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

L T G R O U P , I N C .

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

1 1 t h F l . , 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
17-A	CRMD	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	**(632) 8808-1266**	**+639566750228**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
380	**5/3**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose 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

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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, 2024**

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: **₱29,120,635,950** as of December 31, 2024.

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; **2024 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, 2024 and 2023, 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 32% share of the Philippine spirits market in 2024.

- **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 51.0% market share in the year 2024.

- **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. In October 25, 2024, a deed of sale was executed for the sale of AAC to Prior Holdings Inc..

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.

- **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 distribution 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, the country's first universal bank, is one of the largest local private commercial banks in terms of assets, net loans and receivables, capital and deposits. 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'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, digital banking and other related financial services. 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)	Holding 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)]	Holding Company	- do -	USD	**–**	**100.00**
PNB Remittance Co. (Canada) [(d)]	Remittance	Canada	CAD	**–**	**100.00**
PNB Europe PLC (PNB Europe)	Banking	United Kingdom	GBP	**100.00**	–
Allied Commercial Bank (ACB)	Banking	China	CNY	**99.04**	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC)	Leasing/Financing	Philippines	PHP	**75.00**	–
PNB-Mizuho Equipment Rentals Corporation (PMERC) [(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)]	Service	- do -	HKD	**–**	**51.00**
Oceanic Holding (BVI) Ltd. (OHBVI) [(g)]	Holding 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*
[(g)] *Controlled through the Parent Company's combined voting rights of 70.56% which arises from its direct ownership of 27.78%, and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement*

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, 2024, 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

<u>Property Development</u>

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
18. Tanduay Rum White
19. Tanduay Heritage Rum

Gin Products

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

Vodka Products

1. Cossack Vodka Red

Whiskey Products

1. Embassy Whiskey
2. Scottish Legacy Scotch Whiskey

Cocktails

1. Tanduay Cocktails (Green Margarita, Strawberry Daiquiri, Pinacolada)

Flavored Mixers

1. Tanduay Flavored Mixers-Daiquiri

Medicinal Wine

1. Vino Agila

Bioethanol

The Company’s distillery subsidiary, ADI is registered with the Department of Energy (DOE) as bioethanol producers with a registered capacity per year of 30 million liters. 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. The mandated blend of bioethanol by volume into all gasoline fuel distributed and sold by local oil companies is 10% bioethanol.

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. In October 2024, Prior Holdings Corporation acquired AAC from TDI.

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.

Beverage
Energy Drinks
1. Cobra

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

Beer
1. Colt 45 Malt Liquor
2. Beer na Beer
3. Asahi Super Dry
4. Paraiso Craft Beer Style
5. Leon Extra Strong Beer

Alcopop
1. Tanduay Ice
2. Tanduay Ice Signature Vodka
3. Spritz Hard Seltzer
4. AB Origins Yuzu Highball
5. Pacific Sun Hard Iced Tea
6. Soju Bomb Alcomix

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

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

APFI products include:
1. Pascual Yogurt
2. Pascual ready-to-drink dairy

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

Tobacco
FTC has no products in the market but its associate, PMFTC has the following brands across various categories:

Combustible Cigarettes (CC)
1. Marlboro
2. Fortune
3. Chesterfield

4. Jackpot
5. More
6. Philip Morris
7. Hope
8. Champion

Heat not Burn (HnB)

1. Terea
2. Heets
3. Blends

Nicotine Pouches

1. Zyn

Banking

PNB 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 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
9. WestEnd Square
10. Blakes Tower

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
7. Eton City Square

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

Distribution method of the products

Distilled Spirits

Liquor Products

As of December 31, 2024, TDI serves more than 225,000 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.

Beverage

ABI markets, sells and distributes its products throughout the Philippines through 13 exclusive major distributors. ABI's exclusive distributors have a network of 39 sales offices, 13 warehouses, 3 depots and 60 sub-distributors**.** 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.

Tobacco

PMFTC distributes through various wholesalers, retailers, brand retail stores and e-commerce platforms throughout the Philippines. PMFTC segments its distribution into four separate channels:

(i) key accounts—including hypermarkets and supermarkets, tobacconists, convenience stores and gasoline stations;
(ii) general trade—including sari-sari stores, market stalls, kiosks and eateries;
(iii) brand retail stores – boutique stores; and
(iv) e-commerce platforms – *IQOS.com* and third-party marketplaces

Banking
PNB, through its Head Office and 631 domestic branches/offices, 1,715 ATMs nationwide and 71 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, 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, digital 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 the Retail Banking Sector (RBS) focuses primarily on the Bank's deposit-taking activities by offering a wide range of deposit products and services such as peso accounts and its variants like interest-bearing savings and time deposit, current accounts, and US dollar and other third currency accounts. RBS also provides its broad customer base with other retail products such as credit cards, consumer loans, remittance services, and other banking services. While the primary objective is to generate lower cost funding for the Bank's operations, RBS as a sales-focused sector also cross-sells trust, treasury and bancassurance products (life and non-life) to existing as well as referred customers.

International Banking and Remittance Group
PNB has the widest global network among Philippine-based banks, giving Filipinos access to overseas branches, representative offices, remittance centers, and subsidiaries across the United States, Canada, Europe, Middle East, and Asia. Through its International Banking and Remittance Group (IBRG), PNB builds and sustains strategic partnerships with key OFW-related organizations, remittance tie-ups, and pay-out partners. These collaborations further extend the Bank's market reach beyond its physical branches worldwide.

IBRG facilitates cross-selling opportunities to efficiently serve the diverse needs of overseas Filipinos. For select jurisdictions, IBRG offers reliable remittance services as well as full banking solutions such as bills payment, deposit account opening, OFW payroll processing, corporate credit and trade, and consumer financing.

Consumer Finance Sector
The Consumer Finance Sector (CFS) provides a comprehensive suite of credit solutions that cater to both retail and corporate clients. CFS leverages on innovation, data-driven insights, and strategic partnerships to deliver seamless and customer-centric financial services.

CFS various card products that include Credit, Debit, and Prepaid Cards under major card networks (Mastercard, Visa, and UnionPay). It also offers loan products such as Auto Loan, Real Estate Loan, Contract-to-Sell Facility, and Personal Loan.

CFS operates as a robust team that covers key functions such as sales, business development, finance and accounting, business intelligence, operations, and collections. Its integrated structure enables the team to deliver an optimal, end-to-end customer journey – ensuring efficiency, accessibility, and financial empowerment.

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 and commercial clients. The Corporate Banking Group (CBG) supports the Sector's large corporate and conglomerate clients, while the Commercial Banking Group oversees relationships with middle market and SME customers located in Metro Manila and provincial areas.

Commercial Banking Group (COMMBG) is geographically segmented into Metro Manila COMMBG, Luzon COMMBG, and VisMin COMMBG to deepen relationships with commercial clients and capitalize on growth opportunities in priority industries.

IBS offers a comprehensive suite of well-crafted products and services designed to meet various requirements of its clients, ranging from short-term loans, long-term loans, project finance, trade facilities, among others.

Global Banking and Markets Sector

The Global Banking and Markets Sector (GBMS) is primarily tasked with the management of the Bank's liquidity and funding needs, as well as the execution of financial market transactions involving investments, trading of fixed income, foreign exchange, derivatives, and providing hedging solutions for clients. GBMS capitalizes on opportunities in capital markets as the economy continues to recover. GBMS strategically deploys its excess funds in longer-dated high-quality outlets thereby increasing portfolio duration in line with expectation that terminal rate had been reached and rate easing cycle has begun. The Sector 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 individuals (retail and high-net-worth) access to the financial markets.

Trust Banking Group

The PNB Trust Banking Group (TBG) offers a broad selection of investment funds including money market, fixed income, multi-asset, local equity, and global feeder funds. These funds are tailored to meet every customer’s financial standing, investment goal, risk appetite, and investment horizon. These are managed by a team of fund managers who have a wealth of training and experience. Clients may conveniently invest in any of these funds through the UITF Online facility via PNB Digital.

In addition to investment funds, TBG also provides a wide range of products and services for retail and corporate clients. Its personal trust products and services include Personal Management Trust and Investment Management Account. Corporate trust products and services include Corporate Fund Management and Employee Benefit Trust. PNB’s TBG is regarded as one of the strongest trust entities in the industry for fiduciary services, offering products such as Escrow, Facility Agency, Trust Under Indenture, and Transfer Agency.

Digital Channel Management and Innovation Group

The Digital Channel Management and Innovation Group (DCMIG) is responsible for driving PNB’s consumer digital strategy, ensuring that the bank’s digital services are efficient, customer-centric, and aligned with the Bank’s mission and vision. Committed to innovation and continuous improvement, DCMIG constantly explores and implements solutions to enhance the customer experience and drive business growth.

DCMIG oversees the end-to-end development of digital channels, including market scoping and assessment to identify opportunities; business model ideation to ensure viability; and customer experience design for seamless interactions.

DCMIG, in collaboration with stakeholders and technology partners, is also responsible for the execution, delivery, implementation, and post-launch support of digital channels and services for the domestic and overseas market. DCMIG also collaborates with marketing and business teams to drive digital adoption and engagement.

By fostering innovative and user-friendly digital experiences, DCMIG supports PNB’s vision of delighting customers, increasing revenue, and optimizing operational efficiency to better serve the bank’s retail business.

Property Development
The Company markets its projects to office locators and commercial tenants, and the residential market segment through various sales and marketing channels. The Company employs in-house leasing and sales teams which coordinates with business entities for sales and 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 2024, ABI launched several brands to strengthen its alcoholic drinks portfolio. These included Leon Strong Beer, AB Origins Yuzu Highball, Pacific Sun Hard Iced Tea and Soju Bomb Alcomix.

Banking
In 2024 and 2023, PNB introduced the following new products, among others, for its customers:

a. **InstaPay Bills Pay PH -** an interoperable bills payment facility that enables billers to collect and consolidate subscriber payments made through various participating mobile banking/e-wallet applications.

b. **InstaPay QRPh -** through its partnership with GHL Systems, Inc., the Bank was able to deploy payment acceptance via digital QR codes programmed into GHL point-of-sale terminals.

c. **PNB Private Wealth Portal** – accessible via the PNB Digital mobile banking app, this channel provides clients the tools and insights to manage their wealth better.

d. **PNB Mabuhay Miles World Elite Mastercard** – a by-invitation only credit card from PNB in partnership with Philippine Airlines (PAL) and Mastercard. This card unlocks global privileges and elite experiences. From earning exclusive travel rewards to accessing bespoke lifestyle services, this first full metal contactless card in the Philippines - co-branded with an airline - embodies the pinnacle of luxury and sophistication.

e. **Debit Account Lite (PC-417) -** was designed to address BSP's requirement for a basic deposit account to promote financial inclusions. This account will enable Filipinos, especially the unserved and underserved, to receive and make payments, as well as have a facility for store of value. This account follows a simplified Know – Your – Customer (KYC) process for low-risk clients. It has basic functionalities that enable ease, accessibility, convenience, and reasonable cost for both banks and customers.

f. **Digital Savings Account (PC-419) -** was designed to address the bank's directive to offer an end-to-end account via the PNB Digital platform with minimal to no physical touch points. This also drives greater efficiency in the delivery of financial products and services as the bank expands reach into the digital market segments.

g. **Save and Soar Promo -** Eligible accountholders enrolled in the promo shall receive Mabuhay Miles points that can be converted into PAL Mabuhay Miles, free one year ATMSafe Plus Insurance coverage for one nominated PNB peso checking or savings account or one electronic raffle entry for a chance to win two round trip business class flights to New York, USA, which shall be awarded in the form of peso equivalent PAL electronic gift card.

Tobacco
In 2024, the following were the product innovations and upgrades:

Combustible Cigarettes (CC):
1. Marlboro Red Land (Limited Edition Pack)
2. Chesterfield Mixtery (New Product Launch)
3. Chesterfield Original XL 100s (New Product Launch)
4. Fortune Double Blast (New Product Launch)

Heat not Burn (HnB):
1. Bonds 1.5 – Device (Product Upgrade)
2. Blends 1.5 – Consumables (Product Upgrade)

Nicotine Pouches:
1. Zyn Line Extensions [Dark Purple, Fresh Breeze, Espressino] (New Product Launch)

Competitive business condition/position in the industry

Distilled Spirits

Liquor Products
The Philippine liquor market increased by 9% in 2024 based on the retail audit of Nielsen with Vismin outgrowing the other regions with its +16.1% growth. TDI's national market share declined 1.0 ppts to end the year with 32% national market share. Although TDI posted a strong performance in Visayas and Mindanao, by growing at 9% and 4%, respectively, and an overall increase of 6% in volume of sales, its competitor grew at a faster rate that resulted in a slight decline in market share.

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 2024 only 14 bioethanol producers with a combined capacity of 426 ML were operational 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 local (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 December 31, 2024, based on data from the Bangko Sentral ng Pilipinas (BSP), there are 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. 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 and builds on relationships with the Bank's other key customers.

The Bank also faces competition in its overseas operation. 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, 2024, the Bank has a distribution network of 631 domestic branches and offices and 1,715 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 2023, 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 2023, alcohol accounted for 19.1% of product cost while excise tax accounted for 52% 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. Each plant has its own deepwells, 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 11% 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 60% lower than the cost of purchasing new bottles.

- **Caps**
  All products are sealed with tamper-proof resealable aluminum caps, which average 2% of total product cost.

- **Labels**
  The labels being used are made from imported base coated paper. Label cost accounts for 1% 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

The Bank engages services of various technology and non-technology related suppliers for the continued enhancement of its applications and systems to remain at par and competitive in a fast-paced banking environment and to better serve the evolving needs of its customers.

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, 2024, sales volume in the Visayas and Mindanao regions accounted for approximately 41% and 56% 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 the 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 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 them 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. It also has foreign operations in countries that host the largest population of Filipinos outside the Philippines through engagements in remittance and lending services in selected jurisdictions in Asia & Oceania, North America, Europe, and the Middle East. The Bank's financial well-being is not dependent on only one or two major customers with its existing multi-segmented client base as well as the non-Filipino market catered to by its overseas business.

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 is 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, Pascual*, *Colt 45, Beer na Beer*, *Manila Beer Light*, *Brew Kettle, Paraiso Craft Beer Style, Leon, Pacific Sun, ABI Origins and Soju Bomb*. 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 and Spain's Calidad Pascual S.A.Ufor the manufacture and distribution of Nestea, Sunkist, Vitamilk, and Pascual, 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
2024	All the marks below have been reapplied to the IPO and are currently in the second publication stage of approval. 1. Eton Properties Philippines, Inc. 2. EPPI without words 3. EPMC 4. The Mini Suites 5. Centris Cyberpod One

	6. Centris Cyberpod Two 7. Centris Cyberpod Three 8. Centris Cyberpod Five 9. Centris Elements 10. Eton Centris 11. SouthLake Village at Eton City 12. Tierrabela at Eton City 13. The Eton Residences Greenbelt 14. Eton Baypark Manila 15. One Archers' Place 16. West Wing Residences at Eton City 17. 8 Adriatico 18. 68 Roces 19. Eton Cyberpod Corinthians 20. Belton Place Makati 21. Eton Parkview Greenbelt 22. The Manors 23. RiverBend @ Eton City 24. Blakes Tower 25. Centris Station 26. Centris Walk 27. North Belton Communities 28. Eton City Square 29. Eton Emerald Lofts Ortigas 30. Eton City 31. Eton tower Makati 32. Eton Square Ortigas 33. Belton Communities, Inc. 34. West Wing Residences at NBC 35. Village Walk 36. West Wing Villas at NBC 37. Green podium 38. WestEnd Square 39. SouthLake Village 40. RiverBend 41. TierraBela

The following names were also applied to IPO without "Eton City" word marks:

a) SouthLake Village
b) RiverBend
c) TierraBela

Another EPPI logo was applied without "Eton Properties Philippines, Inc." word marks.

The Company's business units, BCI and EPMC logos, were applied in 2024.

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 is 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 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 implement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act", the Bank complies with the guidelines protecting 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 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 effects 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

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

On July 25, 2019, President Rodrigo Duterte signed into law R.A. No. 11346, which 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 salt 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[i] (“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 brought the minimum age for sale and purchase of VNNPS and NTPs from 21 years old to 18 years old, to be at parity with the minimum age for sale of combustible cigarettes.

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 to align with its mandate on consumer protection and policy of ensuring a balance between all stakeholders’ interest.

On October 24, 2022, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 14-2022 to implement the provisions of RA 11900. RR No. 14-2022 imposed excise tax rates on NTPs amounting to ₱2.50 per kilogram (kg) from August 10, 2022 to December 31, 2022, ₱2.60 per kg from January 1, 2023 to December 31, 2023, with a 4 percent increase annually thereafter.

[i] *Novel Tobacco Products – shall refer to all non-combusted substances in solid or liquid form, and innovations, either made partly of tobacco leaf as raw material or containing nicotine from tobacco, intended to be used as a substitute for cigarettes or other combusted tobacco products.*

On October 26, 2022, the Department of Health prescribed the graphic health warning templates for VNNPs and NTPs, to be implemented beginning May 12, 2024.

On December 5, 2022, the DTI issued Department Administrative Order No. 22-16 titled Implementing Rules and Regulations of RA 11900. This was followed on June 4, 2024 by Department Administrative Order No. 24-02, which is a Supplemental Technical Regulation for Department Administrative Order No. 22-06 on the Mandatory Product Certification of VNNPs. DAO 24-02 clarified the requirements for products to secure registration and the Product Standard License from the DTI and set the deadlines for compliance by manufacturers, importers, distributors, wholesalers, and retailers. This was later further amended by the DTI with Department Administrative Order No. 24-11, issued on December 23, 2024. The DTI continues to issue, from time to time, administrative regulations covering various aspects of production, importation, marketing, and sale of VNNPs.

Banking

The Philippine banking industry is highly regulated by the BSP. The Bank, through its Regulatory Compliance Risk Division under the Global Compliance Group, ensures adoption and adherence to 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 60% 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
PNB ensures that all its domestic and overseas offices and branches have the necessary business, labor, and environmental permits. The Bank also ensures that its personnel are updated on all applicable laws, rules, regulations, and policies that govern its business and operations through the regular release of environmental, social, and governance (ESG) bulletins via emails and trainings.

Mechanisms are also in place to monitor the Bank's compliance with socio-economic and environmental laws, rules, regulations, and policies.

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 environmental 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 22 regular monthly employees as of December 31, 2024. The total workforce of the Group inclusive was as follows:

Distilled Spirits	1,617
Beverage	3,871
Tobacco	43
Banking	8,816
Property development	339
Total	14,686

Distilled Spirits

TDI has 1,296 employees as of December 31, 2024 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 2027. TDI Negros' regular daily employees assigned in its bottling operations has a CBA with the Labor Union of Tanduay Employees (LUTE) effective up to 2027.

As of December 31, 2024, ADI has 277 employees. ADI's registered labor union is Absolut Distillers, Inc. Employees Union-Olalia-KMU. Current CBA is effective up to 2024. TBI has 44 employees with no existing CBA.

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, 2024, approximately out of the 3,871 (including contractual employees) ABI and its subsidiaries directly employed 2,936 people, of which about 76% were employed in manufacturing and logistics, 18% 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 is in its final stage of negotiation, and shall be effective until June 30, 2026 once finalized. The CBA for ABI's El Salvador plant is effective until February 28, 2028. IPI also concluded its CBA negotiations for its employees in Cabuyao which was signed on February 7, 2023. The CBA shall be effective until January 31, 2027.

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 43 regular monthly employees as of December 31, 2024. 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
As of December 31, 2024, the Bank has a total of 8,816 employees, comprised of 4,797 officers (169 Vice President and up and 4,628 Senior Assistant Vice President to Assistant Manager) and 4,019 rank and file employees. The Bank continues to pursue selective and purposive hiring strictly based on business requirements. The Bank has embarked on a number of initiatives to improve operational efficiency. The Bank's regular rank and file employees are represented by a Union. Total union membership is 2,917 out of 4,019 rank and file employees or 83% of the total rank and file population. The Bank has a Collective Bargaining Agreement which was renewed for a three-year period from July 1, 2022 to June 30, 2025.

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 339 and 314 employees at the close of the calendar year December 31, 2024 and 2023, respectively. The breakdown of the Company employees as of December 31, 2024, according to type are as follows:

Executive	14
Managers	90
Officers	65
Supervisors	56
Rank and File	114
Total	339

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, 2024. 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 15 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 15 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.

Tanduay Cabuyao Plant, Murcia Plant and El Salvador Plant successfully passed the ISO 9001:2015 Certification Audit. This was an achievement for Tanduay since the Company was able to certify 3 plants, beginning 2024 to expire in 2027. TDI was able to comply with specific requirements for a quality management system (QMS) to demonstrate its ability to consistently provide products that meet customers and applicable statutory and regulatory requirements. The QMS System aims to enhance customer satisfaction through the effective application of 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 effects 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.

Tobacco
The tobacco or cigarette industry generally has the following risks:

Market / Competitor Risk
PMFTC competes primarily based on 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 development 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 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.

Illicit and Counterfeiting risk

Illicit and counterfeit goods have distorted the market as they are significantly lower priced as they are often sold without the burden of taxes and regulations. The surge in illicit and counterfeit tobacco and vapor products has an adverse effect on the business, causing significant reduction in PMFTC's sales volume and reduction in tax payments.

The risk from illicit and counterfeit products is continuously monitored and legal action will be undertaken against any violators.

Banking

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

A clear understanding of risks surrounding the business activities is crucial for any organization to create sustainable stakeholder value in executing its strategies. It is therefore essential to reinforce the overall strategy of an organization with a prudent risk management framework. This ensures that the Bank's opportunities are optimized while minimizing the effects of downside risks.

PNB, as one of the leading financial institutions in the country with various allied undertakings and with an international footprint, performs a vital role of financial intermediation in the economy and in each of the communities it serves. With evolving global best practices and standards towards continuing financial stability and resilience, it remains committed to comply with the regulatory guidelines and legislative framework in each of the jurisdictions it operates in.

The nature and the impact of future changes in laws and regulations are not always predictable. These changes have implications in the way business is conducted and with corresponding potential impact to capital and liquidity.

A disciplined risk management culture and framework facilitates oversight of and accountability for risk at all levels of the organization and across all risk types. The Board of Directors, through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to experienced Senior Management Team who, through the Management Risk Committee (MRC), works closely with the business lines in managing risk.

The Board of Directors has delegated specific responsibilities to various Board Committees, which are integral to PNB's risk governance framework and allow executive management, through Management Committees, to evaluate the risks inherent in the business and to manage them effectively. On the other hand, executive officers are assigned to various Management Committees that provide the leadership and execution of the vision and policies approved by the Board of Directors. Business strategies are driven, for the most part, by the day-to-day directions decided by these Management Committees with approvals and notation by the various Board Committees.

There are nine (9) Board Committees, as follows:
- Executive Committee (EXCOM)
- Board Strategy & Policy Committee (BSPC)
- Board Audit & Compliance Committee (BACC)
- Board Oversight Related Party Transaction Committee (BORC)
- Corporate Governance & Sustainability Committee (CorGov)
- Board Information Technology Governance Committee (BITGC)
- Risk Oversight Committee (ROC)
- Board Overseas Offices Oversight Committee (BOOOC)
- Trust Committee (TrustCom)

PNB's ROC is mandated to advise on the risk appetite; approve frameworks, policies, plans, programs, 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 senior management.

The risk management policy includes:
- a comprehensive risk management approach;
- a detailed structure of limits, guidelines, and other parameters used to govern risk-taking;
- a clear delineation of lines of responsibilities for managing risk;
- an adequate system for measuring risk;
- effective internal controls and a comprehensive monitoring and risk-reporting process; and
- adherence to standards and regulations.

ROC membership is composed of at least three (3) members of the Board of Directors, majority of whom are Independent Directors including the Chairperson. The Chairperson shall not be the Chairperson of the Board of Directors, or any other Board Committee.

The members shall possess a range of expertise as well as adequate knowledge of the Bank's risk exposures. They should also meet the requirements of the Securities and Exchange Commission (SEC), the BSP, and other applicable laws, rules, and regulations.

Approved by the Board of Directors in 2020, the Management Risk Committee (MRC) was created as a forum ensuring that the Bank's Enterprise Risk Management Framework (ERMF) is operationalized and that Senior Management has an enterprise-level view and awareness of all key risks that the Bank is facing and must deal with. It will be a forum for dialogue amongst the businesses, operations and control functions with respect to risk issues that arise from the conduct of business, changes to laws and regulations, and the general business environment.

Mainly composed of the Bank's Sector and Group heads, the MRC is 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 MRC shall periodically assess that the Bank's risk appetite statements are aligned with the business strategy and the overall objectives of the Bank.

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. 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.

The risk management framework banks on a dynamic process that supports the development and implementation of the overall Bank strategy. The process revolves around methodically addressing risks associated with the business lines of PNB. The ERMF, with regular reviews and updates, has served well and has been resilient through economic cycles. The Bank has placed a strong reliance on this risk governance framework with the three lines model of The Institute of Internal Auditors (IIA).

The first line roles are the lines of business who are directly involved in managing risks. This entails the proactive self-identification of risks as well as the design and implementation of appropriate controls. Within the business lines, a culture of open communication is key to sustainable risk-return thinking. Discussions about new products, existing and new positions, and other issues must be broad and not just limited to meeting financial targets. Data and information availability are a must to ensure that front office and top management undertake relevant and timely decisions with respect to risk taking. Finally, limits and other basic controls must be respected. For example, limit setting and limit monitoring shall be done within prescribed policies and procedures; front-liners who manage clients and handle cash shall be subject to mandatory leaves; and segregation of duties should be clear and enforced.

The second line roles are the support units who provide expertise and insight to the first line in managing risks. For the Bank, second line roles include the Enterprise Risk Management Group (ERMG) and Global Compliance Group (GCG): ERMG implements the risk management framework and assists risk owners in reporting adequate risk-related information to the ROC. It manages the overall information security, cyber security and data privacy risks of the Bank in terms of confidentiality, integrity and availability of information of its customers as well as other stakeholders. It also manages risks to Information Technology and Project Management. GCG ensures that a strong compliance program is in place, effectively monitored, and aligned with the risks of the Bank's individual business processes. The second line roles may also recommend implementation of action plans, corrective actions or service recovery in managing the risk impact and prevent recurrence. ERMG reports to the ROC, while GCG reports to the BACC.

The third line role is the internal audit function which provides independent and objective assurance and advise 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. Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through accountability to the governing body, unfettered access to people, resources and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

All roles, when working together, collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritized interests of the Bank and its stakeholders. Alignment of activities is achieved through communication, cooperation, and collaboration. This ensures the reliability, coherence, and transparency of information needed for risk-based decision making.

ERMG is independent from the business lines and monitors various risks across the parent bank and its subsidiaries, including but not limited to credit, market, operational, reputational and environmental and social risks.

Implementation of the processes and procedures that support the policies for risk management applicable to PNB is monitored. These policies clearly establish the types of risks to be managed, define the risk organizational structure, and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits, and compliance testing to measure the effectiveness and suitability of the risk management structure.

ERMG performs as the Secretariat of the ROC which meets monthly to discuss the most recent risk profile of the Bank according to the material risks defined in the Bank's ICAAP document. Further, ERMG engages with all levels of the Bank's business and support groups, including domestic and overseas branches and offices, including subsidiaries. This ensures that risk management and monitoring are 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 11 Material Risks (3 for Pillar 1 and 8 for Pillar 2). These material risks are as follows:

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;
- Information Security/ Cyber Security / Data Privacy Risk;
- Information Technology Risk; and
- 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 Standardized 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

Under the ERMF, all risk-taking business units, including domestic and foreign subsidiaries, shall perform comprehensive assessment of all material risks. This is accomplished annually, and/or more often, as needed. The process includes:

- Determining the most significant risks based on the business impact;
- Quantifying the potential losses of each of these significant risks;
- Providing various risk mitigation and control measures to manage these identified risks; and
- Consolidating computed potential losses for capital computation.

The identification of risks revolves around the monitoring of risk categories as defined by BSP for supervision purposes. These key risks, namely: credit, market, operational, credit concentration, interest rate, liquidity, information technology, information security/cyber security/data privacy, strategic business, reputational, and human resource risks, are not only monitored under their separate and distinct components, but also monitored across all interrelated business risks.

The Bank broadly classifies and defines risks into the following categories and manages the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2024 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk that a Bank's borrower/ obligor/ customer or counterparty, will fail to meet its obligations in accordance with agreed terms thus subjecting the Bank to financial loss. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. (BSP Circ. 510, Series of 2006) 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 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)	Loan Portfolio Analysis Credit Dashboards Credit Review Credit Model Validation	Trend Analysis (Portfolio / Past Due and NPL Levels Regulatory and Internal Limits Stress Testing Rapid Portfolio Review CRR Migration Movement of Portfolio Concentrations and Demographics Review Large Exposure Report Country Limits Monitoring Counterparty Limits Monitoring Adequacy of Loan Loss Reserves Review Post Credit Review Specialized Credit Monitoring (REST/ERR for Real Estate and Industry Limits)
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/off-balance sheet. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities markets. (BSP Cir. No. 544, Series of 2006)	Value at Risk (VaR) Utilization Results of Marking to Market Risks Sensitivity/ Duration Report Exposure to Derivative/ Structured Products Monthly validation/ preparation of the Market Risk Weighted Exposures in the CAR Report	VaR Limits Stop Loss Limits Management Triggers Duration Report ROP Exposure Limit Limit to Structured Products Exception Report on Traders' Limit Exception Report on Rate Tolerance Stress Testing BSP Uniform Stress Testing
Liquidity Risk	Liquidity risk is the current and prospective risk to earnings or capital arising from a financial institution's (FI) inability to meet its obligations when they come due, without incurring unacceptable losses or costs. Liquidity risk includes inability to manage unplanned decreases or changes in funding sources. (BSP Cir. No. 981).	Funding Liquidity Plan Liquidity Ratios Large Fund Providers Maximum Cumulative Outflow (MCO) Liquid Gap Analysis	MCO Limits Liquid Assets Monitoring 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	Interest Rate Gap Analysis Earnings at Risk (EaR) Measurement	EAR Limits Balance Sheet Profiling Interest Repricing Gap Analysis Cashflow based Economic Value of Equity (EVE) Stress testing

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	(repricing risk); from changing rate relationships among different yield curves affecting 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)	Cashflow based Economic Value of Equity	BSP Uniform Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal 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 FI and across the different entities in a banking group or conglomerate where the financial institution belongs. (BSP Circular 900, dated 18 January 2016)	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk) Risk Maps	Internal Control 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 Business Impact Analysis (BIA) Business Continuity Risk Assessment (BCRA) Business Continuity Plan (BCP) Disaster Recovery Plan (DRP) Crisis Management Plan (CMP) BCP Drills/Testing Incident Monitoring Vendor Risk Assessment Vendor Performance Evaluation (VPE) Materiality Determination Form Register of Outsourcing Arrangements and Vendor Relationships Form Statistical Analysis Risk Awareness
Reputational Risk	Reputational risk is the risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the Bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding. (BSP Circ 1114, Series of 2011)	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk) Risk Maps	Customer Engagement and Consolidated Complaints Report After Call and After Email Survey Security measures for Digital Banking Market research on digital trends and profiling of digital users, statistics on usage, and transactions to anticipate and respond to changes in overall trends related to demands of customers and clients in relation to digital services platforms Fraud Management Program Social Media Management Framework Social Media Risk Management Use of Social Media metrics / Social Media Analytics Website Management / Analytics Public Relations Campaign Mainstream media monitoring tool Products and Marketing Promotions review
Strategic Business Risk	Strategic business risk is the current and prospective impact on earnings or	Risk Identification Risk Measurement	Regular ALCO reports Economic briefings

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	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 resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes. (BSP Cir. No. 510, dated 03 Feb 2006).	Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk) Risk Maps	Banking, industry reports and research studies Research Division's regular economic reports and forecasting and equities reports Budget Performance Report (BPR) Annual Strategic Planning activities Performance and monitoring reports and surveys on bank products and services
Information Security/ Cyber Security Risk	Information Security (Infosec) / Cyber Security 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 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)	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk) Risk Maps	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 Scanning of outbound and inbound digital traffic
Data Privacy Risk	Data Privacy Risk is the risk associated to potential loss due to unauthorized collection, processing, or access to personal data. It includes risks that the confidentiality, integrity and/or availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the general privacy principles (i.e., transparency, legitimate purpose, proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to financial losses. (Data Privacy Act of 2012 or RA 10173).		Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet) Enterprise–wide Implementation of the Information Security Management Systems Education / InfoSec Awareness is also constantly conducted 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 Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements Institutionalization of data protection culture within the group

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
			through regular awareness programs Data Privacy Management System 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. 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 Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk) Risk Maps	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 and 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.	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk) Risk Maps	Institutionalize policies covering Talent Acquisition/Retention and Career Management; Remuneration Management; Performance Appraisal System Training and Development Labor Management Relations Code of Conduct/ Personnel Policies Employee Welfare/ Wellness Employee Engagement Program Rewards System Compensation Package Review Attendance Reports Performance Appraisal Report Monitoring of employee’s deliberate non-submission of acknowledgement receipts of personnel policies issued by HRG Grievance Reports/Complaints Attrition rates, separation reports and exit interview forms Disciplinary Cases Report Recruitment Turnaround Time Report Number of training programs conducted Report Hiring and Attrition Tracking

Regulatory Capital Requirements Under Basel III – Pillar 1 Capital Adequacy Ratio

The Bank's Capital Adequacy Ratio as of December 31, 2024 stood at 19.93% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2024 amounted to ₱826.765 billion, composed of ₱732.005 billion (Credit Risk Weighted Assets – CRWA), ₱5.862 billion (Market Risk Weighted Assets – MRWA) and ₱88.898 billion (Operations Risk Weighted Assets – ORWA).

