502,932	12,485
Filinvest Development Cayman Islands	-	1,951,425	1,942,325	80,731

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Filinvest Land Inc	-	100	100	54,022
First Pacific Company Treasury Limited	-	-	-	22,618
First Pacific Company Capital Ltd	-	493,432	491,569	-
Global Steel (NSC)	-	3,676,245	-	-
Hutchison Whampao	-	-	-	855
ICICI Bank Limited	-	-	-	18,985
Industrial & Commercial Bank of China Limited Sydney	-	-	-	424
International Container Terminal Services Inc.	-	165,592	165,698	6,285
Jollibee Foods Corporation	-	5,508,594	5,491,301	210,003
Korea Development Bank	-	223,020	227,206	7,057
Pilipinas Hino Incorporated	-	6,988	-	-
Rizal Commercial Banking Corp	-	1,808,581	1,808,788	69,852
Security Bank Corporation Comm	-	164,366	165,619	5,544
Sinopec Corp	-	574,277	587,766	20,416
SM Prime Holdings	-	300,000	299,951	15,504
Union Bank	-	-	-	88,964
Vista land and Lifescapes	-	5,000,000	4,974,069	405,000
	–	**36,198,206**	**32,400,478**	**1,401,567**
Total Investment Securities at Amortized Cost	**25,000**	**112,655,535**	**110,467,960**	**3,712,076**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE B. – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
DECEMBER 31, 2022
(in thousands Php)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Related party:							
Tangent Holdings Corporation	6,263,300	605,000	(4,734,300)	-	2,134,000	-	2,134,000
	6,263,300	**605,000**	**(4,734,300)**	**-**	**2,134,000**	**-**	**2,134,000**

Other than the above related party, all amounts receivable from Directors, Officers, Employees, other Related Parties and Principal Stockholders pertained to purchases subject to usual terms, for ordinary travel and expense advances and for other such items arose in the ordinary course of business were excluded.

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE C. – Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
DECEMBER 31, 2022
(in thousands Php)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Allmark Holdings Corp.	7,535	-	-	-	7,535	-	7,535
Caravan Holdings Corp.	12,830	-	-	-	12,830	-	12,830
Fil-Care Holdings, Inc.	12,930	-	-	-	12,930	-	12,930
Ivory Holdings, Inc.	8,945	-	-	-	8,945	-	8,945
Kenrock Holdings Corp.	14,110	-	-	-	14,110	-	14,110
Leadway Holdings, Inc.	-	-	-	-	-	-	-
LT Group, Inc.	306,000	-	(306,000)	-	-	-	-
Mabuhay Digital Philippines Inc.	22,417	-	-	-	22,417	-	22,417
Mabuhay Digital Technologies, Inc.	1,902	-	-	-	1,902	-	1,902
Society Holdings Corp.	9,600	1,800	-	-	11,400	-	11,400
Solar Holdings Corp.	20,300	-	-	-	20,300	-	20,300
Tanduay Distillers, Inc.	950,292	500,092	(950,000)	-	500,384	-	500,384
	1,366,861	**501,892**	**(1,256,000)**	**-**	**612,753**	**-**	**612,753**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE D. – Intangible Assets – Other Assets
DECEMBER 31, 2022
(in thousands Php)

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Other changes, additions (deductions)	Ending Balance
Goodwill	₱163,735	–	–	–	–	₱163,735
Software	2,538,411	881,572	(1,219,901)	–	(55,704)	2,144,378

Intangibles are presented in “Other noncurrent assets” in the consolidated balance sheets.

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE E. – Long term debts
DECEMBER 31, 2022
(in thousands Php)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debts" in related balance sheet	Amount shown under caption "Long-term debts net of current portion" in related balance sheet
1. Bonds payable		₱16,716,682	₱41,722,415
2. Lease liabilities (PFRS 16)		2,813,626	2,204,234
3. Unsecured term loan		869,640	2,385,706
TOTAL		**₱20,399,948**	**₱46,312,355**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE F. – Indebtedness to Related Parties (Long-term Loans from Related Parties)
DECEMBER 31, 2022
(in thousands Php)

Name of related party (i)	Balance at beginning of period	Balance at end of period
	NONE	

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE G. – Guarantees of Securities of Other Issuers
DECEMBER 31, 2022
(in thousands Php)

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding (i)	Amount owned by person for which statements if filed	Nature of guarantee (ii)
		NONE		

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE H - Capital Stock
DECEMBER 31, 2022

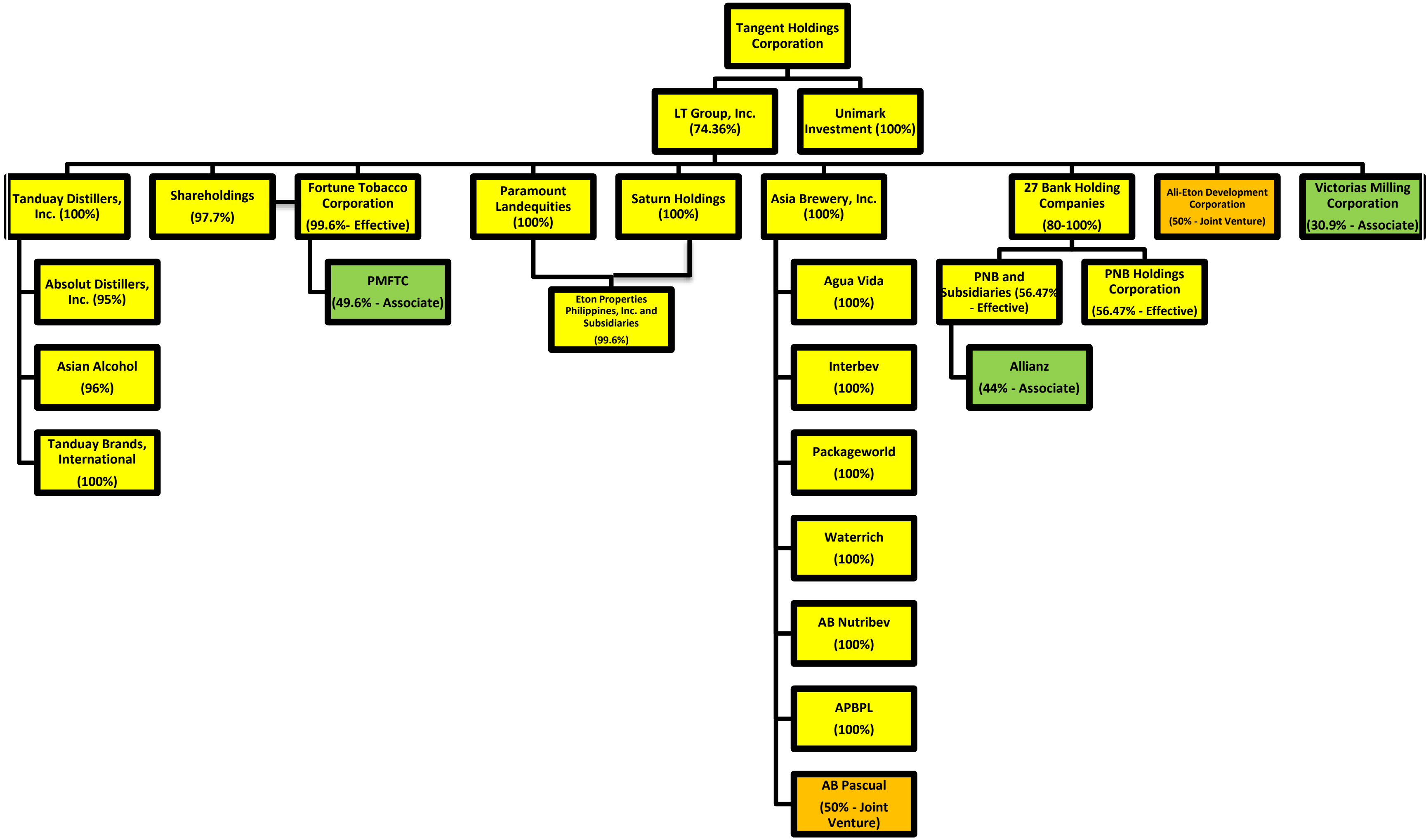
Title of Issue	Number of Shares Authorized	Number of Shares Issued And Outstanding as Shown under Related Balance Sheet caption	Number of shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of shares Held by related Parties	Directors, Officers and Employees	Others
Common Stock	25,000,000,000	10,821,388,889	-	8,046,318,193	1,696,796	2,773,373,900

LT GROUP, INC.
SCHEDULE I - Reconciliation of Parent Company Retained Earnings
Available for Dividend Declaration
As of DECEMBER 31, 2022

RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS AT DECEMBER 31, 2021	**₱41,793,611,267**
Add: Net income actually earned during the year	
Net income closed to retained earnings	17,987,065,912
Provision for deferred income tax assets	–
Less: Dividend declarations during the year	(15,149,944,441)
	2,837,121,471
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS AT DECEMBER 31, 2022	**₱44,630,732,738**

Note: In accordance with SEC Financial Reporting Bulletin No. 14, the reconciliation is based on the separate/parent company financial statements of LT Group, Inc.

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE J – Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered
As of DECEMBER 31, 2022



LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE K – Index to Exhibits
SEC FORM 17-A

***These exhibits are either not applicable to the Group or require no answer.**

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
LT Group, Inc.
11th Floor, Unit 3 Bench Tower
30th St. corner Rizal Drive Crescent Park West 5
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of LT Group, Inc. and Subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 14, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 72557-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-058-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564694, January 3, 2023, Makati City

March 14, 2023

LT GROUP, INC. AND SUBSIDIARIES
ANNEX 68-E

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
as of December 31, 2022 and 2021

Ratio	Formula	2022	2021
Current ratio	Current Assets / Current Liabilities	0.65	0.70
Acid test ratio	(Current Assets – Inventories – Prepaid Expenses) / Current Liabilities	0.63	0.68
Solvency ratios	(Net income after tax + Depreciation) / (Short term debt + Long-term Debt)	0.52	0.40
Debt-to-equity ratio	(Short term debt + Long-term Debt) / Equity attributable to equity holders of the Parent Company	0.36	0.35
Asset-to-equity ratio	Total Assets / Total Equity	4.58	4.98
Interest rate coverage ratio	EBITDA / Interest expense	89.74	89.09
Return on equity	Net income attributable to equity holders of the Company / Equity attributable to equity holders of the Parent Company	0.126	0.107
Return on assets	Net income attributable to equity holders of the Parent Company / Total Assets	0.020	0.015
Net profit margin	Net income attributable to equity holders of the Parent Company / Revenues	0.25	0.22

EXHIBIT 18 Subsidiaries of the Registrant

LT GROUP, Inc. has the following subsidiaries as of December 31, 2022:

Distilled Spirits	Jurisdiction
1. TDI and subsidiaries	Philippines
a. Absolut Distillers, Inc.	
b. Asian Alcohol Corp	
c. Tanduay Brands Int’l Inc.	

Beverages	
ABI and subsidiaries	Philippines
a. Agua Vida Systems, Inc.	
b. Interbev Philippines, Inc.	
c. Waterich Resources Corporation	
d. Packageworld, Inc.	
e. AB Nutribev, Inc.	
f. Asia Pacific Beverage Pte. Ltd.	

Tobacco	
Fortune Tobacco Corp.	Philippines

Banking	
a. PNB and subsidiaries (see page 7)	Philippines
b. Bank Holding Companies (see page 8)	Philippines

Property Development	
a. Saturn	Philippines
b. Paramount	Philippines
1. Eton	Philippines
i. Belton Communities, Inc. (BCI)	
ii. Eton City, Inc. (ECI)	
iii. FirstHomes, Inc. (FHI)	

LT GROUP, INC.

Advancing our Sustainability Journey

SUSTAINABILITY REPORT 2022

Table of Contents

About this Report

Reporting Scope and Boundary

GRI 2-2, 2-3, 2-5

Since 2019, LTG has embraced and integrated sustainable practices toward resource optimization and operational efficiency. It has since committed to issuing sustainability reports to mark the Company's progress toward heightened accountability, especially with regard to its environmental, social, and governance performance. The scope of LTG's 2022 Sustainability Report includes LTG as the holding company and its local subsidiaries, Asia Brewery, Eton, PNB, and Tanduay. PNB issues a separate Sustainability Report containing the Bank's full disclosure. The Philip Morris Fortune Tobacco Company (PMFTC), under the management of Philip Morris International Inc. (PMI), is not covered in full detail in this report and will be included in the PMI's sustainability report.

Unless otherwise stated, this report covers the period from the start of January until the end of December 2022. The Company's financial data and general business information are all reported in the 2022 Annual Report, which can be read in conjunction with this Sustainability Report. No external assurance has been sought for the non-financial disclosures in this Sustainability Report. Still, verification procedures and internal reviews have been carried out to ensure the accuracy of all non-financial information.

Economic Performance Boundary

This report provides a comprehensive account of the financial performance of LTG as of the year ended December 31, 2022. The financial information in this report includes the LTG as the parent company and all its subsidiaries and associates operating locally and internationally. More information can be found in the 2022 LTG Annual Report.

Reporting Approach

GRI 2-3, 3-1

To assess significant environmental, social, and governance issues within the Company, LTG created a framework based on the principle of materiality. This framework enabled us to determine our key and potential material topics from internal and external sources. Then, based on inputs from internal stakeholders through quantitative and qualitative metrics, the list of vital and potentially crucial material topics was sorted to prioritize their impact on the Group and our operations and stakeholders.

Sustainability Reporting Guidelines and Standards

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards and the sustainability reporting guide provided by the Philippine Securities and Exchange Commission (SEC) through Memorandum Circular No. 4, Series of 2019. This report also incorporates reporting standards and metrics created by the Sustainable Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TFCD).

Furthermore, we also disclose our contributions to the United Nations (UN) 17 Sustainable Development Goals (SDGs) to solidify our commitment to realizing the global sustainable development agenda.

Sustainability Report Feedback

GRI 2-3

Your opinions, feedback, and recommendations will be much appreciated as we work toward strengthening our sustainability reporting procedures. You may contact us at sustainability@ltg.com.ph.

Message from the Chairman

Dear Stakeholders,

Business resilience is a critical element that can help foster post-pandemic economic recovery. Throughout the pandemic, LTG demonstrated its ability to adapt quickly to social and economic disruptions.

With the adaptive leadership of our management team combined with the resolute efforts of our employees, we have weathered the pandemic and came out of it stronger.

By any standard, we are convinced that 2022 has been better than previous years. Our focus has shifted from surviving to slowly reviving our economy. For its part, LTG is pursuing strategies to stimulate its business growth and do its share in helping the economy regain its strength. Alongside this, we are steadfast in our commitment to promoting sustainability within our operations. This year's sustainability report, with the theme “Advancing our Sustainability Journey,” shows our steady progress toward becoming a sustainable and inclusive business despite ongoing challenges.

We are on the cusp of a prolonged economic recovery, and it will not be easy. Nevertheless, we trust that our collective and unyielding persistence and enduring optimism will bring us to a new era of growth, stability, and sustainable development.

Dr. Lucio C. Tan
Chairman and Chief Executive Officer

Message from the President

Dear Stakeholders,

Sustaining a business is undoubtedly challenging, particularly in times of crisis. From supply chain issues to labor-related concerns, business owners needed to adapt to the new reality and create innovative solutions to cope with the post-pandemic transition.

Yet, for the past three years, LTG has remarkably navigated through the uncertainty, thanks in large part to our dedicated employees and customers.

With the gradual re-opening of the economy, we are slowly expanding our business activities and taking this opportunity to reinvent our company. From a financial standpoint, LTG demonstrated exceptional performance, culminating in the achievement of its greatest total revenue yet, surpassing all previous records since the inception of sustainability reporting. We were able to generate a total revenue of Php 128.28 billion, a 14% increase compared to 2021. Our wins boosted our motivation to work harder and deliver better value to our customers.

Throughout the pandemic, the strength of our corporate governance was also put to the test. We had to divide our attention between balancing our stakeholders' needs and responding to the pandemic's business impacts. Despite an unusual business scenario, LTG was able to comply with relevant laws and regulations, enforce due diligence in our transactions, and conduct our business in an ethical manner. In addition, we were able to nurture existing relationships with our partners and broaden ties with other industry leaders.

LTG did not waver in our sustainability commitments, albeit the pace of our sustainability journey is cautious and conservative. Nevertheless, we have made steady progress toward deepening the integration of sustainability principles into our business practices over the past years. Determined to reduce our carbon footprint, we have consistently promoted the judicious use of water and energy resources alongside proper waste management. Protecting our biodiversity also remains a top agenda for the Company in the coming years.

As the crisis continues, our programs and policies for employee development have also evolved. We used a holistic approach to support and protect our employees during the pandemic. Health and medical services were provided, along with various wellness programs. In addition, we recalibrated our policies on workplace safety to ensure a safe return to work. Meanwhile, efforts have been put into enhancing the responsiveness and reliability of our mechanisms for reporting unethical behavior within the workplace.

In 2022, we placed greater attention on supporting community recovery in our areas of operation. We have implemented programs to enhance agricultural productivity in key areas and training opportunities for people. In education, we partnered with local organizations to rehabilitate schools and conduct school supplies donation drives. Together with our community partners, we rolled out green initiatives to contribute to sustainable development.

Overall, we ended 2022 in good form. From now on, we hope to accelerate our progress to thrive in a post-pandemic world. With the end of the pandemic in sight, our Company is prepared and poised for growth.