The Bank's total regulatory requirements for the four quarters for 2024 are as follows:

Consolidated	Weighted Exposures (As of End of Every Quarter of 2024)			
(Amounts in ₱ millions)	Mar 31	June 30	Sep 30	Dec 31
CRWA	656,507	687,735	686,602	732,005
MRWA	49,090	8,698	24,270	5,862
ORWA	88,898	88,898	88,898	88,898
Total Risk-Weighted Assets	794,494	785,331	799,770	826,765
Common Equity Tier 1 Ratio	17.61%	18.50%	19.14%	19.04%
Capital Conservation Buffer	11.61%	12.50%	13.14%	13.04%
Total Capital Adequacy Ratio	18.44%	19.38%	20.00%	19.93%

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements of the Bank as at December 31, 2024 (amounts in thousands):

Accounts	Balance in Financial Reporting Package	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	5,022,572	(55,535)	4,967,037
Surplus	106,425,689	6,454,813	112,880,502
Net unrealized loss on available-for-sale investments	281,371	1,403,714	1,685,085
Remeasurement losses on retirement plan	(2,655,218)	–	(2,655,218)
Accumulated translation adjustment	2,449,264	(91,420)	2,357,844
Other equity reserves	392,749	(2,232)	390,517
Share in aggregate reserves on life insurance policies	–	21,209	21,209
TOTAL	₱205,053,581	₱4,833,834	₱209,887,415

Credit Risk-Weighted Assets as of December 31, 2024

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 ₱ Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	20,586	-	20,586	20,586	-	-	-	-	-
Due from BSP	55,136	-	55,136	55,136	-	-	-	-	-
Due from Other Banks	21,781	-	21,781	-	10,820	8,923	-	2,038	-
Financial Asset at FVPL	-	-	-	-	-	-	-	-	-
Available for Sale	186,890	3,407	183,483	159,098	5,435	4,450	-	14,500	-

In ₱ Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Held to Maturity (HTM)	114,361	4,154	110,207	84,226	7,582	10,430	-	7,970	-
Unquoted Debt Securities	-	-	-	-	-	-	-	-	-
Loans & Receivables	657,853	5,677	652,176	-	90,484	34,683	7,845	505,979	13,184
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	103,868	67,144	36,724	35,528	-	1,197	-	-	-
Sales Contracts Receivable	859	-	859	-	-	-	-	707	152
Real & Other Properties Acquired	10,409	-	10,409	-	-	-	-	-	10,409
Other Assets	23,232	-	23,232	1,095	-	-	-	22,138	-
Total On-Balance Sheet Asset	1,194,975	80,382	1,114,593	355,668	114,321	59,682	7,845	553,331	23,745
Total Risk Weighted Asset - On-Balance Sheet	-	-	-	-	22,864	47,303	5,884	553,331	35,618
Total Risk Weighted Asset - Off-Balance Sheet Asset	-	-	-	-	-	-	324	62,995	-
Counterparty Risk Weighted Asset in Banking Book	-	-	-	-	2,046	870	-	-	-
Counterparty Risk Weighted Asset in Trading Book	-	-	-	-	14	1,303	-	590	-

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

Market Risk-Weighted Assets as of December 31, 2024

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 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 ₱ Millions)	Capital Charge (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	324.178	405.223	4,052.231
Specific Risk	4.759	5.949	59.492
General Market Risk	319.419	399.274	3,992.739
Equity Exposures	0.459	0.573	5.733
Foreign Exchange Exposures	144.324	180.405	1,804.047
Total	468.961	586.201	5,862.010

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) is ₱4.759 million and is composed of securities with various tenors that are subjected to risk weight ranging from 0% to 8%. One percent (1%) of these securities are issued by Republic of the Philippines (ROP) while 3% 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. One percent (1%) of this combined portfolio is composed of USD-denominated debt securities issued by the Philippines with applicable risk weight of 1.00% to 1.6%. On the other hand, the Bank's holding in peso denominated securities which are estimated at ninety-six percent (96%) of the portfolio have zero risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ millions)							
	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	15,952.886	–	–	–	–	–
	Short	–	–	–	–	–	–
FCY-denominated debt securities issued by the Philippine NG/BSP	Long	–	–	60.192	179.613	–	–
	Short	–	–	–	–	–	–
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long	–	–	–	–	–	–
	Short	–	–	–	–	–	–
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long	–	499.537	–	2.172	–	–
	Short	–	–	–	–	–	–

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ millions)							
	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
All other debt securities/derivatives that are below BBB- and unrated	Long	–	–	–	–	–	–
	Short	–	–	–	–	–	–
Subtotal	Long	15,952.886	499.537	60.192	181.786	–	–
	Short	–	–	–	–	–	–
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		–	1.249	0.602	2.909		4.759
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		–	–	–	–	–	4.759

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is ₱36,301.634 million. In terms of weighted positions, the greater portion (51%) of the Bank's capital charge comes from the 15 to 20 years bucket at ₱111.683 million as well as Over 5 year to 7 years bucket (29%) at ₱64.577 million or a combined capital charge of ₱176.215 million. The remaining weighted positions (20%) are distributed over the remaining buckets.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
			Total Individual Positions				
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	47,578.813	12,122.016	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	12,776.234	18,045.435	0.20%	25.552	36.091
	Over 3M to 6M	Over 3M to 6M	4,119.399	5,241.004	0.40%	16.478	20.964
	Over 6M to 12M	Over 6M to 12M	3,450.463	2,213.707	0.70%	24.153	15.496
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	5.168	43.377	1.25%	0.065	0.542
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	5.254	0.000	1.75%	0.092	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	107.588	0.000	2.25%	2.421	0.000
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	2,430.917	418.991	2.75%	66.850	11.522
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	1,986.969	0.000	3.25%	64.577	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	14.072	217.826	3.75%	0.528	8.168
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	2.672	0.000	4.50%	0.120	0.000

Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives – Total Individual Positions		Risk Weight	Weighted Positions	
Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)							
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	2,126.440	0.000	5.25%	111.638	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			74,603.991	38,302.357		312.473	92.784
Overall Net Open Position							219.690
Vertical Disallowance							6.964
Horizontal Disallowance							13.080
Total General Market Risk Capital Charge							239.734

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is ₱43.180 million. The exposure is concentrated under the Over 1 month to 3 months' time bucket with risk weight of 0.20% resulting in a capital charge of ₱38.124 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from ₱0.166 million to ₱23.246 million.

Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives – Total Individual Positions		Risk Weight	Weighted Positions	
Currency: USD							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)							
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	14,806.000	41,702.695	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	19,062.099	13,159.101	0.20%	38.124	26.318
	Over 3M to 6M	Over 3M to 6M	5,811.535	11,985.484	0.40%	23.246	47.942
	Over 6M to 12M	Over 6M to 12M	2,216.099	289.225	0.70%	15.513	2.025
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	105.601	0.000	1.25%	1.320	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	55.848	0.000	1.75%	0.977	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	0.000	0.000	2.25%	0.000	0.000
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	431.398	0.000	2.75%	11.863	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	5.102	0.000	3.25%	0.166	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	282.421	0.000	3.75%	10.591	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	29.502	0.000	4.50%	1.328	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	24.756	0.000	5.25%	1.300	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			42,830.361	67,136.505		104.428	76.285
Overall Net Open Position							28.143
Vertical Disallowance							5.159
Horizontal Disallowance							9.878
Total General Market Risk Capital Charge							43.180

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), Japanese Yen (JPY), Hong Kong Dollar (HKD), Korean Won (KRW), New Zealand Dollar (NZD), Euro (EUR), Pound Sterling (GBP) and Canadian Dollar (CAD), is ₱36.505 million with risk weight of 0.20% to 0.40%.

PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)										
		Total Debt Securities & Debt Derivatives/Interest Rate Derivatives			Weighted Positions					
Currency	Time Bands	Long	Short	Risk Weight	Long	Short	Overall Net Open Position	Vertical disallowance	Horizontal disallowance within	Total General Market Risk Capital Charge
AUD	1 month or less	0.000	17.989	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	0.000	0.20%	0.000	0.000				
TOTAL		0.000	17.989		0.000	0.000	0.000	–	–	0.000
CAD	1 month or less	0.000	40.150	0.00%	0.000	0.000				
TOTAL		0.000	40.150		0.000	0.000	0.000	–	–	0.000
SGD	1 month or less	0.000	419.055	0.00%	0.000	0.000				
TOTAL		0.000	419.055		0.000	0.000	0.000	–	–	0.000
JPY	1 month or less	585.155	19.529	0.00%	0.000	0.000	0.000			0.000
	Over 1 months to 3 months	926.743	5.560	0.20%	1.853	11.121				
	Over 6 months to 12 months	7,454.861	0.000	0.40%	29.819					
TOTAL		8,966.760	25.090		31.672	11.121	31.672	11.121	–	31.663
HKD	1 month or less	115.252	1,225.20	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	1,089.716	0.20%	0.000	2.179				
	Over 3M to 6M	0.000	568.844	0.40%	0.000	2.276				
TOTAL		0115.252	2,883.758		0.000	4.455	4.455	0.00	–	4.455
NZD	1 month or less	0.000	16.263	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	0.000	0.20%	0.000	0.000				
TOTAL		0.000	16.236		–	0.000	–	–	–	–
EUR	1 month or less	0.000	241.190	0.00%	0.000	0.000				
	Over 1 months to 3 months	1,937.571	1,937.571	0.20%	3.875	3.875				
TOTAL		1,937.571	2,178.762		0.000	0.000	0.387	0.387	0.000	0.387
GBP	1 month or less	–	72.468	0.00%	0.000	0.000				
TOTAL		0.000	72.468		0.000	0.000	–	–	–	–
KRW	1 month or less	–	16.263	0.00%	0.000	0.000				
TOTAL		0.000	16.263		0.000	0.000	–	–	–	–
TOTAL THIRD CURRENCIES										36.505

Equity Exposures

The Bank's holdings are in the form of preferred stocks traded in the PSE, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is ₱0.458 million or total risk-weighted equity exposures of ₱5.732 million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	–
		Short	–
A.9	Others	Long	2.866
		Short	–
A.10	TOTAL	Long	2.866
		Short	–
B.	Gross (long plus short) positions (A.10)		2.866
C.	Risk Weights		8%
D.	Specific risk capital charges (B. times C.)		0.229
E.	Net long or short positions		2.866
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		0.229
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		0.458
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		0.573
J.	Total Risk-Weighted Equity Exposures (I. times 10)		5.732

Foreign Exchange Exposures

The Bank's exposure to FX Risk carries a capital charge of ₱144.323 million. This includes ₱92.552 million arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight while ₱51.772 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to Swiss Franc (CHF), Pound Sterling (GBP), JPY, EUR, CAD, AUD, Singapore Dollar (SGD) and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2024)						
	Closing Rate USD/₱:					57.845
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	10.106	2.673		(6.203)	(358.867)
A.2 Japanese Yen	JPY	0.774	0.870		0.096	5.574
A.3 Swiss Franc	CHF	1.270	0.00		1.270	73.513
A.4 Pound Sterling	GBP	0.923	0.00		0.410	23.743
A.5 Euro	EUR	5.177	0.00		5.190	300.243
A.6 Canadian Dollar	CAD	0.325	0.00		0.301	18.843
A.7 Australian Dollar	AUD	0.310	0.00		0.310	17.424
A.8 Singapore Dollar	SGD	0.554	2.565		3.119	180.459
A.9 Foreign currencies not separately specified above						
Arab Emirates Dirham	AED	0.018	0.00		0.018	1.057
Bahrain Dinar	BHD	0.001	0.00		0.003	0.195
Brunei Dollar	BND	0.006	0.00		0.006	0.357
Yuan Renminbi	CNY	(0.494)	0.00		(0.494)	(28.591)
Hongkong Dollar	HKD	(0.950)	1.504		0.227	13.147
Korean Won	KRW	0.046	0.00		0.046	2.679
Malaysian Ringgit	MYR	0.00	0.00		0.00	0.00
Norwegian Krone	NOK	0.00	0.00		0.00	0.00

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2024)						
	Closing Rate USD/₱:					57.845
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
New Zealand Dollar	NZD	0.002	0.00		0.002	0.171
Saudi Riyal	SAR	0.153	0.00		0.153	8.893
Thai Baht	THB	0.006	0.00		0.006	0.378
Taiwan Dollar	TWD	0.008	0.00		0.008	0.464
Indo Rupiah	INR	0.00	0.00		0.00	0.00
A.10 Sum of net long positions						647.147
A.11 Sum of net short positions						(387.458)
B. Overall net open positions 1/						647.147
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						51.771
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						64.147
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising from NDF Transactions (E. times 10)						647.147
G. Incremental Risk-Weighted Foreign Exchange Exposures Arising from NDF Transactions (Part IV.3A, Item F.)						1,156.900
H. Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)						1,804.047

Operational Risk-Weighted Assets as of December 31, 2024

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 ₱ Millions) Consolidated as of December 31, 2024	Gross Income	Capital Requirement (15% x Gross Income)
2021 (Year 3)	41,386	6,208
2022 (Year 2)	47,232	7,085
2023 (Last Year)	53,619	8,043
Average for 3 Years		7,112
Adjusted Capital Charge (Average x 125%)		8,890
Total Operational Risk Weighted Asset		88,898

Property Development

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 the 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, the 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 are 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 institutes 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 on 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 in 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 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	₱2,367,079	2033
Pinamucan, Batangas	Land rental	18,522	385,875	2033
San Pascual, Batangas	Tank rental		220,709	2033
Murcia, Neg. Occ.	Production Plant	51,448	988,746	2033
El Salvador, Mis. Or.	Production Plant	108,843	918,187	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.

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 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	₱1,941,577	August 2027
Cabuyao, Laguna	Production Plant	542,989	2,906,584	March 2027
Cabuyao, Laguna	Production Plant	59,006	236,014	December 2024
El Salvador, Mis. Or.	Production Plant	1,063,103	335,396	December 2027
El Salvador, Mis. Or.	Production Plant	25,030	141,497	December 2024
Leased by IPI				
San Fernando, Pampanga	Production Plant	85,000	886,473	December 2026
Leased by PWI				
Cabuyao, Laguna	Production Plant	82,600	751,232	December 2024
Leased by APBM				
Myanmar	Production Plant	9,318	US$31,000	December 2036
Myanmar	Warehouse	2,602	2,480	June 2025
Myanmar	Warehouse	2,007	2,540	November 2025
Myanmar	Staff House	387	1,273	Feb. 2025/ Aug. 2025

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	125,272	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, 2024.

All properties are in good condition and are not covered by any existing mortgages, liens or encumbrances. On Dec. 6,2024 a parcel of property in Bacoor Cavite (7,022 sqm) was expropriated to DPWH.

Banking

PNB's corporate headquarters is located at the PNB Financial Center on the 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 houses some of PNB's domestic subsidiaries.

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.

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

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, Ortigas 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. In December 2024, both parties mutually agreed to terminate the joint venture arrangement through a Memorandum of Agreement defining the final disposition of any undeveloped land and unsold units.

The Company acts as both land owner 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.

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 Blakes Tower, Chino Roces Avernue, cor Yakal and Malugay Streets, Makati City, Metro Manila, Philippines. The Company did not renew its contract of lease with PNB Holdings Corporation as it moved its offices to its owned Blakes Tower end of June 2024.

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. In April 19,2023 TDI filed a Motion for Reconsideration to the Supreme Court which was also denied in August 14, 2023. The Supreme Court promulgated its resolution on August 14, 2023, denying our Motion for Reconsideration with FINALITY which resolution was received by TDI on March 06, 2024.

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, 2024, 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. The Supreme Court Denied the petition of the Republic and Affirmed the decision of Sandiganbayan promulgated last October 3, 2023.

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 its financial statements.

Property Development

The Company does not have any pending legal proceedings as of December 31, 2024.

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**
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			
1st Quarter	9.90	10.56	9.19
2nd Quarter	9.51	10.62	9.35
3rd Quarter	9.00	9.87	8.84
4th Quarter	8.98	9.30	8.50
2024			
1st Quarter	9.99	10.30	8.90
2nd Quarter	9.75	10.48	9.36
3rd Quarter	10.02	10.28	9.18
4th Quarter	10.50	10.54	9.92
2025			
February 27, 2025*	11.44	11.56	11.44

*Latest practicable trading date before submission of report.

2. Holders

The number of shareholders of record as of December 31, 2024 was 380. Common shares outstanding as of December 31, 2024 were 10,821,388,889. The top 20 stockholders as of December 31, 2024 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)	1,346,368,485	12.4417
PCD Nominee Corporation (Non-Filipino)	663,262,591	6.1292
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.	60,305,400	0.5573
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

Eyes of Ibad Agriventures OPC	1,000,000	0.0092
Henry Ong Chusuey or Anna Lissa Chusuey	764,000	0.0071
Sy Lily C.	600,000	0.0055
Kentron Holdings & Equities Corp.	569,800	0.0053
Jianxi Li	395,400	0.0037
Te Gillian Cindy T.	300,000	0.0028
Atlas Agricultural & Mercantile & Dev. Corp.	299,475	0.0028
Poblador Jr. Honorio	295,230	0.0027

*****LTG has no preferred shares.

3. Dividends

a.) Dividend declarations

BOD Approval Date	Amount of Dividend Per Share		Record Date	Payment Date
	Regular	Special		
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
February 17, 2023	0.15	0.15	March 6, 2023	March 16, 2023
May 15, 2023	-	0.30	May 30, 2023	June 9, 2023
August 15, 2023	-	0.30	September 4, 2023	September 12, 2023
November 17, 2023	-	0.30	December 5, 2023	December 15, 2023
February 23, 2024	0.15	0.15	March 11, 2024	March 20, 2024
May 17, 2024	-	0.30	June 3, 2024	June 13, 2024
August 16, 2024	-	0.30	September 4, 2024	September 11, 2024
November 15, 2024		0.35	December 2, 2024	December 9, 2024

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, 2024, 2023 and 2022 included in this report.

2024 vs 2023

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2024	2023
Revenues	₱128,966	₱115,299
Cost of Sales	62,730	55,538
Equity in Net Earnings of Associates and Joint Ventures	8,867	11,925
Operating Expenses	39,453	39,403
Operating Income	35,649	32,283
Other income-net	9,508	6,950
Income Before Income Tax	45,157	39,234
Total Net Income	38,508	34,016
Net Income Attributable to Equity Holders of the Parent Company	28,921	25,421

LT Group, Inc. (LTG) saw a strong performance in 2024, with consolidated net income reaching ₱38.5 billion, a 13.2% increase compared to the previous year.

The consolidated net income attributable to equity holders of LTG for 2024 was ₱28.9 billion, 13.8% higher than 2023's ₱25.4 billion. This positive trend was driven by improved performance across most business segments, except for property development. The tobacco segment's net income of ₱12.8 billion was 12.2% or ₱1.4 billion higher than the ₱11.4 billion reported for 2023 primarily due to higher dividends received from PMFTC. The banking segment's net income of ₱21.2 billion increased by 11.3% compared to the same period last year, mainly due to higher net interest income recorded in the current period. As a result, LTG's share in net income from PNB was ₱11.9 billion in the current period, higher than the ₱10.7 billion in 2023. The net income of the distilled spirits segment amounted to ₱2.2 billion in 2024, a 37.3% increase from the ₱1.6 billion reported in 2023, attributed to higher profits from the liquor segment due to increased sales volume and selling prices. The beverage segment posted net income of ₱841 million in 2024, a 45.5% increase compared to the ₱578 million in 2023, largely due to higher sales volume in its major product lines. Property development segment's net income was ₱212 million, lower than the ₱453 million reported for 2023 due to lower leasing income and higher operating expenses. Equity in net earnings from VMC amounted to ₱492 million in 2024, higher than 2023's ₱347 million.

Consolidated revenues were ₱129.0 billion for 2024, 11.9% higher than the ₱115.3 billion in 2023 driven by improved revenues from the banking, distilled spirits, beverage and property development segments.

Cost of sales and services increased by 12.9% from ₱55.5 billion for 2023 to ₱62.7 billion in 2024, reflecting a proportional increase in line with revenue growth across all segments.

Operating expenses amounted to ₱39.5 billion in 2024, a slight increase of 0.1% compared to the ₱39.4 billion in 2023. This was a result of higher selling expenses, which increased by 5.0% from ₱2.5 billion in 2023 to ₱2.6 billion in 2024 due to higher advertising and other marketing expenses by the distilled spirits segment. This was offset by the decrease in general and administrative expenses mainly due to lower provisions for impairment, credit and other losses in the banking segment compared to the same period last year which more than offset the increases in other expenses.

Other income increased from ₱7.0 billion in 2023 to ₱9.5 billion in 2024, due primarily to dividends received from PMFTC, higher interest income and net foreign exchange gains in the current period.

SEGMENT OPERATIONS

Tobacco

The tobacco segment's net income for 2024, was ₱12.8 billion, a 12.2% increase compared to the ₱11.4 billion recorded in the previous year. This growth was largely driven by higher dividends received from PMFTC and higher foreign exchange gains. However, equity in net earnings from PMFTC decreased from ₱11.1 billion in 2023 to ₱7.6 billion in 2024. The decline in PMFTC's earnings was attributed to lower sales volume, primarily due to ongoing challenges posed by the illicit tobacco trade in the country. The presence of these illegal products continues to affect the overall industry volume, creating significant obstacles for the legitimate tobacco market.

Banking

The banking segment’s net income rose to ₱21.2 billion in 2024, exceeding the ₱19.0 billion reported in 2023.

Gross interest income in the current period of ₱67.5 billion was higher by 13.2% y-o-y driven by higher yields and volume of loans, investment securities and interbank receivables. Gross interest expense increased by 20.8% at ₱18.1 billion due primarily to an increase in the interest cost of deposit liabilities driven by both higher interest rates and larger volume of deposits. This resulted in net interest income of ₱49.3 billion, 10.6% higher y-o-y as the net interest margin improved to 4.5% from 4.2%.

Net service fees and commission income grew slightly by ₱191 million or 3.6% at ₱5.5 billion for 2024, primarily due to increases in credit card and deposit-related fees partially offset by lower income from underwriting and interchange fees.

Trading and investment securities and net foreign exchange gains remained stable at ₱1.8 billion in 2024 and 2023.

Other income decreased to ₱3.1 billion for 2024 compared to ₱5.7 billion for 2023 primarily due to lower ROPA sale gains.

Operating expenses were reduced by 2.4% to ₱33.5 billion in 2024 from ₱34.3 billion in 2023, mainly due to lower provisions for impairment, credit, and other losses, reflecting a healthier loan portfolio.

Distilled Spirits

The distilled spirits segment achieved a record net income of ₱2.2 billion for 2024, a 37.3% increase over the ₱1.6 billion in 2023. This strong performance resulted from the 13.0% increase in revenues to ₱33.9 billion in 2024. This growth was primarily attributed to a combination of increased sales volume and higher selling prices within the liquor segment, reflecting a strong demand for the company's spirits products.

While higher sales volume drove a 11.1% increase in cost of sales, reaching ₱28.9 billion in 2024, the gross profit margin improved to 14.6% in 2024 from 13.1% in 2023 due to better liquor margins.

Operating expenses rose to ₱2.1 billion in 2024 compared to ₱1.7 billion in 2023 due to increased advertising, management fees, inventory loss provisions and taxes.

Beverage

The beverage segment's net income was ₱841 million for 2024, 45.5% higher than ₱578 million in 2023.

Revenues of the beverage segment were at ₱18.2 billion in the current period, 4.8% higher than 2023, as sales volume increased for all major product lines. Cost of sales proportionately increased by 5.0% at ₱14.1 billion for 2024 due to higher manufacturing and energy costs resulting in a slight decrease in the gross profit margin to 22.4% from 22.6% primarily due to sales mix.

Operating expenses slightly increased to ₱2.9 billion mainly due to higher selling and personnel costs.

Property Development

The property development segment reported a net income of ₱212 million for 2024, lower than the ₱453 million for 2023.

Leasing revenues for the current period accounted for ₱2.0 billion or 80% of revenues, representing a 1.3% decrease over the same period in 2023, due to the decline in occupancy, rental rates as well as lower office renewal rates. Real estate sales were at ₱501 million for 2024 as Eton continued to sell the remaining inventory of previously launched projects in 68 Roces in Quezon City and in Eton City, Laguna.

Operating expenses were higher at ₱1.1 billion due to increased selling, commissions and general and administrative expenses. Other income was higher due mainly to forfeited deposits.

2023 vs 2022

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2023	2022
Revenues	₱115,299	₱100,872
Cost of Sales	55,538	51,103
Equity in Net Earnings of Associates and Joint Ventures	11,925	16,095
Operating Expenses	39,403	40,080
Operating Income	32,283	25,784
Other income-net	6,950	10,820
Income Before Income Tax	39,234	36,604
Total Net Income	34,016	30,665
Net Income Attributable to Equity Holders of the Parent Company	25,421	25,137

LT Group, Inc. (LTG) recorded a consolidated net income of ₱34.0 billion for FY23, 10.9% higher than the ₱30.7 billion net income reported for FY22.

The consolidated net income attributable to equity holders of LTG for FY23 was ₱25.4 billion, 1.1% higher compared to FY22. This was largely on account of the improved banking segment's performance which more than offset the decline in the tobacco segment's net income. The banking segment's net income of ₱19.0 billion increased by 61.7% compared to 2022, on the back of robust net interest income and lower credit provisions. This resulted to LTG's share in net income from PNB of ₱10.8 billion in 2023, higher than the ₱6.6 billion in 2022. TDI's net income was ₱1.6 billion, higher than the ₱1.5 billion in 2022 due to higher margins from liquor and lower operating expenses. The net income of the property development segment was ₱453 million in 2023, higher than the ₱373 million in 2022. The tobacco segment's net income for 2023 was ₱11.4 billion, ₱3.9 billion or 25.8% lower than the ₱15.3 billion reported for 2022 due to lower equitized earnings from PMFTC caused by the decline in sales volume. The beverage segment posted a net income of ₱578 million in 2023, slightly lower compared to the ₱583 million in 2022, mainly due to higher operating expenses. Equity in net earnings from VMC amounted to ₱347 million in 2023, lower than the ₱491 million in 2022.

Consolidated revenues were ₱115.3 billion for the year ended December 31, 2023, 14.3% higher than the ₱100.9 billion in 2022 due to improved revenues from the banking, beverage and property development segments.

Cost of sales and services increased by 8.7% from ₱51.1 billion in 2022 to ₱55.5 billion in 2023, primarily due to higher interest cost of deposit liabilities of the banking segment.

Operating expenses amounted to ₱39.4 billion in 2023, a slight decrease of 1.7% compared to the ₱40.1 billion in 2022. This was as a result of lower general and administrative expenses by 2.4%, decreasing from ₱37.8 billion in 2022 to ₱36.9 billion in 2023. The decline is mainly due to lower provisions for impairment, credit and other losses by the banking segment in 2023. Selling expenses increased to ₱2.5 billion, or 10.2% higher year-on-year (y-o-y) on account of higher marketing related costs.

Other income decreased from ₱10.8 billion in 2022 to ₱7.0 billion in 2023, mainly due to lower gains from sale of ROPA by the banking segment.

SEGMENT OPERATIONS

Tobacco

The tobacco segment's net income was at ₱11.4 billion for the year ended December 31, 2023, 25.8% lower than 2022's ₱15.3 billion largely due to the decrease in recognized equity in net earnings from PMFTC (FTC's 49.6% owned associate) on account of lower sales volume. The rising occurrence of illicit trade within the country is adversely affecting the overall volume of the industry. Price increases in 1Q23 also affected volume.

Banking

The banking segment's net income was ₱19.0 billion in 2023, significantly higher than the ₱11.8 billion in 2022.

Total interest income in 2023 of ₱59.6 billion was higher by 31.7% compared to 2022 was mainly due to higher yields on loans, investment securities, deposits with banks and interbank receivables. Total interest expense increased by 89.5% or ₱7.1 billion due primarily to increase in interest cost of deposit liabilities. This resulted to net interest income of ₱44.6 billion, 19.5% higher y-o-y as the net interest margin improved to 4.2% from 3.6%.

Net service fees and commission income decreased by ₱245 million or 4.4% at ₱5.3 billion for the year ended December 31, 2023, mainly due to lower underwriting and bancassurance revenues, partly offset by increases in deposit and credit card related, interchange and trust fees.

Trading and investment securities and net foreign exchange gains were higher at ₱1.8 billion in 2023 compared to 2022's ₱327 million due to improvements in net gains on trading various securities.

Other income was lower at ₱5.7 billion in 2023 compared to ₱8.9 billion in 2022 primarily due to lower gains on the sale of ROPA.

Operating expenses decreased by 3.0% to ₱34.3 billion from ₱35.4 billion as the bank recorded lower provisions for impairment, credit and other losses amounting to ₱5.9 billion in 2023 compared to ₱7.2 billion in 2022.

Distilled Spirits

The distilled spirits segment posted a net income of ₱1.6 billion for 2023, higher than the ₱1.5 billion reported in 2022.

Net revenues decreased by 5.3% y-o-y to ₱30.0 billion in 2023 mainly due to lower sales volume of liquor and bioethanol.

Cost of sales were at ₱26.0 billion for 2023, 7.1% lower than 2022 due to lower alcohol and other manufacturing costs due to lower volumes. Gross profit margin was at 13.1% in 2023, higher than the 11.4% in 2022 on account of improved margins in the liquor segment.

Operating expenses were higher at ₱1.7 billion in 2023 compared to ₱1.6 billion in 2022 largely on account of increased marketing and promotional expenses.

Beverage

The beverage segment's net income was lower at ₱578 million for the year ended December 31, 2023 from ₱583 million in 2022.

Revenues of the beverage segment were at ₱17.4 billion in 2023, 0.9% higher than 2022, as sales volume increased for bottled water, yogurt and Nestea as well as price increases in Vitamilk increased the year's revenue. This resulted in a gross profit margin improvement to 22.6% from 22.0% due primarily to sales mix.

Operating expenses increased to ₱2.8 billion due to higher selling expenses. Net other charges increased due to higher interest costs on short-term loans.

Property Development

The property development segment reported a net income of ₱453 million for 2023, higher than the ₱373 million for the same period last year.

Leasing revenues for 2023 accounted for ₱2.1 billion or 95% of revenues, representing a 17.3% increase over the same period in 2022, due to higher occupancy rates for retail and residential.

Operating expenses were higher at ₱861 million, or a 14.8% increase y-o-y due primarily to higher repairs and maintenance expenses, taxes and licenses and association dues. Other income was higher y-o-y due to the increase in hotel income and common area maintenance fees and charges.

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 2021.

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 2021'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 2022 was mainly due to the lower provisions for impairment, credit and other losses amounting to ₱7.2 billion in 2022 as compared to 2021'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 in 2021 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 2022 of ₱45.2 billion was higher by 6.7% compared to 2021 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 2021. 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 in 2021 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 2022 as compared to 2021'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 2021.

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 2022 as against ₱23.5 billion in 2021 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 2021.

Leasing revenues for 2022 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.

FINANCIAL CONDITION

2024

The Company's consolidated Total Assets as of December 31, 2024 amounted to ₱1.37 trillion, 3.5% higher than the end-2023 balance of ₱1.33 trillion. Current Assets increased by 2.5% or ₱17.5 billion while Noncurrent Assets were higher by ₱29.5 billion or 4.8%.