Michael G. Tan
President

2022 Highlights and Contribution to the UN SDGs

ECONOMIC AND GOVERNANCE GRI 201-1

8 DECENT WORK AND ECONOMIC GROWTH

Direct Economic Value
in Php Billions

	2020	2021	2022
GENERATED	114.77	112.81	128.28
DISTRIBUTED	101.26	103.66	112.76

Php12.08 bn spent in employee wages and benefits

5 GENDER EQUALITY

55% of women on the Board

33% of women in senior management roles

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

ACGS ASEAN CORPORATE GOVERNANCE SCORECARD

Received **three** Golden Arrows **(LT Group, Inc.)** and **four** Golden Arrows **(PNB)** at the 2022 ACGS Golden Arrow Awards

ENVIRONMENT GRI 2-4

6 CLEAN WATER AND SANITATION

Water withdrawal

2022	**7,562.54 ML**
2021	**7,214.09 ML**
2020	**7,795.68 ML**

7 AFFORDABLE AND CLEAN ENERGY

Two-megawatt solar power generation facility in Lian, Batangas supplying electric power to the National Grid Corporation of the Philippines (NGCP)

- **2,447,718.6 kWh** total energy generated

Green Power Initiative

- **Renewable energy for Luzon manufacturing sites** from Shell Energy
- **13.8 megawatt solar photovoltaic (PV) system** on manufacturing facilities[1]
- **Cabuyao's Solar Project** that will be operational by Q4 of 2023

11 SUSTAINABLE CITIES AND COMMUNITIES

Waste generated

2022	**7,867.58 mt**
2021	**6,210.40 mt**
2020	**8,839.50 mt**

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Overall energy consumption

2022	**2.55 million GJ**
2021	**1.91 million GJ**
2020	**3.24 million GJ**

13 CLIMATE ACTION

Total carbon footprint

2022	**218,178 tCO_2e**
2021	**263,163 tCO_2e**
2020	**259,435 tCO_2e**

15 LIFE ON LAND

Carbon dioxide sequestration potential of **493.66 metric tons** via the Legacy Forest

Produced **22 tons of various crops** via the Agroforestry Farm Project at Barangay Digdig in Carrangalan, Nueva Ecija

[1] Asia Brewery

EMPLOYEES GRI 404-3

12,325 employees covered by the OHS management system

26,460,502 safe man hours

22% of trainings are focused on mental health of all employees

425,508 total training hours

41% female employees

12,325 total employees

100% received regular performance and career development review

CUSTOMERS

ZERO incidents of non-compliance with regulations on customer health and safety

1,575 ATMs, **179** CAMs, and **8,367** POS Terminals

25,341 enrolled users and **6,504** new enrollments in the PNB Cashnet mobile app

SOCIETY

Php 25.91 million total community investments

Php 40,000/year quarterly tilapia fingerlings dispersal at Lian River

Php 36,000/year Rice Donation to Fisherfolk of Brgy. San Diego, Lian, Batangas

150kg of hybrid palay seedlings donated to farmers of Masaganang Palayan Project in Nueva Ecija

367,108.51 metric tons of Liquid Fertilizers donated to Sugarcane Farmers

Php 170,908 amount of in-kind donations for Brigada Eskwela, Balik Eskwela Program, Teacher's Day, Give a Gift Reading

Donated 30 decommissioned desktop computers and one laptop for the use of students of Dr. Pablito V. Mendoza Senior HS in Bustos, Bulacan

36 Dual Training System Trainees and 435/ month of allowances provided and one Dual Tech School maintained via the Brigada Eskwela Program

Career orientation sessions for 41 senior high school beneficiaries of the TYKFI-STA Scholarship Program for Farmers' Children

School bags donated to 415 elementary school pupils in Sta. Cruz, Ilocos Sur

10kgs sacks of white rice donated to over **522 pupils and 29 teachers** in Sta. Cruz, Ilocos Sur

Our Organizational Profile GRI 2-1

The LT Group, Inc., or the companies under the same, have been delivering a variety of products and services for over 6 decades.

The conglomerate was organized in 2012, through Tanduay Holdings, Inc (THI), which was later renamed in the same year as LT Group, Inc.

In the same period, the Company's Board of Directors authorized the acquisition of shareholdings in Fortune Tobacco Corporation, Philippine National Bank, Allied Banking Corporation, Asia Brewery, Inc., and Eton Properties Philippines, Inc.

The series of acquisitions made by LTG in 2012 expanded its investment portfolio to include tobacco, beverages, property development and banking. Majority owned by Dr. Lucio C. Tan and his family and assignees, these subsidiaries, combined with the LT Group, Inc., are collectively known as the Group in this Sustainability Report.

With its growing consumer products, LTG is set to continue innovating its product lines and expanding its market base overseas.

In terms of ownership, LTG's ultimate parent company, Tangent, has a 74.36% stake in the Company as of December 2021. Currently, LTG's head office is at the Bonifacio Global City, one of the most prominent central business districts in the Philippines.

The LT Group, Inc. logo

The LT Group, Inc. logo is a symbol of strength and solidarity, the essence of our logo. The clean, balanced lines and curves are central elements that form a mystical symmetrical tree. Drawn in an Eastern-Oriental style, it gives a hint to the Company's Chinese heritage.

Tree is life. Life is growth. Like a tree, a company with firm roots, properly nurtured, will continuously grow and give value.

The tree's trunk is upright, and the branches spread out, a symbolic consolidation of the subsidiaries and stakeholders within two circles — the inner circle for continuity, and the outer circle for solidarity.

Our Business Strategy

Our Long-term Strategic Objectives

Vision

To be a world-class conglomerate at the forefront of Philippine economic growth, successfully maintaining a strong presence and dominant position in key Philippine industries while ensuring continuous benefits to its consumers, communities, employees, business partners, and shareholders.

Mission

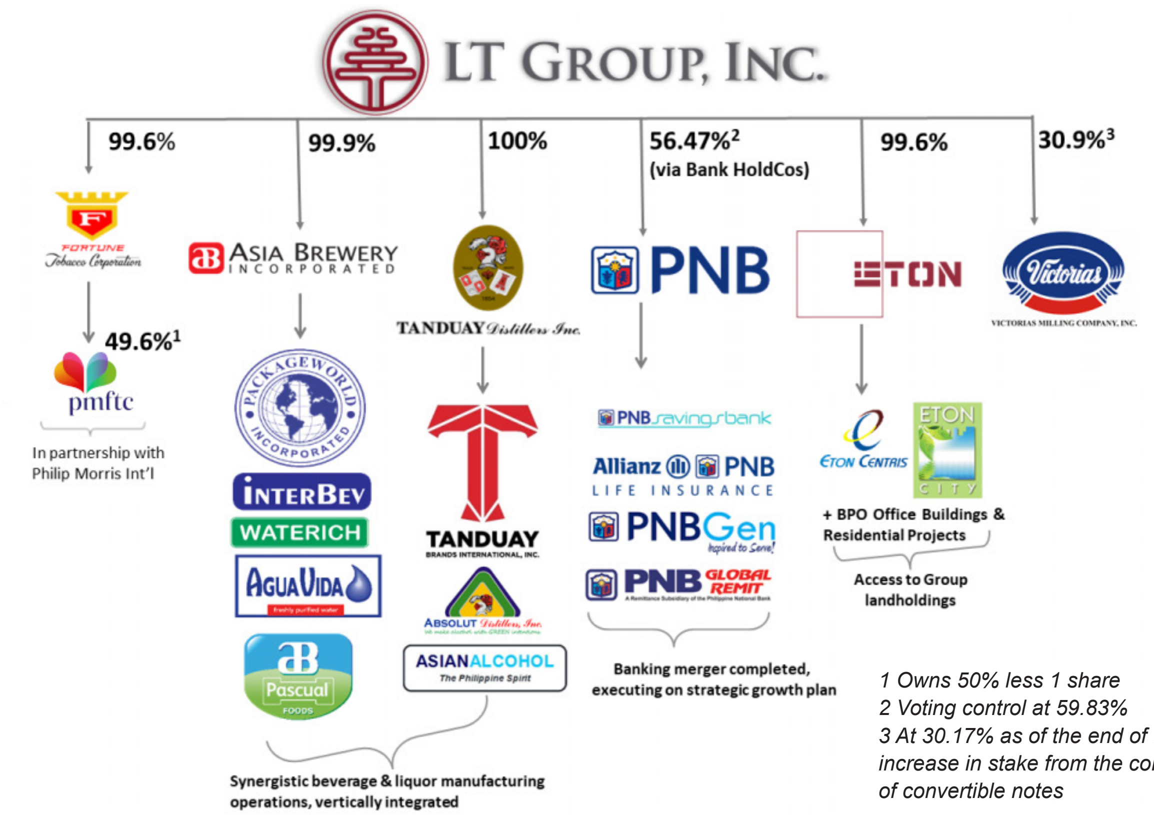
Anchored to its Vision, the LT Group, Inc. commits:

- To increase stockholder values through long-term growth in its major business groups.
- To continuously improve the value of its products and services and to provide consumers with more and better choices.
- To build the largest, most effective distribution network and widest customer reach in the Philippines.
- To leverage synergies between its various businesses to continuously improve revenues and cost structure.
- To enhance the welfare of our employees and the communities where we live and work.

The Board of Directors reviews and approves the Vision and Mission Statements annually. The latest reviews were on February 9, 2021, and February 8, 2022.

Our Corporate Structure

LTG's corporate structure illustrates the relationship between the parent company and its subsidiaries. Except for Victoria Milling Company Inc., each of the subsidiaries under LTG also has its own subsidiaries, as outlined in its corporate structure. Some of these subsidiaries have supply chains that are vertically integrated for more efficient business operations.



1 Owns 50% less 1 share
2 Voting control at 59.83%
3 At 30.17% as of the end of 2016; increase in stake from the conversion of convertible notes

Our Businesses GRI 2-6

Beverages

Asia Brewery, Inc. (Asia Brewery) is one of the leading providers of top-quality and affordable beverage products to the mass market. Established in 1982, the company began by introducing a new beer brand to break the monopoly in the Philippine beer industry. From a single-product company engaged in alcoholic drinks, Asia Brewery has since expanded its line to include ready-to-drink tea, energy drink, yogurt, and soymilk products. Asia Brewery's diverse portfolio of well over (40) alcoholic and (138) non-alcoholic brands include Beer na Beer, Brew Kettle, Colt 45, Tanduay Ice, Tiger Black, Asahi, Cobra Energy Drink, Nestea, Sunkist, Absolute, Summit, V-Soy, Vitamilk, Spritz and Paraiso. Over the past years, Asia Brewery is rapidly earning a reputation for its non-alcoholic and alco-mix beverages and products.

Property Development

Eton Properties Philippines Inc. (Eton) is a real estate firm established in 2007 with a vision to become the most trusted property developer in the country. Eton has a broad experience in the real estate industry and specializes in delivering commercial, office and residential property developments in strategic locations around the country.

Eton is one of the biggest real estate developers in the Philippines. Our foreign counterpart, Eton Properties Ltd, is an established real estate brand in Hong Kong and mainland China. With an extensive land bank in strategic locations all over the country, we specialize in office projects, commercial centers, mixed-use township developments, high-end and mid-income high-rise and horizontal residential developments, and land leases.

To date, Eton has 36 projects under its wing, including Parklinks, its latest joint-venture development with Ayala Land, Inc., along E. Rodriguez Ave. in Quezon City. In addition, we have delivered two townships, mixed-use development, eight commercial centers, six BPO hubs, one event venue, one hotel, one serviced residence, eight high-rise condominiums, one mid-rise development, and six residential subdivisions. Among the completed office buildings are Centris Cyberpods 1-5 in Eton Centris, Eton Corinthian Cyberpod in Ortigas, and eWestPod at Eton WestEnd Square in Makati.

Tobacco

In 2010, Philip Morris Philippines Manufacturing Inc. (PMPMI) and Fortune Tobacco Corporation (FTC) entered into an agreement to combine their businesses and formed PMFTC Inc. (PMFTC). PMPMI traces its roots from the licensing agreement entered into by Philip Morris International with La Suerte Cigar and Cigarette Factory to manufacture and sell Marlboro in 1955. Meanwhile, FTC was established in 1965 by Dr. Lucio C. Tan to produce cigarettes for the Philippine market. FTC achieved market success early on and was responsible for introducing some of the most successful local cigarette brands in the Philippines, including the Fortune, Champion and Hope menthol brands. Prior to the creation of PMFTC, FTC was the largest domestic tobacco company in the Philippines.

Today PMFTC has a diverse portfolio of international and domestic brands covering all price points in the Philippines. PMFTC manufactures 5 out of the top 10 brands available in the market today.

Banking

The Philippine National Bank (PNB) is one of the largest and oldest banks in the Philippines. Operating as a government bank from its establishment in 1916 until its privatization in 2007, PNB has earned a reputation as the "Bangko ng Bayan" or the people's bank. Throughout the past 106 years, PNB has withstood the test of time by providing stable and reliable customer-first services even during the most challenging financial and social crises.

The Bank believes it is responsible for upholding its stakeholders' right to prosperity and ensuring its customers have pathways to fulfilling lives. As a result, PNB has constantly maintained a customer-centric approach with a passion for innovation and service excellence.

In over a century of continuous operations, the Bank's mission has constantly evolved to respond to the needs of the changing times. For instance, PNB pioneered rural banking services to support the agriculture sector in the 1920s. In 1917, the Bank marked its entry into the field of international banking with the opening of its first overseas branch in New York. Today, the PNB has positioned itself as a leading and dynamic Filipino financial services group with a global reach committed to delivering valuable products and services.

Distilled Spirits

Incorporated in May 1988, Tanduay Distillers Inc. (Tanduay) is a company mainly engaged in manufacturing, compounding, bottling, importing, exporting, buying, and selling liquor products. Tanduay sells liquor such as rhum, brandy, whiskey, and gin either in retail or wholesale. Apart from liquor products, Tanduay also sells equipment, materials, and supplies related to the manufacturing of these products. Tanduay has two subsidiaries: Absolut Distillers Inc. (ADI) and Tanduay Brands International, Inc. (TBII).

Absolut Distillers Inc., originally known as the Century Distillery Corporation (CDI), started as a small distillery in the late 1980s. By 1990, CDI eventually became Absolut Chemicals Incorporated, and LTG acquired it. ADI aspires to be a word class producer of quality alcohol while promoting sustainable development by empowering its employees, stakeholders, and communities. ADI offers fine ethyl alcohol and liquified carbon dioxide used in alcoholic and non-alcoholic beverages. In addition, ADI manufactures bioethanol used to produce fuel bioethanol.

Tanduay Brands International mainly handles the marketing of Tanduay products. In 2003, TBII was incorporated in the country, and three years later, LTG sold its 100% ownership interest in TBII to Tanduay. The following year, the company started its commercial operations and opened its first store, "Tanduay," in Century Park Sheraton Hotel Manila.

Our Markets and Geographical Reach GRI 2-6

LTG is a Filipino-owned and controlled company that enjoys a significant presence in the domestic market. The Company aims to broaden its global operations to realize its vision of becoming a world-class business firm delivering outstanding products and services.

Asia Brewery's market reach is limited to local mass consumers, although we aspire to bring Filipino-branded beverage products to a wider international market. To date, Asia Brewery sells alcoholic and non-alcoholic beverages and products through various distribution facilities nationwide. At least 11 distribution channels are in Luzon, and two are in Mindanao. Aside from these channels, we are increasing our customer reach through our exclusive distributors' network of 39 sales offices, 15 sub-warehouses, and 7 depots.

Eton has a diversified real estate portfolio ranging from residential to commercial projects. We lease and sell residential condominium units, office and commercial spaces, and buildings. On top of these, the company also offers property management and hospitality services.

PNB offers a wide range of traditional and innovative services to individual and institutional customers. These banking and financial services include deposits, insurance, trade finance, lending services, trust, treasury, and remittance products and services. We complement our traditional banking operations with digital banking through our internet portal and digital apps for faster transactions.

Our customer base is composed of private and public sector organizations such as corporations, the national government, local government units, government-owned enterprises, and other government agencies. Moreover, we also cater to small and medium markets and retail customers.

We operate 651 Philippine branches and offices plus 71 overseas branches, subsidiaries, and representative offices in 17 jurisdictions in the United States, Europe, the Middle East, Asia & Oceania.

Tanduay has a broad range of liquor products such as rhum, gin, vodka, whiskey, cocktails, and medicinal wine. Meanwhile, ADI is engaged in producing various products ranging from bioethanol and distilled products to solar power. ADI has been registered as a bioethanol producer with a capacity of 30 million liters per year and started the commercial operation of its bioethanol plant in 2016. In addition, ADI manufactures and sells denatured alcohol, liquid carbon dioxide and dry ice. Meanwhile, ADI also operates a two-megawatt solar power generation facility, licensed under the Renewable Act of 2008. Under a 25-year solar energy supply contract, ADI supplies electric power through its solar power system to the National Grid Corporation of the Philippines (NGCP) at the approved Feed-In-Tariff rate of Php8.69 per kilowatt hour.

Through fifteen exclusive distributors, Tanduay serves more than 215,000 points of sale as of 2022. These distributors operate at least 40 sales offices and 48 warehouses nationwide. Through TBI, in-house sales staff are employed by Tanduay to provide marketing and administrative support to its distributors. In addition, third-party transportation companies offer logistical services for Tanduay's products. ADI's bioethanol and other by-products are delivered through distillery tankers or collected by customers at distillery plants.

Membership in Associations GRI 2-28

LTG joined various industry, trade, and professional associations in the country to enhance its business profile and expand its business connections. In some of these organizations, LTG plays crucial leadership positions. By actively participating in external organizations, LTG has acquired insights into industry updates, best practices, and emerging trends.

Asia Brewery
- Cabuyao River Protection Advocates (CaRPa) – President

MEMBER
- People Management Association of the Philippines (PMAP)
- Employers Confederation of the Philippines (ECOP)
- Philippine Society for Training and Development (PTSD)
- Semiconductor and Electronics Industries in the Philippines (SEIPI)
- Advocates, Leaders and Professionals in Environment, Safety and Health (ALPrESH)
- Association of Safety and Health Practitioners (ASPPI)

Eton Properties
- Urban Land Institute – Founding Member
- Rotary Club – Honorary Member

MEMBER
- Philippine Society for Talent and Development
- Employees Confederation of the Philippines
- Philippine Association of National Advisers

Tanduay
- Ethanol Producers Association of the Philippines (EPAP) – Chairman
- CARD Foundation – Chairman

MEMBER
- Employers Confederation of the Philippines (ECOP) – Member
- Distilled Spirits Association of the Philippines (DSAP) – Member

PNB
- Philippine Association of Management Accountants – President

MEMBER
- ACI Philippines
- Association of Certified Fraud Examiners
- Association of Certified Public Accountants in Commerce
- Association of AML Officers (AMLO)
- Association of Bank Compliance Officers (ABCOMP)
- Agusan Chamber
- Asian Bankers Institute
- Asian Bankers Association
- Bankers Institute of the Philippines
- Bankers Association of the Philippines
- Bank Marketing Association of the Philippines
- Bank Security Management Association
- British Chamber of Commerce in the Philippines
- Business for Sustainable Development (BSD)
- Credit Management Association of the Philippines
- Credit Card Association of the Philippines
- Executives Finance Management Association
- Federation of the Philippine Industries, Inc.
- Financial Executive Institute of the Philippines
- Financial Technology of the Philippines
- Good Governance Advocates and Practitioners of the Philippines (GGAPP)
- Information Systems, Audit and Control Association
- Institute of Corporate Directors
- Institute of Internal Auditors of the Philippines
- Integrated Bar of the Philippines
- International Association for Business Communicators (IABC)
- Japanese Chamber
- Korean Chamber
- Mabuhay Miles
- Makati Commercial Estate Association, Inc.
- Management Association of the Philippines
- Money Market Association of the Philippines, Inc.
- People Management Association of the Philippines
- Philippine Association of National Advertisers, Inc.
- Philippine Chamber of Commerce and Industries, Inc.
- Philippine Business Coalition for Women Empowerment
- Philippine Payments Management, Inc.
- Public Relations Society of the Philippines (PRSP)
- Rotary Club
- Tax Management Association of the Philippines
- The Financial Markets Association, Inc.
- Trust Officers Association of the Philippines
- Women's Business World

Sustainability for LT Group

Stakeholder Engagement Mechanisms GRI 2-29

HOW WE ENGAGE	KEY CONCERNS RAISED	COMPANY'S RESPONSE
Government Agencies and Regulators		
• Policy dialogues, consultations and meetings, and legislative hearings • Regular reportorial requirements and other official correspondence • Briefings, forums, webinars and conferences (primarily online) • Annual audits • Formal proceedings • Membership in committees organized by the government • Periodic examinations • Emails / Correspondences • Virtual Meetings • Webinars	• Request for private sector support for government Initiatives, programs, or policies • Completion/clarification of compliance requirements • Conduct of sound business practices and risk management • Sustainability of the company • Compliance to laws, rules, and regulations • Transparency and accountability • Liquidity and capital adequacy to operate as a universal/commercial bank • Timely and accurate submission of financial and regulatory reports	• Participation in and/or expression of support for government initiatives, programs, or policies • Correspondence with relevant government agencies • Timely and accurate submission of regulatory reports • Transparency and accountability • Proactive dialogue • Full compliance/adherence to banking laws, rules, and regulations in the country and overseas
Customers		
• Email • Calls/SMS • Social Media Platforms • Messaging Apps • Websites • Retail Partners • Customer Survey Forms	• Better customer engagement and experience • Fast, efficient and competent customer service • Accessibility and convenience of customer touchpoints • Data security risks • Protection of customer information • Safety and quality of products • Responsible advertisement of products • Health and safety of customers	• A reliable 24/7 customer service hotline • Information campaigns and seminar training • Digital Customer Complaint Handling Process • Enhanced Digital Platforms/ Online Transactions • Cybersecurity Tools • Ensure 100% compliance with requirements on standards and regulations • IATF regulation and standards • Presence across the country

HOW WE ENGAGE	KEY CONCERNS RAISED	COMPANY'S RESPONSE
	• Products and services that are responsive to their current needs • Updates and information on operating hours, new products and services, promos, etc.	and overseas, offering relevant products, services, and solutions • Financial Wellness Sessions, Roundtable Discussions, Economic Briefings • Clear and timely customer updates or advisories (i.e., schedule of branch operations, new product/ service, promos, etc.)
Employees		
• Consultation • Tool box meetings • Employee-related activities • Labor union • Annual Shareholders' Meeting • Annual Press Briefing • Quarterly Analysts' Briefing • Consultation Meetings with the Congress • Conference/telephone calls • Regular virtual meetings with relationship managers and branch personnel • Website updates • Email communication • Social Media Updates and Messaging Apps (Facebook, Messenger, Twitter, Instagram, Viber, WhatsApp) • Virtual Events • Yearly outing/ team building	• Hiring and retaining talents • Handling grievances • Attracting and retaining talents • Financial results of the Group • Future plans of operations • Other significant changes on the operations of the Group • Work-life balance • Competitive compensation and benefits • Safe and secure work environment • Training, development and career progression • Improvement of infrastructure and facilities • Opportunities for volunteerism and community engagement	• Competitive salary • Year-round initiatives and programs to promote employee well-being; in-house and external webinars; employee welfare and wellness (medical and mental teleconsultation hotlines, power classes, etc.) • Employee recognition • Performance appraisal • Labor management committee/ council meetings • Offer career opportunities • Labor Management Committee (LMC) • Grievance mechanism • Regular checking and maintenance of on-site offices/ branches and IT infrastructure (i.e., hardware, software, and systems) • On-site/off-site volunteerism or community outreach opportunities for our employees • Development and implementation of policies that safeguard the safety, growth, and well-being of our employees

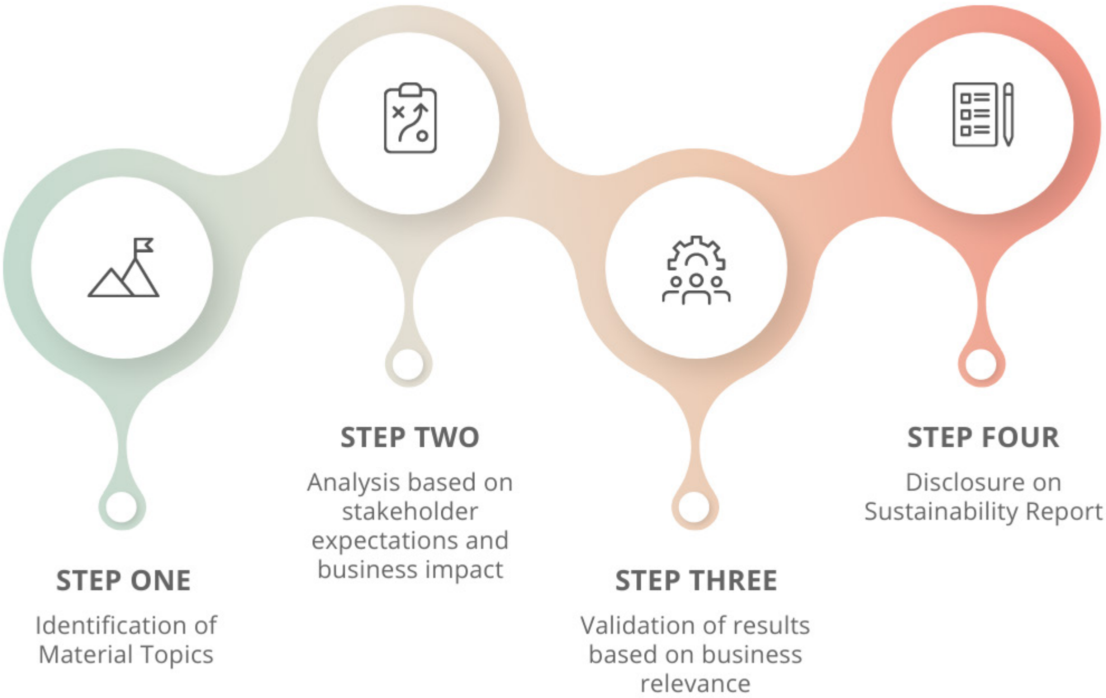
HOW WE ENGAGE	KEY CONCERNS RAISED	COMPANY'S RESPONSE
Communities		
• Corporate Social Responsibility Activities • Investors' Conference • Plant Visits • Virtual Financial Literacy/ Financial Wellness sessions • Virtual meetings and events/ activities (i.e., donations, turnovers, etc.) • Charitable/ Philanthropic Contributions • Environmental and sustainability-related projects or initiatives • Partnerships with credible NGOs, Foundations, academic institutions, LGUs, or Civil Society Organizations	• Access to existing public infrastructure • Community programs and initiatives • SEC and PSE reports should be disclosed on time and are available for viewing and downloading on the Group's website • Promote a greater understanding of the businesses • Knowledge of basic money management • Projects that support the economic, social, and environmental landscape of the community • Disaster or emergency response • The school was temporarily closed due to pandemic • DTS Trainees who were trapped within the company's premises	• Shuttle services • Donations of Bottled Water (ABI White Label) during calamities (typhoons, earthquakes, fire, flooding) • Tree Planting • Brigada Eskwela • Adopt-a-River (Clean-up drive) • Networking and coordination for certain CSR or sustainability-related projects and activities • Financial inclusion through financial literacy programs • Partnerships with credible social development organizations, LGUs, academic institutions, and civil society organizations aligned with the CSR and sustainability thrusts of the Bank • Support for charitable and philanthropic causes on education, environment, and social welfare development. • Support for affected communities where the Bank has a presence, especially during times of natural and man-made calamities (i.e., relief operations), with assistance from our employees, our subsidiaries, and affiliates. • Continuous training whenever possible • Food and accommodation and allowances • Extended financial assistance to the partner school • Allow the request to conduct

HOW WE ENGAGE	KEY CONCERNS RAISED	COMPANY'S RESPONSE
Suppliers • Supplier Performance Evaluation • Consignment Program (Partnership) • Electronic/Physical Letters • Virtual meetings • Phone calls/SMS	• Partnership with Suppliers on the Consignment Program • Supply chain risks • Timely and accurate payment of products and services commissioned/secured • Ethical and efficient supplier accreditation process • Updates/information on any changes in the procurement/ outsourcing policies and processes • Non-compliance incidents or practices	• Provide feedback and discuss the Supplier Performance Evaluation through email and meetings • Ensure reliability and inventory control/management of consigned raw materials • Annual review of vendor/ supplier performance • Orientation sessions/briefings for vendors/suppliers • Organized biddings, a thorough review of documentation submitted, proper accreditation of suppliers in compliance with relevant standards and requirements • Review of necessary documentation and facilitation of timely release of payments • Foundation for the creation of a Bank-wide Sustainability Procurement and Supply Chain by organizing webinars for the Corporate Services Division and other concerned business units

Our Approach to Materiality GRI 3-1, 3-2

We conducted a thorough materiality assessment to understand critical environmental, social and governance issues that matter to the Company's stakeholders and develop strategies to address them. The materiality assessment entails identifying topics relevant to us and our subsidiaries. To assess the scope and objectives of the engagement with its sustainability partner, we organized a series of consultation sessions with the Sustainability Reporting Project team. From these sessions, the list of sections to be included in the survey forms for the materiality assessment was finalized. The sections were revised and changed into specific questions that can generate insights enabling us to plan, implement, and achieve measurable results.

In October 2022, we held a materiality assessment session to discuss the various applications of sustainability in the Company and identify sustainability topics relevant to the Group. During the session, the application of sustainability in our sustainable development plans and programs was tackled. Towards the end of the session, a short survey was conducted to solicit feedback on our sustainability initiatives. Survey participants were asked to indicate their profiles and rank the company's impact based on the rating system provided to them.



Following the assessment, our Senior Management organized an in-person validation session of the outcome on January 9, 2023, in Makati City to accurately represent the Company's sustainability performance. Furthermore, the Risk Management Committee conducted a confirmation session on January 10, 2023, to endorse the results of the validation session.

Economic and Governance	Environment	Employees	Customers	Society
• Good Governance • Economic Performance • Ethical Operations • Socio-Economic and Environmental Compliance • Illicit Trade	• Resource Efficiency • Climate Change/ GHG Emission	• People Safety, Security and Well-being • Employee Skills and Competency Development • Employment • Labor Relations and Diversity	• Customer Data Privacy and Security • Customer Engagement and Satisfaction • Marketing and Labeling	• Community Relations • Human Rights Protection • Supply Chain Management

Economic & Governance

Good Governance GRI 2-9, 2-10, 2-11, 2-12

LTG understands the importance of effective corporate governance as a driver of company performance. The Company's Board of Directors provides strategic guidance and supervises the management and operations of the business. Under the Board of Directors are five committees tasked to oversee operations and ensure the Company follows sound corporate governance practices. These committees include the Audit Committee, Risk Management Committee, Executive Committee, Nomination and Compensation Committee, and Corporate Governance Committee.

The Audit Committee assists the Board in performing oversight functions on financial reporting, internal control, audit, and monitoring compliance with laws and regulations. This Committee is composed of five members, four of which, including the Chairman, are independent directors. The Committee members are Mr. Johnip G. Cua as Chair and Ms. Juanita T. Tan Lee, Ms. Florencia G. Tarriela, Mr. Wilfrido E. Sanchez, and Ms. Mary G. Ng as members.

Meanwhile, the Risk Management Committee oversees the management of the Group's financial and non-financial risks, including related party transactions. It is the responsibility of the Committee to review risks and manage the overall risk exposure of LTG. Currently, Ms. Mary G. Ng serves as the Chair of the Committee, while Mr. Johnip G. Cua, Ms. Juanita T. Tan Lee, Ms. Florencia G. Tarriela, and Mr. Wilfrido E. Sanchez serve as Committee members.

The Board gives the Executive Committee powers to manage the business and affairs of LTG, but it is excluded from exercising any powers expressly reserved to the Board of Directors. Dr. Lucio C. Tan chairs this committee, and its members include Ms. Karlu T. Say, Mr. Michael G. Tan, Ms. Vivienne K. Tan, Ms. Juanita T. Tan Lee, Mr. Lucio C. Tan III, and Mr. Johnip G. Cua.

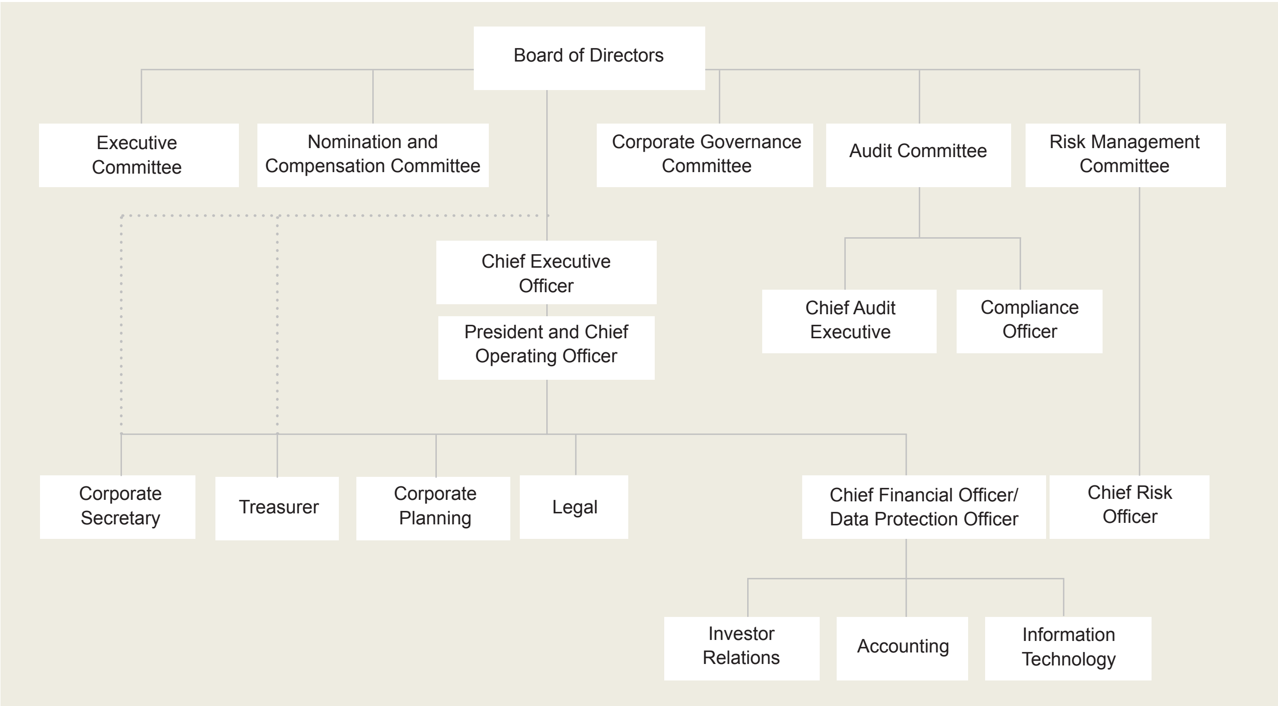
Under the Group's charter, the Nomination and Compensation Committee ensures a formal and transparent Board nomination process in selecting, compensating, monitoring, and, if needed, replacing key executives. The Committee is also responsible for overseeing the Board's succession planning. Dr. Lucio C. Tan is the Committee Chair, while Ms. Karlu T. Say, Mr. Michael G. Tan, Mr. Lucio C. Tan III, Ms. Juanita T. Tan Lee, Ms. Mary G. Ng, and Mr. Wilfrido E. Sanchez are the Committee members.

LTG created a Corporate Governance Committee to promote good governance within the Group and lead the Company to become a world-class conglomerate. This Committee oversees the periodic performance evaluations of the Board, its committees, and the executive management. These evaluations aim to ensure that a director is fully qualified and capable of performing the duties and responsibilities of the position. The Committee is chaired by Ms. Florencia G. Tarriela and is required to meet at least twice a year or as needed. Committee members include Mr. Michael G. Tan, Mr. Lucio C. Tan III, Ms. Juanita T. Tan Lee, Mr. Johnip G. Cua, and Mr. Wilfrido E. Sanchez.

Over the years, no changes have been made to the Group's corporate structure, size, and ownership.

Organizational Chart GRI 2-9

The LTG Board of Directors is the highest governing body responsible for implementing the Company's strategy. The Board of Directors is assisted by five committees and oversees the governance of the entire conglomerate. The Company's Chief Executive Officer, President, and Chief Operating Officer report directly to the Board of Directors. Each officer in the organizational structure plays a crucial role in driving LTG's corporate performance.



Awards and Recognition

The Company's efforts in improving its practices and policies to ensure compliance with the Philippine Code of Corporate Governance and the internationally recommended corporate governance practices by the ASEAN Corporate Governance Scorecard (ACGS) was not left unnoticed by the Institute of Corporate Directors (ICD), the duly appointed domestic ranking body of the SEC.

As a testament of the Company's dedication and commitment, it received the three (3) golden arrow recognition last January 20, 2023. This golden arrow is awarded by the ICD to companies that achieve a score of at least 80 points in the ACGS Assessment. For the year 2021, the Company garnered a score of 106.09 points out of the possible 130 points.