The consolidated Current Assets increased by 2.5% from ₱708.6 billion as of December 31, 2023 to ₱726.1 billion. This was mainly on account of higher current portion of Loans and Receivables, Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI), Financial Assets at Fair Value through Profit or Loss (FVTPL) partially offset by lower Cash and Cash equivalents, Financial Assets at Amortized Cost and Due from Related Parties. The current portion of Loans and Receivables amounted to ₱312.4 billion, 7.1% higher than the ₱291.7 billion as of end-2023 due primarily to loan releases and reclassifications from noncurrent to the current portion. Current portion of Financial Assets at Fair Value through Other FVTOCI and Financial Assets at FVTPL increased by ₱12.9 billion and ₱7.4 billion, respectively, due primarily to net purchases in 2024. Cash and Cash Equivalents decreased from ₱243.8 billion as of end-2023 to ₱223.6 billion as of end-2024, due primarily to payments of bonds, additions in investments and loan releases by the banking segment as well as higher net cash provided by operating and investing activities for the entire group. The current portion of Financial Assets at Amortized Cost was lower by 12.6% compared to end-2023 due primarily to the maturity of investments. Due from related parties decreased by 17.4% due primarily to the collection of advances to Tangent Holdings Corporation.

The 4.8% increase in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Financial Assets at FVTOCI, Deferred income tax assets offset by the decrease in the noncurrent portion of Financial Assets at Amortized cost. Noncurrent portion of Financial Assets at FVTOCI increased by ₱34.5 billion on account of net purchases as of the current period. Deferred income tax assets (DTA) increased to ₱7.4 billion due primarily to the recognition of additional DTA on allowance for credit losses mainly by the banking segment. The noncurrent portion of Financial Assets at Amortized cost was lower at ₱94.8 billion versus end-2023 balance of ₱348.0 due to reclassifications and maturity.

Consolidated Total Liabilities increased by 1.7% to ₱1.04 trillion as of end-2024 from ₱1.03 trillion as of end-2023. This was on account of the increase in Total Current Liabilities by 0.6% from ₱993.3 billion on December 31, 2023 to ₱999.2 billion as of end-2024 and Noncurrent Liabilities increased by 32.5% from ₱33.9 billion to ₱44. billion.

The current liabilities movement was due primarily to higher Current portion of Deposit Liabilities of the banking segment by ₱47.1 billion on account of the aggressive deposit campaign significantly offset by the lower Current portion of long-term debts by ₱41.2 billion on account of the full payment of bank's foreign currency denominated Bonds net of new issuance. Current portion of Bills and Acceptances Payable were higher at ₱20.2 billion as of December 31, 2024 versus ₱19.0 billion as of end-2023 on account of the net additions in the current period. Financial liabilities at FVTPL were higher at ₱924 million mainly due to the increases in the position and fair values of stand-alone forwards as of December 31, 2024. Other current liabilities increased by ₱1.4 billion due to various accruals made in the current period. Current portion of due to related parties increased by 28.0% due to advances made in 2024. Accounts payable and accrued expenses, Short-term debts and Income taxes payable were lower due to payments in 2024.

The increase in the Noncurrent Liabilities was on account of the bank's higher level of noncurrent portion of Long-term debts by ₱17.2 billion due to the new issuance of bonds in the current period, higher Other noncurrent liabilities by ₱540 million on account of the accruals made in 2024. This was offset by the decrease in the noncurrent portion of Deposit Liabilities by ₱5.5 billion due to reclassifications to current and lower Bills and Acceptances by ₱1.1 billion, mainly due to payments. On the other hand, Accrued Retirement Benefit balance of ₱710 million was lower due mainly on payments and adjustments based on the recent estimates for the current period.

LTG's consolidated Total Equity improved by 10.0% to ₱330.2 billion as of December 31, 2024, on account of the net increase in the retained earnings brought about by the net income earned for the period ended December 31, 2024 of ₱28.9 billion less dividends declared amounting to ₱13.5 billion. Other comprehensive income increased due to the higher fair values of Financial Assets at FVTOCI by the banking segment. Non-controlling interests in net assets increased due primarily to the banking segment's minority share in the total comprehensive income in the current period.

2023

The Company's consolidated Total Assets as of December 31, 2023 amounted to ₱1.33 trillion, 4.7% higher than the end-2022 balance of ₱1.27 trillion. Current Assets increased by 20.5% or ₱120.6 billion while Noncurrent Assets were lower by ₱61.3 billion or 9.0%.

The consolidated Current Assets increased by 20.5% from ₱588.0 billion as of December 31, 2022 to ₱708.6 billion. The current portion of Loans and Receivables increased to ₱291.7 billion due to higher loan releases in 2023 as well as reclassifications from noncurrent to current portion. Financial Assets at Fair Value through Other Comprehensive Income FVTOCI increased due to acquisitions and higher fair values of investments. Cash and Cash Equivalents increased from ₱224.7 billion as of end-2022 to ₱243.8 billion as of December 31, 2023, due primarily to higher deposits from the banking segment as well as higher net cash provided by operating activities. Financial Assets at Fair Value through Profit or Loss increased to ₱10.6 billion mainly due to acquisitions in the portfolio. The current portion of Financial Assets at amortized cost was lower by 30.7% compared to end-2022 due primarily to maturity of investments. Inventories of distilled spirits, beverage and property development segments were lower by ₱1.3 billion or 8.7% than last year's ₱15.0 billion on account of higher sales recorded in 2023. Other currents assets were lower by 8.3% at ₱12.4 billion on account of lower prepaid excise taxes and importation charges by the distilled spirits segment. Due from related parties decreased by ₱1.2 billion due primarily to collection of advances to Tangent.

The 9.0% decrease in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Loans and Receivables, Financial Assets at FVTOCI and Investment in Associates and Joint Ventures. The noncurrent portion of Loans and Receivables was lower due to net paydowns and reclassifications to current. Financial Assets at FVTOCI were lower by ₱19.1 billion on account of the maturities of investments and reclassification to Financial Assets at Amortized Cost in the portfolio as of December 31, 2023. Investment in associates and joint ventures account decreased by 12% to ₱19.0 billion due to dividends received from PMFTC that were higher than the accrued equitized earnings for 2023. Financial Assets at Amortized Cost increased by ₱22.4 billion versus end-2022 due to reclassifications from Financial Assets at FVTOCI and increase in the fair values of the remaining investments. Deferred income tax assets (DTA) increased to ₱6.9 billion due primarily to the recognition of additional DTA on allowance for credit losses.

Consolidated Total Liabilities increased by 3.6% to ₱1.03 trillion as of December 31, 2023 from ₱991.5 billion as of December 31, 2022. This was on account of the increase in Total Current Liabilities by 10.3% from ₱900.5 billion on December 31, 2022 to ₱993.3 billion as of the end-2023 and the decline in Noncurrent Liabilities by 62.8% from ₱91.0 billion to ₱33.9 billion.

The current portion of Deposit Liabilities increased by ₱61.3 billion due primarily to additional deposits taken by the banking segment. The current portion of Long-term Debts and Bills and Acceptances Payable were higher driven by the reclassifications from noncurrent to current. This was mainly on account of the Bonds Payable amounting ₱41.5 billion that were reclassified from noncurrent to current liabilities by the banking segment. Accounts payable and accrued expenses were higher due to the accrual of various expenses made in 2023. Financial liabilities at FVPL were lower mainly on account of the decrease in the negative fair value balance of stand-alone forwards as of December 31, 2023. Income tax payable and Short-term debts declined by ₱1.4 billion and ₱210.0 million, respectively due to payments made in 2023.

The decrease in the Noncurrent Liabilities was on account of the bank's lower noncurrent portion of Long-term debts due to reclassification of Bonds Payable to current. Noncurrent portion of Deposit Liabilities was lower mainly due to decreased levels of demand deposits on account of withdrawals for 2023. Noncurrent portion of Bills and Acceptances payable decreased due to net settlements of short-term interbank borrowing and repurchase agreements in 2023. Other noncurrent liabilities decreased by ₱2.2 billion on account of payments in 2023. Accrued retirement benefits increased to ₱1.0 billion due primarily to additional accrual for 2023.

LTG's consolidated Total Equity improved by 8.5% to ₱300.2 billion as of December 31, 2023, on account of the net increase in the retained earnings brought about by the net income earned for the period ended December 31, 2023 of ₱25.4 billion less dividends declared amounting to ₱13.0 billion. Other comprehensive income increased due to the higher 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 comprehensive income in 2023.

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 2022. Current portion of Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI) was higher due primarily to reclassifications from noncurrent in 2022. Due from Related Parties was lower at ₱3.6 billion due to collections from Tangent made in 2022. 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 2022 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 2022. 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 2022 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 2022. 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 2022. Short-term debts were higher at ₱4.5 billion due primarily to higher loans obtained by the beverage segment in 2022. 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 2022.

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.

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 2024 was 51.4% versus 51.8% in 2023.

2.) **Return on Equity**

Consolidated Net Income Attributable to Equity Holders of the Parent Company for 2024 amounted to ₱28.9 billion; higher by 13.8% from last year's ₱25.4 billion. Ratio of net income to equity is 12.5% in 2024 and 12.0% in 2023.

3.) **Current Ratio**

Current Ratio for 2024 is 0.73:1 while last year's was 0.71:1.

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

Debt-to-equity ratio for 2024 is 3.16:1 as compared to last year's 3.42:1.

5.) **Earnings per share**

Earnings per share attributable to holders of the parent company for 2024 is ₱2.67 and ₱2.35 in 2023.

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) 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.

In 2024, ABI completed its expansion of its production capacity in carbonated soft drinks to capitalize on the robust growth in the market.

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.

(v) 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, 2024 and 2023 (negative movement in parenthesis):

1. Cash and cash equivalents – H, (8%)
2. Financial assets at FVTPL – H, 70%
3. Financial assets at FVTOCI - current – H, 11%
4. Financial assets at amortized cost – current – H, (13%)
5. Loans and receivables – current – H, 7%
6. Due from related parties – H, (19%)
7. Financial assets at FVTOCI - noncurrent – H, 109%
8. Financial assets at amortized cost – noncurrent – H, (7%)
9. Deferred income tax assets - H, 9%
10. Other noncurrent assets – H, (8%)
11. Deposit Liabilities – current – H, 5%
12. Financial liabilities at fair value through profit or loss – current – H, 66%
13. Bills and acceptances payable - current – H, 6%
14. Short-term debts – H, (14%)
15. Accounts payable and accrued expenses – H, (10%)
16. Income tax payable – H, (23%)
17. Long-term debts-current – H, (96%)
18. Deposit liabilities – noncurrent – H, (51%)
19. Current portion of due to related parties – H, 28%
20. Other current liabilities – H, 14%

21. Deposit liabilities – noncurrent – H, (51%)
22. Bills and acceptances payable - noncurrent – H, (100%)
23. Long-term debt – net of current portion – H, 269%
24. Accrued retirement benefits – H, (30%)
25. Other noncurrent liabilities- H, 9%
26. Other comprehensive income – H, 7%
27. Other equity reserves – H, 25%
28. Retained earnings- H, 10%
29. Noncontrolling interests – H, 13%
30. Banking revenue – H, 13%
31. Distilled spirits revenue – H, 13%
32. Beverage revenue – H, 5%
33. Property development revenue – H, 20%
34. Cost of sales and services – H, 13%
35. Equity in net earnings of associates and joint ventures – H, (26%)
36. Selling expenses – H, 5%
37. Finance costs – H, 12%
38. Finance income – H, 196%
39. Foreign exchange gains – net – H, 13%
40. Others-net – H, 34%
41. Provision for income tax – current – H, 30%
42. Provision for income tax – deferred – H, (53%)
43. Total Net Income – H, 13%
44. Net income attributable to equity holders of the company – H, 14%
45. Net income attributable to noncontrolling interests – H, 12%

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. <u>Information on Independent Accountant and other Related Matters</u>

(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 2024 and 2023.

	2024	2023
LT Group, Inc.	₱1,169,000	₱1,426,000
Distilled Spirits	2,671,000	3,260,000
Beverage	4,748,000	5,385,000
Tobacco	474,000	577,500
Banking	31,429,000	32,502,000
Property Development	2,075,000	2,523,000
Others	2,243,100	2,749,620
Total	₱44,809,100	₱48,423,120

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:

LT Group, Inc. and its subsidiaries incurred ₱8,023,000 in 2024 and ₱1,185,000 in 2023 for other assurance and related services.

b.) Tax Fees

LT Group, Inc. and its subsidiaries incurred ₱1,232,000 in 2024 and ₱844,000 in 2023 for tax services engagement.

c.) All Other Fees

LT Group, Inc. and its subsidiaries incurred ₱8,570,075 in 2024 and ₱2,388,000 in 2023 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, 2024 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	90	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., **LT Group, 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 the Chairman Emeritus of **Philippine National Bank.**	Chairman/ 1Year/ July 2,1999 to present
Carmen K. Tan	83	Filipino	Vice Chairman of Philippine Airlines, Inc. and **LT Group, Inc.** She is also a 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.**, 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. She is also a Member of the Board of Advisors of **Philippine National Bank**.	Vice Chairman/ 1 Year/ May 3, 2023 to present Director/ 1 Year/ May 5, 2010 to present

Lucio C. Tan III	32	Filipino	President and Chief Operating Officer of **LT Group, Inc.** and **PAL Holdings, Inc.** He is also the President of Dunman Holdings Corporation, Tanduay Distillers, Inc. and Tanduay Brands International, Inc. He also holds the position of Vice Chairman and President of Sabre Travel Network Phils. Inc. Mr. Tan is the Vice President of Dunmore Development Corporation. He is a Director of PMFTC, Inc., Philippine Airlines, Inc., **Philippine National Bank**, Ali-Eton Property Development Corp., Air Philippines Corporation, Allied Club, Inc., Allied Water Services Inc., Asia Brewery, Inc., Asia's Emerging Dragon Corporation, Asian Cancer Center Inc., Belton Communities, Inc., Dominium Realty & Construction Corporation, Eton City, Inc., Eton Properties Philippines Inc., First Homes, Inc., Fortune Landequities and Resources Inc., Fortune Tobacco Corporation, Kaizer Chemical Industries, Inc., Lufthansa Technik Philippines, MacroAsia Airport Services Corp., **MacroAsia Corporatio**n, MacroAsia Catering Services Inc., MacroAsia SATS Food Industries, MacroAsia SATS Inflight Services Corp., PNB Holdings Corporation, Prior Holdings Corp., Qualisure Holdings Inc., REM Development Corporation, Shareholdings, Inc., Silangan Holdings, Inc., Sipalay Trading Corporation, Trustmark Holdings Corporation, and Zuma Holdings and Management Corporation.	Director/ 1 Year/ December 17, 2019 to present President/1 Year/ May 3, 2023 to present Chief Operating Officer/1 Year/ May 4, 2022 to present
Karlu T. Say	55	Filipino	Director and President of PNB Holdings Corporation and a Director of Allied Bankers Insurance Corporation, Dong-a Pharma Phils, Inc., Eton Properties Philippines, Inc., Eton Properties Management Corporation, and **LT Group, Inc.**	Director/ 1 Year/ May 5, 2021 to present
Michael G. Tan	58	Filipino	President and Chief Operating Officer of Asia Brewery, Inc.; Director of Tangent Holdings Corp., **LT Group, Inc.**, **MacroAsia Corporation**, **Philippine National Bank**, PMFTC Inc., Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Trustmark	Director/ 1 Year/ February 21, 2003 to present

			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. He is also a Director and Vice President of Philippine Chamber of Commerce and Industry (PCCI) and Trustee of the Help Educate and Rear Orphans (HERO) Foundation, Inc.	
Vivienne K. Tan	56	Filipino	Director of Air Philippines Corporation, Eton Properties Philippines, Inc., **LT Group, Inc.** and **Philippine National Bank**. She is also a 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	82	Filipino	Director and Treasurer of Asia Brewery, Inc., **LT Group, 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., Total Bulk Corporation and 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 and 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

			Ramon Magsaysay Memorial Medical Center Inc.	
Johnip G. Cua	68	Filipino	Mr. Cua is a 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, **LT Group, Inc.**, MacroAsia Catering Services, Inc., MacroAsia Airport Services Corporation, MacroAsia SATS Food Industries Corporation, MacroAsia SATS Inflight Services Corporation, **PAL Holdings, Inc.** and Philippine Airlines, Inc., PhilPlans First, Inc., and Tanduay Distillers, Inc. He is also a member of the Board of Directors of **MacroAsia Corporation,** Interbake Marketing Corporation, Teambake Marketing Corporation, Lartizan Corporation, Allied Botanical Corporation, Zenori Corporation, and Lufthansa Technik Philippines, Inc. He is also a member of the Board of Trustees of MGCC Foundation and Xavier School Educational & Trust Fund. He was formerly the Chairman of the Board of Trustees of the Advertising Foundation of the Philippines.	Independent Director / 1 Year/ 08 May 2018 to present
Mary G. Ng	71	Filipino	Chief Executive Officer of H&E Group of Companies; an Independent Director of Alliedbankers Insurance Corporation, Eton Properties Philippines, Inc., and **LT Group, Inc.** She is also the 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; President of the Philippine Interschool Sports Association Affiliate Member of ISF International Sports Federation; First woman Chairman of the ASEAN Federation of Plastic Industries (AFPI); Honorary Executive Vice President of Federation of Filipino-Chinese Chamber of Commerce and Industries; Former Department of Labor and Employment AMD	Independent Director / 1 Year/ May 7, 2019 to present

			Tripartite; Vice President of the Philippine Piak O Eng Chamber of Commerce and Philippine Piak O Eng Uy's Association; Director of Philippine Dongshi Townmate Association, Inc., Technical Educational and Skills Development Authority (TESDA), and Tripartite Member of National Tripartite Council.	
Wilfrido E. Sanchez	88	Filipino	Tax Counsel of Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm; Independent Director of Asia Brewery, Inc., **LT Group, Inc.**, and Tanduay Distillers, Inc.; 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., TrimotorsTechnology Corp., and Wodel, Inc. He is also an Advisor to the Board of Directors of **Philippine National Bank.**	Independent Director/ 1 year/July 31, 2012 to present
Florencia G. Tarriela	78	Filipino	Independent Director of Nickel Asia Philippines (NAC); Director/Vice President of Tarriela Management Company; Director/Vice President/Assistant Treasurer of Gozon Development Corporation; Board of Advisor of **Philippine National Bank**; Trustee of Financial Executives of the Philippines (FINEX), Tulay sa Pag-unlad, Inc. (TSPI) and TSPI MBA; Trustee of Philippine Bible Society. 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 and Chief Executive Officer	90	Filipino	See above	1 Year/July 2, 1999 to present
Lucio C. Tan III/ President and Chief Operating Officer	32	Filipino	See above	1 Year/May 3, 2023 to present
Juanita T. Tan Lee/ Treasurer	82	Filipino	See above	1 Year/April 8, 2014 to present
Ma. Cecilia L. Pesayco/ Corporate Secretary/ Chief Legal Counsel	72	Filipino	Corporate Secretary of Asia Brewery, Inc., Buona Sorte Holdings, Inc., **PAL Holdings, Inc.**, Tangent Holdings Corporation, 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 as Corporate Secretary 1 Year/May 3, 2024 to present as Chief Legal Counsel
Jose Gabriel D. Olives/ Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief Sustainability Officer (CSO) and ESG Officer/Data Privacy Officer	78	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 1 Year/May 9, 2023 to present as CSO and ESG Officer
Dioscoro Teodorico L. Lim/Chief Audit Executive	70	Filipino	Former Chief Audit Executive of Philippine National Bank.	1 Year/July 11, 2017 to present
Nestor C. Mendones/ Deputy Chief Financial Officer	70	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	64	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	1 Year/June 09, 2014 to present

			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.	

Independent Directors and their qualifications:

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

Term of office – 1 year
Period served – 6 years

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

Positions held in the last 5 years:

- Chairman of the Board of Trustees of the P&Gers Fund, Inc.
- Chairman of the Board of Xavier School, Inc.
- Chairman and President of Taibrews Corporation
- Independent Director of Asia Brewery, Inc.
- Independent Director of Century Pacific Food, Inc.
- Independent Director of First Aviation Academy
- Independent Director of MacroAsia Catering Services, Inc.
- Independent Director of MacroAsia Airport Services Corporation
- Independent Director of MacroAsia SATS Food Industries Corporation
- Independent Director of MacroAsia SATS Inflight Services Corporation
- Independent Director of PAL Holdings, Inc.
- Independent Director of Philippine Airlines, Inc.
- Independent Director of PhilPlans First, Inc.
- Independent Director of Tanduay Distillers, Inc.
- Director of MacroAsia Corporation
- Director of Interbake Marketing Corporation
- Director of Teambake Marketing Corporation
- Director of Lartizan Corporation
- Director of Allied Botanical Corporation
- Director of Zenori Corporation
- Director of Lufthansa Technik Philippines, Inc.

- Member of the Board of Trustees of MGCC Foundation
- Member of the Board of Trustees of Xavier School Educational & Trust Fund

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

   Term of office – 1 year
   Period served – 5 years

   Educational Attainment:
   BSC Commerce, Major in Banking and Finance, St. Paul's College

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

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

   Term of office – 1 year
   Period served – 12 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:
   - Tax Counsel of Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm
   - Independent Director of Asia Brewery, Inc.
   - Independent Director of Tanduay Distillers, Inc.
   - Trustee of Gokongwei Brothers Foundation and JVR Foundation
   - Director of EEI Corporation
   - Director of EMCOR, Inc.
   - Director of House of Investments, Inc.
   - Director of J- DEL Investments and Management Corp.
   - Director of Kawasaki Motor Corp.
   - Director of KS Prime Financial Corp.
   - Director of K-Servico, Inc.
   - Director of TrimotorsTechnology Corp.

- Director of Wodel, Inc.
- Advisor to the Board of Directors of Philippine National Bank

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

Term of office – 1 year
Period served – 12 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:
- Independent Director of Nickel Asia Philippines (NAC);
- Director/Vice President of Tarriela Management Company
- Director/Vice President/Assistant Treasurer of Gozon Development Corporation
- Board of Advisor of Philippine National Bank
- Trustee of Financial Executives of the Philippines (FINEX)
- Trustee of Tulay sa Pag-unlad, Inc. (TSPI) and TSPI MBA
- Trustee of Philippine Bible Society

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 treated fairly and are given equal opportunity to succeed and advance their careers in the Company. The principal officers are expected to contribute more to the progress and development of the Company and its subsidiaries.

5. Family Relationship

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

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

None of the Directors and Executive Officers of LTG are 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)	2025 (Estimate)	₱ 10,643,160	₱ 943,140	₱ 3,668,500
	2024	9,675,600	857,400	3,335,000
	2023	8,662,400	721,867	2,995,000
All other officers and directors as a group unnamed	2025 (Estimate)	-	-	11,605,000
	2024	-	-	10,550,000
	2023	500,000	41,667	8,365,000

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. Lucio C. Tan III is the President and Chief Operating Officer.
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, 2024.

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, 2024

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	Lucio C. Tan III	1,100 R (direct)	Filipino	Nil
Common	Michael G. Tan	1,151,996 R (direct)	Filipino	Nil
Common	Karlu T. Say	1,000 R (direct) and 530,000 (indirect)	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, has 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 2024 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 89)

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 2024 to December 2024)

Date of Report	Subject Matter Disclosed
February 13, 2024	Notice of the Annual Stockholders' Meeting
March 4, 2024	Notice of Analysts' Briefing
March 18, 2024	Press Release
April 18, 2024	Material İnformation/Transaction
May 3, 2024	Results of Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors
May 3, 2024	Notice of Analysts' Briefing
May 13, 2024	Press Release
May 17, 2024	Declaration of Cash Dividends
August 2, 2024	Notice of Analysts' Briefing
August 12, 2024	Press Release
August 16, 2024	Declaration of Cash Dividends
October 8, 2024	Appointment of Mr. Protacio T. Tacandong as Advisor to the Board of LT Group, Inc.
October 25, 2024	Material Information/Transactions
November 5, 2025	Notice of Analysts' Briefing
November 12, 2024	Press Release
November 15, 2024	Declaration of Cash Dividends

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 FEB 27 2025.

By:

Lucio C. Tan
Chairman and Chief Executive Officer

Nestor C. Mendones
Deputy Chief Financial Officer

Lucio C. Tan III
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 FEB 27 2025 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
Lucio C. Tan III	P1403521B	08-Apr-19	PCG San Francisco
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. 10466050 / 1-2-2025 / Makati City
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VIII-13506/9-17-2024
Commission No. M-064 until 31 December 2026

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Page No. 13
Book No. CCXLII
Series of 2025

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, 2024, 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:
on February 27, 2025

Lucio C. Tan
Chairman and
Chief Executive Officer

Lucio C. Tan III
President

Jose Gabriel D. Olives
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this FEB 27 2025 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
Lucio C. Tan III	P1403521B	4/8/2019	PCG, San Francisco
Jose Gabriel D. Olives	P7769394A	7/2/2018	Manila, Philippines

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Series of 2025

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 10466050 / 1-2-2025 / Makati City
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VIII-13506/9-17-2024
Commission No. M-064 until 31 December 2026

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

LT GROUP, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRMD	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	+09566750228

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
380	5/3	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Gabriel D. Olives	josegabriel.olives@ltg.com.ph	(02) 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.*

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.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, 2024 and 2023, 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, 2024, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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, 2024 and the provision for credit losses in 2024 amounted to ₱44.2 billion and ₱3.9 billion, respectively.

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

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, 2024, the Group's share in the net income of PMFTC amounted to ₱7.6 billion and accounts for 20% of the Group's consolidated net income. This matter is significant to our audit because of the materiality of the amount equitized by 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 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, 2024. We reviewed the relevant working papers of the statutory auditor of PMFTC, focusing on the procedures performed on key audit areas, and discussed with them the results of their audit. We also obtained the financial information of PMFTC as of and for the year ended December 31, 2024 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, 2024, 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, 2024 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 PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10465380, January 2, 2025, Makati City

February 27, 2025

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱223,583,790**	₱243,790,981
Financial assets at fair value through profit or loss (FVTPL) [Notes 6 and 21]	**17,956,162**	10,550,595
Financial assets at fair value through other comprehensive income (FVTOCI) [Notes 7 and 17]	**125,189,186**	112,335,996
Financial assets at amortized cost (Notes 7 and 17)	**19,097,106**	21,841,362
Loans and receivables - net (Note 8)	**312,406,599**	291,696,307
Inventories (Note 9)	**13,328,520**	13,709,117
Due from related parties (Note 22)	**1,889,364**	2,338,723
Other current assets (Note 10)	**12,658,175**	12,378,192
Total Current Assets	**726,108,902**	708,641,273
Noncurrent Assets		
Loans and receivables - net of current portion (Note 8)	**349,063,956**	347,989,209
Financial assets at FVTOCI (Notes 7 and 17)	**66,179,663**	31,709,930
Financial assets at amortized cost (Notes 7 and 17)	**94,776,887**	101,359,065
Investments in associates and joint ventures (Note 11)	**18,382,496**	19,003,747
Property, plant and equipment (Note 12):		
At appraised values	**57,248,391**	57,516,431
At cost	**11,671,107**	11,615,081
Investment properties (Note 13)	**38,979,404**	37,848,430
Deferred income tax assets - net (Note 29)	**7,448,142**	6,860,706
Other noncurrent assets (Notes 14, 23 and 37)	**4,470,911**	4,852,404
Total Noncurrent Assets	**648,220,957**	618,755,003
TOTAL ASSETS	**₱1,374,329,859**	₱1,327,396,276

LIABILITIES AND EQUITY		
Current Liabilities		
Deposit liabilities (Note 15)	**₱940,057,144**	₱892,931,695
Financial liabilities at FVTPL (Notes 16 and 21)	**924,053**	555,811
Bills and acceptances payable (Note 17)	**20,208,451**	19,047,156
Accounts payable and accrued expenses (Note 18)	**20,655,439**	22,889,975
Short-term debts (Note 19)	**3,700,000**	4,280,000
Current portion of long-term debts (Note 19)	**1,926,643**	43,115,944
Income tax payable	**333,355**	432,496
Due to related parties (Note 22)	**64,001**	50,000
Other current liabilities (Notes 20 and 37)	**11,372,824**	9,990,372
Total Current Liabilities (Carried Forward)	**999,241,910**	993,293,449

	December 31	
	2024	2023
Total Current Liabilities (Brought Forward)	**₱999,241,910**	₱993,293,449
Noncurrent Liabilities		
Deposit liabilities - net of current portion (Note 15)	**5,290,562**	10,833,859
Bills and acceptances payable (Note 17)	**–**	1,115,447
Long-term debts - net of current portion (Note 19)	**23,622,689**	6,395,070
Net retirement benefits liability (Note 23)	**710,000**	1,009,716
Deferred income tax liabilities - net (Note 29)	**8,475,269**	8,275,257
Other noncurrent liabilities (Note 20)	**6,777,227**	6,237,658
Total Noncurrent Liabilities	**44,875,747**	33,867,007
Total Liabilities	**1,044,117,657**	1,027,160,456
Equity		
Attributable to equity holders of the Company (Notes 1, 7, 12, 23, 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	**13,327,515**	12,418,924
Other equity reserves	**(4,188,092)**	(5,592,465)
Retained earnings	**175,231,056**	158,972,132
Shares of stock of the Company held by subsidiaries	**(12,519)**	(12,519)
	231,085,580	212,513,692
Non-controlling interests (Notes 1, 7, 12 and 30)	**99,126,622**	87,722,128
Total Equity	**330,212,202**	300,235,820
TOTAL LIABILITIES AND EQUITY	**₱1,374,329,859**	₱1,327,396,276

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		
	2024	2023	2022
REVENUE (Note 24)			
Banking	**₱75,068,040**	₱66,550,969	₱50,843,607
Distilled spirits	**33,773,423**	29,884,821	31,559,876
Beverage	**17,193,576**	16,414,006	16,216,881
Property development	**2,930,483**	2,449,140	2,251,558
	128,965,522	115,298,936	100,871,922
COST OF GOODS SOLD AND SERVICES (Note 24)	**62,729,762**	55,537,664	51,102,930
GROSS INCOME	**66,235,760**	59,761,272	49,768,992
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 11)	**8,866,605**	11,924,732	16,094,575
	75,102,365	71,686,004	65,863,567
OPERATING EXPENSES			
Selling expenses (Note 25)	**2,641,879**	2,516,285	2,283,909
General and administrative expenses (Note 26)	**36,811,271**	36,886,503	37,795,783
	39,453,150	39,402,788	40,079,692
OPERATING INCOME	**35,649,215**	32,283,216	25,783,875
OTHER INCOME (CHARGES)			
Foreign exchange gains - net	**1,453,699**	1,289,740	1,548,877
Finance costs (Note 27)	**(607,760)**	(691,456)	(484,614)
Finance income (Note 27)	**251,569**	84,958	219,285
Others - net (Note 28)	**8,410,776**	6,267,239	9,536,173
	9,508,284	6,950,481	10,819,721
INCOME BEFORE INCOME TAX	**45,157,499**	39,233,697	36,603,596
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**7,336,125**	5,665,437	6,445,510
Deferred	**(686,358)**	(447,620)	(506,920)
	6,649,767	5,217,817	5,938,590
NET INCOME	**₱38,507,732**	₱34,015,880	₱30,665,006

	Years Ended December 31		
	2024	2023	2022
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	**₱28,920,989**	₱25,421,454	₱25,137,400
Non-controlling interests	**9,586,743**	8,594,426	5,527,606
	₱38,507,732	₱34,015,880	₱30,665,006
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Company (Note 31)	**₱2.67**	₱2.35	₱2.32

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2024	2023	2022
NET INCOME	**₱38,507,732**	₱34,015,880	₱30,665,006
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)	**3,464,603**	2,505,660	(4,764,711)
Translation adjustments	**312,089**	(475,513)	752,592
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**3,776,692**	2,030,147	(4,012,119)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Share in aggregate gains (losses) on life insurance policies	**1,812,308**	(111,850)	762,490
Net changes in fair value of financial assets at FVTOCI (Note 7)	**(1,248,987)**	2,378,381	(359,252)
Income tax effect	**312,247**	(594,595)	89,813
	(936,740)	1,783,786	(269,439)
Remeasurement gains (losses) on defined benefit plans (Note 23)	**(430,285)**	(2,655,046)	2,789,805
Income tax effect	**107,571**	663,762	(697,451)
	(322,714)	(1,991,284)	2,092,354
Share in remeasurement gains (losses) on defined benefit plans of associates	**(786,405)**	396,615	(1,394,576)
Net revaluation increase (decrease) on property, plant and equipment (Note 12)	**122,686**	(68,512)	(508,786)
Income tax effect	**(30,671)**	17,128	127,196
	92,015	(51,384)	(381,590)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(141,536)**	25,883	809,239
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**3,635,156**	2,056,030	(3,202,880)
TOTAL COMPREHENSIVE INCOME	**₱42,142,888**	₱36,071,910	₱27,462,126
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	**₱32,098,624**	₱26,654,500	₱23,923,395
Non-controlling interests	**10,044,264**	9,417,410	3,538,731
	₱42,142,888	₱36,071,910	₱27,462,126