Driving Sustainability from the Boardroom GRI 2-13, 2-14, 2-15, 2-16, 2-17, 2-18, 2-19, 2-20, 2-22

LTG's Board of Directors plays a crucial role in driving sustainability within the Company. Balancing the Board's corporate responsibility and sustainability leadership role is critical to boosting LTG's bottom line.

Members of the Board oversee the overall management of the Company and set the purpose, values and strategies of LTG. The Board is bound to adhere to the highest ethical standards of corporate governance. Within the Company, all Directors and key Officers are required to disclose to the Board of Directors or to the Risk Management Committee any material transaction or relation that would result in actual or potential conflict of interest. In cases where it is unclear whether an act or transaction will result in a conflict of interest, the Director, Officer or Employee should consult with the Risk Management Committee of the Corporation, the Chief Legal Officer, or his or her immediate supervisor, whichever is applicable based on the personnel's rank.

LTG's Board delegates its authorities, including the responsibility of managing economic, environmental and social concerns, through the Committees in the Company and its subsidiaries. Each subsidiary has a Committee Chairman and executives appointed by the Board to deal with these topics. Key Directors and Officers of LTG undergo seminars with topics relating to Environment, Social and Governance (ESG). Stakeholders of the Company and subsidiaries are consulted on sustainability-related topics to gather their concerns and issues. These issues are compiled and forwarded to the Board in the form of Committee reports.

To assess the performance of the Company's highest governance body, an annual self-assessment is conducted by the Board of Directors to review their performance and revisit their roles and responsibilities. To make the evaluation process more efficient, LTG has developed an electronic Performance Evaluation Form ("form") outlining the duties and responsibilities of the Directors and Committee members based on the Revised Manual on Corporate Governance and Charters. Annually, the form is filled out by the Chairman, Directors, and all Committee members to evaluate their own performance as well as the performance of the Chairman, Directors and Committee members.

The remuneration of Board members is based on the Nomination and Remuneration Committee Charter which explicitly prohibits directors from being involved in deciding their own remuneration. As a policy, LTG bases the compensation of its officers on their performances, and it does not disclose the salary of its officers.

As the overall lead of the Company's sustainability initiatives, the Board is responsible for setting policies, directing programs, managing sustainability impacts, and leading LTG's sustainability report. Upon the establishment of LTG's Sustainability Reporting Framework in 2019, the Company has been regularly submitting its Sustainability Report subject to review and approval of the Board.

For PNB, the institutionalization and adoption of sustainability principles within the corporate governance, risk management framework, and strategic objectives of the Bank is the main responsibility of its Board. The Bank's Corporate Governance and Sustainability Committee assists the Board in performing its governance responsibilities, including the Nomination and Remuneration Committee functions, ensuring compliance with and proper observance of good corporate governance. It also oversees the consistent implementation of the Bank's sustainability framework.

Risk Management

Effectively Managing business risks helps the Company protect its operations, avoid losses, and achieve business objectives. In an environment of uncertainty, LTG is determined to enhance its risk management system and find ways to turn these risks into opportunities.

We formed a Risk Management Committee composed of mostly independent Directors to lead in monitoring the Company's risk environment and provide direction to mitigate risks that may negatively impact our goals. This Committee regularly holds meetings to identify the material risks facing the Company and presents to the Board its assessment and recommendations on issues related to EESG. The Board decides the course of action to be taken by the Company based on the recommendations of the Committee. As part of its Risk Oversight and Related Party Transactions (RPTs) Functions, the Committee also reviews and screens related party relationships and transactions to protect the interest and reputation of LTG.

The Company's subsidiaries also established their respective Risk Management Committees tasked with formulating and setting directions on mitigating and resolving business risks. The subsidiaries' Risk Management Committee head or Chief Risk Officer is required to submit a report to LTG's Risk Management Committee, which elevates the report to the Board and formulates solutions addressing the identified risks. The Board deliberates the proposed recommendations and decides on the action to take to manage the risks.

In 2022, the Company's Risk Management Committee organized six meetings to discuss the current risk exposures of LTG based on submitted Management reports.

Eton identifies and responds to business-related risks using its Enterprise Risk Management policy. One of the committees under the company's Board is the Audit and Risk Committee, which oversees management's activities in handling credit, market, liquidity, operational legal, and other related risks. The Audit and Risk Committee receives information from the management on risk exposures and risk management activities. Yearly, the committee reviews our risk appetite levels and risk tolerance limits against the developments in the business and its context, regulatory frameworks, and other significant events that may impact the business.

The Risk Oversight Committee (ROC) is one of PNB's eight board committees. It assists the board in overseeing the risk profile and approving the risk management framework of PNB, including its related allied subsidiaries and affiliates. It is mandated to set the Bank's risk appetite; approve frameworks, policies, plans, and programs for managing risks; and accept risks beyond the approval discretion provided to management.

Specific risks have been identified by Tanduay that are crucial to its business operations, such as market risk, raw material supply risk, credit risk, trademark infringement risk, regulatory risk, safety health and environmental law risk, and counterfeiting risk. Tanduay's primary market is lower-income consumers who are highly sensitive to price changes. Thus, the entry of new competitive and substitute products suitable to the purchasing power of its consumers will adversely affect Tanduay's financial position and performance. To address this risk, Tanduay continuously expands its portfolio of products and constantly monitors market trends, and consumer needs to identify potential opportunities and respond to customer preferences.

Tanduay regularly monitors its molasses and alcohol requirements, provides adequate storage to stock its raw materials, and maintains a network of local and foreign suppliers to boost the resilience of its supply chain. We manage credit risk by thoroughly assessing the credit worthiness of our distributors, and for the past twenty years, Tanduay's credit dealings with existing distributors have been generally satisfactory. We address trademark infringement and counterfeiting risks by developing safeguards and taking preventative actions. Tanduay registers its brand names, trademarks, and other intellectual property rights with the Intellectual Property Office (IPO) in all countries where its products are being sold, while products under development are registered in advance. Further, we actively evaluate counterfeiting risk and undertake legal actions against violators.

With the nature of its core business, Tanduay undergoes extensive review from regulatory bodies. To manage regulatory risks such as the imposition of a higher specific tax, we resort to increasing our selling prices and reducing our production costs. In addition, Tanduay coordinates with appropriate regulatory agencies and industry associations to check potential problems and policy direction shifts.

Compliance with safety, health, and environmental laws and regulations is a top priority for Tanduay. As such, we strictly follow government regulations and have invested in an environmental protection system for our physical facilities, all of which have been cited as compliant by environmental regulators.

Compliance GRI 2-27

The culture of compliance has always been a bedrock of LTG's commercial operations. Accordingly, the Company's management requires all employees, officers, directors, and personnel to comply with all laws, rules, and regulations relevant to LTG's business.

PNB's Board Audit and Compliance Committee assists the Board in performing its oversight responsibility relating to financial reporting process, internal control systems, audit process, and monitoring of compliance with applicable laws, rules, and regulations.

Tanduay gives serious consideration to its compliance with laws and regulations. The Company's Corporate Governance Committee diligently monitors business units responsible for ensuring compliance with regulatory agencies.

Across the Company, there was no record of significant non-compliance with laws and regulations relevant to our business operations.

Anti-Corruption GRI 3-3, 2-25, 205-2, 205-3

Supporting and sustaining LTG's long-term development as a business requires vigilance against corruption, unethical behaviors, and unfair business practices. To create a fair business environment, we are bolstering our anti-corruption efforts by strictly enforcing the Group-wide Code of Business Conduct and Ethics, expanding educational campaigns, and strengthening mechanisms for reporting unethical practices.

At Asia Brewery, business transactions are conducted under high ethical standards. Internal rules and regulations prohibit corruption, monopoly, anti-competitive behavior, and other unethical business practices. Corruption and unscrupulous behavior are prevented within the supply chain by implementing a competitive procurement process subject to the

Executive Committee's review and approval. To ensure understanding and compliance with the Code of Conduct, we conduct orientation programs and send all employees reminders on our whistleblowing policy and grievance mechanisms. Complaints and reports, if any, are investigated thoroughly, and sanctions are imposed as deemed appropriate.

Upholding business integrity is always crucial for Eton. Thus, the company's Corporate Governance Manual outlines the ethical requirements that management and employees should follow. The management officers, executive directors, and key officers must disclose to the Board of Directors or the Audit and Risk Committee any potential conflict of interest arising from their business dealings. In line with Eton's Related Party Transaction Policy of the Code of Business Conduct and Ethics, all company employees, including its subsidiaries, should divulge business and family-related transactions to prevent conflicts of interest. The company does not tolerate corrupt behavior and practices such as fraud and bribery. Employees cannot give or accept gifts in exchange for business favors. To promote fair competition, the company does not infringe any trademark, patent, or trade secrets of its competitors. Aside from these company policies, we conduct orientation on the Code of Business Conduct and Ethics as well as corporate governance seminars to improve professionalism in the workplace.

PNB does not tolerate offenses related to bribery and corruption. Accordingly, the Anti-Bribery and Corruption (ABC) Policy of the Bank prohibits giving, promising, authorizing, offering, soliciting, or receiving any item of value, whether directly or indirectly, intended to improperly influence the decisions or actions of another party to obtain an unfair advantage.

Our employees may report suspected violations of integrity standards, including corruption and bribery, through the Whistleblower Hotline using call, text, or email. All reports are kept confidential to encourage reporting of bribery and corruption-related acts, and the whistleblower is protected from harassment, retaliation, or bullying. The harassment or victimization of the whistleblower is treated as a serious disciplinary offense, which will be dealt with under the PNB's code of conduct.

At Tanduay, honesty and integrity are core values that govern our business dealings. Our policies and guidelines to promote ethical behavior are anchored on LTG's Code of Ethics, Conflict of Interest Policy, and Corporate Code of Conduct. To ensure employees act ethically and adhere to anti-corruption laws, Tanduay disseminates company memos and conducts onboarding orientation explaining our Code of Conduct and core values. Tanduay also designed a Work Attitude and Values Enhancement program to promote awareness of ethical practices and develop a positive working attitude among employees. This program helps influence work behaviors and provides a holistic self-management framework to help employees identify their personal values and explore ways to align these with their organizational values.

We ensure that LTG employees know our anti-corruption policies and procedures. In 2022, the Group's anti-corruption policies and procedures were communicated to employees from rank-and-file staff to officers as well as relevant third parties. As a result, 3,646 LTG employees across all subsidiaries and 2,917 governance bodies received anti-corruption training in 2022. In the same period, no major incidents of corruption have been reported within the Company.

Looking forward, LTG will consistently strive to prevent corrupt and abusive practices to protect its business and stakeholders.

Illicit Trade

LTG's Unique Key Material Topic

LTG has been relentless in combating the illicit tobacco trade in the country. The problem has significantly affected our business interests, the local tobacco industry, and the economy. To address this issue, we have been strengthening our internal capacity and forging external partnerships to curb illegal trade.

Tax-driven price hikes further compound illicit trade in the tobacco industry. A study by Euromonitor estimates that the tax boost has resulted in a 14% increase in illicit trade in 2022 and 13.9% in 2023. With the annual increase of Php5 in cigarette excise taxes since 2019, the excise tax on a pack of legitimate cigarettes costs Php60 as of January 2023. In comparison, the price gap between legitimate and smuggled cigarettes ranges from 66 to 200%. The significant price difference makes smuggled cigarettes more affordable to consumers, especially for the youth and low-income earners. Across the country, illicit cigarettes are more prevalent in Mindanao than in other regions.

For a holistic response, we have developed programs and initiatives to fight illicit trade that aim to prevent the diversion of its products, share its knowledge with other parties, and pre-empt attempts to illegally divert its smoke-free products. LTG is channeling its resources and tools and ensuring due diligence to secure its supply chain and prevent product diversion. Collaboration with external partners, including the Philippine and foreign governments, is also done by intelligence sharing, active monitoring, and investigation to fight illicit trade. The Company takes preemptive action to address the illegal diversion of its products in cooperation with the enforcement teams of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC).

LTG has also actively supported the enactment of national and local legislations and policies to prevent and penalize the illicit trade of cigarettes. These legislations include House Bill No. 3917, amending the Anti-Agricultural Smuggling Act to include smuggling of tobacco and tobacco products as economic sabotage; the BIR Revenue Memorandum Circular on fixing floor price of cigarettes and listing registered brands of cigarettes that can be legally sold; and the BIR Revenue Memorandum Order No. 40-2022 instituting guidelines in the conduct of enforcement operations against illicit traders of cigarettes. At the local level, some government units have passed ordinances penalizing retailers engaged in the illicit trade of cigarettes.

Within and outside the organization, LTG launched and sustained an information campaign against illegal cigarettes directed at its retailers, consumers, and law enforcement agencies. Direct engagements with more than 300,000 tobacco points of sales combined with traditional and social media engagements are being utilized as a part of its information drive to reach its target audience. In addition, we conduct briefings on illicit trade incidence studies for law enforcement agencies to inform them of geographic areas where illicit trade is rampant. Partner retailers are also educated on the consequences of patronizing illicit cigarettes to help de-normalize sales of smuggled cigarettes. By the end of 2022, we have managed at least 33 training sessions with 1,102 attendees composed of employees, retailers, consumers, and law enforcement officials.

Through PMFTC Inc. ("PMFTC''), LTG supports the objectives and principles outlined in the World Health Organization Framework Convention on Tobacco Control (FCTC) Protocol to Eliminate Illicit Trade in Tobacco Products. PMFTC is an active member of "Fight IT" (Fight Illicit Trade), a multi-sectoral movement led by the Federation of Philippine Industries (FPI) which aims to curb unfair trade and secure national revenues, and protect legitimate players in the local market. Moreover, PMFTC is a founding member of the Alibaba Anti-Counterfeiting Alliance, whose goal is to take down sellers of counterfeit products. Across the country, the tobacco industry works closely with government enforcement agencies such as the BIR, BOC, the National Bureau of Investigation (NBI), and the Philippine National Police (PNP) to fight the illicit cigarette trade. In 2022, at least 297 enforcements by agencies relating to illicit tobacco products were recorded based on the Company's internal monitoring. Of these enforcements, 335.59 million sticks and 15 machine components were seized, while one (1) illegal cigarette factory was shut down.

Moving forward, LTG will remain vigilant in the fight against the entry and proliferation of smuggled and illegal cigarettes.

Supply Chain Management

GRI 2-6, 3-3, 414-2

Effective supply chain management is vital in growing LTG's business and achieving customer satisfaction. Over the years, we have developed a reliable, efficient, and resilient supply chain to ensure the sustained production of excellent products and services. We ensure integrity and transparency in its procurement processes and enhance the resilience of our supply chain to gain a competitive advantage.

Asia Brewery ensures uninterrupted business operations by strengthening its supply chain management. The company's Board Executive Committee is in charge of managing our supply chain. The Committee is concerned with making decisions and approving supply purchases, including strategic sourcing. As part of its managerial responsibility, the Committee implements operational and tactical strategies, monitors issues, and recommends corrective and preventive actions.

At Eton, the operational and financial efficiency of the supply chain is vital. Value for money is the primary objective of our leasing process. Thus, Eton's leasing sector continued to account for the largest share of the company's revenues in 2022. Although many offices were not operating at full capacity, interest in the company's office properties remained strong as locators prized the flexible spaces in Eton's office developments.

The commercial segment showed resilience and strength as new tenants opened up in several properties. As the economy fully reopened in 2022, more new stores are expected to open in our various commercial properties.

Eton's adaptability and flexibility in 2022 were captured through innovative marketing strategies. This included building brand equity through partnerships with various companies and different campaigns that led to stronger brand awareness and recall on top of continued digitization.

For supplier selection, Eton considers price and quality as two crucial factors. The company prefers to procure locally to achieve cost-efficiency in purchasing goods and services. Local suppliers undergo an accreditation process conducted by Eton to vet service providers. Our supplier selection method is thorough, transparent, and well-documented. A feedback mechanism is also embedded in the company's procurement process to allow suppliers to submit their concerns through email or a written letter.

PNB strongly emphasizes supply chain efficiency, leading to enhanced business performance. The Bank follows a simple process to streamline procurement: canvassing and bidding, reviewing proposed bids, and awarding purchase orders to credible vendors or suppliers. Suppliers are selected based on their financial capacity, ability to deliver within the company's turnaround time, and adherence to our sustainability policy, among other criteria. Using our Outsourcing and Accreditation Policy, an enhanced due diligence process is conducted before, during, and after vendor engagement to guarantee that suppliers adhere to PNB policies and government regulations. The assessment is also carried out to determine the supplier's social and environmental impacts. Throughout the contract period, suppliers are required to enhance their sustainability practices in sync with PNB's sustainability policy.

The Bank established a Procurement Committee composed of various Senior Management Team members to serve procurement functions and review and deliberate on bids. PNB offices and branches in the National Capital Region tap Metro Manila-based service providers, while provincial and overseas branches employ local suppliers. Concerned Bank units are required to evaluate each supplier's service and technical capability in line with PNB's Vendor Management Policy. Under the Corporate Services Division, the Accreditation and Vendor Management Department (AVMD) enhanced its accreditation process, risk assessment, and conduct of due diligence of suppliers. Part of the upgrade in the accreditation process is the inclusion of ESG criteria, such as gender inclusion in human resources and compliance with environmental and social laws and regulations.

Local suppliers with high service standards are prioritized to support the local economy and minimize logistics costs. However, preference for local suppliers may come with associated risks, particularly during disasters. Thus, PNB requires local suppliers to submit a proof of concept and approval proofing from the requesting unit to minimize procurement-related risks. Approval proofing is a process to confirm or approve whether or not the sample goods or services comply with the requirements of the requesting unit. This is done before mass production of the items to prevent defects and errors in the items for procurement. In the case of services being procured, a technical evaluation and vendor due diligence are performed to evaluate technical capacity and guarantee that the service provider complies with the specifications or terms of reference. The Bank's various business units have a Business Continuity Plan to manage supply chain risks effectively while we also maintain a pool of suppliers for our procurement needs.

Transparency is embedded in the procurement process of the Bank. Results of bidding are released following the Manual of Operations. Feedback channels are also provided to suppliers where they can raise their concerns or clarifications.