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

(Amounts in Thousands)

	Attributable to Equity Holders of the Company (Notes 1, 7, 12, 23, 30 and 36)														
				Other Comprehensive Income (Loss)											
	Capital Stock	Capital in Excess of Par	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 (Note 30)	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, 2022	**₱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 (Note 30)	–	–	–	–	–	–	–	–	–	–	(15,149,944)	–	(15,149,944)	–	(15,149,944)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	482,580	482,580
Increase in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	330,235	330,235
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**
Net income for the year	–	–	–	–	–	–	–	–	–	–	25,421,454	–	25,421,454	8,594,426	34,015,880
Other comprehensive income (loss)	–	–	–	(338,490)	2,444,953	(1,198,045)	(8,825)	396,615	1,296,208	(63,162)	–	–	1,233,046	822,984	2,056,030
Total comprehensive income (loss) for the year	–	–	–	(338,490)	2,444,953	(1,198,045)	(8,825)	396,615	1,296,208	(63,162)	25,421,454	–	26,654,500	9,417,410	36,071,910
Cash dividends declared (Note 30)	–	–	–	–	–	–	–	–	–	–	(12,985,667)	–	(12,985,667)	–	(12,985,667)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	528,534	528,534
Decrease in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	(40,633)	(40,633)
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal (Note 12)	–	–	–	–	–	–	(812,609)	–	(812,609)	–	812,609	–	–	–	–
BALANCES AT DECEMBER 31, 2023	**10,821,389**	**35,906,231**	**–**	**948,577**	**236,406**	**(416,883)**	**10,951,376**	**699,448**	**12,418,924**	**(5,592,465)**	**158,972,132**	**(12,519)**	**212,513,692**	**87,722,128**	**300,235,820**

(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**	**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, 2023	**₱10,821,389**	**₱35,906,231**	**₱–**	**₱948,577**	**₱236,406**	**(₱416,883)**	**₱10,951,376**	**₱699,448**	**₱12,418,924**	**(₱5,592,465)**	**₱158,972,132**	**(₱12,519)**	**₱212,513,692**	**₱87,722,128**	**₱300,235,820**
Net income for the year	–	–	–	–	–	–	–	–	–	–	28,920,989	–	28,920,989	9,586,743	38,507,732
Other comprehensive income (loss)	–	–	–	156,175	1,715,789	575,195	112,508	(786,405)	1,773,262	1,404,373	–	–	3,177,635	457,521	3,635,156
Total comprehensive income (loss) for the year	–	–	–	156,175	1,715,789	575,195	112,508	(786,405)	1,773,262	1,404,373	28,920,989	–	32,098,624	10,044,264	42,142,888
Cash dividends declared (Note 30)	–	–	–	–	–	–	–	–	–	–	(13,526,736)	–	(13,526,736)	–	(13,526,736)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	106,816	106,816
Realization of gain relating to financial assets at FVTOCI (Note 7)	–	–	–	–	(505,351)	–	–	–	(505,351)	–	505,351	–	–	–	–
Increase in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	1,253,414	1,253,414
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal (Note 12)	–	–	–	–	–	–	(359,320)	–	(359,320)	–	359,320	–	–	–	–
BALANCES AT DECEMBER 31, 2024	**₱10,821,389**	**₱35,906,231**	**₱–**	**₱1,104,752**	**₱1,446,844**	**₱158,312**	**₱10,704,564**	**(₱86,957)**	**₱13,327,515**	**(₱4,188,092)**	**₱175,231,056**	**(₱12,519)**	**₱231,085,580**	**₱99,126,622**	**₱330,212,202**

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱45,157,499**	₱39,233,697	₱36,603,596
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 11)	**(8,866,605)**	(11,924,732)	(16,094,575)
Depreciation and amortization (Notes 12, 13 and 14)	**6,438,271**	6,495,530	6,398,842
Provision for losses (Notes 8 and 26)	**3,868,111**	5,923,054	7,129,045
Movements in accrued retirement benefits (Note 23)	**(1,510,888)**	(2,056,686)	377,132
Finance costs (Note 27)	**607,760**	691,456	484,614
Finance income (Note 27)	**(251,569)**	(84,958)	(219,285)
Dividend income (Note 28)	**(65,933)**	(81,165)	(72,283)
Operating income before changes in working capital	**45,376,646**	38,196,196	34,607,086
Decrease (increase) in:			
Receivables	**(25,781,174)**	(30,775,247)	1,551,916
Financial assets at FVTPL	**(7,405,567)**	(3,171,469)	3,826,143
Inventories	**380,597**	1,301,656	(724,250)
Other current assets	**(279,983)**	1,118,934	(3,198,364)
Increase (decrease) in:			
Deposit liabilities	**47,698,302**	56,719,665	(23,867,940)
Accounts payable and accrued expenses	**(2,335,489)**	2,521,273	3,590,278
Financial liabilities at FVTPL	**368,242**	(483,965)	148,245
Other current and noncurrent liabilities	**263,285**	(4,287,594)	(1,229,193)
Cash generated from operations	**58,284,859**	61,139,449	14,703,921
Income taxes paid, including creditable withholding and final taxes	**(5,464,441)**	(5,872,620)	(2,587,032)
Interest paid	**(904,736)**	(752,258)	(301,617)
Interest received	**379,593**	179,761	269,499
Dividends received (Notes 11, 22 and 28)	**65,933**	81,165	72,283
Net cash from operating activities	**52,361,208**	54,775,497	12,157,054

(Forward)

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Financial assets at FVTOCI (Note 7)	**(₱804,940,569)**	(₱562,081,002)	(₱638,254,305)
Financial assets at amortized cost	**(24,384,450)**	(76,810,828)	(162,172,316)
Investment properties (Note 13)	**(129,719)**	(6,877,944)	(7,406,216)
Property, plant and equipment (Note 12)	**(3,374,655)**	(4,393,052)	(1,548,742)
Software (Note 14)	**(946,940)**	(1,224,566)	(1,707,436)
Additional investment in joint venture and associates	**(2,340,665)**	(2,349,641)	(1,774,684)
Dividends received from joint venture and associates (Note 11)	**13,640,829**	16,748,650	19,250,184
Proceeds from sale of:			
Financial assets at FVTOCI (Note 7)	**759,833,262**	559,938,659	642,875,429
Financial assets at amortized cost	**33,710,884**	64,078,361	141,160,199
Other assets (Notes 12 and 13)	**796,605**	749,996	605,433
Advances received from affiliates	**449,359**	1,217,753	4,113,733
Net cash used in investing activities	**(27,686,059)**	(11,003,614)	(4,858,721)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Bill and acceptance payable (Note 17)	**209,254,316**	136,027,137	237,506,670
Short-term debts (Note 19)	**–**	590,000	1,465,000
Long-term debts (Note 19)	**–**	–	5,559,083
Payments of:			
Bill and acceptance payable (Note 17)	**(207,848,238)**	(130,357,006)	(274,667,279)
Long-term debts (Note 19)	**(22,834,099)**	(15,886,773)	–
Dividends (Note 30)	**(13,526,736)**	(12,985,667)	(15,149,944)
Principal portion of lease liabilities	**(1,127,583)**	(1,314,516)	(1,490,114)
Short-term debts (Note 19)	**(580,000)**	(800,000)	(915,000)
Settlement of LTNCD (Note 15)	**(8,220,000)**	–	–
Net cash used in financing activities	**(44,882,340)**	(24,726,825)	(47,691,584)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(20,207,191)**	19,045,058	(40,393,251)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**243,790,981**	224,745,923	265,139,174
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱223,583,790**	₱243,790,981	₱224,745,923

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, 2024 and 2023, 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, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 were authorized for issue by the Board of Directors (BOD) on February 27, 2025.

2. Summary of Material 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) Accounting Standards. PFRSs include statements named PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by Financial and Sustainability Reporting Standards Council (FSRSC).

Basis of Consolidation

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

	Percentage of Ownership						
	2024		2023		2022		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) [1]	**–**	**–**	–	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)	**75.5**	**24.1**	–	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) [2]	**80-100**	**–**	80-100	–	80-100	–	Various
Philippine National Bank (PNB) and Subsidiaries [3]	**–**	**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 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
Allied Integrated Holdings, Inc. (AIHI)	**–**	**56.5**	–	56.5	–	56.5	Philippines
PNB-Mizuho Leasing Finance Corporation (PMLFC)	**–**	**50.8**	–	50.8	–	50.8	Philippines
PNB-Mizuho Equipment Rentals Corporation (PMERC)	**–**	**50.8**	–	50.8	–	50.8	Philippines
Allied Commercial Bank (ACB)	**–**	**55.9**	–	55.9	–	55.9	Republic of China

(Forward)

	Percentage of Ownership						
	2024		2023		2022		Country of
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect	Incorporation
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) [4]	**–**	**56.5**	–	56.5	–	56.5	Philippines
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) *Classified as held for sale (see Notes 10 and 20); Sold in 2024*

(2) *As of December 31, 2024, 2023 and 2022, 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).*

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

(4) *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).*

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 share 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.

<u>Noncurrent Assets and Disposal Group Held for Sale and Discontinued Operations</u>
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.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. 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 any material impact on the consolidated financial statements of the Group.

- 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 Group adopted the amendments beginning January 1, 2024. The amendments did not 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 Group adopted the amendments beginning January 1, 2024. The amendments did not have a material impact on the Group.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The Group adopted the amendments beginning January 1, 2024. The amendments did not have a material impact on the Group.

Future Changes in Accounting Policies

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, 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 expected adoption will not materially affect the Group.

- Amendments to PAS 21*, Lack of exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information. The amendments are not expected to have a material impact on the Group.

  The expected adoption will not materially affect the Group.

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*

  The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

  The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments.

  The expected adoption will not materially affect the Group.

- Annual Improvements to PFRS Accounting Standards - Volume 11

  The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved and their related amendments.

  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
    The amendments included in paragraphs B5 and B6 of PFRS 1 cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of PFRS 9. These are intended to address potential confusion arising from an inconsistency between the wording in PFRS 1 and the requirements for hedge accounting in PFRS 9.

  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
    The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13.

  - Amendments to PFRS 9
    a) Lessee Derecognition of Lease Liabilities
    The amendments to paragraph 2.1 of PFRS 9 clarified that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.

    b) Transaction Price
    The amendments to paragraph 5.1.3 of PFRS 9 replaced the reference to 'transaction price as defined by PFRS 15 *Revenue from Contracts with Customers*' with 'the amount determined by applying PFRS 15'. The term 'transaction price' in relation to PFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of PFRS 9.

  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
    The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.

- Amendments to PAS 7, *Cost Method*

  The amendments to paragraph 37 of PAS 7 replaced the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

The expected adoption will not materially affect the Group.

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*

  The standard replaces PAS 1 Presentation of Financial Statements and responds to investors' demand for better information about companies' financial performance. The new requirements include:
  - Required totals, subtotals and new categories in the statement of profit or loss
  - Disclosure of management-defined performance measures
  - Guidance on aggregation and disaggregation

  The expected adoption will not materially affect the Group.

- PFRS 19, *Subsidiaries without Public Accountability*

  The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

  The expected 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 expected adoption will not materially affect the Group.

The Group continues to assess the impact of the above new and amended accounting standards and Interpretations effective subsequent to 2024 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.

Material Accounting Policies Applicable to the Group

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 consolidated 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.

<u>Reclassification of Financial Instruments</u>
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 'Others - net' 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.

Impairment of Financial Assets

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.

Offsetting of Financial Instruments
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.

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.

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 and joint ventures".

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 the consolidated statement of income or in the consolidated statement of comprehensive income.

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 and 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 - net" 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 8 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 - net" 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 material 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 using the balance sheet method 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 issues 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.

Material 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:

Fees 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.

Credit Card Fees

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.

Income from Sale of Properties
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.

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 'Interest income' over the expected life of the loan.

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.

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.

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.

Material 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.

Material 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.

Real Estate Inventories
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.

Fair valuation 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. For the valuation of nonmarketable unquoted equity securities, the Group considers a

discount for lack of marketability, which is applied to the values determined by an independent valuation company.

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 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.

The Group revisits the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassesses the framework for macroeconomic overlay, incorporating 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 in assessing its taxable income forecast.

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 of the rising interest rates, inflation, and other 'black swan' events.

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 ₱57.2 billion and ₱57.5 billion as of December 31, 2024 and 2023, 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 2024 and 2023, 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, 2024 and 2023 are 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.

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, PHC, 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 1.3% and 3.1% as of December 31, 2024, respectively, and 1.4% and 3.3% as of December 31, 2023 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 material 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 Allied Banking Corporation (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 95%, 89% and 88% of the segment's total liquor revenue in 2024, 2023 and 2022, respectively. 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, 2024:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Segment revenue:							
External customers	**₱75,068,040**	**₱33,773,423**	**₱17,193,576**	**₱–**	**₱1,879,191**	**₱1,051,292**	**₱128,965,522**
Inter-segment	**–**	**78,029**	**1,020,483**	**–**	**648,411**	**(1,746,923)**	**–**
	75,068,040	**33,851,452**	**18,214,059**	**–**	**2,527,602**	**(695,631)**	**128,965,522**
Cost of goods sold and services	**19,565,356**	**28,918,248**	**14,134,546**	**–**	**1,639,876**	**(1,528,264)**	**62,729,762**
Gross profit	**55,502,684**	**4,933,204**	**4,079,513**	**–**	**887,726**	**832,633**	**66,235,760**
Equity in net earnings of associates and joint ventures	**419,505**	**–**	**60,234**	**7,567,261**	**–**	**819,605**	**8,866,605**
	55,922,189	**4,933,204**	**4,139,747**	**7,567,261**	**887,726**	**1,652,238**	**75,102,365**
Selling expenses	**–**	**1,184,013**	**1,409,749**	**–**	**48,117**	**–**	**2,641,879**
General and administrative expenses	**33,497,791**	**939,057**	**1,444,318**	**188,993**	**1,086,386**	**(345,274)**	**36,811,271**
Operating income	**22,424,398**	**2,810,134**	**1,285,680**	**7,378,268**	**(246,777)**	**1,997,512**	**35,649,215**
Foreign exchange gains (losses) - net	**1,169,286**	**(13,894)**	**(12,150)**	**301,329**	**(169)**	**9,297**	**1,453,699**
Finance income	**–**	**130,613**	**38,503**	**840,360**	**27,227**	**(785,134)**	**251,569**
Finance costs	**–**	**(42,504)**	**(302,473)**	**–**	**(282,272)**	**19,489**	**(607,760)**
Others - net	**2,684,013**	**(3,813)**	**25,814**	**4,458,847**	**953,897**	**292,018**	**8,410,776**
Income before income tax	**26,277,697**	**2,880,536**	**1,035,374**	**12,978,804**	**451,906**	**1,533,182**	**45,157,499**
Provision for income tax	**5,099,732**	**730,333**	**194,479**	**211,462**	**240,010**	**173,751**	**6,649,767**
Segment profit	**₱21,177,965**	**₱2,150,203**	**₱840,895**	**₱12,767,342**	**₱211,896**	**₱1,359,431**	**₱38,507,732**
Segment profit attributable to:							
Equity holders of the Company	**₱21,052,896**	**₱2,141,551**	**₱837,146**	**₱12,767,342**	**₱231,705**	**(₱8,109,651)**	**₱28,920,989**
Non-controlling interests	**125,069**	**8,652**	**3,749**	**–**	**(19,809)**	**9,469,082**	**9,586,743**
Depreciation and amortization expense	**3,659,014**	**731,698**	**1,988,208**	**27,351**	**466,736**	**(434,736)**	**6,438,271**

Other financial information of the operating segments as of December 31, 2024 is as follows:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Assets:							
Current assets	**₱677,548,246**	**₱20,467,129**	**₱21,437,995**	**₱17,035,947**	**₱7,151,915**	**(₱17,532,330)**	**₱726,108,902**
Noncurrent assets	**575,733,009**	**9,291,500**	**14,954,911**	**4,523,042**	**21,802,175**	**21,916,320**	**648,220,957**
	₱1,253,281,255	**₱29,758,629**	**₱36,392,906**	**₱21,558,989**	**₱28,954,090**	**₱4,383,990**	**₱1,374,329,859**
Liabilities:							
Current liabilities	**₱1,010,012,336**	**₱3,356,835**	**₱8,666,377**	**₱311,189**	**₱3,872,409**	**(₱26,977,236)**	**₱999,241,910**
Noncurrent liabilities	**32,673,820**	**770,449**	**1,367,265**	**84,910**	**3,504,057**	**6,475,246**	**44,875,747**
	₱1,042,686,156	**₱4,127,284**	**₱10,033,642**	**₱396,099**	**₱7,376,466**	**(₱20,501,990)**	**₱1,044,117,657**
Investments in associates and joint ventures	**₱3,446,613**	**₱–**	**₱273,007**	**₱1,036,882**	**₱–**	**₱13,625,994**	**₱18,382,496**
Equity attributable to:							
Equity holders of the Company	**206,813,131**	**25,501,666**	**26,297,513**	**21,162,890**	**20,597,433**	**(69,287,053)**	**231,085,580**
Non-controlling interests	**3,781,968**	**129,679**	**61,751**	**–**	**980,191**	**94,173,033**	**99,126,622**
Noncurrent assets:							
Property, plant and equipment	**17,760,064**	**8,247,020**	**13,777,164**	**133,807**	**810,488**	**28,190,955**	**68,919,498**
Investment properties	**14,854,110**	**655,746**	**14,002**	**2,078,819**	**20,583,357**	**793,370**	**38,979,404**
Short-term debts	**–**	**–**	**3,700,000**	**–**	**–**	**–**	**3,700,000**
Long-term debts	**21,113,418**	**423,820**	**761,562**	**–**	**3,301,189**	**(50,657)**	**25,549,332**

For the year ended December 31, 2023:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Segment revenue:							
External customers	₱66,550,969	₱29,884,821	₱16,414,006	₱–	₱1,334,404	₱1,114,736	₱115,298,936
Inter-segment	28,919	67,066	967,289	–	837,765	(1,901,039)	–
	66,579,888	29,951,887	17,381,295	–	2,172,169	(786,303)	115,298,936
Cost of goods sold and services	16,268,299	26,026,120	13,459,250	–	1,161,584	(1,377,589)	55,537,664
Gross profit	50,311,589	3,925,767	3,922,045	–	1,010,585	591,286	59,761,272
Equity in net earnings of associates and joint ventures	268,093	–	42,329	11,065,618	–	548,692	11,924,732
	50,579,682	3,925,767	3,964,374	11,065,618	1,010,585	1,139,978	71,686,004
Selling expenses	–	1,039,399	1,465,956	–	10,930	–	2,516,285
General and administrative expenses	34,330,259	674,953	1,346,389	281,831	850,513	(597,442)	36,886,503
Operating income	16,249,423	2,211,415	1,152,029	10,783,787	149,142	1,737,420	32,283,216
Foreign exchange gains (losses) – net	1,367,409	5,013	1,926	(83,833)	678	(1,453)	1,289,740
Finance income	–	15,069	6,892	804,704	18,388	(760,095)	84,958
Finance costs	–	(40,791)	(364,211)	–	(346,262)	59,808	(691,456)
Others – net	5,412,961	(56,379)	12,075	17,603	761,194	119,785	6,267,239
Income before income tax	23,029,793	2,134,327	808,711	11,522,261	583,140	1,155,465	39,233,697
Provision for income tax	4,007,375	568,083	231,033	142,908	130,227	138,191	5,217,817
Segment profit	₱19,022,418	₱1,566,244	₱577,678	₱11,379,353	₱452,913	₱1,017,274	₱34,015,880
Segment profit attributable to:							
Equity holders of the Company	₱19,035,855	₱1,557,897	₱570,980	₱11,379,353	₱452,913	(₱7,575,544)	₱25,421,454
Non-controlling interests	(13,437)	8,347	6,698	–	–	8,592,818	8,594,426
Depreciation and amortization expense	3,956,038	707,794	1,972,084	27,575	455,514	(623,475)	6,495,530

Other financial information of the operating segments as of December 31, 2023 is as follows:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Assets:							
Current assets	₱660,924,980	₱18,916,472	₱20,627,751	₱16,736,351	₱7,591,858	(₱16,156,139)	₱708,641,273
Noncurrent assets	545,358,931	9,452,071	15,278,346	6,110,083	22,023,831	20,531,741	618,755,003
	₱1,206,283,911	₱28,368,543	₱35,906,097	₱22,846,434	₱29,615,689	₱4,375,602	₱1,327,396,276
Liabilities:							
Current liabilities	₱998,997,571	₱3,753,179	₱9,072,221	₱324,930	₱6,411,544	(₱25,265,996)	₱993,293,449
Noncurrent liabilities	22,126,877	828,946	1,370,201	105,649	3,163,521	6,271,813	33,867,007
	₱1,021,124,448	₱4,582,125	₱10,442,422	₱430,579	₱9,575,065	(₱18,994,183)	₱1,027,160,456
Investments in associates and joint ventures	₱3,199,124	₱–	₱212,773	₱2,615,366	₱–	₱12,976,484	₱19,003,747
Equity attributable to:							
Equity holders of the Company	181,650,718	23,572,712	25,405,673	22,415,856	20,040,624	(60,571,886)	212,513,697
Non-controlling interests	3,508,745	213,706	58,002	–	–	83,941,673	87,722,126
Noncurrent assets:							
Property, plant and equipment	18,382,650	8,248,785	13,705,159	89,094	850,156	27,855,668	69,131,512
Investment properties	13,469,401	655,656	14,002	2,108,595	20,751,188	849,588	37,848,430
Short-term debts	–	–	4,280,000	–	–	–	4,280,000
Long-term debts	45,323,755	441,017	735,213	–	3,095,287	(84,258)	49,511,014

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	₱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
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

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2024	2023
	(In Thousands)	
Cash and other cash items	**₱22,004,267**	₱21,807,797
Cash equivalents:		
Securities held under agreements to resell	**103,480,119**	69,694,538
Due from BSP (Note 15)	**55,128,316**	95,410,350
Interbank loans receivables*	**22,787,194**	35,634,440
Due from other banks	**20,183,894**	21,243,856
	₱223,583,790	₱243,790,981

**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:

	2024	2023
	(In Thousands)	
Demand deposit	**₱44,628,316**	₱78,372,794
Overnight deposit facility (ODF)	**10,500,000**	15,000,000
Term deposit facility (TDF)	–	2,037,556
	₱55,128,316	₱95,410,350

ODFs and TDFs bear annual interest rates range from:

	2024	2023	2022
ODF	**5.3% - 6.0%**	5.0% - 6.0%	1.5% - 5.0%
TDF	**6.0%-6.65%**	6.3% - 6.8%	1.7% - 6.4%

c. Interbank loans receivables bear annual interest ranging from 5.9% to 6.6% and 5.5% to 6.4% in 2024 and 2023, respectively for peso-denominated interbank loans receivables and from 0.0% to 5.6% and from 0.9% to 6.1% in 2024 and 2023, respectively, for foreign currency-denominated interbank loans receivables.

a. Securities held under agreements to resell bear interest ranging from 4.4% to 6.9% and from 4.2% to 7.0% in 2024 and 2023, respectively.

The fair value of the treasury bills pledged under these agreements as of December 31, 2024 and 2023 amounted to ₱104.9 billion and ₱57.8 billion, respectively, for the Group (Note 33).

b. 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:

	2024	2023
	(In Thousands)	
Government securities	**₱16,181,821**	₱8,174,405
Derivative assets (Notes 21 and 33)	**1,087,107**	749,199
Private debt securities	**649,191**	1,590,489
Unit investment trust fund (UITF)	**35,177**	33,731
Equity securities	**2,866**	2,771
	₱17,956,162	₱10,550,595

The effective interest rates of debt securities at FVTPL range from:

	2024	2023
Government securities	**0.6% - 8.6%**	1.4% - 8.0%
Private debt securities	**4.9% - 6.9%**	2.8% - 8.8%

7. **Financial Assets at FVTOCI and Financial Assets at Amortized Cost**

Financial Assets at FVTOCI
This account consists of:

	2024	2023
	(In Thousands)	
Government securities (Note 17)	**₱168,293,510**	₱124,895,862
Private debt securities	**15,609,027**	14,180,552
Equity securities:		
Quoted	**4,403,952**	2,248,636
Unquoted	**3,062,360**	2,720,876
	191,368,849	144,045,926
Noncurrent portion	**(66,179,663)**	(31,709,930)
	₱125,189,186	₱112,335,996

a. For the years ended December 31, 2024, 2023 and 2022, the nominal interest rates of government securities range from 0.6% to 14.9%, 0.2% to 19.1% and 0.2% to 26.2%, respectively.

b. For the years ended December 31, 2024, 2023 and 2022, the nominal interest rates of private debt securities range from 0.5% to 6.9%, 0.5% to 6.4%, and 0.5% to 6.4%, respectively.

c. As of December 31, 2024 and 2023, 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 ₱12.0 billion and ₱6.5 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, 2024 and 2023, the ECL on debt securities at FVTOCI (included in 'Net unrealized gain (loss) on financial assets at FVTOCI') amounted to ₱68.1 million and ₱46.8 million, respectively.

e. In April 2024, the Bank and PAL Holdings, Inc. completed a share swap transaction wherein the Bank exchanged the 19.86 million PAL shares held to 309.15 million PAL Holdings, Inc. shares. The share swap transaction resulted in the recycling of OCI to Retained Earnings amounting to ₱505.35 million. PAL Holdings, Inc. shares are recognized in the books as FVOCI amounting ₱1.53 billion as of December 31, 2024.

Financial Assets at Amortized Cost
This account consists of:

	2024	2023
Government securities	**₱96,817,380**	₱104,533,382
Private debt securities	**17,204,083**	18,822,880
	114,021,463	123,356,262
Less allowance for expected credit losses	**(147,470)**	(155,835)
	113,873,993	123,200,427
Noncurrent portion	**(94,776,887)**	(101,359,065)
	₱19,097,106	₱21,841,362

The effective interest rates of investment securities at amortized cost of the Group:

	2024	2023	2022
Government securities	**0.8% - 7.5%**	0.8% - 7.5%	0.8% - 7.5%
Private debt securities	**1.0% - 8.3%**	1.0% - 8.3%	0.8% - 8.3%

In 2024 and 2023, 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, 2024 and 2023, 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 ₱2.4 billion and ₱1.8 billion, respectively (see Note 37).

As of December 31, 2024, the Group set aside government securities booked under 'Investment securities at amortized cost' with total carrying value of ₱363 million as liquidity cover for 50.0% of the outstanding balances of electronic money (e-money) products in compliance with BSP Circular 1166, *Amendments to the Regulations on Electronic Money and the Operations of Electronic Money Issuers in the Philippines*. This is on top of the fund held in trust to cover for the other 50.0% of the outstanding e-money balances

8. Loans and Receivables

Loans and receivables consist of:

	2024	2023
	(In Thousands)	
Finance receivables (Notes 22)	**₱681,024,766**	₱661,279,406
Trade receivables	**21,313,300**	19,006,343
Other receivables	**3,687,936**	4,350,518
	706,026,002	684,636,267
Allowance for credit losses	**(44,555,447)**	(44,950,751)
	661,470,555	639,685,516
Noncurrent portion	**(349,063,956)**	(347,989,209)
	₱312,406,599	₱291,696,307

Finance Receivables

Finance receivables pertains to receivables from customers of the Banking segment. This account consists of the following:

	2024	2023
	(In Thousands)	
Receivables from customers:		
Loans and discounts	**₱629,547,599**	₱608,727,856
Credit card receivables	**18,063,885**	15,232,845
Customers' liabilities on acceptances, letters of credit and trust receipts	**15,303,476**	18,221,792
Bills purchased (Note 20)	**3,846,432**	1,966,389
Lease contract receivable	**–**	8,399
	666,761,392	644,157,281
Other receivables:		
Accrued interest receivable	**8,959,032**	8,355,100
Accounts receivable	**4,106,411**	5,322,230
Sales contract receivables	**1,589,298**	3,760,162
Miscellaneous	**454,554**	366,093
	15,109,295	17,803,585
	681,870,687	661,960,866
Unearned and other deferred income	**(845,921)**	(681,460)
	681,024,766	661,279,406
Allowance for credit losses	**(44,205,142)**	(44,568,661)
	636,819,624	616,710,745
Noncurrent portion	**(349,052,823)**	(347,975,014)
	₱287,766,801	₱268,735,731

a. Lease contract receivable

An analysis of the Group's lease contract receivable as of December 31 is presented as follows:

	2024	2023
	(In Thousands)	
Minimum lease payments		
Due within one year	**₱–**	₱7
Due beyond one year but not over five years	**–**	2,734
	–	2,741
Residual value of leased equipment		
Due within one year	**–**	5,658
Due beyond one year but not over five years	**–**	–
	–	5,658
Gross investment in lease contract receivables	**₱–**	₱8,399

b. Interest income on loans and receivables amounted to ₱43.8 billion, ₱40.8 billion and ₱34.3 billion in 2024, 2023 and 2022, respectively (see Note 24).

As of December 31, 2024, 2023 and 2022, 72.6%, 69.6% and 69.6% respectively, of the total receivable from customers of PNB were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.0% to 9.0% in 2024, 1.0% to 9.0% in 2023 and 1.1% to 11.2% in 2022 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2024, 1.1% to 31.5% in 2023 and 1.1% to 31.5% in 2022 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 5.0% to 12.0% in 2024, 5.0% to 20.2% in 2023 and from 3.3% to 21.0% 2022.

The reconciliation of allowance for credit losses on finance receivables are shown below.