Finally, Tanduay requires its business chain partners to follow its stringent supplier accreditation policy. The company's Code of Ethics guides the process of scrutinizing suppliers to ensure their integrity and avoid conflict of interest and unethical activities. Suppliers commit to complying with our social standards through a legally binding agreement.

We also promote equal opportunity among our suppliers and engage with both local and foreign service providers. However, engaging local suppliers has attendant risks that could affect the company's supply chain. To mitigate these risks, we only accredit suppliers with an ISO Certification. Preference is also given to suppliers that promote environmental sustainability, human rights, diversity, and health and safety. Suppliers are expected to adhere to responsible business practices such as screening for abuses, including modern slavery and child labor; compliance with environmental, health and safety regulations, and industry best practices; and implementing rigorous programs to eliminate bribery and other illegal behavior. The Quality Assurance, Warehouse Department, and Purchasing Department conduct a Supplier Performance Evaluation to monitor suppliers' compliance with company rules and standards. A rejection notice is issued to suppliers with non-compliant practices. Moreover, non-compliant suppliers are required to submit a corrective action report.

We source our raw materials locally and internationally to ensure a robust supply chain. In 2022, Tanduay imported most of its alcohol requirements due to the high cost of locally produced alcohol, while 10% of its requirements were supplied by ADI. Glass bottles needed to package our liquor products account for approximately 15% of the cost of goods sold, while caps and labels account for 3% and 1% of the total product cost. Aside from buying brand new bottles to package its liquor products, we manage a network of secondhand bottle dealers across the country to source cheaper glass bottles.

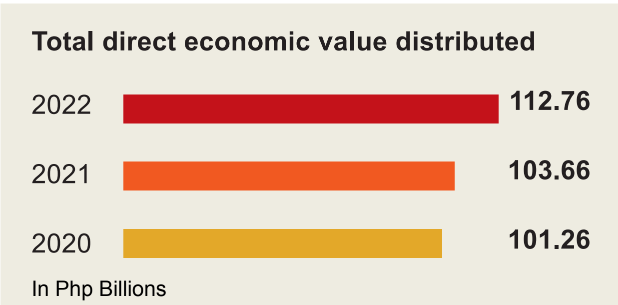
The molasses ADI needs for its products are acquired from sugar millers and traders such as the Universal Robina Corporation, Victorias Milling Corporation, Binalbagan Sugar Company, LYL Marketing, Shurmanns & Van Ginneken Philippines, Inc., Grandcane Company, Inc. and Tate and Lyle Corporation. Instead of entering into long-term purchase commitments, we make purchase orders on a per need basis.

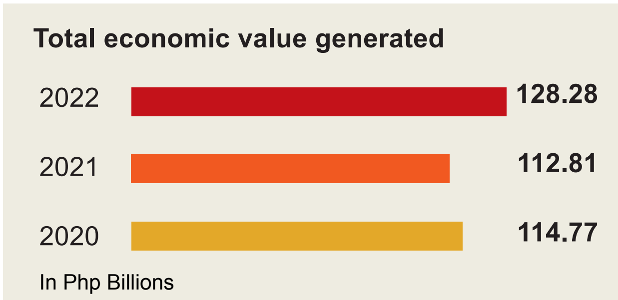
For this reporting period, LTG and its subsidiaries have not identified any significant adverse environmental and social impacts in its supply chain.

Economic Performance GRI 3-3

LTG demonstrated its resilience and stayed competitive amid the challenges posed by the ongoing pandemic. Under unfavorable circumstances, we applied innovative solutions to continue operations and deliver products to consumers. Company revenues dipped throughout the pandemic; however, LTG's financial performance is starting to improve.

GRI 201-1





In Php Billions	2022	2021	2020
Operating costs	49.57	50.72	46.87
Employee wages and benefits	12.07	12.32	12.29
Payments to government	26.30	19.91	20.84
Payments to providers of capital	24.77	20.63	21.15
Community investments	.03	.08	.10
Economic value retained	15.52	9.15	13.51

Environment

Resource Efficiency

Water Management GRI 3-3, 303-1, 303-2, FB-AB-140a.2, FB-NB-140a.2

Over the years, LTG has stepped up its efforts to effectively and efficiently manage its water resources. Water is primarily used as a raw material by LTG subsidiaries, such as Asia Brewery and Tanduay, which are both in the business of producing beverages. For the rest of the Group, water is used for operational purposes and employee needs. Given the importance of water to the business, LTG is promoting a culture of responsible water use across its operating companies.

As a beverage company, Asia Brewery reaches high levels of water use in its operations, specifically for its bottled water, alcoholic and other beverage products. To manage this, we keep track of our usage and aim for an optimal water usage ratio. The water discharge standard of the company is compliant with the quality parameters based on the DENR Administrative Order (DAO) No. 2016-08, which was amended to DAO No. 2021-19. We aim to reduce our water usage by 5% from 2020 to 2023 and plan to reduce water losses from the source. In parallel, Asia Brewery has started water recycling efforts by re-using alcohol effluent to minimize its industrial wastewater.

Eton advocates the sustainable use of water within its operations and projects. The company strives to reduce its water consumption by eliminating existing and potential leak sources within its properties and recycling water from its rehabilitated sewage treatment plant. For its effluent discharge, the company adheres to the water quality guidelines and general effluent standards set by the DENR. Eton's sewage treatment plant has also been upgraded to comply with DENR standards.

While water is not integral to PNB's business operations, the Bank still uses water for sanitation and hygiene. In particular, water is vital to ensure branch cleanliness, safe drinking water, and hygienic practices, especially amid the ongoing pandemic.

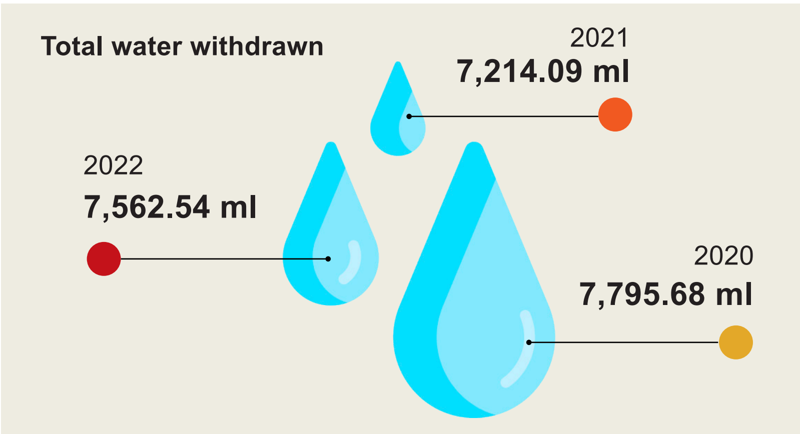
Despite PNB's minimal water use, the Bank has implemented various initiatives to reduce water consumption, reuse water, and mitigate water management risks. Employees are reminded to observe proper usage and conservation of water. At the same time, regular maintenance activity is conducted to inspect water supply equipment and repair water leakages as needed. We have installed water-efficient fixtures and fittings to conserve water. Moreover, we engage in community awareness and outreach programs of local governments to preserve water and promote sustainability principles.

The effluent generated by the Bank is handled and treated by public utility agencies or water sewage treatment facilities. However, to minimize the environmental impact and avoid soil or underground contamination, we use environment-friendly cleaning materials and substances to clean and maintain toilets and other facilities. Moreover, sink strainers are used to separate solid wastes from wastewater and dispose of them properly.

Given the nature of its business, water is an essential resource for Tanduay. As such, we ensure the sustainable use of water within our business operations by reducing water consumption, recycling water, and improving the quality of our wastewater. Recycling activities of Tanduay include reusing water for gardening and flushing canals. We establish targets of the Water Use ratio (liters of water consumed over liters of products) and Energy Use ratio (megajoules consumed over liters of products) to monitor how efficiently resources are used. Moreover, we track our water usage by installing a sub-flow meter in every business unit. The company also adheres to the General Effluent Standard set by DENR to monitor wastewater discharge. Tanduay has wastewater treatment facilities in all its bottling plants which screen, collect, and neutralize all waste generated from the bottling process before these are discharged. The wastewater generated by our production process is collected in lagoons, where it undergoes a treatment process to minimize adverse environmental effects. Regulatory agencies such as the DENR and Laguna Lake Development Authority (LLDA) conduct annual inspections of our wastewater treatment process.

Meanwhile, ADI, one of Tanduay's subsidiaries, also has a wastewater treatment digestor and methane gas collector that help reduce carbon emissions and serve as a secondary power source for the distillation plant. For its Lian Batangas Distillation Plant, ADI has installed a biomethanated spent wash evaporator plant to be used for the evaporation of its wastewater.

GRI 2-4, 303-3, 303-4, 303-5, FB-AB-140a.1, FB-NB-140a.1



Water Withdrawal, Discharge, and Consumption in megaliters (ml)	2022	2021	2020
Groundwater	6,402.09	6,072.83	1,158.04
Third-party water	1,160.45	1,141.26[5]	6,637.64
Total water withdrawn	**7,562.54 [4]**	**7,214.09 [5]**	**7,795.68**
Surface water	1,594.09	NA - We initiated the collection of these requirements in the year 2022.	
Groundwater	184.92		
Seawater	504.16		
Third-party water	570.53		
Total water discharged [6]	**2,853.70**		
Total water consumed	**2,374.13**		

4 Increase is capacity driven (additional production line at Bottled Water Plant 2)

5 Amended figures (withdrawal from PNB branches were not included in the total)

6 No flow meter yet for El Salvador plant

Managing Waste GRI 3-3, 306-1, 306-2

As a responsible business, LTG applies waste management and recycling solutions to reduce the amount of waste it generates and conserve resources. Waste prevention is the central strategy of the Company to manage waste, combined with materials recycling and proper waste disposal.

Asia Brewery strives not only to reduce but also to address its negative impacts on the environment. Typically, the waste generated by our company comes from production operations, preventive maintenance, and wastewater treatment activities. Asia Brewery's waste management policy emphasizes minimization, segregation, and recycling. We use alternative raw materials in its production process to further minimize wastage. Meanwhile, waste segregation is done to dispose of waste properly and facilitate recycling. In addition, we recycle waste, such as used oil and solvents, while scrap materials are sold to scrap buyers for recycling.

A third-party disposal firm handles Asia Brewery's waste collection and disposal. We require a Certificate of Treatment and Certificate of Disposal from the service provider to track its waste management system.

Asia Brewery conducts an annual training course on Waste Management for employees and third-party service providers as part of its commitment to promote waste management. In addition, quarterly audits of manufacturing plant business units and site visits for annual accreditation of third-party haulers are also conducted to monitor stakeholder compliance.

Eton has developed a solid waste management program and policy to minimize the waste generated from its business operations. This policy is strictly implemented in each property owned and managed by the company. Part of the solid waste management program is the establishment of a recovery materials facility to recycle and reuse wastes from Eton's properties and facilities. In addition, the company monitors the compliance of its stakeholders to its waste management program through a quarterly risk compliance tracker and regular reporting of its service vendors. Our customers are also encouraged to adopt a sustainable lifestyle to reduce waste and mitigate adverse environmental impacts.

PNB has embedded waste reduction into its waste management and sustainability efforts. For example, to reduce waste in the workplace, the Bank is pushing for digitalizing its services and processes. This includes issuing electronic copies of e-statements of accounts and forms for office requests, approvals, and other transactions. Employees are also encouraged to reuse and recycle office materials such as paper and plastics.

The types of waste generated by PNB mainly include construction and renovation materials, defective equipment, and office waste materials, such as papers, plastics, and busted light bulbs. In terms of waste management, we rely on a third-party private contractor to haul our waste. We also placed a system for collecting, processing, and disposing of equipment such as printers, computers, and hazardous materials. Internally, PNB has designated pollution control officers to monitor and assess our office requirements and compliance with local and national laws. The pollution control officers undergo regular training and seminars to keep them abreast of environmental regulations.

The Bank strictly adheres to the strict implementation of local government regulations on proper waste segregation and disposal. In addition, we conduct regular smoke emission tests to minimize our carbon footprint and comply with DENR standards.

Tanduay introduced and implemented several initiatives and schemes to reduce the amount of corporate waste generated from its business.

These include implementing a ban on plastic and styrofoam and rolling out the Back to Supplier scheme and 3Rs program. In addition, the company employs the Far East Petroleum Corporation, a third-party service provider, to manage our chemical waste. We conduct on-site visits and spot checks to verify the service provider's activities regarding chemical waste management. Further, we also submit a quarterly report to DENR on our effluent quality.

GRI 2-4, 306-3

Waste by composition in metric tons (mt)[9]	2022	2021	2020
Total hazardous waste	2,326.83	488.54	261.45
Total non-hazardous waste	5,540.75	5,613.08	8,578.05
Total waste generated	**7,867.58**[7]	**6,210.40**[8]	**8,839.50**

GRI 2-4, 306-4

Waste diverted from disposal by recovery operation in metric tons (mt)[9]	2022		2022
Preparation for reuse	0.00	Preparation for reuse	0.00
Recycling	33.72	Recycling	974.41
Others	3,039.55	Others	849.04
Total hazardous waste	**3,073.27**	**Total non-hazardous waste**	**1,823.45**

7 Improved scope and disclosure have led to increased figures
8 Amended figures (waste from PNB branches were not included in the total)
9 Change of unit from kilotons (KT) to metric tons (MT) and disposal method following GRI requirement.

GRI 2-4, 306-5

Waste directed to disposal by disposal operation in metric tons (mt)[9]	2022		2022
Incineration	0.18	Incineration	0.00
Landfilling	2,981.73	Landfilling	3,557.27
Others	290.64	Others	0.00
Total hazardous waste	**3,272.54**	**Total non-hazardous waste**	**3,557.27**

Biodiversity GRI 3-3, 304-2

LTG is one of the companies in the Philippines that is paying greater attention to biodiversity protection. The long-term sustainability of businesses such as LTG is dependent on biodiversity. As such, LTG has developed and integrated sustainability strategies into its business operations and processes.

Eton's business operations have indirect effects on the environment. Thus, the company ensures it complies with national laws and regulations to mitigate the negative effects on biodiversity and implements programs to lessen its carbon footprint. In particular, Eton complies with the DENR Department Administrative Order 2016-08 on sewage treatment plant discharge parameters, RA 9003 on segregation of residual wastes, RA 6969 on controlling toxic substances and hazardous wastes, and RA 8749 on the Clean Air Act. Moreover, the company complies with the regulations on the applications of sources of pollution and has introduced new technologies in its sewage treatment facility and sourcing renewable electricity supply.

Protecting and preserving the environment is a critical consideration in the business operations of PNB and lending practices. Internally, we promote sustainability principles and practices in our operations, from energy emission to waste management. Sustainability considerations also extend to our customers and service providers.

PNB respects all life forms and ensures that its business and operations do not pose any threat to the environment and all living creatures, especially in areas or communities where it has a presence. To demonstrate this commitment, we have put together an Exclusion List, or a list of activities or businesses that the Bank will not support or finance, to include activities that can harm the environment and threaten biodiversity, such as the production or trade of wildlife; illegal logging or uncontrolled fire for clearing forest lands and conversion of land for plantation use in primary tropical moist forests; land clearance by burning, fishing with the use of explosives or cyanide; finning and/or trading (wholesale or retail) or serving at eateries of shark's fin and deriving material revenue from such activities; and natural resource extraction or engaging in transactions focused on natural extraction within UNESCO World Heritage sites, among others.

To date, we have managed to limit the environmental impacts of our operations. An Environmental Management Program (EMP) serves as Tanduay's framework to identify potential environmental risks from business-related activities and implement biodiversity programs. The company also ensures strict compliance with regulatory requirements such as the General Effluent Standards of the DENR, which sets guidelines for wastewater discharge.

In line with this regulation, we regularly test and monitor the quality of our surface and groundwater sources, including wastewater discharge. We also implemented several initiatives to promote biodiversity, such as tree planting activities, river cleanup, fingerlings distribution, and solid waste management.

For the year under review, all activities and operations of LTG had no significant negative impact on the environment.

Energy Efficiency and Emissions GRI 3-3

LTG has institutionalized measures to promote energy efficiency and conservation within the Company. At the same time, these measures reduce the Company's carbon footprint, reduce electricity consumption, and save operational costs. With these multiple benefits to the business and environment, LTG continuously updates its policies and upgrades its energy management system to promote business efficiency and environmental sustainability.

Asia Brewery actively monitors its GHG emissions and carbon footprint to determine its environmental impact. We engage a third-party service provider to conduct quarterly testing of our Scope 1 emissions. In addition, we plan to install waste gas treatment and redesign and repair the furnace to reduce our emissions proactively. Throughout the reporting period, we have not recorded any instances of air pollution exceeding the regulatory limit.

To step up its efforts to reduce carbon footprint and promote sustainability, Asia Brewery is turning to renewable energy to power some of its business operations. Two significant partnerships have been initiated by the company towards this direction. Asia Brewery will soon be powered by sustainable energy, thanks to the solar rooftop project awarded to TotalEnergies ENEOS which will be responsible for setting up and maintaining the 13.8 MWp solar photovoltaic (PV) system. The PV system is set to generate approximately 20,000 megawatt-hours (MWh) of renewable energy per year, which will power 24% of the company's facilities. Asia Brewery will pay for the electricity generated over a period of 9 years, without the need for any initial investments under the no-capex business model. The solar rooftop project is expected to result in significant cost savings for Asia Brewery and reduce the company's carbon footprint by approximately 9,600 tons of CO_2 emissions per year, equivalent to planting over 129,000 trees during the contract period.

Asia Brewery has inked a power supply agreement (PSA) with Shell Energy Philippines, requiring the latter to supply at least 15 megawatts of renewable energy-generated electricity to the beverage company. Based on the power supply deal, Shell Energy Philippines will supply renewable energy to Asia Brewery's manufacturing facilities located in Luzon. Asia Brewery President and COO Michael G. Tan and Shell Energy Philippines President and Chief Operating Officer Bernd Krukenberg signed the supply contract. Shell Energy Philippines, a local power investment and retailing division of the Anglo-Dutch energy company Shell, is committed to achieving its mid-century net-zero emissions target and assisting customers in adopting clean energy solutions.

Eton aims to be energy efficient to reduce energy usage and business costs. We have already started implementing an energy conservation program to meet this goal and introduced renewable energy in some of its properties. The company is also implementing a weekly functionality performance test to manage its fuel consumption. We prefer vendors who maximize renewable energy sources, even in terms of engaging service providers.