	2024				**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate Loans								
Beginning Balance	**₱1,774,187**	**₱2,895,028**	**₱25,609,050**	**₱30,278,265**	1,455,038	5,954,356	19,266,969	26,676,363
Newly originated assets which remained in Stage 1 at yearend	**807,286**	**–**	**–**	**807,286**	825,411	–	–	825,411
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**704,905**	**397,431**	**1,102,336**	–	1,498,636	6,158,611	7,657,247
Transfers to Stage 1	**25,920**	**(25,799)**	**(121)**	**–**	22,816	(22,816)	–	–
Transfers to Stage 2	**(70,148)**	**839,542**	**(769,394)**	**–**	(572,482)	647,566	(75,084)	–
Transfers to Stage 3	**(280,840)**	**(346,220)**	**627,060**	**–**	(331,606)	(3,394,552)	3,726,158	–
Accounts charged off	**–**	**–**	**(686,290)**	**(686,290)**	–	–	(27,652)	(27,652)
Loan settlement through dacion and assignment (Note 33)	**–**	**–**	**–**	**–**	–	–	(1,404,582)	(1,404,582)
Effect of collections, foreclosures, and changes in assumptions	**(10,376)**	**(907,908)**	**1,777,596**	**859,312**	375,010	(1,788,162)	(2,035,370)	(3,448,522)
Ending Balance	**2,246,029**	**3,159,548**	**26,955,332**	**32,360,909**	1,774,187	2,895,028	25,609,050	30,278,265
LGU								
Beginning Balance	**391**	**6,684**	**63,216**	**70,291**	472	8,471	65,694	74,637
Transfers to Stage 2	**–**	**575**	**(575)**	**–**	–	–	–	–
Effect of collections, foreclosures, and changes in assumptions	**(104)**	**(1,881)**	**(4,597)**	**(6,582)**	(81)	(1,787)	(2,478)	(4,346)
Ending Balance	**287**	**5,378**	**58,044**	**63,709**	391	6,684	63,216	70,291
Credit Cards								
Beginning Balance	**508,446**	**109,883**	**696,782**	**1,315,111**	491,509	83,742	712,977	1,288,228
Newly originated assets which remained in Stage 1 at yearend	**78,851**	**–**	**–**	**78,851**	57,305	–	–	57,305
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**11,526**	**17,272**	**28,798**	–	6,813	9,999	16,812
Transfers to Stage 1	**49,370**	**(37,696)**	**(11,674)**	**–**	22,578	(16,917)	(5,661)	–
Transfers to Stage 2	**(16,596)**	**18,469**	**(1,873)**	**–**	(17,425)	17,465	(40)	–
Transfers to Stage 3	**(33,449)**	**(19,173)**	**52,622**	**–**	(25,370)	(12,031)	37,401	–
Accounts charged off	**–**	**–**	**(799,638)**	**(799,638)**	–	–	(892,571)	(892,571)
Effect of collections, foreclosures, and changes in assumptions	**3,026**	**25,255**	**887,503**	**915,784**	(20,151)	30,811	834,677	845,337
Ending Balance	**589,648**	**108,264**	**840,994**	**1,538,906**	508,446	109,883	696,782	1,315,111
Retail SMEs								
Beginning Balance	**188,665**	**10,116**	**788,816**	**987,597**	200,621	26,631	1,337,812	1,565,064
Newly originated assets which remained in Stage 1 at yearend	**114,737**	**–**	**–**	**114,737**	180,263	–	–	180,263
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**13,621**	**12,785**	**26,406**	–	5,923	63,619	69,542
Transfers to Stage 1	**946**	**(946)**	**–**	**–**	110	–	(110)	–
Transfers to Stage 2	**(115)**	**430**	**(315)**	**–**	(1,051)	2,229	(1,178)	–
Transfers to Stage 3	**(26,339)**	**(6,257)**	**32,596**	**–**	–	(80,052)	80,052	–
Accounts charged off	**–**	**–**	**(115,370)**	**(115,370)**	–	–	(400,532)	(400,532)
Effect of collections, foreclosures, and changes in assumptions	**1,071**	**3,106**	**21,743**	**25,920**	(191,278)	55,385	(290,847)	(426,740)
Ending Balance	**278,965**	**20,070**	**740,255**	**1,039,290**	188,665	10,116	788,816	987,597
Housing Loans								
Beginning Balance	**525,896**	**47,197**	**3,955,221**	**4,528,314**	447,670	115,108	3,785,067	4,347,845
Newly originated assets which remained in Stage 1 at yearend	**50,745**	**–**	**–**	**50,745**	49,994	–	–	49,994
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**2,016**	**13,444**	**15,460**	–	2,099	14,561	16,660
Transfers to Stage 1	**50,769**	**(3,234)**	**(47,535)**	**–**	43,356	(6,424)	(36,932)	–
Transfers to Stage 2	**(39,521)**	**53,677**	**(14,156)**	**–**	(30,074)	43,180	(13,106)	–
Transfers to Stage 3	**(60,880)**	**(25,729)**	**86,609**	**–**	(260,638)	(124,595)	385,233	–
Effect of collections, foreclosures, and changes in assumptions	**(430,615)**	**(15,134)**	**(794,404)**	**(1,240,153)**	275,588	17,829	(179,602)	113,815
Ending Balance	**96,394**	**58,793**	**3,199,179**	**3,354,366**	525,896	47,197	3,955,221	4,528,314

(Forward)

	2024				2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Auto Loans								
Beginning Balance	**₱25,693**	**₱686**	**₱1,078,920**	**₱1,105,299**	₱20,844	₱2,253	₱1,497,222	₱1,520,319
Newly originated assets which remained in Stage 1 at yearend	**5,154**	**–**	**–**	**5,154**	6,218	–	–	6,218
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**695**	**2,708**	**3,403**	–	125	450	575
Transfers to Stage 1	**188**	**(20)**	**(168)**	**–**	600	(131)	(469)	–
Transfers to Stage 2	**(459)**	**479**	**(20)**	**–**	(476)	525	(49)	–
Transfers to Stage 3	**(8,167)**	**(2,091)**	**10,258**	**–**	(21,039)	(10,155)	31,194	–
Accounts charged off	**–**	**–**	**(32,938)**	**(32,938)**	–	–	(47,526)	(47,526)
Effect of collections, foreclosures, and changes in assumptions	**138**	**1,429**	**(341,684)**	**(340,117)**	19,546	8,069	(401,902)	(374,287)
Ending Balance	**22,547**	**1,178**	**717,076**	**740,801**	25,693	686	1,078,920	1,105,299
Other Loans								
Beginning Balance	**71,794**	**264,708**	**928,528**	**1,265,030**	15,750	78,197	1,168,060	1,262,007
Newly originated assets which remained in Stage 1 at yearend	**4,194**	**–**	**–**	**4,194**	42,043	–	–	42,043
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**–**	**23**	**23**	–	45,824	24,687	70,511
Transfers to Stage 1	**3,029**	**(85)**	**(2,944)**	**–**	1,364	(244)	(1,120)	–
Transfers to Stage 2	**(1,894)**	**5,594**	**(3,700)**	**–**	(148,740)	216,224	(67,484)	–
Transfers to Stage 3	**(2,523)**	**(44,240)**	**46,763**	**–**	(42,076)	(6,097)	48,173	–
Accounts charged off	**–**	**–**	**(19,654)**	**(19,654)**	–	–	–	–
Effect of collections, foreclosures, and changes in assumptions	**(42,747)**	**(121,730)**	**(38,877)**	**(203,354)**	203,453	(69,196)	(243,788)	(109,531)
Ending Balance	**31,853**	**104,247**	**910,139**	**1,046,239**	71,794	264,708	928,528	1,265,030
Other Receivables								
Beginning Balance	**131,275**	**37,316**	**4,850,163**	**5,018,754**	87,993	148,230	3,970,848	4,207,071
Newly originated assets which remained in Stage 1 at yearend	**4,970**	**–**	**–**	**4,970**	3,310	–	–	3,310
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**2,971**	**5,511**	**8,482**	–	7,901	117,793	125,694
Transfers to Stage 1	**320**	**(268)**	**(52)**	**–**	162	(138)	(24)	–
Transfers to Stage 2	**(346)**	**2,209**	**(1,863)**	**–**	(4,115)	4,177	(62)	–
Transfers to Stage 3	**3,426**	**(3,615)**	**189**	**–**	(3,463)	(421,743)	425,206	–
Accounts charged off	**(876)**	**–**	**(1,270,544)**	**(1,271,420)**	–	–	(50,547)	(50,547)
Effect of collections, foreclosures, and changes in assumptions	**41,845**	**550**	**257,741**	**300,136**	47,388	298,889	386,949	733,226
Ending Balance	**180,614**	**39,163**	**3,841,145**	**4,060,922**	131,275	37,316	4,850,163	5,018,754
Total Loans and Receivables								
Beginning Balance	**3,226,347**	**3,371,618**	**37,970,696**	**44,568,661**	2,719,897	6,416,988	31,804,649	40,941,534
Newly originated assets which remained in Stage 1 at yearend	**1,065,937**	**–**	**–**	**1,065,937**	1,164,544	–	–	1,164,544
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**735,734**	**449,174**	**1,184,908**	–	1,567,321	6,389,720	7,957,041
Transfers to Stage 1	**130,542**	**(68,048)**	**(62,494)**	**–**	90,986	(46,670)	(44,316)	–
Transfers to Stage 2	**(129,079)**	**920,975**	**(791,896)**	**–**	(774,363)	931,366	(157,003)	–
Transfers to Stage 3	**(408,772)**	**(447,325)**	**856,097**	**–**	(684,192)	(4,049,225)	4,733,417	–
Accounts charged off	**(876)**	**–**	**(2,924,434)**	**(2,925,310)**	–	–	(1,418,828)	(1,418,828)
Loan settlement through dacion and assignment (Note 33)	**–**	**–**	**–**	**–**	–	–	(1,404,582)	(1,404,582)
Effect of collections, foreclosures, and changes in assumptions	**(437,762)**	**(1,016,313)**	**1,765,021**	**310,946**	709,475	(1,448,162)	(1,932,361)	(2,671,048)
Ending Balance	**₱3,446,337**	**₱3,496,641**	**₱37,262,164**	**₱44,205,142**	₱3,226,347	₱3,371,618	₱37,970,696	₱44,568,661

Trade Receivables

Trade receivables consist of:

	2024	2023
	(In Thousands)	
Consumer goods	**₱20,455,543**	₱18,628,297
Contract receivables	**734,239**	222,843
Lease receivables	**123,518**	155,203
	21,313,300	19,006,343
Allowance for credit losses	**(330,284)**	(345,306)
	20,983,016	18,661,037
Noncurrent portion of contract receivables	**(11,133)**	(14,195)
	₱20,971,883	₱18,646,842

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, 2024			
	Finance Receivables	**Trade Receivables**	**Other Receivables**	**Total**
	(In Thousands)			
Balance at beginning of year	**₱44,568,661**	**₱345,306**	**₱36,784**	**₱44,950,751**
Provisions during the year (Note 26)	**3,868,111**	**–**	**–**	**3,868,111**
Accounts charged off, transfers and others	**(4,231,630)**	**(15,022)**	**(16,763)**	**(4,263,415)**
Balance at end of year	**₱44,205,142**	**₱330,284**	**₱20,021**	**₱44,555,447**

	December 31, 2023			
	Finance Receivables	Trade Receivables	Other Receivables	Total
	(In Thousands)			
Balance at beginning of year	₱40,941,534	₱476,950	₱36,782	₱41,455,266
Provisions during the year (Note 26)	5,923,054	–	–	5,923,054
Accounts charged off, transfers and others	(2,295,927)	(131,644)	2	(2,427,569)
Balance at end of year	₱44,568,661	₱345,306	₱36,784	₱44,950,751

9. Inventories

	2024	2023
	(In Thousands)	
At Cost:		
Consumer goods:		
Beverage	**₱4,482,368**	₱3,736,531
Alcohol	**3,181,038**	3,856,589
	7,663,406	7,593,120
Real estate inventories:		
Subdivision land under development	**2,659,231**	3,101,070
Land held for future development	**758,958**	217,542
Condominium and residential units for sale	**465,564**	439,547
	3,883,753	3,758,159
Fuel, materials and supplies	**1,263,192**	1,204,892
	12,810,351	12,556,171
At NRV - Materials and supplies	**518,169**	1,152,946
	₱13,328,520	₱13,709,117

a. Components of the consumer goods inventories are as follows:

	2024	2023
	(In Thousands)	
Finished goods	**₱1,578,833**	₱1,168,086
Work in process	**1,384,805**	1,414,595
Raw materials	**6,481,128**	7,368,278
	₱9,444,767	₱9,950,958

Cost of consumer goods inventories recognized as expenses under cost of goods sold amounted to ₱18.3 billion, ₱17.3 billion and ₱17.9 billion in 2024, 2023 and 2022, respectively (see Note 24).

b. Movements in real estate inventories are set out below:

	2024	2023
	(In Thousands)	
Balance at beginning of year	**₱3,758,159**	₱4,314,915
Construction/development costs incurred/reversals	**(208,997)**	23,123
Sales and others	**334,591**	(579,879)
Balance at end of year	**₱3,883,753**	₱3,758,159

c. Allowance for inventory obsolescence on materials and supplies amounted to ₱439.3 million and ₱9.8 million as of December 31, 2024 and 2023, respectively.

10. Other Current Assets

	2024	2023
	(In Thousands)	
Deferred charges	**₱3,084,167**	₱1,346,142
Advances to suppliers	**2,474,150**	2,487,299
Creditable withholding taxes (CWT)	**1,742,171**	1,693,190
Input VAT	**1,654,832**	2,267,529
Prepaid expenses	**1,128,680**	1,026,036
Stationeries, office supplies and stamps on hand	**488,557**	570,375
Miscellaneous cash and other cash items	**432,026**	50,444
Excise tax	**423,094**	209,558
Assets of disposal group classified as held for sale	**–**	1,770,930
Others	**1,230,498**	956,689
	₱12,658,175	₱12,378,192

a. Advances to suppliers pertain to deposits made for raw material purchases and are applied upon delivery of the related inventories.

b. 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, 2023 consist of the following:

	(In Thousands)
Cash	₱32,357
Inventories	229,461
Property, plant and equipment	1,032,990
Investment properties	249,432
Others	226,690
	₱1,770,930

On October 25,2024, a deed of sale was executed for the sale of AAC to Prior Holdings Inc. resulting to a gain of ₱23.0 million (before tax amounting to ₱52.8 million).

c. Prepaid expenses include prepaid importation charges amounting to ₱65.5 million and ₱93.9 million as of December 31, 2024 and 2023, respectively. Prepaid importation charges pertain to the purchases of raw materials by the distilled spirits.

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), 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	
	2024	2023	**2024**	2023
			(In Thousands)	
Associates:				
PMFTC	**49.6%**	49.6%	**₱–**	₱1,637,857
VMC	**30.9%**	30.9%	**4,565,339**	4,183,952
APLII	**44.0%**	44.0%	**3,446,613**	3,199,124
Joint Ventures:				
AEPDC	**50.0%**	50.0%	**10,097,537**	9,770,041
ABI Pascual Holdings	**50.0%**	50.0%	**273,007**	212,773
			₱18,382,496	₱19,003,747

Equity in net earnings consists of:

	2024	2023	2022
	(In Thousands)		
PMFTC	**₱7,567,261**	₱11,065,618	₱15,461,496
Others	**1,299,344**	859,114	633,079
	₱8,866,605	₱11,924,732	₱16,094,575

Investment in PMFTC
Details of investment in PMFTC are as follows:

	2024	2023
	(In Thousands)	
Acquisition cost	**₱13,483,541**	₱13,483,541
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**(12,671,955)**	(6,988,923)
Equity in net earnings	**7,567,261**	11,065,618
Cash dividends (Note 22)	**(13,539,145)**	(16,748,650)
Balance at end of year	**(18,643,839)**	(12,671,955)
Accumulated share in other comprehensive income	**813,421**	826,271
Dividends in excess of carrying amount of investment (Note 28)	**4,346,877**	–
	₱–	₱1,637,857

In 2024, the Group received dividends in excess of the share in the equity in net earnings of PMFTC amounting to ₱4,346.9 million, which was presented as part of 'Other Income (Charges)' [Note 28] in accordance with the proper accounting treatment when an investor received dividends from an investment larger than the current book value under the equity method.

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, 2024 and 2023 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2024	2023
	(In Thousands)	
Current assets	**₱32,835,052**	₱49,695,515
Noncurrent assets	**32,191,387**	32,007,716
Current liabilities	**20,554,058**	31,313,619
Noncurrent liabilities	**4,314,954**	4,274,243
Equity	**40,157,427**	46,115,369
Equity interest of the Parent Company	**49.60%**	49.60%
Share in net assets of the acquiree	**19,918,084**	22,873,223
Fair value adjustments, adjustments relating to differences in accounting policies and others	**(19,918,084)**	(21,235,366)
Carrying value of investment	**₱–**	₱1,637,857

Summarized financial information of PMFTC, based on its financial statements as of December 31, are set out below:

	2024	2023	2022
		(In Thousands)	
Revenue	**₱133,035,061**	₱145,412,540	₱176,007,078
Costs and expenses	**(113,061,672)**	(115,995,393)	(134,565,385)
Income before income tax	**19,973,389**	29,417,147	41,441,693
Provision for income tax	**(4,983,529)**	(7,373,888)	(10,536,036)
Net income	**14,989,860**	22,043,259	30,905,657
Other comprehensive income (loss)	**(25,906)**	15,441	320,745
Total comprehensive income	**₱14,963,954**	₱22,058,700	₱31,226,402
Group's share of total comprehensive income for the year	**₱7,567,261**	₱11,065,618	₱15,461,496

Investment in VMC

Details of investment in VMC are as follows:

	2024	2023
	(In Thousands)	
Acquisition cost	**₱1,459,768**	₱1,459,768
Accumulated equity in net earnings:		
Balance at beginning of year	**2,606,088**	2,259,461
Equity in net earnings	**492,109**	346,627
Cash dividends (Note 22)	**(101,684)**	–
Balance at end of year	**2,996,513**	2,606,088
Share in remeasurement gain on defined benefit plans	**50,598**	59,636
Balance of convertible notes	**58,460**	58,460
	₱4,565,339	₱4,183,952

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, 2024 and 2023 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2024	2023
	(In Thousands)	
Current assets	**₱5,389,875**	₱5,390,238
Noncurrent assets	**9,014,658**	8,153,445
Current liabilities	**1,227,708**	1,573,162
Noncurrent liabilities	**806,045**	790,213
Equity	**12,370,780**	11,180,308
Equity interest of the Parent Company	**30.90%**	30.90%
Share in net assets of the acquiree	**3,822,571**	3,454,715
Fair value adjustments and others	**742,768**	729,237
Carrying value of investment	**₱4,565,339**	₱4,183,952

Summarized statements of comprehensive income of VMC for the years ended August 31 are as follows:

	2024	2023	2022
		(In Thousands)	
Revenue	**₱11,377,071**	₱15,546,991	₱8,550,322
Costs and expenses	**(9,652,082)**	(13,823,398)	(7,460,683)
Income before income tax	**1,724,989**	1,723,593	1,089,639
Provision for income tax	**(176,518)**	(152,921)	(123,569)
Net income	**1,548,471**	1,570,672	966,070
Other comprehensive income (loss)	**(29,252)**	201,919	7,820
Total comprehensive income	**₱1,519,219**	₱1,772,591	₱973,890
Group's share of total comprehensive income for the year	**₱469,439**	₱547,731	₱300,932

The Group adjusts the total comprehensive income earned by VMC for the year ended August 31 to include the total comprehensive income from September 1 to November 30 of every year prior to recognizing share in the equity in net earnings of VMC. Movements in the equity of VMC from December 1 to December 31 are not material to the consolidated financial statements.

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). 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, 2024 and 2023 follows:

	2024	2023
	(In thousands)	
Current assets	**₱3,045,524**	₱2,181,489
Noncurrent assets	**135,662,332**	113,166,291
Current liabilities	**2,136,824**	1,404,749
Noncurrent liabilities	**132,365,045**	110,327,928
Equity	**4,205,987**	3,615,103
Equity interest of the Parent Company	**44%**	44%
Share in net assets of the acquiree	**1,850,634**	1,590,645
Fair value adjustments and others	**1,595,979**	1,608,479
Carrying value of investment	**₱3,446,613**	₱3,199,124

Summarized statements of total comprehensive income of APLII for the year ended December 31 are as follows:

	2024	2023	2022
	(In Thousands)		
Revenue	**₱7,900,955**	₱6,867,294	₱4,344,038
Costs and expenses	**(6,919,372)**	(6,257,991)	(4,486,380)
Net income (loss)	**981,583**	609,303	(142,342)
Other comprehensive loss	**(470,126)**	(357,591)	(262,006)
Total comprehensive income (loss)	**₱511,457**	₱251,712	(₱404,348)
Group's share of total comprehensive income (loss) for the year	**₱225,041**	₱110,753	(₱177,913)

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.

Information on the Company's investment to AEPDC follows:

Date of investment	Additional number of shares	**2024**	2023
		(In Thousands)	
April 15, 2016	20,000,000	**₱20,000**	₱20,000
July 5, 2017	25,200,000	**25,200**	25,200
July 5, 2017	226,800,000	**226,800**	226,800
November 20, 2017	370,000,000	**370,000**	370,000
January 1, 2018	1,534,000,000	**1,534,000**	1,534,000
July 16 and November 19, 2019	1,195,000,000	**1,195,000**	1,195,000
April 28 and July 27, 2020	1,083,500,000	**1,083,500**	1,083,500
February 22, 2021	150,000,000	**150,000**	150,000
May 11, 2021	377,000,000	**377,000**	377,000
December 13, 2021	306,000,000	**306,000**	306,000
April 29, 2022	1,250,000,000	**1,250,000**	1,250,000
November 25, 2022	849,000,000	**849,000**	849,000
May 9, 2023	820,000,000	**820,000**	820,000
December 6, 2023	1,100,000,000	**1,100,000**	1,100,000
		₱9,306,500	₱9,306,500

Details of the investment in a joint venture as of December 31 are as follows:

	2024	2023
	(In Thousands)	
Acquisition cost:		
Balance at beginning of year	**₱9,306,500**	₱7,386,500
Additional capital infusion during the year	–	1,920,000
Balance at end of year	**9,306,500**	9,306,500
Accumulated equity in net earnings:		
Balance at beginning of year	**463,541**	261,478
Share in net income of a joint venture	**327,496**	202,063
Balance at end of year	**791,037**	463,541
Ending balance	**₱10,097,537**	₱9,770,041

Summarized financial information of AEPDC as of December 31, 2024 and 2023 follows:

	2024	2023
	(In Thousands)	
Current assets, including cash and cash equivalents (2024: ₱152,745; 2023: ₱628,731)	**₱21,313,368**	₱20,370,090
Noncurrent assets	**12,363,750**	6,481,855
Current liabilities	**10,352,821**	6,939,521
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Noncurrent liabilities	**3,335,566**	377,485
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**–**	–
Revenue	**4,452,343**	3,583,758
Depreciation and amortization	**–**	–
Interest income	**4,612**	16,317
Interest expense	**76,550**	237
Income before income tax	**822,933**	540,389
Provision for income tax	**(167,941)**	(136,260)
Total comprehensive income	**654,992**	404,129

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:

	2024	2023
	(In Thousands)	
Current assets, including cash and cash equivalents (2024: ₱81,945; 2023: ₱15,912)	**₱628,165**	₱472,413
Noncurrent assets	**3,309**	3,568
Current liabilities	**87,211**	54,224
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Noncurrent liabilities	**11,194**	9,431
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**–**	–
Revenue	**882,186**	682,267
Depreciation and amortization	**657**	835
Interest income	**2,178**	457
Interest expense	**153**	158
Income before income tax	**161,471**	113,398
Provision for income tax	**(41,003)**	(28,738)
Other comprehensive income (loss)	**276**	(1,642)
Total comprehensive income	**120,744**	83,018

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:

	2024	2023	2022
		(In Thousands)	
Accumulated balances of material non-controlling interest	**₱3,781,968**	₱3,508,745	₱3,549,378
Net income (loss) allocated to material non-controlling interest	**125,069**	(13,437)	51,670
Total comprehensive income (loss) allocated to material non-controlling interest	**276,769**	(37,064)	343,580

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:

	2024	2023	2022
		(In Thousands)	
Revenue	**₱75,068,040**	₱66,579,888	₱50,961,336
Cost of services	**(19,565,356)**	(16,268,299)	(9,346,027)
General and administrative expenses	**(33,497,791)**	(34,330,259)	(35,382,372)
Foreign exchange gains - net	**1,169,286**	1,367,409	1,608,281
Other income - net	**3,103,518**	5,681,054	8,855,787
Income before income tax	**26,277,697**	23,029,793	16,697,005
Provision for income tax	**(5,099,732)**	(4,007,375)	(4,931,228)
Net income	**21,177,965**	19,022,418	11,765,777
Other comprehensive income (loss)	**4,305,868**	3,280,769	(2,887,965)
Total comprehensive income	**₱25,483,833**	₱22,303,187	₱8,877,812
Net income attributable to:			
Equity holders of the Parent Company	**₱21,052,896**	₱19,035,855	₱11,714,107
Non-controlling interests	**125,069**	(13,437)	51,670
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**25,207,064**	22,340,251	8,534,232
Non-controlling interests	**276,769**	(37,064)	343,580
Dividends declared to non-controlling interests	**3,546**	3,569	13,345

Statements of Financial Position:

	2024	2023
	(In Thousands)	
Current assets	**₱677,548,246**	₱660,924,980
Noncurrent assets	**575,733,009**	545,358,931
Current liabilities	**1,010,012,336**	998,997,571
Noncurrent liabilities	**32,673,820**	22,126,877
Equity attributable to:		
Equity holders of the Parent Company	**206,813,131**	181,650,718
Non-controlling interest	**3,781,968**	3,508,745

Statements of Cash Flows:

	2024	2023	2022
		(In Thousands)	
Operating	**₱43,955,629**	₱39,314,906	₱6,270,264
Investing	**(28,070,353)**	(6,986,603)	(10,452,461)
Financing	**(35,049,174)**	(12,937,150)	(40,608,849)
Net increase (decrease) in cash and cash equivalents	**(₱19,163,898)**	₱19,391,153	(₱44,791,046)

12. Property, Plant and Equipment

December 31, 2024

	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	**₱46,134,132**	**₱ 12,130,940**	**₱24,435,820**	**₱82,700,892**	**₱4,551,103**	**₱3,107,068**	**₱7,122,668**	**₱8,039,339**	**₱482,885**	**₱23,303,063**	**₱7,312,827**	**₱113,316,782**
Additions/transfers (Note 13)	–	**42,163**	**1,563,712**	**1,605,875**	**85,184**	**175,632**	**388,916**	**639,217**	**711,482**	**2,000,431**	**977,045**	**4,583,351**
Disposals/transfers/others (Note 28)	**(189,958)**	**56,155**	**(229,561)**	**(363,364)**	**4,231**	**(86,225)**	**(14,989)**	**(379,375)**	**(158,895)**	**(635,253)**	**(790,224)**	**(1,788,841)**
Balance at end of year	**45,944,174**	**12,229,258**	**25,769,971**	**83,943,403**	**4,640,518**	**3,196,475**	**7,496,595**	**8,299,181**	**1,035,472**	**24,668,241**	**7,499,648**	**116,111,292**
Accumulated Depreciation, Amortization and Impairment Losses												
Balance at beginning of year	**2,494,318**	**8,039,255**	**14,650,888**	**25,184,461**	**905,603**	**2,788,677**	**5,251,386**	**7,048,021**	–	**15,993,687**	**3,007,122**	**44,185,270**
Depreciation and amortization	**17,968**	**339,239**	**1,296,827**	**1,654,034**	**245,308**	**182,227**	**523,986**	**697,944**	–	**1,649,465**	**1,183,399**	**4,486,898**
Disposals/transfers/others (Note 28)	**(49,497)**	**19,116**	**(113,102)**	**(143,483)**	**7,505**	**(106,816)**	**(19,266)**	**(438,256)**	–	**(556,833)**	**(780,058)**	**(1,480,374)**
Balance at end of year	**2,462,789**	**8,397,610**	**15,834,613**	**26,695,012**	**1,158,416**	**2,864,088**	**5,756,106**	**7,307,709**	–	**17,086,319**	**3,410,463**	**47,191,794**
Net Book Value	**₱42,941,660**	**₱3,831,648**	**₱9,935,358**	**₱57,248,391**	**₱3,482,102**	**₱332,387**	**₱1,740,489**	**₱991,472**	**₱1,035,472**	**₱7,581,922**	**₱4,089,185**	**₱68,919,498**

December 31, 2023

	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	₱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
Additions/transfers (Note 13)	714	247,729	912,209	1,160,652	75,051	147,085	511,894	1,444,352	268,357	2,446,739	1,478,957	5,086,348
Disposals/transfers/others (Note 28)	(619,322)	(15,125)	(47,520)	(681,967)	(222,425)	(240,856)	(19,266)	(2,034,959)	(175,969)	(2,693,475)	(1,327,359)	(4,702,801)
Balance at end of year	46,134,132	12,130,940	24,435,820	82,700,892	4,551,103	3,107,068	7,122,668	8,039,339	482,885	23,303,063	7,312,827	113,316,782
Accumulated Depreciation, Amortization and Impairment Losses												
Balance at beginning 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
Depreciation and amortization	41,039	428,319	1,118,255	1,587,613	150,998	201,434	573,201	595,506	–	1,521,139	1,450,193	4,558,945
Disposals/transfers/others (Note 28)	(106,601)	(1,358)	(12,407)	(120,366)	(181,436)	(109,367)	(9,633)	(854,210)	–	(1,154,646)	(1,258,077)	(2,533,089)
Balance at end of year	2,494,318	8,039,255	14,650,888	25,184,461	905,603	2,788,677	5,251,386	7,048,021	–	15,993,687	3,007,122	44,185,270
Net Book Value	₱43,639,814	₱4,091,685	₱9,784,932	₱57,516,431	₱3,645,500	₱318,391	₱1,871,282	₱991,318	₱482,885	₱7,309,376	₱4,305,705	₱69,131,512

Right-of-Use Assets

December 31, 2024

	Bank Premises	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Total
Cost					
Balance at beginning of year	**₱5,821,070**	**₱1,282,256**	**₱160,659**	**₱48,842**	**₱7,312,827**
Additions/transfers	**894,851**	**82,194**	**–**	**–**	**977,045**
Transfers/others	**(790,224)**	**–**	**–**	**–**	**(790,224)**
Balance at end of year	**5,925,697**	**1,364,450**	**160,659**	**48,842**	**7,499,648**
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	**2,543,935**	**287,560**	**126,785**	**48,842**	**3,007,122**
Depreciation and amortization	**1,058,643**	**90,882**	**33,874**	**–**	**1,183,399**
Transfers/others	**(780,058)**	**–**	**–**	**–**	**(780,058)**
Balance at end of year	**2,822,520**	**378,442**	**160,659**	**–**	**3,410,463**
Net Book Value	**₱3,103,177**	**₱986,008**	**₱–**	**₱–**	**₱4,089,185**

December 31, 2023

	Bank Premises	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Total
Cost					
Balance at beginning of year	₱5,703,282	₱1,245,714	₱162,695	₱49,538	₱7,161,229
Additions/transfers	1,425,032	53,925	–	–	1,478,957
Transfers/others	(1,307,244)	(17,383)	(2,036)	(696)	(1,327,359)
Balance at end of year	5,821,070	1,282,256	160,659	48,842	7,312,827
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	2,475,358	211,048	82,796	45,804	2,815,006
Depreciation and amortization	1,311,843	85,685	49,627	3,038	1,450,193
Transfers/others	(1,243,266)	(9,173)	(5,638)	–	(1,258,077)
Balance at end of year	2,543,935	287,560	126,785	48,842	3,007,122
Net Book Value	₱3,277,135	₱994,696	₱33,874	₱–	₱4,305,705

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, 2024, 2023, and 2022 (see Note 34).

Movements in revaluation increment, net of deferred income tax effect, are as follows:

	2024	2023
	(In Thousands)	
Revaluation increment on the property, plant and equipment, net of deferred income tax effect:		
Balance at beginning of year	**₱18,573,980**	₱19,437,973
Net revaluation increase (decrease)	**92,015**	(51,384)
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	**(359,320)**	(812,609)
Balance at end of year	**₱18,306,675**	₱18,573,980
Attributable to:		
Equity holders of the Company	**₱10,704,565**	₱10,951,376
Non-controlling interests	**7,602,110**	7,622,604
	₱18,306,675	₱18,573,980

If land and land improvements, plant buildings and building improvements, and machineries and equipment were measured using the cost model, their carrying amounts would be as follows:

	2024	2023
	(In Thousands)	
Cost		
Land and land improvements	**₱9,138,403**	₱9,138,403
Plant buildings and improvements	**21,486,858**	21,444,695
Machineries and equipment	**35,627,451**	34,063,739
	66,252,712	64,646,837
Accumulated depreciation		
Land and land improvements	**(4,827,352)**	(4,480,250)
Plant buildings and improvements	**(20,407,660)**	(17,596,337)
Machineries and equipment	**(22,420,408)**	(18,539,650)
	(47,655,420)	(40,616,237)
	₱18,597,292	₱24,030,600

<u>Depreciation</u>
Depreciation of property, plant and equipment charged to operations is as follows:

	2024	2023	2022
		(In Thousands)	
Cost of goods sold and services, under "Cost of consumer goods sold" and "Cost of rental income" (Note 24)	**₱2,056,908**	₱2,007,399	₱1,804,042
Selling expenses (Note 25)	**659,763**	653,398	623,076
General and administrative expenses (Note 26)	**1,770,227**	1,898,148	2,043,469
	₱4,486,898	₱4,558,945	₱4,470,587

As of December 31, 2024 and 2023, the Group's "Construction in progress" under the "Property, plant and equipment" account pertains to TDI's construction of building.

Out of the total additions in 2024 and 2023, ₱1.1 million and ₱1.4 million, respectively, remained unpaid as of December 31, 2024 and 2023, which represent non-cash investing activities (see Note 35).

Certain property and equipment of the Group with carrying amount of ₱79.9 million and ₱90.0 million are temporarily idle as of December 31, 2024 and 2023, respectively.

Borrowing Costs
Borrowing costs capitalized as cost of property, plant and equipment in 2024 and 2023 amounted to nil.

13. Investment Properties

Movements of the Group's investment properties are as follows (in thousands):

	December 31, 2024				
	Land	**Buildings and Improvements**	**Residential Unit**	**Construction in Progress**	**Total**
Cost					
Balance at beginning of year	**₱24,803,982**	**₱12,645,152**	**₱5,881,213**	**₱1,583,723**	**₱44,914,070**
Additions	**1,113,714**	**1,119,855**	**–**	**–**	**2,233,569**
Disposals/transfers/others	**(324,710)**	**1,511,823**	**–**	**(1,566,177)**	**(379,064)**
Balance at end of year	**25,592,986**	**15,276,830**	**5,881,213**	**17,546**	**46,768,575**
Accumulated Depreciation and Impairment Losses					
Balance at beginning of year	**2,501,903**	**4,400,736**	**163,001**	**–**	**7,065,640**
Depreciation	**–**	**790,070**	**711**	**–**	**790,781**
Disposals/transfers/others	**–**	**(67,250)**	**–**	**–**	**(67,250)**
Balance at end of year	**2,501,903**	**5,123,556**	**163,712**	**–**	**7,789,171**
Net Book Value	**₱23,091,083**	**₱10,153,274**	**₱5,717,501**	**₱17,546**	**₱38,979,404**

	December 31, 2023				
	Land	Buildings and Improvements	Residential Unit	Construction in Progress	Total
Cost					
Balance at beginning of year	₱24,536,596	₱12,597,797	₱5,881,213	₱1,548,691	₱44,564,297
Additions	1,951,107	1,527,649	–	35,032	3,513,788
Disposals/transfers/others	(1,683,721)	(1,480,294)	–	–	(3,164,015)
Balance at end of year	24,803,982	12,645,152	5,881,213	1,583,723	44,914,070
Accumulated Depreciation and Impairment Losses					
Balance at beginning of year	2,501,903	4,854,389	163,001	–	7,519,293
Depreciation	–	718,234	–	–	718,234
Disposals/transfers/others	–	(1,171,887)	–	–	(1,171,887)
Balance at end of year	2,501,903	4,400,736	163,001	–	7,065,640
Net Book Value	₱22,302,079	₱8,244,416	₱5,718,212	₱1,583,723	₱37,848,430

The Group's investment properties consist of parcels of land held 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 that are still subject to redemption period by the borrowers amounted to ₱2.2 billion and ₱581.7 million as of December 31, 2024 and 2023, respectively. The Group is exerting continuing efforts to dispose these foreclosed 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 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, 2024 and 2023, 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, 2024, which were determined by professionally qualified, SEC-accredited and independent appraisers based on market values:

Property	Approach	Fair Value	Valuation Report Date
Land	Market approach	₱359.8 billion	December 31, 2024
Building and improvements	Market approach	26.5 billion	December 31, 2024
		₱386.3 billion	

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, 2024. 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 ₱2,429.5 million and ₱1,890.3 million in 2024, ₱2,330.8 million and ₱1,823.9 million in 2023, and ₱2,026.4 million and ₱927.2 million in 2022, 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:

	2024	2023	2022
		(In Thousands)	
Cost of rental income (Note 24)	**₱396,345**	**₱356,058**	₱355,472
General and administrative expenses (Note 26)	**394,436**	**362,176**	153,093
	₱790,781	**₱718,234**	₱508,565

14. **Other Noncurrent Assets**

Other noncurrent assets consist of:

	2024	2023
	(In Thousands)	
Deferred and other charges	**₱2,602,464**	₱2,283,577
Software costs	**1,314,599**	1,562,119
Prepaid excise taxes	**771,713**	771,713
Creditable withholding taxes	**413,864**	453,461
Net retirement plan assets (Note 23)	**271,802**	277,320
Refundable and security deposits	**231,508**	231,466
Distribution network access	**200,726**	229,401
Goodwill	**163,735**	163,735
Advances to suppliers	**130,720**	175,818
Deferred input VAT	**116,145**	116,742
Chattel properties - net	**75,431**	304,817
	6,292,707	6,570,169
Allowance for probable losses	**(1,821,796)**	(1,717,765)
	₱4,470,911	₱4,852,404

a. Movements in software costs are as follows:

	2024	2023
	(In Thousands)	
Balance at beginning of year	**₱1,562,119**	₱2,144,378
Additions	**946,940**	598,969
Amortization (Note 26)	**(1,160,592)**	(1,207,856)
Other adjustments	**(33,868)**	26,628
Balance at end of year	**₱1,314,599**	₱1,562,119

Additions to software costs pertain primarily to the upgrade of the core banking system of the banking segment.

b. 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.

c. The distribution network access, which was acquired on March 31, 2017, covers APB Myanmar's relations with Myanmar Distribution Group, its exclusive distributor.

d. The Group recognized goodwill which pertains mainly to ADI amounting to ₱144.70 million. As of December 31, 2024 and 2023, 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 11.79% and 11.59% in 2024 and 2023, respectively. The growth rate used to extrapolate the cash flows of until beyond the five-year period is 6.0% as of December 31, 2024 and 6.2% as of December 31, 2023. 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, 2024 and 2023, the recoverable amount of ADI is higher than its carrying value.

e. Deferred input VAT arises mainly from the acquisition of capital goods.

f. As of December 31, 2024 and 2023, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱511.5 million and ₱337.6 million, respectively. As of December 31, 2024 and 2023, the total recoverable value of certain chattel mortgage properties of PNB that were impaired is at ₱396.5 million and ₱264.3 million, respectively.

g. 'Others-net' include postages, refundable deposits, notes taken for interest and sundry debits.

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. Other 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 noncurrent assets follow:

	2024	2023
	(In Thousands)	
Balance at beginning of year	**₱1,717,765**	₱1,426,911
Provisions	**104,031**	290,854
Balance at end of year	**₱1,821,796**	₱1,717,765

15. **Deposit Liabilities**

	2024	2023
	(In Thousands)	
Demand	**₱244,369,119**	₱228,405,865
Savings	**549,011,085**	516,804,085
Time	**151,967,502**	158,555,604
	945,347,706	903,765,554
Presented as noncurrent liabilities	**(5,290,562)**	(10,833,859)
Presented as current liabilities	**₱940,057,144**	₱892,931,695

Of the total deposit liabilities of the Group, ₱26.8 billion and ₱27.1 billion are non-interest bearing as of December 31, 2024 and 2023, respectively. Annual interest rates of the remaining deposit liabilities follow:

	2024	2023
Foreign-currency denominated deposit liabilities	**0.03% to 5.50%**	0.10% to 6.10%
Peso-denominated deposit liabilities	**0.10% to 6.10%**	0.10% to 7.50%

Under existing BSP regulations, non-FCDU deposit liabilities of PNB is subject to reserves equivalent to 9.5%, while peso-denominated LTNCDs are subject to reserves equivalent to 4.0%. As of December 31, 2024 and 2023, available reserves booked under "Due from BSP" amounted to ₱44.6 billion and ₱78.4 billion, respectively (see Note 5).

Long-term Negotiable Certificates of Time Deposits (LTNCDs)
Time deposit of the Group includes the following LTNCDs:

					Carrying Value	
Issue Date	**Maturity Date**	**Face Value**	**Coupon Rate**	**Interest Repayment Terms**	**2024**	2023
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,598,770**	₱4,591,288
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	–	8,212,255
		₱12,820,000			**₱4,598,770**	₱12,803,543

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 the CD Holder's 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 ₱15.4 billion, ₱12.1 billion, ₱5.2 billion in 2024, 2023 and 2022, respectively (see Note 24).

In 2024, 2023 and 2022, interest expense on LTNCDs of the Group includes amortization of transaction costs amounting to ₱15.2 million, ₱23.5 million, ₱29.6 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱1.3 million and ₱16.5 million as of December 31, 2024 and 2023, respectively.

16. Financial Liabilities at FVTPL

Financial liabilities at fair value through profit or loss consist of derivatives liabilities amounting to ₱924.1 million and ₱555.8 million as of December 31, 2024 and 2023, respectively (see Notes 21 and 33).

17. Bills and Acceptances Payable

Bills and acceptances payable consist of:

	2024	2023
	(In Thousands)	
Bills payable to:		
Foreign banks	**₱11,828,038**	₱10,607,231
BSP and local banks	**2,324,404**	395
	14,152,442	10,607,626
Acceptances outstanding	**6,056,009**	9,554,977
	20,208,451	20,162,603
Presented as noncurrent liabilities	**–**	(1,115,447)
Presented as current liabilities	**₱20,208,451**	₱19,047,156

Annual interest rates are shown below:

	2024	2023	2022
Peso-denominated	**5.8% - 6.6%**	6.0% - 6.8%	1.9% - 5.5%
Foreign currency-denominated	**0.0% - 5.6%**	0.0% - 5.4%	0.3% - 4.3%

The following are the carrying values and fair values of government debt securities pledged and transferred under Bills payable transactions of the Bank:

	2024		2023	
	Carrying value	**Fair value**	Carrying value	Fair value
	(In Thousands)			
Financial assets at FVTOCI (Note 7)	**₱12,011,450**	**₱11,859,179**	₱6,500,000	₱6,464,743
Investment securities at amortized cost (Note 7)	**2,392,401**	**2,397,775**	5,472,805	5,478,115
	₱14,403,851	**₱14,256,954**	₱11,972,805	₱11,942,858

Interest expense on bills payable is included under "Cost of banking services" amounting to ₱0.5 billion in 2024, ₱0.3 billion in 2023, and ₱0.4 billion in 2022 (see Note 24).

18. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	2024	2023
	(In Thousands)	
Trade payables	**₱6,784,067**	₱5,673,661
Nontrade payables	**757,286**	516,320
Accrued expenses:		
Purchase of materials and supplies and others	**5,225,651**	5,783,682
Accrued interest	**2,146,594**	2,443,570
Taxes and licenses	**1,203,413**	1,528,535
Advertising and promotional expenses	**1,100,694**	1,708,628
PDIC insurance premiums	**1,093,895**	1,055,859
Rent and utilities payable	**414,465**	339,300
Other benefits - monetary value of leave credits	**298,387**	690,548
Information technology-related expenses	**145,090**	617,853
Project development costs	–	162,200
Output VAT	**935,297**	1,521,155
Due to government agencies	**306,278**	256,783
Retention payable	**227,251**	473,799
Other payables	**17,071**	118,082
	₱20,655,439	₱22,889,975

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, 2024 and 2023, outstanding unsecured short-term debts amounted to ₱3.7 billion and ₱4.3 billion, respectively. The loans, which are subject to annual interest rates ranging from 3.2% to 7.0% in 2024 and 6.5% to 7.0% in 2023, 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

	2024	2023
	(In Thousands)	
Bonds payable	**₱17,304,421**	₱41,490,871
Lease liabilities (Notes 35 and 37)	**5,433,871**	5,408,720
Unsecured term loans	**2,811,040**	2,611,423
	25,549,332	49,511,014
Current portion	**(1,926,643)**	(43,115,944)
	₱23,622,689	₱6,395,070

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, 2024 and 2023, the unamortized transaction cost of bonds payable amounted to ₱49.1 million and ₱26.3 million. Amortization of transaction costs amounting to ₱38.7 million and ₱66.5 million, respectively, was charged to 'Interest expenses - bonds payable' in the consolidated statements of income (see Note 27).

Unsecured term loans of Eton
In 2016, Eton entered into an unsecured term loan agreement with Asia United Bank (AUB) amounting to ₱1.5 billion. The term loan bears a nominal interest rate of 5% and matured on September 28, 2023.

In 2018, Eton entered into an unsecured term loan agreement with Bank of the Philippine Islands (BPI) amounting to ₱5.0 billion. 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 of loan drawdowns totaling to ₱1.7 billion and ₱1.8 billion, 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
Eton is required to comply with certain non-financial covenants and maintain certain financial ratios, such as current ratio, debt service coverage ratio and debt equity ratio. As at December 31, 2024, Eton did not meet the debt service coverage ratio (DSCR) requirement. Nonetheless, on December 31, 2024, Eton was able to obtain from the bank a waiver for compliance to maintain DSCR of not less than 1:1 until July 31, 2025. Consequently, the classification of the loan amortizations due beyond 12 months from December 31, 2024 remains as a non-current liability. The loan covenant does not include cross-default provision.

As of December 31, 2024 and 2023, other than the noncompliance of Eton, the Group has complied with the financial and non-financial covenants of its long-term debts.

20. Other Liabilities

	2024	2023
	(In Thousands)	
Bills purchased - contra (Note 8)	**₱3,196,612**	₱1,362,515
Due to other banks	**2,038,261**	744,625
Dormant credits	**1,630,120**	1,220,172
Due to Treasurer of the Philippines	**1,431,240**	1,444,009
Managers' checks and demand drafts outstanding	**1,383,750**	1,296,191
Provisions (Note 37)	**878,874**	1,068,215
Advance rentals	**816,358**	231,744
Customers' deposits	**695,560**	900,224
Interoffice floats	**537,628**	632,242
Miscellaneous tax securities	**507,653**	273,711
Withholding taxes payable	**473,641**	374,139
Tenants' rental deposits	**469,487**	467,334
Deferred revenue	**952,667**	1,105,449
Payable to landowners	**192,400**	1,061,191
Security deposit	**190,391**	466,970
Payment order payable	**180,883**	221,340
Deposit on lease contracts	**72,975**	76,028
Transmission liability	**72,705**	49,101
SSS, Medicare and EC payable	**65,301**	–
Goods receipt	**37,414**	–
Margin deposits and cash letters of credit	**27,719**	686,130
Deposit for key on safety deposit box	**15,639**	15,919
Deferred rent income	**9,050**	38,868

(Forward)

	2024	2023
	(In Thousands)	
Overages	**₱1,784**	₱1,803
Retention payable	**863**	–
Others	**2,271,076**	2,490,110
	18,150,051	16,228,030
Noncurrent portion	**(6,777,227)**	(6,237,658)
	₱11,372,824	₱9,990,372

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 ₱695.6 million and ₱900.2 million as of December 31, 2024 and 2023, respectively.

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. In 2020, various landowners requested for extension, and the payment of the various promissory notes was extended for another three years. In 2022, the promissory note was further extended for another year using the same interest rate. In 2024, payable to landowners amounting to ₱868.8 million was repaid.

Interest expense related to payables to landowners is ₱51.0 million in 2024, ₱62.5 million in 2023 and ₱24.1 million in 2022 [see Notes 12, 13 and 27].

Deposits, Deferred Credits and Others
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. Other liabilities also include liabilities of disposal group classified as held for sale amounting to ₱122.3 million as of December 31, 2023 (nil as of December 31, 2024) 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, 2024 and 2023 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	2024			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱296,412**	**₱251,056**	**USD1.00**	**3,957,296**
SGD	**2,230**	**–**	**0.74**	**70**
EUR	**–**	**140,877**	**1.04**	**32,133**
JPY	**–**	**7,510**	**0.01**	**1,613,534**
CNY	**–**	**48**	**0.14**	**6,300**
GBP	**–**	**31**	**1.25**	**815**
SELL:				
USD	**706,649**	**518,175**	**1.00**	**1,199,419**
EUR	**75,962**	**340**	**1.04**	**36,133**
SGD	**1,895**	**20**	**0.74**	**3,107**
CAD	**1,121**	**–**	**0.69**	**1,000**
GBP	**924**	**22**	**1.25**	**1,795**
JPY	**826**	**–**	**0.01**	**53,344**
NZD	**682**	**–**	**0.56**	**500**
HKD	**406**	**1,213**	**0.13**	**2,953,553**
PHP	**–**	**4,749**	**0.02**	**3,186,225**
AUD	**–**	**12**	**0.62**	**500**
	₱1,087,107	**₱924,053**		

**The notional amounts pertain to original currencies.*

	2023			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
JPY	₱90,263	₱190,651	USD0.01	17,322,000
USD		351,871	1.00	1,344,799
SGD	40,763	–	0.76	11
SELL:				
USD	456	7,147	1.00	1,661,278
HKD	615,179	1	0.13	345,477
GBP	2,493	395	1.27	1,970
SGD	44	2,840	0.76	863
EUR	–	2,006	1.11	3,300
CAD	–	405	0.76	800
PHP	–	300	0.02	830,850
NZD	–	195	0.63	400
	₱749,198	₱555,811		

**The notional amounts pertain to original currencies.*

The table below shows the rollforward analysis of net derivative assets (liabilities):

	2024	2023
	(In Thousands)	
Balance at beginning of year		
Derivative assets	**₱749,198**	₱1,361,951
Derivative liabilities	**555,811**	1,039,776
	193,387	322,175
Changes in fair value		
Currency forwards and spots*	**(74,512)**	(135,968)
Interest rate swaps and warrants**	**(1,115)**	609
	(75,627)	(135,359)
Net availments (settlements)	**45,294**	6,573
Balance at end of year		
Derivative assets	**1,087,107**	749,198
Derivative liabilities	**924,053**	555,811
	₱163,054	₱193,387

* *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	*Associates*
Tangent	APLII
	AB HPI
Subsidiaries	PMFTC
TDI and Subsidiaries	VMC
AAC	
ADI	*Joint Ventures*
TBI	ABI Pascual Holdings
ABI and Subsidiaries	ABI Pascual Foods
AB Nutribev	AEPDC
Agua Vida Systems, Inc.	
Asia Pacific Beverage Pte Ltd	**Entities Under Common Control**
Asia Pacific Beverages Myanmar Company Limited	Basic Holdings Corporation
Interbev	Bright Able Holdings Ltd.
Packageworld	Complete Best Development Ltd.
Waterich	Cosmic Holdings Corp.
FTC	Foremost Farms Inc.
Shareholdings	Grand Cargo and Warehousing Services., Inc.
Saturn	Grandspan Development Corp.
Paramount and Subsidiaries	Harmonic Holdings Corp.
Eton	Himmel Industries Inc.
BCI	Lapu Lapu Packaging
ECI	Maxell Holdings, Corp.
EPMC	Negros Biochem Corporation
FHI	Philippine Airlines, Inc.

Parent Company, Subsidiaries, Associates and Joint Ventures	
Bank Holding Companies:	
All Seasons Realty Corp.	Pol Holdings, Inc.
Allmark Holdings Corp.	Proton Realty & Development Corporation
Caravan Holdings, Corp.	Rapid Movers & Forwarders Co. Inc.
Dunmore Development Corp.	Upright Profits Ltd.
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.	

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	2024	2023	2022
			(In Thousands)	
Associates	Dividend income	**₱13,640,829**	₱16,748,650	₱19,250,184
	Purchases of inventories	**(303,740)**	(16,795)	(366,912)
	Service fee and commission income	**73,199**	431,287	73,199
	Leases	**35,100**	35,100	35,100
Entities Under Common Control	Banking revenue - interest on loans and receivables	**1,621,730**	1,997,271	723,194
	Rent income	**69,560**	97,556	55,117
	Interest income on loans and advances	–	9,834	51,026
	Sales of consumer products	**1,968**	2,085	2,147
	Other income	**56,094**	30,793	20,424
	Freight and handling	**(11,816)**	(11,435)	(20,635)
	Purchases of inventories	**(2,607)**	(161)	(6,696)
Entities Under Common Control	Management and professional fees	**(528,000)**	(503,100)	(326,399)
	Cost of banking services - interest expense on deposit liabilities	**(1,678,513)**	(1,644,192)	(570,304)
	Rent expense	**(70,255)**	(22,794)	(22,794)
	Cost of goods sold and services	**(28,702)**	(23,834)	(42,768)
Key Management	Short-term employee benefits	**(527,036)**	(526,038)	(517,114)
	Post-employment benefits	**(60,916)**	(53,041)	(47,424)

The consolidated statements of financial position include the following asset (liability) account balances with related parties:

	Financial Statement Account	Terms and Conditions	Amount/Volume 2024	Amount/Volume 2023	Outstanding Balance 2024	Outstanding Balance 2023
			(In Thousands)			
Parent Company	Due from related parties	On demand; non-interest bearing Maturity terms ranging from 90 days to 3 years; 2.5% interest per annum	**(₱418,000)**	(₱1,195,000)	**₱496,000**	₱914,000
	Trade receivables	- do -	**–**	(121,253)	**–**	–
	Nontrade receivables	- do -	**(2,595)**	(6,153)	**–**	2,595
	Account payable and other liabilities	30 to 60 days terms; non-interest bearing	**2,060**	364,852	**–**	(2,060)
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	**1,621,730**	1,997,271	**44,810,665**	55,298,956
	Trade receivables	- do -	**1,968**	2,085	**18,461**	7,497
	Other receivables	- do -	**56,094**	30,793	**67,439**	11,345
	Due from related parties	On demand; non-interest bearing	**(31,359)**	(22,753)	**1,393,364**	1,424,723
	Advances to suppliers	- do -	**31,871**	(30,394)	**44,746**	12,875
	Deposit liabilities	With annual rates ranging from 0.10% to 1.50% and maturity ranging from 30 days to 365 days	**(3,033,990)**	(5,980,997)	**(49,367,453)**	(46,333,463)
	Account payable and other liabilitites	30 to 90 days terms; non-interest bearing	**2,607**	273,186	**(207,686)**	(205,079)
	Due to related parties	On demand; non-interest bearing	**(14,001)**	–	**(64,001)**	(50,000)

As of December 31, 2024 and 2023, 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. In 2022, Tangent obtained additional loans amounting to ₱0.6 billion, which ₱4.7 billion was paid in various dates in the same year.

- In 2024 and 2023, the Group declared cash dividends to stockholders of which ₱10.1 billion and ₱9.7 billion, respectively, were paid to Tangent.

Transactions with Associates

- Dividend income from PMFTC amounted to ₱13.5 billion in 2024 and ₱16.7 billion in 2023 (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.

- In 2024 and 2023, 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.

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" (see Note 24).

- 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, 2024 and 2023, 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:

	2024	2023
	(In Thousands)	
Net retirement plan assets:		
FTC	**₱256,370**	₱270,437
LTG	**7,794**	3,991
TBI	**7,638**	2,892
	₱271,802	₱277,320
Net retirement benefits liabilities:		
ABI and subsidiaries	**₱573,614**	₱571,553
ADI	**52,565**	57,124
Eton and subsidiaries	**37,716**	72,029
TDI	**31,002**	44,708
PNB and subsidiaries	**9,456**	264,302
PHC	**5,647**	−
	₱710,000	₱1,009,716

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:

	2024			2023			2022		
	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	₱79,516	(₱356,836)	(₱277,320)	₱106,151	(₱372,001)	(₱265,850)	₱111,086	(₱379,996)	(₱268,910)
Change in status of retirement plan	–	(143)	(143)	–	–	–	–	–	–
Net retirement benefits expense (income) in profit or loss:									
Current service cost	12,491	–	12,491	13,011	–	13,011	14,678	–	14,678
Net interest cost (benefit)	8,646	(25,467)	(16,821)	7,197	(23,734)	(16,537)	5,395	(16,030)	(10,635)
	21,137	(25,467)	(4,330)	20,208	(23,734)	(3,526)	20,073	(16,030)	4,043
Contributions	–	(18,899)	(18,899)	–	(9,149)	(9,149)	–	(14,098)	(14,098)
Benefits paid	(1,915)	1,915	–	(8,851)	8,851	–	(4,877)	4,877	–
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:									
Financial assumptions	(1,112)	–	(1,112)	(112)	20,174	20,062	(13,069)	20,173	7,104
Experience adjustments	22,702	–	22,702	(37,880)	12,269	(25,611)	(7,062)	12,268	5,206
Return of plan asset	–	7,300	7,300	–	6,754	6,754	–	805	805
	21,590	7,300	28,890	(37,992)	39,197	1,205	(20,131)	33,246	13,115
Ending balance	₱120,328	(₱392,130)	(₱271,802)	₱79,516	(₱356,836)	(₱277,320)	₱106,151	(₱372,001)	(₱265,850)

Net retirement benefits liabilities:

	2024			2023			2022		
	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	**₱10,853,682**	**(₱9,843,966)**	**₱1,009,716**	₱8,961,190	(₱8,164,690)	₱796,500	₱10,107,396	(₱8,289,739)	₱1,817,657
Change in status of retirement plan	**–**	**1,370**	**1,370**	–	–	–	–	–	–
Net retirement benefits cost in profit or loss:									
Current service cost	**773,131**	**–**	**773,131**	1,734,534	–	1,734,534	1,012,069	–	1,012,069
Net interest cost (benefit)	**623,327**	**(573,618)**	**49,709**	800,670	(610,270)	190,400	527,651	(448,643)	79,008
Past service cost	**1,793**	**–**	**1,793**	–	–	–	312,332	–	312,332
	1,398,251	**(573,618)**	**824,633**	2,535,204	(610,270)	1,924,934	1,852,052	(448,643)	1,403,409
Contributions	**–**	**(897,566)**	**(897,566)**	–	(1,289,113)	(1,289,113)	–	(976,430)	(976,430)
Benefits paid from plan assets	**823,809**	**(823,841)**	**(32)**	(901,628)	901,628	–	–	–	–
Benefits paid directly from book reserves	**(7,588)**	**21,594**	**14,006**	(44,042)	44,042	–	(1,068,558)	1,068,558	–
Settlement benefits paid directly by the Group	**–**	**–**	**–**	508	–	508	(44,042)	44,042	–
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:									
Financial assumptions	**47,118**	**–**	**47,118**	(493,328)	–	(493,328)	(471,353)	373,145	(98,208)
Demographic assumptions	**–**	**–**	**–**	616,579	(5,317)	611,262	(1,195,424)	(5,317)	(1,200,741)
Experience adjustments	**(214,596)**	**(74,649)**	**(289,245)**	179,199	(720,246)	(541,047)	(218,881)	69,694	(149,187)
	(167,478)	**(74,649)**	**(242,127)**	302,450	(725,563)	(423,113)	(1,885,658)	437,522	(1,448,136)
Ending balance	**₱12,900,676**	**(₱12,190,676)**	**₱710,000**	₱10,853,682	(₱9,843,966)	₱1,009,716	₱8,961,190	(₱8,164,690)	₱796,500

The fair value of plan assets as of December 31 is as follows:

	2024	2023
	(In Thousands)	
Cash and cash equivalents	**₱3,108,020**	₱3,109,010
Receivables	**822,800**	590,138
Equity investments:		
Financial institutions	**1,084,032**	1,034,001
Other	**2,896,960**	2,001,825
Debt investments:		
Investment in private debt securities	**3,051,707**	555,915
Investments in government securities	**686,393**	2,296,273
Others	**929,440**	613,640
Fair value of plan assets	**₱12,579,352**	₱10,200,802

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2024	2023
Cash and cash equivalents	**25%**	30%
Receivables	**7%**	6%
Equity investments	**32%**	30%
Debt investments	**30%**	28%
Others	**7%**	6%
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:

	2024	2023	2022
Discount rate	**6.05% - 7.11%**	6.92% - 7.15%	4.70% - 5.10%
Future salary increases	**5.00% - 10.00%**	4.00% - 10.00%	4.00% - 8.00%

As of December 31, 2024, the discount and future salary increase rates are 6.06% - 7.11% and 5.00% - 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):

	2024		2023	
	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	+0.50%	**(₱694,324)**	+1.00%	(₱613,074)
	-0.50%	**745,174**	-1.00%	658,840
Future salary increases	+1.00%	**864,970**	+1.00%	729,825
	-1.00%	**(798,892)**	-1.00%	(678,685)

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):

	2024	2023
One year and less	**₱2,115,372**	₱2,026,566
More than one year up to five years	**5,821,605**	5,760,457
More than five years up to 10 years	**5,052,214**	4,735,491
More than 10 years up to 15 years	**5,825,169**	4,981,907
More than 15 years	**89,402,376**	50,802,058

The Group expects to contribute ₱585.49 million to the defined benefit pension plan in 2025. The average duration of the defined benefit obligations at the end of the reporting period is 7 and 14 years as of December 31, 2024 and 2023, respectively.

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, 2024 and 2023 for the Group includes investments in the PNB shares of stock with fair value amounting to ₱227.7 million and ₱152.1 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, 2024 and 2023, 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:

	2024	2023	2022
		(In Thousands)	
Banking revenue (Note 5)	**₱75,068,040**	₱66,550,969	₱50,843,607
Sale of consumer goods	**50,966,999**	46,298,827	47,776,757
Rental income (Note 13)	**2,429,482**	2,330,775	2,026,439
Real estate sales	**501,001**	118,365	225,119
	₱128,965,522	₱115,298,936	₱100,871,922

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenues from contracts with customers and revenues not covered under PFRS 15 for the years ended December 31 (in thousands):

2024:

	Goods/Services transferred at a point in time	**Services transferred over time**	**Revenues outside the scope of PFRS 15**	**Total**
Sale of consumer goods	**₱50,966,999**	**₱–**	**₱–**	**₱50,966,999**
Service fees and commission income	**6,961,870**	**–**	**–**	**6,961,870**
Real estate sales	**–**	**501,001**	**–**	**501,001**
Interest income	**–**	**–**	**67,458,590**	**67,458,590**
Rental income	**–**	**–**	**2,429,482**	**2,429,482**
Trading and securities gains - net	**–**	**–**	**647,580**	**647,580**
	₱57,928,869	**₱501,001**	**₱70,535,652**	**₱128,965,522**

2023:

	Goods/Services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of consumer goods	₱46,298,827	₱–	₱–	₱46,298,827
Service fees and commission income	6,591,256	–	–	6,591,256
Real estate sales	–	118,365	–	118,365
Interest income	–	–	59,565,610	59,565,610
Rental income	–	–	2,330,775	2,330,775
Trading and securities gains - net	–	–	394,103	394,103
	₱52,890,083	₱118,365	₱62,290,488	₱115,298,936

2022:

	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:

	2024	2023	2022
		(In Thousands)	
Interest income on:			
Loans and receivables (Note 8)	**₱43,803,454**	₱40,729,008	₱34,306,910
Trading and investment securities (Note 21)	**17,373,719**	12,860,064	8,447,607
Interbank loans receivable	**4,644,161**	3,368,565	954,603
Deposits with banks and others	**1,637,256**	2,607,973	1,417,661
	67,458,590	59,565,610	45,126,781
Service fees and commission income	**6,961,870**	6,591,256	6,997,609
Trading and securities gains (losses) - net	**647,580**	394,103	(1,280,783)
	₱75,068,040	₱66,550,969	₱50,843,607

Sale of consumer goods consists of:

	2024	2023	2022
		(In Thousands)	
Gross sales	**₱54,248,602**	₱48,692,069	₱50,761,426
Less sales returns, discounts and allowances	**(3,281,603)**	(2,393,242)	(2,984,669)
	₱50,966,999	₱46,298,827	₱47,776,757

Cost of goods sold and services consists of:

	2024	2023	2022
		(In Thousands)	
Cost of consumer goods sold:			
Materials used and changes in inventories (Note 9)	**₱18,311,746**	₱17,293,723	₱17,938,542
Taxes and licenses	**14,784,597**	13,414,629	14,234,198
Depreciation and amortization (Notes 12, 13 and 14)	**1,890,312**	1,823,560	1,731,982
Personnel costs	**1,571,582**	1,267,163	1,248,866
Freight and handling	**1,360,006**	777,075	1,374,885
Fuel and power	**1,267,396**	936,516	1,319,435
Communication, light and water	**1,007,816**	900,049	783,266
Repairs and maintenance	**708,871**	601,148	579,288
Outside services (Note 22)	**333,772**	353,314	584,126
Others	**718,184**	1,083,839	570,750
	41,954,282	38,451,016	40,365,338
Cost of banking services	**18,560,675**	15,386,569	9,140,692
Cost of rental income (Note 13)	**1,780,430**	1,644,152	1,370,465
Cost of real estate sales (Note 9)	**434,375**	55,927	226,435
Cost of goods sold and services	**₱62,729,762**	₱55,537,664	₱51,102,930

Other expenses include insurance, provision for inventory loss and occupancy which are individually not significant as to amounts.