PNB has invested in energy efficiency activities to minimize the Bank's carbon footprint while lowering its energy costs. We have upgraded all outdated equipment and acquired energy-efficient devices to reduce and manage energy consumption. From conventional lighting fixtures, we shifted to energy-efficient LED lights and inverter-type air conditioning units. Employees are also reminded to unplug office equipment that is not being used and minimize the use of office equipment and lighting.

The Bank regulates fuel consumption by implementing a trip maximization policy where official business travel is subject to approval. Aside from using fuel for its transport requirements, PNB also requires fuel for its generator sets. These generators undergo regular preventive maintenance through a third-party service provider to ensure a fuel-efficient operating condition.

Tanduay's approach to becoming energy efficient is by reducing energy waste in its processes and investing in renewable energy. The company actively tracks any possible fuel leakage and performs regular preventive maintenance of equipment to reduce its energy consumption. We have invested in a 2.04 MW Lian Solar plant, which is being operated by ADI, to support its operations with an alternative, sustainable and renewable energy source. The solar plant is licensed under RA 9513 or the Renewable Energy Act of 2008.

We strictly comply with the existing regulatory limit and air quality standards. The Scope 1 emission of the Tanduay is monitored quarterly by conducting stack sampling and ambient air monitoring.

In 2022, LTG's business activities resulted in 2800 kWh of electricity consumption, which is 29% lower than the previous year's.

GRI 2-4, 302-1, FB-AB-130a.1 FB-NB-130a.1

	Total energy consumption In GJ	Total fuel consumption In GJ	Total electricity consumption In kWh
2022	**2,549,615**	**1,788,471**	**211,434,909**
2021	**1,910,161**	**1,373,894**	**148,962,877**
2020	**3,241,299**	**2,688,481**	**153,560,428**

Total energy consumption within the organization	2022	2021	2020
Total energy consumption (GJ)	**2,549,615**	**1,910,161**	**3,241,299**
Luzon and Visayas (GJ)	1,646,688	NA - We initiated the collection of these requirements in the year 2022..	
Mindanao (GJ)	141,783		
Total fuel consumption from non-renewable sources (GJ)	**1,788,471**[10]	**1,373,894**	**2,688,481**
Luzon and Visayas (GJ)	192,555,829	NA - We initiated the collection of these requirements in the year 2022..	
Mindanao (GJ)	18,879,080		
Total electricity consumption (kWh)	**211,434,909**[11]	**148,962,877**	**153,560,428**

GRI 2-4

Fuel consumption breakdown within the organization from non-renewable sources in gigajoule (GJ)	2022	2021	2020
Bunker Fuel	586,022	560,374	579,955
Coal	867,770[12]	377,319	321,705
Low Sulfur Fuel Oil (LSFO)	254	0.00	0.00
Diesel	139,736	16,265	11,973
Gasoline	14,604	246,741	1,621,950
Liquefied Petroleum Gas	180,085	173,196[13]	152,898[13]
Total fuel consumption	**1,788,471**	**1,373,894**	**2,688,481**

10 Increase is due to additional scope (company-owned vehicles for Eton and branches for PNB)
11 Increase due to additional scope (two buildings for Eton and branches for PNB)
12 Increase due to the high demand for products driving the need to expand production capacity
13 Amended. LPG figures last 2021 is in MJ

Climate Change GRI 201-2, 3-3

The increasing impacts of climate change threaten companies and business operations worldwide. As in other companies, LTG is exposed to climate impacts which consequently affect its operations, supply levels, financial standing, and bottom line. LTG is addressing climate change by implementing measures to reduce its carbon footprint and strengthening its internal capacity to withstand the direct impacts of the changing weather patterns. To remedy potential climate impacts, the Company has taken steps to factor climate risks in building a resilient business.

Being located in a country prone to disasters and climate change, LTG integrates into its governance an assessment of climate-related risks that could harm its operations as well as opportunities that could enhance its business. In particular, the Company has developed methodologies to examine aspects of its operations that could be disrupted by weather and other hazards. The evaluation is conducted on an annual basis and is regularly discussed at the management level. Risk assessment results serve as the basis for systematic management and adaptation measures employed by the Company against climate risks and hazards.

To complement the regular climate-risk assessment, LTG plans to have a long-term evaluation of the impact of climate change risks and understand its potential effects on the business. Based on the findings, LTG will develop long-term climate change mitigation and adaptation strategies.

LTG assesses climate change risks through its annual risk assessment. The Company utilizes impact and vulnerability assessments to recognize the climate-related risks relevant to LTG. In addition, evaluating risks enables the Company to test the effectiveness of its existing risk management measures and policies. LTG engages a Business Continuity Manager (BCM) to help manage and deal with disasters such as typhoons and floods.

Annually, LTG conducts carbon accounting to analyze its carbon footprint and enhance efficiency of its processes. We disclose our annual GHG emissions through our Sustainability and Annual reports. Our management also plans to have a long-term target to reduce our carbon footprint in our operations.

PNB has actively taken steps to reduce its carbon footprint and negative environmental impacts. We recognize that climate change and other environmental and social risks could threaten financial stability, both at the Company's operations and macro-economic level. As such, we embarked on a journey to integrate sustainability principles in our business, governance, risk management, and other aspects of operations. The Bank also promotes sustainable and resilient growth through environmentally and socially responsible business decisions coherent with the Philippine Development Plan.

We assess climate-related risks through the Business Continuity Risk Assessment (BCRA), Risk and Control Self-Assessment (RCSA) to identify climate-related risks, and the Business Continuity Plan Manual and Crisis Management Plan to address the identified risks. In addition, PNB has a Crisis Communication Plan and Disaster Recovery Plan to strengthen operational and infrastructure resiliency during climate disasters and business disruptions. Using the RCSA, the Bank identifies and evaluates risks such as Corporate Social Responsibility Risk, Environment Risk, Losses from damage due to natural calamities, and Business Disruption-related threats and vulnerabilities.

Aside from the business unit level RCSA, the Bank also started the E&S risk scoring at the portfolio level for corporate clients. The Bank has created the ESG Scorecard/Checklist, which includes the questionnaire, checklist and relevant documents to be submitted by the client, as applicable. The Credit Manager evaluates the E&S risk of the borrower by accomplishing the Environmental and Social Governance (ESG) scorecard. The resulting ES total score in the scorecard shall then be incorporated in the final Credit Risk Rating (CRR) of the borrower. Also, the borrower must comply with all the applicable enhanced due diligence requirements of the Bank before loan approval or implementation, where applicable.

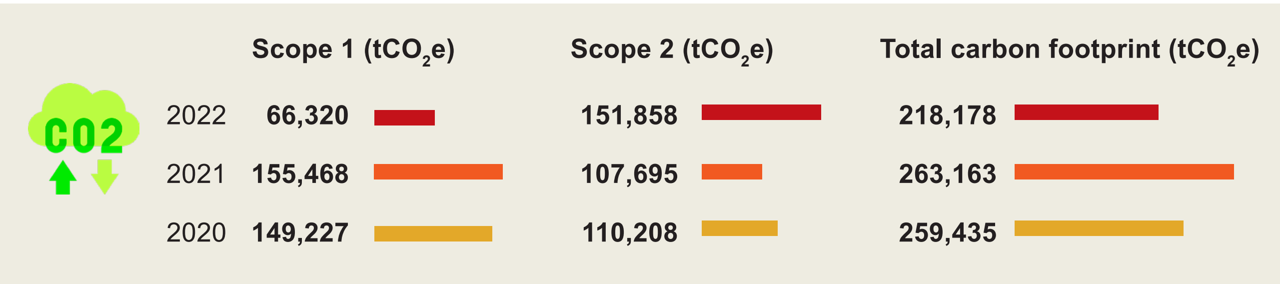
Currently, PNB is developing an Environmental and Social Risk Management System (ESRMS) with the assistance of the Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies, and its pool of Subject Matter Experts. The ESRMS is a set of policies, procedures and tools that will help identify, assess, monitor and mitigate exposure of the Bank to environmental and social risks. The framework which integrates environment and social risk criteria in PNB's risk management framework will cover all business functions and operations of the Bank. The target completion and delivery of the ESRMS Framework to the Bangko Sentral ng Pilipinas is in April 2023.

PNB also plans to enter into Sustainable Financing Transactions (SFTs) to finance or refinance projects and expenditures that have positive environmental and social impacts. Specifically, the Bank commits to fund or finance projects that will not harm the environment and society in general, as well as support those aligned with its growth objectives and will contribute to achieving the United Nations' Sustainable Development Goals (SDGs). Projects that promote rural development include food manufacturing, agricultural production, water distribution and supply, energy generation and distribution, construction and operation of toll roads and bridges, telecommunications infrastructure, and construction of green buildings and health facilities. In addition, PNB provides continuous support to environmentally compliant projects such as the Operation of Toll Roads and Bridges; Generation and Distribution of Power and Water; Construction of Green or LEED buildings and infrastructure; and Real Estate Development.

At the end of 2022, a total of Php 289.6 billion, or 57.4% of the Bank's loan portfolio, has been provided to different sectors and businesses in the country. Specifically, these projects contribute to attaining Sustainable Development Goals 1, 2, 3, 6, 7, 8, 9, 11 and 12.

Tanduay has an Incident Management Crisis Resolution Procedure (QMS-IMP-B-P-1000), which guides the company in identifying the climate risks and opportunities that financially impact its operations. Climate risks will potentially affect the warehousing activities, logistics and delivery, and acquisition of raw materials by the company. Considering these potential impacts, we maintain a buffer stock to ensure business continuity. We also ensure that our business operations only generate emissions within the allowable threshold values and comply with local regulatory requirements on the use of alternative diesel fuel. Tree planting activities to mitigate the impacts of climate change are also integrated into our corporate social initiatives.

GRI 305-1, 305-2



Emissions	2022	2021	2020
Generator sets	10,008		
Company-owned vehicles	2,585		
Others	53,727		
Scope 1 (tCO_2e)	**66,320**	**155,468**	**149,227**
Luzon and Visayas	137,138		
Mindanao	14,720		
Scope 2 (tCO_2e)	**151,858**	**107,695**	**110,208**
Total carbon footprint (tCO_2e)	**218,178**	**263,163**	**259,435**

Employees

LTG employees are the backbone of the Company, providing stability and ensuring the business's success. The critical importance of workers to any industry has been underscored during the pandemic, but simply acknowledging their importance and contribution is not enough. Instead, companies must provide programs and incentives for the holistic development of employees. For LTG's part, strategic initiatives have been developed and rolled out across the Group to empower its personnel and enable their productivity and career advancement.

Total Employees
12,325

Total New Hires
890

Total Turnover
1,679

Employment GRI 2-7, 2-25

	MALE			FEMALE			
Employee breakdown	< 30 y.o	30-50 y.o	>50 y.o	< 30 y.o	30-50 y.o	>50 y.o	**Total**
Officers	1	137	172	0	101	107	**518**
Managers	274	1,881	749	155	967	322	**4,348**
Supervisors	81	307	66	53	115	15	**637**
Rank and file	1,139	2,208	275	1,430	1,565	205	**6,822**
Total							**12,325**

GRI 401-1

	MALE			FEMALE			
Employee breakdown	< 30 y.o	30-50 y.o	>50 y.o	< 30 y.o	30-50 y.o	>50 y.o	**Total**
Luzon	258	145	7	232	97	5	**744**
Visayas	26	4	0	24	7	0	**61**
Mindanao	43	15	1	23	3	0	**85**
Total New Hires							**890**
New Hire Rate							**7.22%**

GRI 401-1

Turnover	MALE < 30 y.o	MALE 30-50 y.o	MALE >50 y.o	FEMALE < 30 y.o	FEMALE 30-50 y.o	FEMALE >50 y.o	Total
Luzon[14]	310	333	119	353	300	217	1,632
Visayas	6	2	0	2	0	0	10
Mindanao	11	12	4	5	3	2	37
Total Turnover							**1,679**
Turnover Rate							**13.62%**

GRI 401-2

Benefits Breakdown	Number: Male	Number: Female	Percentage: Male	Percentage: Female
SSS	741	1,802	15%	25%
Philhealth	214	201	4%	3%
Pag-IBIG	625	1,492	12%	20%
Parental leave	152	420	3%	6%
Vacation leave	3,225	3,276	64%	45%
Sick leave	3,029	2,089	60%	29%
Medical benefits	519	1,897	10%	26%
Housing assistance	1	2	0%	0%
Retirement fund	118	57	2%	1%
Telecommuting	162	141	3%	2%
Flexible working hours	1,238	898	25%	12%

14 PNB currently does not have turnover data by island group. For 2022, all PNB turnovers are under Luzon.

GRI 401-3

Parental Leave	Male	Female	Total
Total number of employees that were entitled to parental leave	2,310	977	3,287
Total number of employees who took parental leave in 2022	138	270	408
Total number of employees who returned to work in 2022 after parental leave ended	138	269	407
Return to work rate	**100%**	**99.6%**	**99.8%**
Total number of employees who availed leave in 2021 and are still with the company in 2022	86	149	235
Total number of employees that took parental leave in 2021	90	171	261
Retention rate	**95.6%**	**87.1%**	**90%**

Solo Parental Leave	Male	Female	Total
Total number of employees that were entitled to parental leave	16	192	208
Total number of employees who took parental leave in 2022	14	150	164
Total number of employees who returned to work in 2022 after parental leave ended	14	150	164
Return to work rate	**100%**	**100%**	**100%**
Total number of employees who availed leave in 2021 and are still with the company in 2022	12	138	150
Total number of employees that took parental leave in 2021	12	149	161
Retention rate	**100%**	**93%**	**93.2%**

GRI 3-3, 404-2, 404-3

LTG places a premium on the growth and well-being of employees. From hiring and onboarding to managing employees, LTG has integrated practical considerations for employee development and performance enhancement. In addition, LTG offers its employees a comprehensive benefits package and opportunities, such as training and leadership opportunities; health and wellness promotion; and a combination of government-mandated benefits such as SSS, PhilHealth and Pag-IBIG and Company-initiated benefits such as retirement fund, medical and leave benefits.

Asia Brewery understands that its employees are the company's most valuable assets. Employees drive every fundamental aspect of the business, from the company's profit strategies to its current sustainability targets. As such, we employ a holistic approach to nurturing and developing our employees. The company implements a competitive salary program to attract and retain talent. At the same time, non-financial benefits are also provided to employees, such as leave and retirement benefits, health care services, and training opportunities. Leave benefits available to our employees include paternity leave, special leave under the Magna Carta for Women, violence against women leave, and parental leave. Asia Brewery offers leadership, personal development, and soft skills training to boost employee performance.

We adopt an inclusive hiring process and comply with the Anti-Discrimination Act of the Philippines. Discriminatory practices are not tolerated in the company. To protect employees from unfair labor practices upon hiring down to retirement, we have established an accountability and grievance mechanism. The Labor Management Committee facilitates the monthly meeting between the union and management to monitor compliance with provisions outlined in the collective bargaining agreement (CBA), while the Committee on Right Ethics (CORE) upholds the ethical standard in the Company. Grievances and complaints are addressed using our Grievance Handling Machinery and Disciplinary Case Handling Procedures.

Eton provides opportunities for its employees to take part in training and development. Company-sponsored training on essential and technical skills is offered to employees for professional advancement and increased productivity. Employees with excellent performance are also recognized and rewarded through promotions and merit increases.

Employee growth and development are key priorities for PNB. The Bank actively promotes work-life balance and provides career and personal development opportunities. We have introduced a competitive salary program, attractive benefits and incentives, and a holistic employee wellness program to attract and retain talent.

PNB practices a non-discriminatory hiring process and adopts gender-equal and inclusive programs. We hire, retain and develop qualified and suitable candidates regardless of gender and background. The company adopts gender, diversity, and inclusion principles across different employee programs from hiring or recruitment, training and development, wellness and engagement, compensation and benefits, and promotions and career development. The same opportunities for employment, remuneration, recognition, and career advancement are given to all, regardless of gender. To demonstrate its seriousness in promoting gender equality, PNB uses and monitors Gender Equality indicators to track its policy performance.

During the pandemic, we offered various benefits to our employees while ensuring a safe and healthy working environment. For example, employees were given a COVID-19 Quarantine Leave (CQL) for a maximum of 10 days for reporting onsite and five days for working from home.

Employee training also continued during the lockdown through PNB's e-learning platforms. Annually, employees are encouraged to undergo at least 32 hours of training, which is included in their performance review. In addition, we sponsored webinars on various topics such as leadership, communication, health and wellness, and work dynamics. In addition to maximizing the use of LinkedIn Learning, we are currently developing a learning platform incorporating a standard learning and mandatory training course available to new hires and transferees.

An assessment mechanism to monitor the performance of PNB employees is conducted regularly. Through the mechanism, the Bank can determine individual performance, strengths, and areas for improvement. Top-performing employees are recognized and given promotion opportunities, performance-based incentives, Service Excellence Awards, and Outstanding Work awards, among other merits.

True to its promise of reducing the gender gap, PNB has implemented policies and programs promoting gender equality within the company. Our initiatives to empower women have earned us recognition from various institutions. In 2022, PNB was awarded by the Asia Corporate Excellence and Sustainability Awards (ACES) as one of “Asia’s Most Influential Companies,” an award that is given to companies with a genuine interest in promoting the interests of its stakeholders through corporate social responsibility initiatives embedded into policies and operations. The award also recognizes businesses with high employee and top management involvement in community engagement, environment, and social empowerment programs.

For the second year in a row, PNB was a Runner Up for Transparency and Reporting in the UN Women 2022 Philippines Women’s Empowerment Principles (WEPs) Awards. The Bank’s transparency and reporting practices include gender data and indicators, specifically analyzing the performance and impact of gender on its adaptive policies and programs. The data gathering also includes tracking the Bank's performance toward gender equality and women’s economic empowerment. WEPs Awards is under a joint program of the European Union and UN Women.

PNB was also a proud recipient of the ASEAN Asset Class Award in the 2021 ACGS Regional Virtual Awards conducted in December 2022. These awards and recognition are a testament to the commitment and impact of the Bank toward gender equality.

Employee development is a top priority for Tanduay. To achieve this, we offer prospective and current employees a competitive salary package, additional benefits, and training and career opportunities. Regarding employee development, our goals include better performance and increased overall productivity, employee retention, and improvement of employee morale. With the ongoing pandemic, we faced difficulties in organizing training for employees, given the mobility and social distancing restrictions. Thus, we utilized virtual platforms to conduct online training and learning sessions.

ADI conducts performance appraisals on an annual basis to evaluate the performance of its employees. To acknowledge the valuable contributions of employees, ADI recognizes the best employees at the end of the year based on three criteria: contribution, attitude, and performance. Incentives are given to employees with excellent performance in the form of recognition and cash rewards.

The Labor Management Committee (LMC) serves as a grievance mechanism where employees can submit their issues or complaints. Regular communication is ensured between employees and officers of the workers’ union.

For 2022, all employees of LTG, from the rank and file to officers, have received a regular performance and career development review to monitor and enhance staff performance.

Training and Development

GRI 404-1

Male	Total training hours	Total number of employees trained	Average hours of training
Officers	2,997	212	10
Managers	55,527	1,433	19
Supervisors	3,853	380	10
Rank and File	87,756	2,697	27
Female			
Officers	5,582	295	27
Managers	96,901	2,757	67
Supervisors	1,964	238	13
Rank and File	170,928	3,147	55
TOTAL	**425,508**	**11,159**	**35**

Safety and Well-being

GRI 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7

The Company maintains a safe workplace by implementing measures that prevent workplace incidents and addressing occupational safety hazards and risks that may adversely affect its employees. LTG employees are covered by the occupational health and safety (OHS) management system of the Company in accordance with the legal requirements and recognized standards and guidelines on workplace safety. Across the Group, LTG has also invested in occupational safety measures to comply with safety requirements and protect its personnel.

To protect the health of employees and prevent workplace injuries, Asia Brewery implements a health and safety policy that complies with the country's occupational safety and health (OSH) law. Identifying occupational safety hazards and risks is the first step in promoting OSH. To do this, we conduct audit patrols in its manufacturing plants, collect safety reports from workers, and assess the existing procedures and processes using the Hazard Identification, Risk Assessment, and Control (HIRAC) method. Safety audits are conducted through onsite verification and inspection. Our safety audits include Cross-functional Audits (internal) and Customer Audits (external), conducted quarterly and annually, respectively. The identified hazards and risks are addressed by developing corrective and preventive actions. Asia Brewery has also organized a formal joint management-worker health and safety committee to decide on health and safety measures and ensure the implementation of health and safety policies and regulations within the company. We disseminate health and safety policies and updates through email reminders, messages, and EHS bulletin board posts.

Asia Brewery employees are also enabled to respond to health and safety emergencies as needed. The company provides employees with internal and external training opportunities regularly or as needed. The training modules include First Aid Training and Basic Life Support, Emergency Response Training, Environment Health and Safety-related training, and other specialized courses. We also have an Emergency Response Procedure, Manufacturing Continuity Plan, and Chemical Spill Response training to prepare for disaster events.

Amid the ongoing pandemic, Asia Brewery strengthened its initiatives to ensure the health and well-being of its employees. For example, the company enforced strict health and safety protocols, such as signing health declaration forms, COVID-19 testing before entering the workplace, social distancing, and wearing facemasks. In addition, we provided non-occupational medical and healthcare services, such as HMO, medicines and vitamins, and flu vaccines, to all employees through our in-house medical facilities. Annually, employees also undergo a physical examination to identify health-related illnesses and provide healthcare through accredited service providers.

Workplace wellness is front and center at Eton. Employee health and safety is the company's greatest asset and investment. Thus, we developed an OSH program in line with the Department of Labor and Employment (DOLE) Department Order on strengthening occupational health and safety standards. The OSH program was submitted to DOLE and is being enforced by the company's OSH Committee, which is in charge of developing, implementing, and monitoring OSH policies and programs. Additionally, the Committee oversees and investigates workers' safety and health issues and concerns. For example, during the pandemic, the OSH Committee formed a Health Monitoring team to track COVID-19 cases and assist affected employees.

Eton supports the health and well-being of its employees by providing free health insurance and health services. Regular health and wellness sessions and seminars are also offered to all employees. The Human Resource unit of our company recently launched the Kumustahan online platform to encourage employees to consult with the team on health and wellness issues.

From construction to maintenance of properties, Eton always considers and identifies the hazards and risks associated with their projects. Before starting a construction project, a job hazard analysis and safety orientation for contractors are required. Also, each property we own and manage has its own disaster protocol.

Eton conducts training on OSH and Hazard Identification, Risk Assessment and Control (HIRAC) to enhance employees' awareness of workplace safety. In addition, employees are trained to perform risk assessments to identify work-related hazards and anticipate hazardous situations.

For PNB, a healthy workforce is key to its business success. Thus, it has implemented a wide range of employee wellness programs to promote a healthy lifestyle among its employees. Having realized the unprecedented effects of the ongoing pandemic on employees' mental health, PNB provided mental health programs to cope with stress, reduce anxiety, and support employees experiencing emotional difficulties. Alongside these programs, we organized sports and wellness activities via online platforms such as e-Zumba sessions and digital wellness and sustainability fairs. Telemedicine consultations were also offered to our employees to ensure access to medical services as needed.

Tanduay makes employee health and safety programs available to promote workplace safety. Primarily, our OSH Program complies with DOLE Department Order 198-08 where Personal Protective Equipment, OSH training, and mandatory seminars are provided to employees. Occupational hazards and risks are identified and investigated by Safety Officer (SO) and Occupational Health Nurse SO, OH Nurse and Safety Officers. Health and safety protocols are enforced based on the rules and regulations of DOLE, DOH and IATF. We are also implementing an occupational health and safety management program covering all employees, service providers, security personnel and contractors. To protect the health and well-being of employees, we require them to undergo an annual physical examination and attend safety training provided by DOLE. The company has existing policies and programs on promoting a drug-free workplace; prevention and control of HIV/AIDS, tuberculosis, and Hepa B; and mental health promotion. Employees are also encouraged to participate in health awareness seminars and have a more active lifestyle through playing sports, attending Zumba sessions, and joining weight loss contests.

GRI 403-8

OHS Management System Coverage	#	%
Covered by occupational health and safety management system		
Regular employees	**12,325**	100%
Covered by occupational health and safety management system that has been internally audited		
Regular employees	**12,107**	98.23%
Covered by occupational health and safety management system that has been audited or certified by an external party		
Regular employees	**8,936**	72.50%

GRI 403-9

Work-Related Injuries	Employees
Number of fatalities as a result of work-related injury	0
Rate of fatalities as a result of work-related injury	**0.00**
Number of high-consequence work-related injuries (excluding fatalities)	3
Rate of high-consequence work-related injuries (excluding fatalities)	**0.11**
Number of recordable work-related injuries	37
Rate of recordable work-related injuries	**1.39**
Number of hours worked	26,699,299
Safe man hours	26,460,502

Human Rights GRI 2-23, 2-24, 2-25, 2-26, 3-3, 406-1

LTG believes that businesses have the responsibility to promote and respect human rights. For its part, the Company has taken meaningful actions to protect the human rights of its personnel regardless of rank or background. From its policies to programs, LTG is creating a company culture that values human rights.

Respecting workers' rights and fundamental human rights is a commitment embedded in Asia Brewery's Code of Conduct and Company Rules and Regulations. At the same time, the prohibition of child labor is explicitly underscored in the company's Recruitment, Selection and Placement Policy and Procedures. These policies are communicated to employees through orientation, email reminders, and bulletin posts. In addition, we conduct orientation seminars on the code of conduct and relevant company rules and regulations to prevent workplace discrimination. We also handle employee complaints and feedback through the Committee on Right Ethics (CORE), Grievance Handling, and Disciplinary Case Handling Procedures. In case a violation of human rights occurs within the company, due process of law will be applied.

Eton has institutionalized its obligation to promote human rights through its company policies. The company's Code of Business Conduct and Ethics sets out the professional and ethical behavior that its employees must observe. This policy prohibits unethical and discriminatory behavior as well as disrespectful and unfair treatment of employees. Internal complaints of discrimination, harassment, or other misconduct are submitted to the Compliance Officer, who determines if the act violates the company's policy. To protect complainants or whistleblowers, we have a Whistleblower Policy that includes Investigation Procedures and a Non-Retaliation policy. For false or malicious reports, the complainants will be subjected to disciplinary or legal actions and applicable laws and regulations.

Any form of harassment or bullying is not tolerated at PNB. The Bank has institutionalized a robust whistleblower policy to protect the Bank from damages to assets, reputation, finances, and people and mitigate risk and losses through the early discovery and proper reporting of suspected or actual wrongdoings. Within the Bank, a committee was set up to investigate, deliberate and decide on appropriate actions regarding whistleblower and retaliatory cases raised by employees. According to the PNB's Code of Conduct, appropriate administrative sanctions will be imposed for harassment and bullying. We also adhere to a Diversity and Inclusion policy to foster inclusion and equality—a culture that recognizes team members as collaborators and peers regardless of their backgrounds.

Prevention of sexual harassment is a priority of PNB to ensure a safe and respectful workplace for all its employees. In recent years, we have updated our Anti-Sexual Harassment (ASH) policy following the enactment of the Safe Spaces Act. In our policy, the parameters of sexual harassment were defined based on the law. To ensure that incidences of unwelcome sexual conduct are dealt with, PNB established a Committee on Decorum and Investigation dedicated solely to investigating and addressing cases of sexual harassment.

Employees with complaints or grievances may file a report through the Bank's whistleblowing channels or to the disciplinary authorities such as the Group or Sector Head, Human Resource Group and Ethical Standards Committee. The complaints are discussed during the Labor Management Council meeting, followed by a formal investigation. To ensure the protection of whistleblowers, we have a Whistleblower Policy with a provision on anti-retaliation.

For Tanduay, protecting human rights is vital in fostering equality and respect in the workplace.

Therefore, we have a non-discrimination policy when it comes to hiring and adhere to the government's anti-discrimination policies. Tanduay strives to create an environment free of discrimination by educating its employees, encouraging them to respect diversity in the workplace, and responding appropriately to complaints of discrimination. A grievance machinery is in place to deal with employee complaints and issues. The Human Resources office coordinates with the employee’s immediate head to resolve complaints or pursue legal action if necessary. Before issuing a decision, the Head of Office requires the concerned employee to submit a written explanation within five working days. The Head of Office also convenes a conference or a hearing to evaluate the evidence presented to the office. Appropriate disciplinary measures will be implemented based on the final decision of the Head of Office. The HR office handles all communications in total confidentiality to alleviate fears of possible retaliation.

Based on the Company’s monitoring, no critical incidents and violations of labor laws and human rights occurred in 2022.

Customers

Marketing and Labeling GRI 3-3, 417-1, 417-3

To build and maintain brand integrity, LTG complies with the high standards of marketing and labeling regulations. We ensure that our subsidiaries follow legal compliance with marketing and advertising laws and regulations set by the government.

GRI 417-1, 417-2, FB-AB-270a.2, FB-AB-270a.3, FB-NB-270a.3, FB-NB-270a.4,

	2022
Total no. of incidents of non-compliance with regulations resulting in a fine or penalty	0
Total no. of incidents of non-compliance with regulations resulting in a warning	0
Total no. of incidents of non-compliance with voluntary codes	0
Total no. of substantiated complaints	130
Total no. of complaints addressed	130
Number of significant product or service categories offered	35
Number of significant product or service categories covered by and assessed for compliance with information and labeling procedures	35
Percentage of significant product or service categories covered by and assessed for compliance with information and labeling procedures	100%

FB-AB-270a.1, FB-NB-270a.1

Responsible Drinking, Product Labelling & Marketing[15]	2022
Percentage of total advertising impressions made on individuals at or above the legal drinking age	5%
Total number of advertising impressions made on individuals at or above the legal drinking age	3,448,276
Total number of advertising impressions made on alcoholic beverages	70,000,000
Percentage of total advertising impressions made on children	39%
Number of advertising impressions made on children	2,857,143
Total number of advertising impressions made on non-alcoholic beverages	7,400,000

15 Figures cover Asia Brewery only

Asia Brewery adheres to the Food and Drug Administration (FDA) standards for its marketing and labeling policy to ensure consumers always get the correct product information. We disclose critical product-related data such as the sourcing components, content, safe use of product or service, and environmental and social impacts resulting from product disposal.

Eton follows marketing and labeling guidelines to ensure customers receive the correct product and service information. Following our Code of Ethics, employees are required to comply with marketing and labeling laws and regulations set by various government agencies such as the Department of Trade and Industry (DTI), Intellectual Property Office of the Philippines (IPOPHL), Housing and Land Use Regulatory Board (HLURB), and Ad Standards Council (ASC). We also employ a digital marketing strategy to advertise its products and increase its customers. Promotional materials are published through our website and third-party websites like Rentpad and Carousell. Further, we organize event sponsorships, cross-promotion referrals, and media programs.

Tanduay's marketing and labeling approach is governed by a Brand Guidance Policy, which aims to promote fair and responsible marketing practices. The company complies with all mandatory requirements on advertising set by regulatory bodies such as the ASC, IPO, and FDA. As part of Tanduay's Quality Policy and Quality Management System (QMS), regular product assessment and evaluation are conducted to ascertain compliance with regulations and to develop innovative ways to strengthen brand equity in its existing and emerging markets.

For 2022, no notices for non-compliance with regulatory requirements on marketing and labeling have been reported for the entire Group.

Customer Health and Safety

GRI 2-25, 3-3, 416-1

LTG has implemented proactive efforts to ensure customer health and safety throughout the pandemic. These efforts range from ensuring sanitary and clean production facilities to providing avenues for customers to register their concerns related to product quality.

Asia Brewery strives to protect the health and safety of consumers and ensure quality excellence by enforcing food safety policies and enhancing the competencies of its employees. We adhere to a stringent Food Safety and Quality Policy and follow a Food Safety and Quality Management System based on international and local standard requirements. As a beverage manufacturer and distributor, some concerns customers raise include product spoilage and products with foreign objects. We respond to such complaints through Customer Complaint Handling, which now has a digital version via the support portal. In addition, we implement internal assessments and corrective actions to prevent the recurrence of issues.

During the COVID-19 pandemic, we responded to the demand for immunity-boosting products by enhancing the nutritional value of some of its beverages. For example, the Cobra Energy drink, intended initially as an energy-boosting drink, was enhanced to include immunity-boosting ingredients.

To minimize the environmental impact of its chemical byproducts, Asia Brewery ensures strict compliance with various standards and regulations such as the FDA Good Manufacturing Practices, ISO 9001 Quality Management System, Food Safety System Certification (FSSC) (ISO 22000 Food Safety Management System) and Hazard Analysis Critical Control Point (HAACP), among others.

Tanduay formulated a quality policy and quality management system to protect and promote the health and safety of its consumers. The compliance and effectiveness of these measures are assessed through an annual surveillance audit. This process provides and interprets data to facilitate the prevention and control of disease to safeguard our customers. With the pandemic, we continue to implement health and safety measures in line with the IATF regulations and standards to protect our consumers and employees.

Our company ensures customer health and safety compliance by strictly implementing its Quality Policy, Mission and Vision, and Strategic Business Objectives. Tanduay is currently ISO 9001: 2015 Certified and is annually assessed for compliance and renewal/maintenance of certificate by TUV SUD Asia Pacific TUV SUD Group and complying with FDA's Good Manufacturing Practices.

Customer Engagement and Satisfaction

The Company intentionally cultivates positive relationships with its customers by delivering products and services that exceed customer expectations and providing customer touchpoints. Across the Group, LTG actively solicits customer feedback to determine aspects of their products and services that require enhancements.

A consistently excellent customer experience is essential to Asia Brewery's business growth. Thus, we ensure that our products are of high quality and that our services are delivered on time. To enhance customer experience, we developed an E-Commerce site where customers can order products anytime and expect faster delivery. Moreover, customers can provide feedback on the products and services of Asia Brewery through our social media pages and website.

Eton seeks to understand its customers' experience to determine how to improve its products and services. Customers are requested to submit their feedback via online platforms such as our website, email address, and messenger. During the pandemic, when customers could not visit our offices in person, we have enhanced our digital platforms to handle customer issues more effectively. For the reporting year, Eton customers reported concerns about Condominium Certificates Titles and Transfer Certificate of Titles. The concerns were addressed through constant communication through phone and email with the client by the Customer Service Department, which provides updates and answers.

PNB believes that customer satisfaction is an essential metric for business success. As such, it offers a robust feedback and grievance mechanism to respond to customer complaints promptly. The Customer Experience Division (CED) enforces the Consumer Protection Policy of the Bank. Through the Unified Contact Center Solution project, the CED's Contact Center Operations is being improved to achieve shorter handling time, better agent user experience, better case logging tools, and automated quality evaluation and scorecard management. These improvements will take effect by the fourth quarter of 2023. Customers of the Bank also have the option to raise issues or report complaints to the various customer service channels by email, telephone, and messenger applications.

PNB encountered several challenges during the COVID-19 pandemic due to the implementation of the Bayanihan Act. The customer-related concerns the Bank received during this period include interest charges, re-computation of amortization, and waiving charges. The most common customer-related concerns are related to credit cards, account openings, billing statements, and the PNB Digital App, such as password changes. We have instructed relevant offices to coordinate with each other and implement the changes based on the government's policy and help address customer concerns.

PNB implements an after Call and Email Customer Satisfaction survey to evaluate customer satisfaction. Customer feedback informs improvements in the policies, service delivery, process, and customer engagement.

Tanduay understands that satisfied customers help drive business growth. Thus, we endeavor to offer our customers high-quality and affordable products by strengthening our quality policy and complying with product certifications such as ISO, HACCP, and HALAL. In addition, we actively seek customer feedback by deploying customer satisfaction surveys and conducting after-sales communication to improve the quality of our products and services.

Digital Transformation and Innovation

LTG is slowly embedding digital technologies in its business processes. The Company acknowledges the value that digital transformation can contribute to its business model and operations.

PNB's digital strategy and initiatives are aligned with the Bank's key strategic business pillars. Understanding market and customer trends as well as the business and regulatory landscape, gives us actionable insights to enhance our strategy. Our key retail business units also provide inputs that help shape the strategic direction of our Bank's digital innovation and transformation.