Cost of banking services consist of:

	2024	2023	2022
		(In Thousands)	
Interest expense on:			
Deposit liabilities (Note 15)	**₱15,424,853**	₱12,123,916	₱5,166,332
Bonds payable	**1,237,647**	1,660,193	2,111,192
Bills payable and other borrowings (Notes 7 and 17)	**450,938**	335,847	433,973
	17,113,438	14,119,956	7,711,497
Services fees and commission expense	**1,447,237**	1,266,613	1,429,195
	₱18,560,675	₱15,386,569	₱9,140,692

25. **Selling Expenses**

	2024	2023	2022
		(In Thousands)	
Advertising and promotions	**₱1,095,612**	₱1,111,536	₱1,027,998
Depreciation and amortization (Note 12)	**659,763**	653,398	623,076
Management, consulting and professional fees	**190,538**	236,629	105,608
Personnel costs	**160,961**	139,135	145,712

(Forward)

	2024	2023	2022
		(In Thousands)	
Royalties	**₱155,731**	₱150,299	₱113,996
Travel and transportation	**74,703**	31,410	56,313
Commissions	**56,971**	5,346	384
Occupancy	**38,995**	35,915	76,117
Materials and consumables	**21,525**	33,585	27,776
Communication, light and water	**18,440**	15,117	22,018
Outside services	**16,175**	12,354	8,374
Membership fees and subscription	**15,956**	13,181	–
Entertainment, amusement and recreation	**5,922**	4,360	3,073
Taxes and licenses	**4,148**	5,627	3,437
Fuel and oil	**3,244**	2,962	2,947
Repairs and maintenance	**3,117**	2,608	1,403
Insurance	**2,869**	5,048	8,403
Others	**117,209**	57,775	57,273
	₱2,641,879	₱2,516,285	₱2,283,909

26. **General and Administrative Expenses**

	2024	2023	2022
		(In Thousands)	
Personnel costs	**₱11,793,721**	₱11,377,863	₱10,681,708
Taxes and licenses	**5,817,511**	5,332,642	5,623,939
Provision for credit losses (Note 8)	**3,868,111**	5,923,054	7,129,045
Depreciation and amortization (Notes 12, 13 and 14)	**3,325,255**	3,478,675	3,613,554
Outside services	**2,352,585**	2,153,673	2,002,298
Insurance	**1,983,438**	2,025,999	1,798,088
Marketing and promotional	**1,487,066**	843,794	1,070,147
Occupancy	**1,162,920**	965,598	1,161,775
Management, consulting and professional fees (Note 22)	**1,107,863**	1,025,723	1,045,619
Information technology	**887,861**	1,001,111	1,193,975
Travel and transportation	**574,805**	423,594	442,357
Litigation and assets acquired expenses	**492,334**	662,610	373,740
Materials and consumables	**328,924**	259,688	305,913
Communication, light and water	**231,951**	240,547	266,161
Entertainment and representation	**168,122**	30,031	154,987
Repairs and maintenance	**153,483**	154,286	180,023
Fuel and oil	**26,822**	25,858	28,802
Others	**1,048,500**	961,757	723,652
	₱36,811,271	₱36,886,503	₱37,795,783

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:

	2024	2023	2022
		(In Thousands)	
Finance costs:			
Short-term debts (Note 19)	**₱176,294**	₱364,211	₱260,132
Unsecured term loan and notes payable (Note 20)	**431,466**	327,245	224,482
	₱607,760	₱691,456	₱484,614
Finance income:			
Cash and other cash items (Note 5)	**₱251,569**	₱84,958	₱219,285

28. **Other Income (Charges)**

	2024	2023	2022
		(In Thousands)	
Net gains on sale or exchange of assets	**₱2,188,192**	₱4,540,535	₱7,795,284
Dividend income in excess of the carrying amount of investment (Note 11)	**4,346,877**	–	–
Rooms and other operated departments	**456,335**	192,849	219,489
Rental income and dues (Note 13)	**412,790**	1,011,999	540,786
Management fees	**242,381**	75,202	174,081
Recoveries from charged off assets	**170,001**	215,834	303,435
Income from assets acquired	**148,891**	74,074	95,736
Dividend income	**65,933**	81,165	72,283
Others	**379,376**	75,581	335,079
	₱8,410,776	₱6,267,239	₱9,536,173

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 2024, 2023 and 2022 amounting to ₱269.8 million, ₱3,048.6 million, ₱5,703.9 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:

	2024		2023	
	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	**₱9,893,939**	**₱265,474**	₱9,558,221	₱93,004
Inventories	**41,841**	**12,873**	15,617	5,603
Property, plant and equipment	**7,722**	**6,435**	7,386	–
Accumulated depreciation on investment properties	**546,490**	**–**	585,363	–
Allowance for probable losses on excise taxes	**–**	**40,154**	–	51,071
Accrued expenses	**444,217**	**71,059**	419,064	19,958
Reserves and others	**207,267**	**173,886**	195,889	153,521
Net retirement benefits liabilities	**152,248**	**979,874**	152,571	135,865
Difference between right-of-use assets and lease liabilities	**145,929**	**636,987**	119,359	95,323
Deferred rent income	**114,373**	**50,621**	182,557	14,218
Unamortized past service cost	**11,350**	**19,815**	10,857	3,887
Unrealized losses on:				
Sale of property to a subsidiary	**79,411**	**2,117**	41,021	2,692
Inventories on hand	**–**	**1,795**	–	2,283
Advance rentals	**–**	**103,848**	–	29,167
Unrealized forex losses	**–**	**18,301**	–	569
	11,644,787	**2,383,239**	11,287,905	607,161
Deferred income tax liabilities on:				
Fair value gain on investment properties	**(1,917,719)**	**–**	(1,590,323)	–
Unrealized foreign exchange gains	**(555,002)**	**(3,829)**	(391,385)	(82)
Gain on re-measurement of a previously held interest	**(246,651)**	**–**	(277,365)	–

(Forward)

	2024		2023	
	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)			
Excess of fair values over carrying values of property, plant and equipment acquired through business combination	**(₱119,659)**	**(₱16,684)**	(₱181,761)	(₱21,220)
Borrowing cost capitalized to property, plant, and equipment	**(118,193)**	**(697,699)**	(109,381)	(197,083)
Net retirement plan assets	**(78,674)**	**(107,631)**	(1,377)	(102,284)
Net changes in fair values of FVTPL financial assets	**(70,700)**	**(5,973,172)**	(16,948)	(5,985,173)
Deferred rental income	**(54,129)**	**(244,494)**	(12,976)	(68,670)
Difference between tax and book basis of accounting for real estate transactions	**–**	**(250,658)**	–	(70,401)
Unamortized debt cost	**(3,606)**	**(4,262)**	(3,450)	(1,197)
Gain on asset share swap	**–**	**(443,110)**	–	(443,110)
Others	**(31,906)**	**(613,515)**	(24,779)	(25,597)
	(3,196,239)	**(8,355,054)**	(2,609,745)	(6,914,817)
	8,448,548	**(5,971,815)**	8,678,160	(6,307,656)
Recognized directly in equity:				
Deferred income tax assets on:				
Remeasurement losses on retirement benefits	**5,546**	**–**	2,735	46,427
Deferred income tax liabilities on:				
Revaluation increment on property, plant and equipment	**(961,156)**	**(1,679,192)**	(1,775,705)	(1,920,906)
Remeasurement gains on defined benefit plans	**(44,294)**	**(608,881)**	(42,368)	(19,462)
Unrealized gains on changes in fair value of financial assets at FVTOCI	**(502)**	**(215,381)**	(2,116)	(73,660)
	(1,005,952)	**(2,503,454)**	(1,820,189)	(2,014,028)
	(1,000,406)	**(2,503,454)**	(1,817,454)	(1,967,601)
	₱7,448,142	**(₱8,475,269)**	₱6,860,706	(₱8,275,257)

[(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:

	2024	2023
	(In Thousands)	
Net deferred income tax assets:		
PNB and subsidiaries	**₱7,246,077**	₱6,767,127
Eton and subsidiaries	**79,411**	41,021
Bank holding companies	**72,838**	15,125
ABI and subsidiaries	**32,622**	31,204
TDI and subsidiaries	**17,194**	3,893
PHC	**–**	2,336
	₱7,448,142	₱6,860,706
Net deferred income tax liabilities:		
PNB and subsidiaries	**₱7,263,772**	₱7,278,366
Paramount	**443,110**	443,110
Eton and subsidiaries	**245,714**	69,013
TDI and subsidiaries	**154,263**	196,203
PHC	**114,218**	–

(Forward)

	2024	2023
	(In Thousands)	
ABI and subsidiaries	**₱85,752**	₱113,953
FTC	**84,910**	105,649
Bank holding companies	**64,584**	55,545
LTG	**18,946**	13,418
	₱8,475,269	₱8,275,257

b. Provision for current income tax consists of:

	2024	2023	2022
		(In Thousands)	
Final tax	**₱4,228,277**	₱3,073,051	₱1,856,890
RCIT	**3,066,724**	2,561,791	4,570,745
MCIT	**41,124**	30,595	17,875
Provision for current income tax	**₱7,336,125**	₱5,665,437	₱6,445,510

c. As of December 31, 2024 and 2023, 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:

	2024	2023
	(In Thousands)	
Allowance for credit losses	**₱4,989,949**	₱8,262,820
NOLCO	**3,218,028**	2,701,181
Unamortized past service cost	**2,101,775**	1,578,746
Net retirement benefits liability	**25,178**	545,305
Unrealized foreign exchange loss	**11,940**	115,483
Excess MCIT	**96,347**	27,486
Allowance for inventory obsolescence	**10,294**	–
Derivative liabilities	–	555,811
Unrealized loss on AFS investment	–	147,661
Others	**588,694**	952,417

Details of the Group's NOLCO follow (in thousands):

Year Incurred	December 31, 2023	Additions	Expired	December 31, 2024	Expiry Year
2021	₱1,046,192	₱–	₱–	₱1,046,192	2026
2022	334,371	–	–	334,371	2025
2023	984,313	–	–	984,313	2026
2024	–	853,152	–	853,152	2027
	₱2,364,876	₱853,152	₱–	₱3,218,028	

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, 2024, the Group has incurred NOLCO in taxable years 2020 and 2021 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, 2023	Addition	Expired	December 31, 2024	Expiry Year
2021	₱525	₱–	₱525	₱–	2024
2022	120	–	–	120	2025
2023	26,841	–	–	26,841	2026
2024	–	69,386	–	69,386	2027
	₱27,486	₱69,386	₱525	₱96,347	

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:

	2024	2023	2022
		(In Thousands)	
Provision for income tax at statutory income tax rate	**₱11,289,375**	₱9,808,424	₱9,150,899
Adjustments resulting from:			
Nontaxable income	**(4,689,955)**	(4,797,970)	(5,039,157)
Equity in net earnings of associates and joint ventures	**(2,216,651)**	(2,981,183)	(4,023,644)
Non-deductible expenses	**309,240**	2,938,953	2,712,313
Income subjected to final tax	**(91,256)**	(176,430)	(882,010)
NOLCO and other deductible temporary differences for which no deferred income tax assets were recognized in current year	**(35,789)**	2,179,126	2,567,494
Others - net	**2,084,803**	(1,753,103)	1,452,695
Provision for income tax	**₱6,649,767**	₱5,217,817	₱5,938,590

'Others - net' include bank's net unrecognized deferred tax assets, bank's tax-paid income, bank's FCDU income before taxes, bank's optional standard deduction and other charges.

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 380 and 377 stockholders as of December 31, 2024 and 2023, 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	In Absolute Amount
2024:				
November 29, 2024	December 2, 2024	December 9, 2024	₱0.35	**₱3,787,486,111**
September 3, 2024	September 4, 2024	September 13, 2024	0.30	**3,246,416,667**
May 31, 2024	June 3, 2024	June 14, 2024	0.30	**3,246,416,667**
March 8, 2024	March 11, 2024	March 22, 2024	0.30	**3,246,416,667**
				₱13,526,736,112

Date of declaration	Date of record	Date of payment	Dividend per share	In Absolute Amount
2023:				
November 17, 2023	December 5, 2023	December 15, 2023	₱0.30	₱3,246,416,667
August 15, 2023	September 4, 2023	September 13, 2023	0.30	3,246,416,667
May 15, 2023	May 30, 2023	June 13, 2023	0.30	3,246,416,667
February 17, 2023	March 6, 2023	March 17, 2023	0.30	3,246,416,667
				₱12,985,666,668
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

b. Retained earnings include undistributed earnings amounting to ₱175.4 billion, ₱172.3 billion, ₱154.1 billion as of December 31, 2024, 2023 and 2022, 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, 2024 amounted to ₱47.8 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, 2024 and 2023.

Other Equity Reserves

Other equity reserves as at December 31 consist of:

	2024	2023
	(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	**1,462,428**	58,055
Effect of transaction with non-controlling interest	**66,658**	66,658
Effect of sale of a subsidiary to the Company	**99,655**	99,655
Effect of sale of direct interest in a subsidiary	**186,572**	186,572
	(₱4,188,092)	(₱5,592,465)

Shares of Stock of the Company Held by Subsidiaries

Shares held by subsidiaries include ₱5.0 million shares owned by All Seasons amounting to ₱12.5 million as of December 31, 2024 and 2023. 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:

	2024	2023	2022
		(In Thousands)	
Balance as of January 1	**₱87,722,128**	₱77,816,817	₱73,465,271
Net income attributable to non-controlling interests	**9,586,743**	8,594,426	5,527,606
Share in other comprehensive income, net of deferred income tax effect:			
Remeasurement gains (losses) on defined benefit plans (Notes 2 and 23)	**(897,909)**	(793,240)	(364,996)
Net changes in financial assets at FVTOCI (Note 7)	**812,074**	1,844,494	(2,287,612)
Net change in aggregate reserves on life insurance policies	**407,935**	(48,688)	331,912
Cumulative translation adjustments	**155,914**	(137,023)	353,050
Revaluation increment on property plant and equipment	**(20,493)**	(42,559)	(21,229)
Acquisition of shares of subsidiaries from the Controlling Shareholders	**1,253,414**	(40,633)	330,235
Other equity reserves	**106,816**	528,534	482,580
Balance as of December 31	**₱99,126,622**	₱87,722,128	₱77,816,817

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:

	2024	2023	2022
		(In Thousands)	
Net income attributable to equity holders of the Company	**₱28,920,989**	₱25,421,454	₱25,137,400
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	**₱2.67**	₱2.35	₱2.32

Net income from continuing operations is attributable to:

	2024	2023	2022
		(In Thousands)	
Equity holders of the Company	**₱28,920,989**	₱25,421,454	₱25,137,400
Non-controlling interests	**9,586,743**	8,594,426	5,527,606
	₱38,507,732	₱34,015,880	₱30,665,006

Earnings per share attributable to equity holders of the Company from continuing operations:

	2024	2023	2022
		(In Thousands)	
Net income from continuing operations attributable to equity holders of the Company	**₱28,920,989**	₱25,421,454	₱25,137,400
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	**₱2.67**	₱2.35	₱2.32

There are no potential common shares with dilutive effect on the basic earnings per share in 2024, 2023 and 2022.

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 an increase in risk-weighted assets or a reduction in earnings and/or qualifying capital which translate into a reduction in Capital Adequacy Ratio (CAR) by 20 basis points (bps).

On the other hand, risks that will potentially have an impact to the CAR by less than 20 bps will also be considered "material" by the Group if these fall under the following:

- Pillar 1 risks, i.e., Credit, Market, and Operational Risks;
- Other risks under BSP Cir. No. 510, i.e., Interest Rate Risk in the Banking Book (IRRBB),
- Liquidity Risk, Reputational Risk and Strategic Business Risk;
- Information Technology Risk (BSP Cir. No. 808);
- Information Security / Cyber Security Risk (BSP Cir. No. 982) and
- Further risks identified as "material" by the Board and Management Committee such as Data
- Privacy Risk and Human Resource Risk.

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 Risk
8. Strategic Business Risk
9. Information Security / Cyber Security / Data Privacy Risk
10. Information Technology
11. Human Resource 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.

<u>Credit Risk</u>
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, as applicable.

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;
- 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 CAR report;
- Monitoring of breaches in regulatory and internal limits;
- Credit risk management monitoring and reporting;
- 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:

	2024			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
		(in millions)		
Securities held under agreements to resell	**₱103,480**	**₱104,910**	**₱–**	**₱103,480**
Loans and receivables:				
Receivables from customers*:				
Corporates	**567,249**	**168,918**	**472,933**	**94,362**
Local government units (LGU)	**1,656**	–	**1,656**	–
Credit Cards	**16,525**	–	**16,525**	–
Retail small and medium enterprises (SME)	**4,442**	**2,413**	**2,764**	**1,678**
Housing Loans	**23,052**	**27,775**	**8,084**	**14,968**
Auto Loans	**5,580**	**8,986**	**1,286**	**4,294**
Others	**7,402**	**4,816**	**4,209**	**3,193**
Other receivables	**10,914**	–	**10,914**	–
	₱740,300	**₱317,818**	**₱518,371**	**₱221,975**

**Receivables from customers exclude residual value of the leased asset (Note 8).*

	2023			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
		(in millions)		
Securities held under agreements to resell	₱69,695	₱57,785	₱11,909	₱57,785
Loans and receivables:				
Receivables from customers*:				
Corporates	543,916	273,902	449,262	94,654
Local government units (LGU)	2,196	–	2,196	–
Credit Cards	13,918	–	13,918	–
Retail small and medium enterprises (SME)	4,379	2,398	2,796	1,583
Housing Loans	23,773	22,519	12,306	11,467
Auto Loans	5,397	11,004	1,266	4,132
Others	10,660	5,751	6,684	3,977
Other receivables	12,466	–	12,466	–
	₱686,400	₱373,359	₱512,803	₱173,598

**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 consolidated 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:

	2024			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
	(In Millions)			
Philippines	**₱590,193**	**₱327,198**	**₱126,004**	**₱1,043,395**
Asia (excluding the Philippines)	**27,502**	**5,544**	**43,064**	**76,110**
USA and Canada	**17,025**	**1,343**	**6,943**	**25,311**
Other European Union Countries	**1,780**	**4,731**	**3,185**	**9,696**
Middle East	**53**	**3,106**	**8**	**3,167**
United Kingdom	**98**	**164**	**22,766**	**23,028**
Oceania	**169**	**–**	**57**	**226**
	₱636,820	**₱342,086**	**₱202,027**	**₱1,180,933**

**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'*

	2023			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
	(In Millions)			
Philippines	₱591,914	₱265,176	₱126,074	₱983,164
Asia (excluding the Philippines)	15,018	17,836	88,779	121,633
USA and Canada	6,846	2,870	6,479	16,195
Other European Union Countries	1,938	7,155	11	9,104
Middle East	58	3,877	3	3,938
United Kingdom	448	1,335	1,037	2,820
Oceania	483	–	2	485
	₱616,705	₱298,249	₱222,385	₱1,137,339

**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.

	2024			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
	(In Millions)			
Primary target industry:				
Financial intermediaries	**₱95,403**	**₱1,698**	**₱143,572**	**₱240,672**
Wholesale and retail	**110,725**	**16,310**	**–**	**127,035**
Electricity, gas and water	**100,473**	**8,251**	**–**	**108,725**
Manufacturing	**62,255**	**70**	**–**	**62,325**
Transport, storage and communication	**34,461**	**–**	**–**	**34,461**
Agriculture, hunting and forestry	**5,424**	**–**	**–**	**5,424**
Public administration and defense	**1,554**	**–**	**–**	**1,554**
Secondary target industry:				
Government	**1,656**	**281,477**	**58,013**	**341,146**
Real estate, renting and business activities	**105,532**	**236**	**13**	**105,781**
Construction	**37,949**	**–**	**–**	**37,949**
Others**	**81,389**	**34,044**	**428**	**115,861**
	₱636,821	**₱342,086**	**₱202,026**	**₱1,180,933**

* *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".*

	2023			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
	(In Millions)			
Primary target industry:				
Financial intermediaries	₱91,682	₱10,488	₱123,167	₱225,337
Wholesale and retail	115,294	–	–	115,294
Electricity, gas and water	83,772	16,562	–	100,334
Manufacturing	58,057	2	–	58,059
Transport, storage and communication	44,878	–	–	44,878
Agriculture, hunting and forestry	5,017	–	–	5,017
Public administration and defense	1,533	–	–	1,533
Secondary target industry:				
Government	2,183	229,289	99,169	330,641
Real estate, renting and business activities	106,897	9,227	14	116,138
Construction	31,040	–	–	31,040
Others**	76,352	32,681	35	109,068
	₱616,705	₱298,249	₱222,385	₱1,137,339

* *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*

Credit quality	26-grade CRR system
	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. *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:

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
		(In Millions)		
Subject to CRR				
Non-Retail - Corporate				
High	**₱212,959**	**₱744**	**₱–**	**₱213,703**
Standard	**251,875**	**4,763**	**–**	**256,638**
Substandard	**36,970**	**19,858**	**–**	**56,828**
Impaired	**–**	**–**	**33,776**	**33,776**
	501,804	**25,365**	**33,776**	**560,945**
Subject to Scoring & Unrated				
Non-Retail	**9,288**	**137**	**934**	**10,359**
Corporate	**7,641**	**114**	**876**	**8,631**
LGU	**1,647**	**23**	**58**	**1,728**
Retail	**47,567**	**956**	**8,041**	**56,564**
Auto Loans	**5,382**	**36**	**807**	**6,225**
Housing Loans	**21,169**	**318**	**5,298**	**26,785**
Retail SME	**4,371**	**123**	**996**	**5,490**
Credit Card	**16,645**	**479**	**940**	**18,064**
Others	**6,901**	**344**	**1,589**	**8,834**
	63,756	**1,437**	**10,564**	**75,757**
	₱565,560	**₱26,802**	**₱44,340**	**₱636,702**

	2023			
	Stage 1	Stage 2	Stage 3	Total
		(In Millions)		
Subject to CRR				
Non-Retail - Corporate				
High	₱220,424	₱7	₱–	₱220,431
Standard	240,185	6,626	–	246,811
Substandard	46,359	20,817	–	67,176
Impaired	–	–	32,477	32,477
	506,968	27,450	32,477	566,895
Subject to Scoring & Unrated				
Non-Retail	7,232	39	561	7,832
Corporate	5,049	10	498	5,557
LGU	2,183	29	63	2,275
Retail	43,677	863	10,877	55,417
Auto Loans	5,215	22	1,264	6,501
Housing Loans	20,090	249	7,962	28,301
Retail SME	4,163	152	1,067	5,382
Credit Card	14,209	440	584	15,233
Others	8,573	2,088	1,667	12,328
	59,482	2,990	13,105	75,577
	₱566,450	₱30,440	₱45,582	₱642,472

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	2024				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
			(In Millions)		
Housing Loans	**₱253**	**₱127**	**₱120**	**₱5,096**	**₱5,596**
Auto Loans	**20**	**29**	**35**	**759**	**843**
Retail SME	**35**	**6**	**9**	**949**	**999**
Credit Card	**682**	**406**	**342**	**683**	**2,113**
LGU	**7**	**–**	**–**	**51**	**58**
Others	**265**	**76**	**21**	**1,430**	**1,792**
Total	**₱1,262**	**₱644**	**₱527**	**₱8,968**	**₱11,401**

	2023				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
			(In Millions)		
Housing Loans	₱165	₱198	₱229	₱7,629	₱8,221
Auto Loans	15	19	15	1,236	1,285
Retail SME	36	16	13	1,627	1,692
Credit Card	635	367	309	553	1,864
LGU	13	–	–	51	64
Others	27	36	204	1,599	1,866
Total	₱891	₱636	₱770	₱12,695	₱14,992

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, 2024					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
			(In Millions)			
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱55,128**	**₱55,128**
Due from other banks	**4,915**	**11,127**	**1,038**	**17,080**	**3,108**	**20,188**
Interbank loans receivables	**3,241**	**17,814**	**–**	**21,055**	**1,738**	**22,793**
Securities held under agreements to resell	**–**	**12,582**	**12,356**	**24,938**	**78,589**	**103,527**
Financial assets at FVTOCI						
Government securities	**1,640**	**2,933**	**135,511**	**140,084**	**27,741**	**167,825**
Private debt securities	**949**	**203**	**292**	**1,444**	**14,134**	**15,578**
Quoted equity securities	**89**	**–**	**-**	**89**	**2,743**	**2,832**
Unquoted equity securities	**–**	**–**	**–**	**–**	**25,509**	**25,509**
Investment securities at amortized cost						
Government securities	**438**	**805**	**81,099**	**82,342**	**14,475**	**96,817**
Private debt securities	**753**	**523**	**714**	**1,990**	**13,762**	**15,752**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**14,791**	**14,791**

[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, 2023					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
			(In Millions)			
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱95,410	₱95,410
Due from other banks	3,421	13,011	4,012	20,444	810	21,254
Interbank loans receivables	8,816	22,455	–	31,271	4,372	35,643
Securities held under agreements to resell	21,931	22,581	25,197	69,709	–	69,709
Financial assets at FVTOCI						
Government securities	1,526	3,542	119,143	124,211	160	124,371
Private debt securities	–	3,633	10,547	14,180	–	14,180
Quoted equity securities	–	–	–	–	1,049	1,049
Unquoted equity securities	–	–	–	–	24,929	24,929
Investment securities at amortized cost						
Government securities	476	7,029	96,971	104,476	57	104,533
Private debt securities	–	12,300	6,523	18,823	–	18,823
Financial assets at amortized cost						
Loans and receivables - Others [2/]	–	–	–	–	17,486	17,486

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 tables below show 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.

	2024					
	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	**₱20,638**	**₱–**	**₱–**	**₱–**	**₱–**	**₱20,638**
Due from BSP and other banks	**79,665**	**–**	**–**	**–**	**–**	**79,665**
Interbank loans receivable	**14,392**	**8,270**	**–**	**237**	**–**	**22,899**
Securities held under agreements to resell	**86,336**	**17,442**	**46**	**–**	**–**	**103,824**
Financial assets at FVTPL:						
Government securities	**6,020**	**37**	**328**	**3,429**	**10,851**	**20,665**
Private debt securities	**2**	**501**	**162**	**-**	**3**	**668**
Equity securities	**3**	**–**	**–**	**–**	**–**	**3**
Derivative assets:						
Gross contractual receivable	**63,016**	**17,487**	**4,696**	**1,178**	**719**	**87,096**
Gross contractual payable	**(62,349)**	**(17,225)**	**(4,631)**	**(1,149)**	**(657)**	**(86,011)**
Financial Assets at FVTOCI:						
Government securities	**45,163**	**23,773**	**3,595**	**27,002**	**96,699**	**196,232**
Private debt securities	**103**	**1,612**	**339**	**2,077**	**14,917**	**19,048**
Equity securities	**–**	**–**	**–**	**–**	**28,340**	**28,340**
Investment securities at amortized cost						
Government securities	**1,783**	**3,146**	**4,701**	**3,261**	**121,299**	**134,190**
Private debt securities	**5,935**	**160**	**640**	**4,502**	**7,709**	**18,946**
Financial assets at amortized cost:						
Receivables from customers	**129,354**	**112,114**	**39,252**	**36,803**	**485,625**	**803,148**
Other receivables	**12,220**	**1,255**	**433**	**65**	**818**	**14,791**
Other assets	**427**	**–**	**–**	**–**	**20**	**447**
Total financial assets	**₱402,708**	**₱168,572**	**₱49,561**	**₱77,405**	**₱766,343**	**₱1,464,589**

	2024					
	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:						
Demand	**₱244,799**	**₱–**	**₱–**	**₱–**	**₱–**	**₱244,799**
Savings *	**392,374**	**–**	**–**	**–**	**–**	**392,374**
Time and LTNCDs *	**184,635**	**119,952**	**22,109**	**9,754**	**5,045**	**341,495**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**30,063**	**17,447**	**12,618**	**1,356**	**–**	**61,484**
Gross contractual receivable	**(29,925)**	**(17,133)**	**(12,163)**	**(1,339)**	**–**	**(60,560)**
Bills and acceptances payable	**974**	**2,537**	**3,611**	**8,058**	**15**	**15,195**
Bonds payable	**–**	**–**	**–**	**–**	**21,573**	**21,573**
Accrued interest payable and accrued other expenses payable	**3,736**	**20**	**160**	**46**	**–**	**3,962**
Other liabilities	**11,511**	**–**	**–**	**–**	**1,627**	**13,138**
Total financial liabilities	**₱838,167**	**₱122,823**	**₱26,335**	**₱17,875**	**₱28,260**	**₱1,033,460**

** High-yield savings accounts are included under time deposits.*

	December 31, 2023					
	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	₱21,151	₱–	₱–	₱–	₱–	₱21,151
Due from BSP and other banks	120,467	–	–	–	–	120,467
Interbank loans receivable	28,531	5,489	968	1,023	–	36,011
Securities held under agreements to resell	69,812	–	–	–	–	69,812
Financial assets at FVTPL:						
Government securities	4,294	534	39	92	3,587	8,546
Private debt securities	–	30	19	995	662	1,706
Equity securities	3	–	–	–	–	3
Derivative assets:						
Gross contractual receivable	87,950	17,614	2,100	445	30	108,139
Gross contractual payable	(87,391)	(17,458)	(2,071)	(441)	(29)	(107,390)
Financial Assets at FVTOCI:						
Government securities	33,490	46,205	1,285	2,180	47,002	130,162
Private debt securities	938	1,112	1,988	2,370	9,480	15,888
Equity securities	1,411	–	–	–	24,567	25,978
Investment securities at amortized cost						
Government securities	6,210	4,082	5,719	4,000	124,961	144,972
Private debt securities	1,347	3,825	1,334	1,705	27,485	35,696
Financial assets at amortized cost:						
Receivables from customers	149,406	61,187	28,126	23,387	510,204	772,310
Other receivables	14,813	666	388	242	1,377	17,486
Other assets	383	–	–	–	19	402
Total financial assets	₱452,815	₱123,286	₱39,895	₱35,998	₱749,345	₱1,401,339

	December 31, 2023					
	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
Financial Liabilities						
Deposit liabilities:						
Demand	₱229,771	₱–	₱–	₱–	₱–	₱229,771
Savings *	367,398	–	–	–	–	367,398
Time and LTNCDs *	190,634	98,115	16,667	19,936	14,355	339,707
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	53,574	7,507	3,407	673	–	65,161
Gross contractual receivable	(53,335)	(7,274)	(3,341)	(658)	–	(64,608)
Bills and acceptances payable	6,020	10,282	2,290	504	1,139	20,235
Bonds payable	–	15	–	42,762	–	42,777
Accrued interest payable and accrued other expenses payable	4,683	55	218	113	479	5,548
Other liabilities	8,055	3	–	77	1,215	9,350
Total financial liabilities	₱806,800	₱108,703	₱19,241	₱63,407	₱17,188	₱1,015,339

** High-yield savings accounts are included under time deposits.*

<u>BSP Reporting for Liquidity Positions and Leverage</u>

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, 2024 and 2023, LCR reported to the BSP with certain adjustments is 254.47% and 271.54%, 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, 2024 and 2023, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2024	2023
Available stable funding	**₱953,256**	₱894,199
Required stable funding	**596,764**	595,019
NSFR	**159.74%**	150.28%

<u>Market Risks</u>

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 parametric 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.

The VaR models undergo close monitoring and regular review of the model's parameters and assumptions to determine model quality.

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.

The table below shows the trading VaR:

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
		(In Millions)		
December 29, 2024	**₱15.74**	**₱239.88**	**₱–**	**₱255.63**
Average Daily	**8.45**	**171.61**	**–**	**180.06**
Highest	**24.10**	**425.89**	**–**	**443.69**
Lowest	**1.31**	**70.83**	**–**	**73.49**
December 29, 2023	₱3.99	₱86.63	₱–	₱90.62
Average Daily	9.26	133.08	–	142.34
Highest	33.27	313.88	–	320.92
Lowest	1.78	62.67	–	67.76

* *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*

<u>*Non-trading Market Risk*</u>

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:

	2024					
	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	**₱38,456**	**₱7,682**	**₱3,454**	**₱4,416**	**₱21,304**	**₱75,312**
Interbank loans receivable and securities held under agreements to resell	**108,224**	**17,801**	**–**	**242**	**–**	**126,267**
Receivables from customers and other receivables - gross**	**157,139**	**68,585**	**21,367**	**61,473**	**104,245**	**412,809**
Total financial assets	**₱303,819**	**₱94,068**	**₱24,821**	**₱66,131**	**₱125,549**	**₱614,388**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱158,682**	**₱72,693**	**₱27,725**	**₱51,339**	**₱264,897**	**₱575,336**
Time***	**82,980**	**40,903**	**6,700**	**5,023**	**11,763**	**147,369**
Bonds payable	**–**	**–**	**–**	**–**	**17,304**	**17,304**
Bills and acceptances payable	**7,869**	**2,324**	**2,295**	**7,720**	**–**	**20,208**
Total financial liabilities	**₱249,531**	**₱115,920**	**₱36,720**	**₱64,082**	**₱293,964**	**₱760,217**
Repricing gap	**₱54,288**	**(₱21,852)**	**(₱11,899)**	**₱2,049**	**(₱168,414)**	**(₱145,829)**
Cumulative gap	**54,288**	**32,436**	**20,537**	**22,586**	**(145,829)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 8).*
****Excludes LTNCD.*

	2023					
	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	₱58,150	₱9,074	₱3,369	₱8,901	₱37,160	₱116,654
Interbank loans receivable and securities held under agreements to resell	98,093	5,439	734	1,063	–	105,329
Receivables from customers and other receivables - gross**	161,956	49,845	28,902	39,616	104,404	384,723
Total financial assets	₱318,199	₱64,358	₱33,005	₱49,580	₱141,564	₱606,706

	2023					
	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	₱158,675	₱56,242	₱27,796	₱49,150	₱249,146	₱541,009
Time***	81,037	40,011	6,280	5,894	12,530	145,752
Bonds payable	–	–	–	41,491	–	41,491
Bills and acceptances payable	10,303	5,297	1,747	185	2,631	20,163
Total financial liabilities	₱250,015	₱101,550	₱35,823	₱96,720	₱264,307	₱748,415
Repricing gap	₱68,184	(₱37,192)	(₱2,818)	(₱47,140)	(₱122,743)	(₱141,709)
Cumulative gap	68,184	30,992	28,174	(18,966)	(141,709)	

* *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:

	2024		2023	
	Statement of Income	**Equity**	Statement of Income	Equity
		(In Millions)		
+50bps	**₱136**	**₱136**	₱120	₱120
-50bps	**(136)**	**(136)**	(120)	(120)
+100bps	**272**	**272**	240	240
-100bps	**(272)**	**(272)**	(240)	(240)

In addition to EaR, the banking segment's Parent Bank also employs economic value-based measures that assess the present value of the expected net cash flows of assets and liabilities, particularly those that are interest-bearing, discounted to reflect market rates. At the same time that fluctuations in interest rates will affect the banking segment's earnings, these will also have an impact on its net worth or capital position. In coming up with present values, the relevant risk-free rate shall be used to formulate discount factors. Resulting weighted net positions across tenors are aggregated to determine the Economic Value of Equity (EVE) per book and per major currency under different shock scenarios.