The Bank's digital program is implemented through various Committees within the company. Our Projects Prioritization Committee is in charge of clearing and approving major strategic projects of PNB. The Mobile Steering Committee and Technology Committee approve and monitor the project priorities of the Bank, while the Board IT Governance ensures the alignment of digital initiatives with enterprise priorities and overall targets of PNB.

To avoid digital and financial-related risks, we adhere to the BSP Policy on Electronic Banking and Financial Services and related regulations such as Guidelines on Electronic Payments, Operations on Payment Systems, Anti-Money Laundering (AMLA) Rules and Regulations, Data Privacy Law, and Consumer Protection. In alignment with the BSP Digital Payment Transformation Roadmap, which operates under the National Retail Payment System (NRPS), PNB launched services such as Person to Merchant (P2M) and Person to Business (P2B) payment streams. In addition, we also adhere to the Open Finance Framework of BSP, where financial institutions can share data with customers' consent to optimize various banking-related services.

For better customer experience, we have also digitally transformed some of our existing systems and processes, such as automating bank forms, shifting customers to electronic Statements of Account (e-SOA), and migrating existing customers to PNB's digital channels. These efforts also help lessen our environmental footprint.

PNB's mobile banking platform, PNB Digital, offers more advanced and secure features, expanded payment and disbursement capabilities, and better access to products and services. For 2022, the PNB Digital and Account Access Portal users grew by 349% or an overall increase of 31% in our total digital user base. In parallel, significant growth in our customer engagement, particularly in transaction count and volume, increased by 118% and 160%, respectively. In addition, through our social media platforms, we continue to communicate to consumers our digital banking app to increase its enrolment and usage.

Apart from our digital platforms, we continue to operate our automated teller machines (ATMs) and cash acceptance machines (CAMs), providing customers with easy access to their funds. By the end of 2022, PNB has a total of 1,575 ATMs, 145 CAMs, 29 Corporate CAMs, and 8,367 point-of-sales (POS) terminals for 24-hour banking convenience for our clients.

FB-AB-270a.1, FB-NB-270a.1

	ATMs	CAMs	POS Terminals
2022	1,575	145	8,367
2021	1,586	165	6,603
2020	1,578	144	7,120

Source: Digital Innovations Group and ITBG, PNB

PNB introduced the PNB Cashnet Plus mobile app in February 2022 to provide more efficient online business transactions. The mobile app enables clients to view their accounts, monitor their receivables, and initiate and approve payments. At year-end, nearly a thousand IBS clients were onboarded in less than four months.

FB-AB-270a.1, FB-NB-270a.1

Digital banking (mobile and internet)

	Enrolled users	New enrollment
2022	1,508,741	347,878
2021	805,906	56,342
2020	749,564	221,418
% Inc./Dec. 2022 v. 2021	31%	517%

For the reporting period, no violation of the policies and regulations governing our digital products and services has been noted.

Tanduay is slowly integrating digital technology into its business process and operations. Various avenues for digital transformation are being explored to enhance customer experience. In 2022, we implemented the enhancement of freight charges for accrual. We are also planning to implement a Human Capital Management (HCM) payroll system for efficient payroll processing and the enhancement of its inventory costing.

Customer Data Privacy and Security

GRI 3-3, FN-CB-230a.2

LTG takes data privacy and security very seriously. Mindful of the risks and threats to data security, we have enhanced our data protection policies and equipped ourselves with cybersecurity tools to protect the Company and customer information.

LTG created an Information Technology (IT) Team to flag data security risks that would impact the business. The IT Team is also responsible for monitoring trends and training key staff who could be at risk of cyber-attacks. To enhance data security, we set up a secure network for its staff and a secure channel for storing sensitive information. The Company's IT equipment is constantly reviewed, modified, and upgraded as needed. The IT Team also regularly conducts staff training to enhance internal cybersecurity awareness.

To manage customer privacy, Asia Brewery has started developing its Data Classification Policy that governs the use of all data or information created, collected, stored, or processed by its business. The company has established an Incident Management Policy and Information Security Incident Policy and Procedures to minimize and respond to potential data or security breaches. We also apply a non-disclosure agreement for third-party agencies or service providers. We adhere to the Advertising Standard Council's policy to ensure that information on our advertising and communication materials are not misleading or violative of existing advertising standards.

Eton respects customer privacy by complying with the provisions of the Data Privacy Act of 2012 and implementing its own data privacy and cybersecurity practices. The purpose of the law is to protect personal data in the information and communications systems of the public and private sectors. In line with the Data Privacy law, we have installed cybersecurity tools and established processes related to backup procedures to minimize data security risks. In the event of a data breach, our company immediately reports it to the National Privacy Commission within 72 hours. The organization actively promotes cybersecurity awareness to prevent and respond to data breaches and other cybersecurity threats.

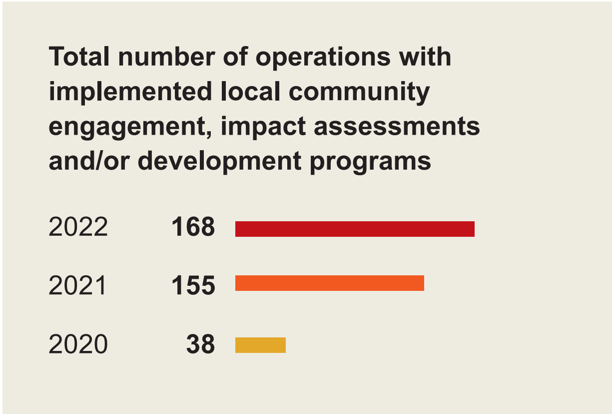
PNB implements various company policies to ensure customer data privacy and security.
For instance, the Bank's data protection policy addresses security risks that could affect PNB's data and operations. Under the overall framework of the Revised Policy and Implementing Guidelines on Consumer Protection, PNB highlights the importance of protecting consumers in all stages of their transactions. Our consumer protection and data privacy policies include the Enterprise Data Privacy Policy, the Governance and Risk Management Sub-Policy, and Data Privacy Architecture, supplemented by the PNB Enterprise Data Privacy Manual for overseas branches.
To proactively assess risks, we implement a Privacy Impact Assessment Policy based on ISO 27001/2/5 and DPA of 2012 for the conduct of the Privacy Impact Assessment Process, Information Security Risk Assessment Process, and Third Party Information Security Risk Assessment Process.

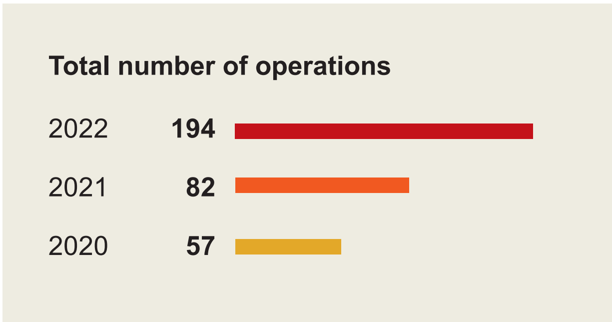
With the introduction of teleworking, the Bank's Human Resource Group has issued a Policy on Telecommuting to protect employee privacy and ensure the security of equipment, IT infrastructure, and systems.

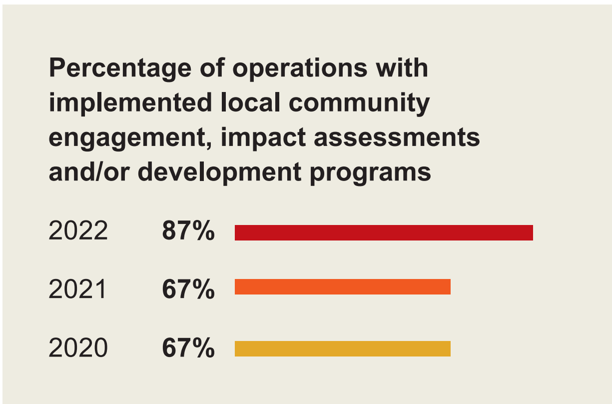
Society

Community Relations and Initiatives GRI 3-3, 203-2, 413-1

LTG considers local communities as development partners. Thus, the Company is committed to positively impacting the communities in which it operates. Across the Group, active steps have been taken to integrate social good into LTG's business.







Asia Brewery is committed to supporting local development by delivering various community-oriented programs. In particular, we have implemented environmental protection and education initiatives. For example, a tree-planting activity was coordinated by the Pampanga Plant, Davao Plant, El Salvador Plant, and Cabuyao Plant to prevent flooding and protect the local communities in these areas. Furthermore, to generate positive social impact, education programs organized by the company include the Brigada Eskwela and Balik Eskwela Program. The Brigada Eskwela Program aims to help parents and government school officials rehabilitate classrooms and clean up the school to prepare for class opening. Meanwhile, we donated school supplies and educational materials to government schools under the Balik Eskwela Program. We also distributed tokens of appreciation to Special Education teachers during World Teachers' Day and donated books at selected orphanages as part of National Children's Day.

Eton aims to positively impact the community by creating charitable programs in partnership with government and non-government entities. For example, we linked with the Rotary Club of Quezon City to raise funds to help generate more awareness and strengthen the vaccination drive against polio. Furthermore, to increase agricultural productivity in the province of Nueva Ecija, we donated additional seedlings to local farmers under the Masaganang Palayan program with the assistance of the Tan Yan Kee Foundation. For the Christmas season, our company collaborated likewise with the TYKFI to nurture health and provide fresh produce to seniors discarded from society in Kanlungan ni Maria in Antipolo City and Group Home for Abandoned

Older Women. Moreover, our company organized a Christmas Parol-making contest with the Quezon City government to promote camaraderie and unity among the barangays in the city.

For PNB, corporate social responsibility (CSR) is a way to effect positive changes in the community. With the leadership of the Bank's Corporate Sustainability Unit (CSU) and Human Resources Group (HRG), various CSR and volunteer-oriented initiatives are being implemented by PNB. Our onsite CSR activities were limited during the Covid-19 pandemic; however, community coordination and communication continued. In addition, we have organized virtual activities such as wellness and sustainability fairs.

The Bank also carried out initiatives to protect and preserve the environment. For example, this year, we held a tree-planting activity called "PNB CommuniTree" in Brgy. Mamuyao, Tanay, Rizal to celebrate the Bank's 106th anniversary in partnership with Tan Yan Kee Foundation, Inc.

PNB also extended support to its outsourced personnel during the pandemic, given the social and economic consequences of the health crisis. Our company focused on helping the guards, maintenance staff, clerks, drivers, and messengers greatly affected by the pandemic. An employee-giving program was also rolled out to support the outsourced personnel of the Bank.

Tanduay forged a partnership with Dualtech Training Center, a private vocational school established in 1982, to train the Center's students for a period of 18 months. Under TESDA, beneficiary students were given dual training on operating, repairing, and maintaining various industrial equipment and facilities.

ADI partners with local communities to implement social and environmental initiatives. ADI employees are encouraged to volunteer in these company-led projects, which include clean-up and rehabilitation activities in schools, donative drives for fisherfolks and farmers, and supporting fisherfolks by augmenting their income.

In 2022, LTG delivered a total of 130 community-oriented operations, 123 of which comprise local community engagement, impact assessments, or development programs. LTG's corporate social responsibility programs are focused on agriculture and forest development, such as reforestation, agroforestry, agri-entrepreneurship and livelihood, and food security. LTG operations with local community engagement, impact assessments, and development programs include calamity and healthcare assistance, vaccination drive, tree planting activities, food and school supplies distribution, and agricultural input distribution.

GRI Content Index

Statement of use	LT Group, Inc. has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	None

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirements (s) Omitted	Reason	Explanation	
General Disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	7				
	2-2 Entities included in the organization's sustainability reporting	1				
	2-3 Reporting period, frequency and contact point	1-2				
	2-4 Restatements of information	5, 30, 32, 33, 35				
	2-5 External assurance	1				
	2-6 Activities, value chain and other business relationships	9, 11, 26				
	2-7 Employees	39				
	2-8 Workers who are not employees		2-8-a to 2-8-c	Information unavailable	Collection of this information has not been initiated	
	2-9 Governance structure and composition	19-20				
	2-10 Nomination and selection of the highest governance body	19				
	2-11 Chair of the highest governance body	19				
	2-12 Role of the highest governance body in overseeing the management of impacts	19				
	2-13 Delegation of responsibility for managing impacts	21				
	2-14 Role of the highest governance body in sustainability reporting	21				
	2-15 Conflicts of interest	21				
	2-16 Communication of critical concerns	21				
	2-17 Collective knowledge of the highest governance body	21				
	2-18 Evaluation of the performance of the highest governance body	21				
	2-19 Remuneration policies	21				
	2-20 Process to determine remuneration	21				
	2-21 Annual total compensation ratio		2-21-a to 2-21-c	Confidentiality constraints	Owing to the sensitivity of the information, the Company deems the salary of the highest paid individual as confidential. Nevertheless, compensation is based on performance.	
	2-22 Statement on sustainable development strategy	21				
	2-23 Policy commitments	47				
	2-24 Embedding policy commitments	47				
	2-25 Processes to remediate negative impacts	47, 50				
	2-26 Mechanisms for seeking advice and raising concerns	47				
	2-27 Compliance with laws and regulations	23				
	2-28 Membership associations	12				
	2-29 Approach to stakeholder engagement	13-16				

Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	2, 17	
	3-2 List of material topics	17	
Economic and Governance			
GRI 3: Material Topics 2021	3-3 Management of material topics	28, 36	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	5, 28	
	201-2 Financial implications and other risks and opportunities due to climate change	36	
GRI 3: Material Topics 2021	3-3 Management of material topics	55	
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	55	
GRI 3: Material Topics 2021	3-3 Management of material topics	23-24	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	23-24	
	205-3 Confirmed incidents of corruption and actions taken	23-24	
GRI 3: Material Topics 2021	3-3 Management of material topics	26-28	
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	26-28	
Environment			
GRI 3: Material Topics 2021	3-3 Management of material topics	34-35	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	35	
GRI 3: Material Topics 2021	3-3 Management of material topics	29-30	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	29-30	
	303-2 Management of water discharge-related impacts	29-30	
	303-3 Water withdrawal	30	
	303-4 Water discharge	30	
	303-5 Water consumption	30	
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34	
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	33-34	
GRI 305: Emissions 2016	3-3 Management of material topics	34-38	
GRI 3: Material Topics 2021	305-1 Direct (Scope 1) GHG emissions	38	
	305-2 Energy indirect (Scope 2) GHG emissions	38	
GRI 3: Material Topics 2021	3-3 Management of material topics	31-32	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	31-32	
	306-2 Management of significant waste-related impacts	31-32	
	306-3 Waste generated	32	
	306-4 Waste diverted from disposal	32	
	306-5 Waste directed to disposal	33	

Employees			
GRI 3: Material Topics 2021	3-3 Management of material topics	42-43	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	40	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	40	
	401-3 Parental leave	41	
GRI 3: Material Topics 2021	3-3 Management of material topics	44-46	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	44-46	
	403-2 Hazard identification, risk assessment, and incident investigation	44-46	
	403-3 Occupational health services	44-46	
	403-4 Worker participation, consultation, and communication on occupational health and safety	44-46	
	403-5 Worker training on occupational health and safety	44-46	
	403-6 Promotion of worker health	44-46	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	44-46	
	403-8 Workers covered by an occupational health and safety management system	46	
	403-9 Work-related injuries	46	
GRI 3: Material Topics 2021	3-3 Management of material topics	42-43	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	44	
	404-3 Percentage of employees receiving regular performance and career development reviews	42-43	
GRI 3: Material Topics 2021	3-3 Management of material topics	47-48	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	47-48	
Customers			
GRI 3: Material Topics 2021	3-3 Management of material topics	50-51	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	50-51	
GRI 3: Material Topics 2021	3-3 Management of material topics	49-50	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	49	
	417-2 Incidents of non-compliance concerning product and service information and labeling	49	
	417-3 Incidents of non-compliance concerning marketing communications	49	
Society			
GRI 3: Material Topics 20 21	3-3 Management of material topics	55-56	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	55-56	

SASB Content Index

LT Group, Inc. has also prepared this report following the industry-specific ESG guidance framework of SASB Standards Food and Beverage Sector - Alcoholic and Non-Alcoholic Beverages 2018, Infrastructure Sector - Home Builders and Real Estate 2018, and Financials Sector - Commercial Banks 2018. This content index provides an overview of LTG's Environmental, Social, and Governance data that align with these standards. Other SASB codes are omitted due to lack of applicability, confidentiality, or unavailability of data.

Topic	Code	Accounting Metrics	Location/ Response
Food & Beverage Sector - Alcoholic and Non-Alcoholic Beverages			
Energy Management	FB-AB-130a.1 FB-NB-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	35
Water Management	FB-AB-140a.1 FB-NB-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	30
	FB-AB-140a.2 FB-NB-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	29
Responsible Drinking & Marketing	FB-AB-270a.1	Percentage of total advertising impressions made on individuals at or above the legal drinking age	49
	FB-AB-270a.2	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	49
	FB-AB-270a.3	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	49
Product Labeling & Marketing	FB-NB-270a.1	Percentage of advertising impressions (1) made on children and (2) made on children promoting products that meet dietary guidelines	49
	FB-NB-270a.3	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	49
	FB-NB-270a.4	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	49
Financials Sector - Commercial Banks			
Data Security	FN-CB-230a.2	Description of approach to identifying and addressing data security risks	53

TCFD Content Index

Recommended Disclosures	Location/Response
Governance Disclose the organization's governance around climate-related risks and opportunities	
a) Describe the board's oversight of climate-related risks and opportunities	36-38
b) Describe management's role in assessing and managing climate- related risks and opportunities	36-38
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	36-38
b) Describe the impact of climate- related risks and opportunities on the organization's businesses, strategy and financial planning.	36-38
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	36-38
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks	
a) Describe the organization's processes for identifying and assessing climate- related risks	36-38
b) Describe the organization's processes for managing climate- related risks	36-38
c) Describe how processes for identifying, assessing, and managing climate- related risks are integrated into the organization's overall risk management	36-38
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate- related risks and opportunities where such information is material	
a) Disclose the metrics used by the organization to assess climate- related risks and opportunities in line with its strategy and risk management process	36-38
b) Describe the targets used by the organization to manage climate- related risks and opportunities and performance against targets	36-38

LT GROUP, INC.