Delta EVE is the difference between the total net present value of expected asset and liability cash flows when discounted at prevailing market rates and when discounted against shocked interest rates. Delta EVE is computed based on several interest rate shock scenarios (e.g. parallel up, parallel down, short rates up, short rates down, steepening rates, flattening rates). The scenario with the most negative Delta EVE, pertaining to the highest decline in net present value, is compared to the medium to long-term Delta EVE trigger, which corresponds to a percentage of the banking segment's Parent Bank's Common Equity Tier 1 (CET1) capital.

As of December 31, 2024 and 2023, the maximum negative Delta EVE is at ₱10.5 billion or 7.85% and ₱6.2 billion or 5.43% of CET1, respectively.

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 excluding those under FCDU (amounts in Philippine peso equivalent).

	December 31, 2024			December 31, 2023		
	USD	**Others***	**Total**	USD	Others*	Total
			(In Millions)			
Assets						
COCI and due from BSP	**₱118**	**₱823**	**₱941**	₱119	₱425	₱544
Due from other banks	**11,387**	**4,193**	**15,580**	11,639	3,863	15,502
Interbank loans and securities held under agreements to resell	**1,993**	**3,683**	**5,676**	15,135	4,827	19,962
Loans and receivables	**18,941**	**11,722**	**30,663**	26,836	11,552	38,388
Financial Assets at FVTPL	**1**	**–**	**1**	5	–	5
Financial Assets at FVTOCI	**975**	**1,580**	**2,555**	866	733	1,599
Financial assets at amortized cost	**382**	**622**	**1,004**	476	624	1,100
Other assets	**13,372**	**964**	**14,336**	11,780	1,031	12,811
Total assets	**47,169**	**23,587**	**70,756**	66,856	23,055	89,911
Liabilities						
Deposit liabilities	**₱8,741**	**₱8,643**	**₱17,384**	8,849	8,964	17,813
Derivative liabilities	**2**	**–**	**2**	–	–	–
Bills and acceptances payable	**8,222**	**79**	**8,301**	10,510	–	10,510
Accrued taxes, interest and other expenses	**41**	**2**	**43**	89	21	110
Other liabilities	**7,719**	**2,302**	**10,021**	9,378	2,494	11,872
Total liabilities	**24,725**	**11,026**	**35,751**	28,826	11,479	40,305
Net Exposure	**₱22,444**	**₱12,561**	**₱35,005**	₱38,030	₱11,576	₱49,606

* *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 ₱57.85 to USD1.00 as of December 31, 2024 and ₱55.37 to USD1.00 as of December 31, 2023.

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, 2024 and 2023:

	2024		2023	
	Income Before Income Tax	**Equity**	Income Before Income Tax	Equity
		(In Millions)		
+1.00%	**₱215**	**(₱225)**	₱372	(₱380)
-1.00%	**(215)**	**225**	(372)	380

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 95% 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.

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, 2024:

			Trade and other receivables					
				Days past due				
	Cash in Banks	**Due from related parties**	**Current**	**< 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	**₱223,583.8**	**₱1,889.4**	**₱9,205.9**	**₱2,942.4**	**₱3,180.2**	**₱1,904.1**	**₱4,080.4**	**₱21,313.0**
Expected credit loss	**₱–**	**₱–**	**₱1.2**	**₱20.6**	**₱22.3**	**₱9.5**	**₱276.7**	**₱330.3**

As of December 31, 2023:

			Trade and other receivables					
				Days past due				
	Cash in banks	Due from related parties	Current	< 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	₱243,791.0	₱2,338.7	₱8,209.4	₱2,623.9	₱2,836.0	₱1,698.0	₱3,638.7	₱19,006.0
Expected credit loss	₱–	₱–	₱1.1	₱18.4	₱19.9	₱8.5	₱297.4	₱345.3

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

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)*:

	2024			2023		
	< 1 year	**1 to 5 years**	**Total**	< 1 year	1 to 5 years	Total
Financial assets:						
Cash and other cash items	**₱223,584**	**₱–**	**₱223,584**	₱243,791	₱–	₱243,791
Trade receivables	**21,313**	**–**	**21,313**	19,006	–	19,006
Other receivables	**3,805**	**–**	**3,805**	4,351	–	4,351
Due from related parties	**1,889**	**–**	**1,889**	2,339	–	2,339
Refundable deposits	**232**	**–**	**232**	231	–	231
Financial assets at FVTPL	**17,956**	**–**	**17,956**	10,551	–	10,551
	₱268,779	**₱–**	**₱268,779**	₱280,269	₱–	₱280,269
Financial liabilities:						
Short-term debts	**₱3,700**	**₱–**	**₱3,700**	₱4,280	₱–	₱4,280
Accounts payable and other liabilities*	**19,414**	–	**19,414**	21,579	–	21,579
Long-term debts	**1,927**	**23,623**	**25,550**	43,116	6,395	49,511
Due to related parties	**64**	–	**64**	50	–	50
Other liabilities	**11,373**	**6,777**	**18,150**	9,990	6,238	16,228
	₱36,478	**₱30,400**	**₱66,878**	₱79,015	₱12,633	₱91,648

**Excluding non-financial liabilities amounting to ₱ 1.2 million and ₱1.3 million as of December 31, 2024 and 2023, 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 2024, 2023 and 2022, 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 ₱578.0 million, ₱320.0 million, ₱396.0 million, respectively, if equity prices will increase by 10% .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, 2024 and 2023, 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, 2024:						
Derivative assets (Notes 6 and 21)	**₱87,097,900**	**₱86,010,793**	**₱1,087,107**	**₱104,745**	**₱–**	**₱983,909**
Securities sold under agreements to repurchase (Note 5)	**103,480,119**	**–**	**103,480,119**	**–**	**104,909,516**	**–**
	₱190,578,019	**₱86,010,793**	**₱104,567,226**	**₱104,745**	**₱104,909,516**	**₱983,909**
December 31, 2023:						
Derivative assets (Notes 6 and 21)	₱108,139,719	₱107,390,520	₱749,199	₱37,098	₱–	₱712,101
Securities sold under agreements to repurchase (Note 5)	69,694,538	–	69,694,538	–	57,785,321	11,909,217
	₱177,834,257	₱107,390,520	₱70,443,737	₱37,098	₱57,785,321	₱12,621,318

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, 2024:						
Derivative liabilities (Notes 16 and 21)	**₱61,485,068**	**₱60,561,015**	**₱924,053**	**₱350,702**	**₱–**	**₱573,331**
Securities sold under agreements to repurchase (Note 17)*	**12,338,999**	**–**	**12,338,999**	**–**	**14,221,461**	**–**
Total	**₱73,824,067**	**₱60,561,015**	**₱13,263,052**	**₱350,702**	**₱14,221,461**	**₱573,331**
December 31, 2023:						
Derivative liabilities (Notes 16 and 21)	₱65,163,569	₱64,607,758	₱555,811	₱196,010	₱–	₱359,801
Securities sold under agreements to repurchase (Note 17)*	10,053,531	–	10,053,531	–	11,972,805	–
Total	₱75,217,100	₱64,607,758	₱10,609,342	₱196,010	₱11,972,805	₱359,801

** 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, 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:

	2024		2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets:				
Financial assets at amortized cost	**₱113,873,993**	**₱111,787,159**	₱123,200,427	₱123,571,272
Loans and receivables:				
Receivables from customers	**763,877,135**	**677,644,755**	627,356,153	642,445,426
	₱763,877,135	**₱789,431,914**	₱750,556,580	₱766,016,698
Financial Liabilities:				
Financial liabilities at amortized cost:				
Deposit liabilities:				
Time deposits	**₱151,967,502**	**₱147,368,732**	₱158,555,604	₱145,538,240
Bills payables	**14,152,442**	**14,073,175**	10,607,626	10,559,411
Long-term debts:				
Unsecured term loan	**2,811,040**	**2,811,040**	2,611,422	2,611,422
Bonds payable	**17,304,421**	**17,001,745**	41,490,871	40,625,938
LTNCD	**4,598,770**	**4,541,491**	12,803,543	12,586,489
Other liabilities:				
Payable to landowners	**192,400**	**192,400**	1,061,191	1,061,191
Tenants' rental deposits	**469,487**	**469,487**	554,552	554,552
	₱191,496,062	**₱186,458,070**	₱227,684,809	₱213,537,243

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 for quoted securities are based on market prices from debt exchanges. For unquoted securities, fair value are 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 market prices from stock exchanges. While fair values of unquoted equity securities are estimated using either quoted market prices of comparable investments or adjusted net asset value method and applying a discount for lack of marketability.

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.

Investment properties. Fair values are based on appraisal by independent external and in-house appraisers based on highest and best use of the property (i.e., current use of the properties) using either market data approach or replacement cost approach.

Short-term financial liabilities. Fair values are at carrying amounts due to their relatively short-term maturity.

Long-term financial liabilities. Fair values for quoted debt issuances are based on market prices from debt exchanges. While for unquoted debt issuances, fair values are estimated using the discounted cash flow methodology.

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, prices provided by independent parties or prices derived using 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:

	2024				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total-**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱16,181,821**	**₱9,280,986**	**₱6,900,835**	**–**	**₱16,181,821**
Derivative assets	**1,087,107**	**–**	**3,042**	**1,084,065**	**1,087,107**
Private debt securities	**649,191**	**646,996**	**2,195**	**–**	**649,191**
Unit investment trust fund (UITF)	**35,177**	**35,177**	**–**	**–**	**35,177**
Equity securities	**2,866**	**2,866**	**–**	**–**	**2,866**
Financial assets at FVTOCI:					
Government securities	**168,293,511**	**84,801,352**	**83,492,159**	**–**	**168,293,511**
Equity securities	**7,466,312**	**2,390,053**	**671,154**	**4,405,105**	**7,466,312**
Private debt securities	**15,609,027**	**8,144,021**	**7,465,006**	**–**	**15,609,027**
	₱209,325,012	**₱105,301,451**	**₱98,534,391**	**₱5,489,170**	**₱209,325,012**

(Forward)

	2024				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total-**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱924,053**	**–**	**₱924,053**	**–**	**₱924,053**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱113,873,993**	**₱44,628,009**	**₱67,159,150**	**₱–**	**₱111,787,159**
Receivables from customers**	**650,003,142**	**–**	**–**	**677,644,755**	**677,644,755**
	₱763,877,135	**₱44,628,009**	**₱67,159,150**	**₱677,644,755**	**₱789,431,914**
Nonfinancial Assets					
Investment property:					
Land***	**₱ 23,091,083**	**–**	**–**	**₱338,776,000**	**₱338,776,000**
Buildings and improvements***	**10,153,274**	**–**	**–**	**24,121,543**	**24,121,543**
	₱33,244,357	**–**	**–**	**₱362,897,543**	**₱362,897,543**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱151,967,502**	**–**	**–**	**₱151,967,502**	**₱151,967,502**
LTNCDs	**4,598,770**	**–**	**4,541,491**	**–**	**4,541,491**
Bonds payable	**17,304,421**	**–**	**17,001,745**	**–**	**17,001,745**
Bills payable	**14,152,442**	**–**	**–**	**14,073,175**	**14,073,175**
	₱188,023,135	**–**	**₱21,543,236**	**₱166,040,677**	**₱187,583,913**

* *Net of expected credit losses*
** *Net of expected credit losses and unearned and other deferred income*
*** *Net of impairment losses*

	2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,174,405	₱2,633,602	₱5,540,803	₱–	₱8,174,405
Private debt securities	1,590,489	914,210	676,279	–	1,590,489
Derivative assets	749,199	–	749,199	–	749,199
Unit investment trust fund (UITF)	33,731	–	–	–	33,731
Equity securities	2,771	2,771	–	–	2,771
Financial assets at FVTOCI:					
Government securities	124,895,862	46,682,566	78,213,296	–	124,895,862
Equity securities	4,969,512	200,709	1,014,081	3,754,722	4,969,512
Private debt securities	14,180,552	6,944,140	7,236,412	–	14,180,552
	₱154,596,521	₱57,377,998	₱923,430,070	₱3,754,722	₱154,596,521
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱555,811	₱–	₱555,811	₱–	₱555,811
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱123,200,427	₱24,840,676	₱98,730,596	₱–	₱123,571,272
Receivables from customers**	624,644,331	–	–	642,445,426	642,445,426
	₱747,844,758	₱24,840,676	₱98,730,596	₱642,445,426	₱766,016,698
Nonfinancial Assets					
Investment property:					
Land***	₱22,302,079	₱–	₱–	₱338,776,000	₱338,776,000
Buildings and improvements***	8,244,416	–	–	24,121,543	24,121,543
	₱30,546,495	₱–	₱–	₱362,897,543	₱362,897,543

(Forward)

	2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱158,555,604	₱–	₱–	₱145,538,240	₱145,538,240
LTNCDs	12,803,543	–	12,586,489	–	12,586,489
Bonds payable	41,490,871	–	40,625,938	–	40,625,938
Bills payable	10,607,626	–	–	10,559,411	10,559,411
	₱223,457,644	₱–	₱53,212,427	₱156,097,651	₱209,310,078

* *Net of expected credit losses*
** *Net of expected credit losses and unearned and other deferred income*
*** *Net of impairment losses*

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, 2024 and 2023, 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 - 1,548 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.
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 2024 and 2023 follow:

	2024			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable (Note 17)	**₱20,162,603**	**₱1,406,078**	**(₱1,360,230)**	**₱20,208,451**
Short-term debts (Note 19)	**4,280,000**	**(580,000)**	**–**	**3,700,000**
Bonds payable and unsecured loans (Note 19)	**44,102,294**	**(22,834,099)**	**(1,152,734)**	**20,115,461**
Lease liabilities (Notes 19 and 37)	**5,408,720**	**(1,127,583)**	**1,152,734**	**5,433,871**
	73,953,617	**(23,135,604)**	**(1,360,230)**	**49,457,783**

	2023			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱14,980,373	₱5,670,131	(₱487,901)	₱20,162,603
Short-term debts (Note 19)	4,490,000	(210,000)	–	4,280,000
Bonds payable and unsecured loans (Note 19)	61,694,443	(15,886,773)	(1,705,376)	44,102,294
Lease liabilities (Notes 19 and 37)	5,017,860	(1,314,516)	1,705,376	5,408,720
	₱86,182,676	(₱11,741,158)	(₱487,901)	₱73,953,617

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 ₱2.0 billion, ₱1.2 billion, ₱2.4 billion in 2024, 2023 and 2022, respectively.

The Group acquired investment properties through foreclosure and rescission amounting to ₱2.1 billion, ₱3.0 billion, ₱4.3 billion in 2024, 2023 and 2022, respectively.

Non-cash Investing Activities
As of December 31, 2024 and 2023, unpaid additions to property, plant and equipment amounted to ₱1.1 billion and ₱1.4 million, respectively, which is included as part of "Accounts payable and accrued expenses" (see Note 12).

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 2024 and 2023.

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 2024 and 2023.

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:

	2024	2023
	(In Thousands, except ratios)	
Total liabilities	**₱1,044,117,657**	₱1,027,160,456
Total equity	**330,212,202**	300,235,820
Total liabilities and equity	**₱1,374,329,859**	₱1,327,396,276
Debt ratio	**0.76:1**	0.77:1
Debt-to-equity ratio	**3.16:1**	3.42:1

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.

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.

An analysis of the Group's lease contract receivables are as follows:

	2024	2023
	(In Thousands)	
Within one year	**₱–**	₱7
After one year but not more than five years	**–**	2,734
More than five years	**–**	–
	₱–	₱2,741

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's 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 ₱395.6 million, ₱264.1 million, ₱270.2 million in 2024, 2023 and 2022, respectively, for the Group, of which ₱291.7 million, ₱187.0 million, ₱201.6 million in 2024, 2023 and 2022, respectively, pertain to the PNB. Rent expense in 2024 and 2023 pertains to expenses from short-term leases and leases of low-value assets.

As of December 31, 2024 and 2023, the Group has no contingent rent payable.

As of December 31, the carrying amounts of 'Lease liabilities' are as follows:

	2024	2023
	(In Thousands)	
Balance at beginning of year	**₱5,408,720**	₱5,017,860
Additions	**1,084,117**	1,348,412
Interest expense	**268,916**	225,284
Payments	**(1,312,536)**	(1,418,768)
Transfers	**(15,346)**	235,932
Balance at end of year	**₱5,433,871**	₱5,408,720

Future minimum lease receivables under finance leases are as follows:

	2024	2023
	(In Thousands)	
Within one year	**₱1,313,875**	₱1,170,733
Beyond one year but not more than five years	**3,791,198**	3,540,885
More than five years	**1,199,929**	1,078,119
Total	**6,305,002**	5,789,737
Less amounts representing finance charges	**–**	–
Present value of minimum lease payments	**₱6,305,002**	₱5,789,737

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 ₱190.6 billion and ₱168.0 billion as of December 31, 2024 and 2023, respectively. In connection with the trust functions of PNB, government securities amounting to ₱2.4 billion and ₱1.8 billion (included under 'Financial assets at amortized cost') as of December 31, 2024 and 2023, respectively, 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 ₱39.2 million, ₱29.9 million, ₱24.7 million in 2024, 2023 and 2022, 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 Revenue Memorandum Circular (RMC) No. 3-2013 on January 9, 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 2, 2023, SC upheld the CTA decision denying the Company's claim for refund. The Company filed a Motion for Reconsideration to the SC on April 19, 2023 which was also denied on August 14, 2023. TDI and its legal counsel believe that any losses arising from these, will not have a material effect on its financial statements.

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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, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, included in this Form 17-A, and have issued our report thereon dated February 27, 2025. 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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10465380, January 2, 2025, Makati City

February 27, 2025

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE A. – Financial Assets
DECEMBER 31, 2024
(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				
Bangko Sentral ng Pilipinas	-	6,030,000	6,019,627	-
Fixed Rate Treasury Notes	-	3,949,606	4,195,943	193,770
Republic of the Philippines (ROP) Bonds	-	249,827	239,806	13,038
Retail Treasury Bonds	-	5,180,534	5,143,528	277,914
Treasury Bills	-	605,828	582,917	-
	-	**16,015,795**	**16,181,821**	**484,722**
Private debt securities				
Petron	-	-	-	46,740
San Miguel Global Power Holdings Corp	-	2,300	2,195	16,761
SM Prime Holdings Inc.	-	500,950	499,831	24,399
Vista Land & Lifestyle	-	148,000	147,165	8,435
	-	**651,250**	**649,191**	**96,335**
Equity securities				
GT Capital Pref Series B	1,000	824	990	-
Petro Energy Resources Corp	6,289	25	23	-
Southeast Asia Cement Holdings Inc	10,375	7	11	-
San Miguel Corp - Pref 2I	25,970	1,909	1,842	-
	43,634	**2,765**	**2,866**	**-**

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
Derivatives				
3 Barracuda Energy Corpoartion	-	1,349,721	10,801	-
Add Vantage Global Holdings Inc	-	200	347	-
Allied Banking Hongkog	-	-	812	-
Apex Petrochem OPC	-	819,175	10,844	-
Australia and New Zealand Bank- Manila	-	2,030,500	60,328	-
Banco de Oro Private Bank	-	433,838	9,592	-
Banco de Oro Universal Bank	-	14,542,343	152,155	-
Bank of China	-	57,890	45	-
Bank of the Philippine Islands	-	578,450	5,575	-
China Banking Corporation	-	2,689,715	28,531	-
Chinatrust Phils Commercial Bank Corp.	-	294,900	5,141	-
Citibank N.A. Manila Branch	-	3,353,940	56,555	-
Den Norske Bank As Oslo	-	8,677	1	-
Gicar Construction Inc	-	410	1,866	-
Goldman Sachs International	-	31,408	98	-
Hongkong and Shanghai Banking Corp. - Hongkong	-	1,829,320	35,878	-
Individuals	-	289,161	67,919	10,750
Internationale Nederlanden Bank Manila	-	5,880,325	82,302	-
JPMorgan Chase Bank Manila Branch	-	5,891,830	105,005	-
Landbank of the Philippines	-	173,580	275	-
Metropolitan Bank & Trust Company	-	6,602,335	100,209	-
Pasay Harbor City Corporation	-	2,036,619	73,174	-
Petron Corporation	-	7,257,652	73,055	-
Philippine Business Bank	-	173,615	80	-
Philippine National Bank- Singapore Branch	-	26,030	7	-
Republic of the Philippines	-	15,911,713	-	-
Rizal Commercial Banking Corp.	-	2,629,075	30,194	-
Security Bank Corporation	-	3,694,670	44,681	-

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
Standard Chartered Bank London Branch	-	66,273	3,131	-
Standard Chartered Bank Manila Branch	-	7,317,480	110,113	-
The Roman Catholic Archbishop of Caceres	-	10,701	318	-
UBS AG Zurich	-	207,271	2,819	-
Unioil Petroleum Philippines Inc.	-	497,587	5,160	-
Union Bank of the Philippines	-	1,741,275	5,498	-
Wells Fargo Bank N.A.	-	241,960	4,591	-
Xchanged Inc	-	34,707	7	-
	-	**88,704,346**	**1,087,107**	**10,750**
Investment in UITFs				
BHC: Philippine National Bank	2,380,989	2,650	35,177	-
	2,380,989	**2,650**	**35,177**	**-**
Total Financial Assets at Fair Value through Profit or Loss	**2,424,623**	**105,376,806**	**17,956,162**	**591,807**

(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	-	66,447,280	66,428,102	5,723,943
China National Offshore Oil Corp LTD	-	-	-	15,189
Fixed Rate Treasury Notes	-	50,755,021	51,405,452	1,924,682
Kingdom of Saudi Arabia	-	2,950,095	2,933,248	99,303
Monetary Authority of Singapore Bills	-	235,398	234,056	8,895
Power Sector	-	-	-	16,891
Republic of Indonesia	-	219,661	218,512	1,252
Retail Treasury Bonds	-	39,346,000	38,860,608	1,574,992
Republic of the Philippines (ROP) Bonds	-	7,503,318	7,033,595	167,775
US Government	-	880,690	905,053	124,890
Treasury Bills	-	275,438	274,884	13,864
	-	**168,612,901**	**168,293,510**	**9,671,676**

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	554,404	29,665
AC Energy Finance International Limited	-	2,360,076	1,578,263	115,481
Arthaland Corporation	-	3,525	3,517	1,347
Ayala Land Inc	-	394,530	395,087	25,128
Ayala Corporation	-	5,850	5,827	-
Banco De Oro	-	-	-	593
Export-Import Bank of Korea	-	-	-	24,606
First Pacific Company Limited	-	896,598	874,021	-
First Pacific Company Resources	-	-	-	29,337
Globe Telecoms, Inc.	-	3,600,620	2,945,137	120,160
Hutchison Whampoa Limited	-	-	-	58,930
International Container Terminal Services Inc.	-	3,193,912	3,074,470	103,078
Manila Water Company, Inc.	-	1,775,263	1,696,832	42,271
Megaworld Corporation	-	17,354	16,764	11,589
Petron Corporation	-	2,447,017	2,437,643	127,545
Rizal Commercial Banking Corp	-	289,225	291,643	23,029
San Miguel Global Corp	-	-	-	5,783
Sinopec Corp	-	200,722	199,434	2,859
SM Investments Corp	-	-	-	5,934
SM Prime Holdings	-	15,000	14,827	703
SMC Luzon Tollway Corp	-	1,500,000	1,496,158	7,511
STI Education	-	-	-	662
Toyota Financial Services Philippines Corporation	-	25,000	25,000	-
	-	**17,286,992**	**15,609,027**	**736,211**

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
Equity securities				
Allied Banker Insurance	25,000,000	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	-	1,500	-	-
Bacnotan Steel Industries	3,345,000	-	-	-
Baguio City Country Club	1	60	6,000	-
Bancnet, Inc.	49,999	5,000	5,000	-
BAP Credit Guaranty Corporation	29,800	1,138	1,138	-
Bayan Telecommunication	8,244	8	-	-
Bayan Telecommunication 31% Tranche B.	83,997	14,851	-	-
Camp John Hay	1	650	250	-
Camp John Hay Golf Club	2	160	500	-
Capitol Hills Golf and Country Club, Inc.	10	400	400	-
Cebu Country Club, Inc.	1	29	18,000	-
Club Filipino	2	112	700	-
Cruz Tel Co.	30	3	-	-
Development Academy Of the Phillippines	1,500	1,500	-	-
Eagle Ridge Golf & Country Club	30	3,450	19,500	-
Eastridge Golf Course & Village (A)	2	1,800	1,517	-
Evercrest Golf	2	500	-	-
Evercrest Golf Club-A	2	1,000	1,000	-
Fairways & Bluewater Resort	294	359,695	51,760	-
Fastech Synergy	1,337,807	8,519	-	-
Fil-Am Resources	2,500,000	27	-	-
Foremost	92,990	93	65	-
Forest Hills Golf and Country Club	1	170	170	-
Grandspan	3,000,000	30,000	17,153	-

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 Development Corporation	5,000	500	500	-
Himmel	73	7	6	-
Iligan Golf & Country Club	1	1	-	-
Iloilo Golf & Country Club	1	88	14	-
Inco Mining Corp	46,875	2	-	-
Infanta Minerals	1,000,000	10	-	-
Lepanto Consolidated Mining Co."A"	4,973	1	-	-
Lepanto Consolidated Mining Co."B"	1,776	-	-	-
LGU Guarantee Corp.	100,000	10,000	2	-
Luisita Golf & Country Club	1	840	400	-
Macroasia	205,140,000	363,202	1,115,962	-
Makati Sports Club-A	1	210	1,500	-
Manila Electric Cooperative	8,884	89	1	-
Manila Golf & Country Club Inc-Corporate	4	40,727	800,000	-
Manila Polo Club	1	2,600	50,000	-
Manila Southwoods Golf & Country Club A	1	850	5,654	-
Manila Southwoods Golf & Country Club B	1	1,500	6,000	-
Marikudo Country Club of Iloilo City	2	18	6,000	-
Mimosa Golf & Country Club	1	827	400	-
Mount Malarayat Golf & Country Club	15	35,380	15,000	-
Mount Malarayat Golf Club C	1	-	1,000	-
Mount Malarayat I	1	1,512	1,000	-
Negros Occidental Golf & Country Club	5	100	150	-
Northern Telephone Cooperative	1,800	18	-	-
Orchard Golf & Country Club	2	2,200	4,500	-
Others	-	1,682,103	1,682,103	-
PAL Holdings Inc.	322,102,300	1,908,069	1,552,666	-
Palicpican Beach and Sport Club	2	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
Paper Industries Corporation of the Philippines	13,525	19	-	-
Petron Corp.	-	84,340	88,557	-
Philex Mining Corporation	151	-	1	-
Philippine Central Depository & Trust Corp.	31,690	2,392	6,431	-
Philippine Central Depository Inc.	28,466	3,692	5,776	-
Philippine Clearing House Corporation	42,000	4,200	2,101	-
Philippine Columbian Association	1	40	90	-
Philippine Dealing System-Fixed Income	73,000	7,300	14,813	-
Philippine Dealing System-Holding	97,436	7,300	19,772	-
Philippine Overseas Drilling & Oil Dev't	695,625	31	5	-
Philippine Racing Club	30,331,103	319,083	209,285	-
Philippine Telegraph & Telephone Corporation	5,000,650	10	-	-
Philippine Electric Corporation	202,440	95	-	-
Philippine Long Distance Company	401	4	1	-
Philippine Oil Development Co., Inc.	500,000	13	-	-
PICOP Resources Incorporated	19,008,000	798	-	-
PLDT Communications & Energy Ventures Inc. (Piltel)	-	-	-	-
PLDT Preferred Shares	108,375	1,084	-	-
Primo Oleo Chemicals	6,638,151	66,382	66,382	-
Proton Chemical Industries Common Shares	44,419	-	-	-
Pueblo De Oro Golf Country Club	2	1,411	718	-
Puerto Azul Sports & Beach Club	2	170	500	-
Quezon City Sports Club	1	32	714	-
Republic Telephone Company	6,052	5	-	-
Riviera Golf & Country Club	2	2,627	4,070	-
Riviera Golf & Country Club-C	2	-	4,400	-
Rural Bank of Ibajay	340	11	16	-
Santa Elena Golf & Country Club	1	852	24,000	-

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
Santa Elena Golf Club-A	4	4,600	96,000	-
Sierra Grande Country Club, Inc.	100	32	32	-
Southern Iloilo Telephone Co.	20	2	-	-
Subic Bay Golf & Country Club	1	950	-	-
Subic Bay Yatch Club	58	93,000	11,600	-
Tagaytay Highlands	268	64,580	189,579	-
Tagaytay Midlands	1	500	2,555	-
Tayud Golf & Country Club	1	6	-	-
United Doctors Service Corporation	789,895	3,730	10,502	-
Universal Rightfield Prop. Inc.	2,883,000	69	-	-
University of the east	1,226,531	26,250	22,846	-
Valle Verde Country Club, Inc.	1	-	450	-
Valley Golf & Country Club	5	106	21,000	-
Victoria Golf & Country Club	1	110	120	-
Wack Wack Golf & Country Club	13	190,940	1,105,000	-
Wack Wack Golf & Country Club (PNB Savings)	2	31,300	170,000	-
Western Minolco Corporation	11,382,000	17	-	-
	642,965,174	**5,422,372**	**7,466,312**	**-**
Total Financial Assets at Fair Value through Comprehensive Income	**642,965,174**	**191,322,265**	**191,368,849**	**10,407,887**

(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	-	231,380	259,154	9,144
China National Offshore Oil Corp Ltd.	-	809,830	805,446	76,028
Fixed Rate Treasury Notes	-	46,975,077	49,782,896	3,163,430
Kingdom of Saudi Arabia	-	173,535	173,056	8,274
Landbank of the Phils	-	114,103	111,594	10,311
Power Sector Assets & Liabilities Management Corporation	-	867,675	986,901	73,239
Republic of Indonesia	-	2,839,310	2,867,706	112,044
Republic of the Philippines (ROP) Bonds	-	8,986,358	8,946,816	298,939
Retail Treasury Bonds	-	31,855,585	32,169,239	1,759,865
Treasury Bills	-	262,000	260,590	23,156
US Government	-	-	-	86,411
US Treasury Notes	67,000	387,562	381,987	12,113
US Government E-money	-	57,845	55,685	163
	67,000	**93,560,260**	**96,801,070**	**5,633,117**
Private debt securities				
AC Energy Finance International Limited	-	-	-	2,503
Agricultural Bank of China LTD HK	-	-	-	7,039
AT&T Inc.	-	-	-	925
Ayala Land Inc	-	641,900	641,616	38,257
Banco de Oro	-	50,000	50,650	-
Bank of China	-	462,760	464,727	90,117
Bank of the Philippine Island	-	-	-	1,691
Export- Import Bank of Korea	-	520,605	520,382	15,393
Filinvest Development Cayman Islands	-	2,024,575	2,021,143	85,039
International Container Terminal Services Inc.	-	15,618	15,656	898
Jollibee Foods Corporation	-	5,715,086	5,697,426	220,725

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
Kookmin Bank Co Ltd	-	-	-	39,629
Korea Development Bank	-	231,380	232,334	5,235
Maynilad Water Services	-	479,680	479,144	15,972
Pilipinas Hino Incorporated	-	6,988	-	-
Quedancor Bonds Series	-	-	-	(1)
Rizal Commercial Banking Corp	-	-	-	(1)
Sinopec Corp	-	57,845	58,208	3,422
SMC Tollways Corporation	-	3,500,000	3,496,376	17,525
State Bank of India	-	-	-	14,190
Vista Land and Lifescapes	-	2,000,000	1,994,300	165,000
Toyota Financial Services Philippines Corporation	-	30,000	30,000	-
Philippine National Bank	-	-	1,370,961	-
	-	**15,736,437**	**17,072,923**	**723,558**
Total Investment Securities at Amortized Cost	**67,000**	**109,296,697**	**113,873,993**	**6,356,675**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE B. – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
DECEMBER 31, 2024
(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	914,000	-	(418,000)	-	496,000	-	496,000
	914,000	**-**	**(418,000)**	**-**	**496,000**	**-**	**496,000**

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, 2024
(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
Absolute Distillers Inc.	200,000	-	(200,000)	-	-	-	-
Allmark Holdings Corp.	7,535	-	-	-	7,535	-	7,535
Caravan Holdings Corp.	12,830	-	-	-	12,830	-	12,830
Eton Properties Philippines, Inc.	500,000	-	(500,000)	-	-	-	-
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
Mabuhay Digital Philippines Inc.	22,417	-	-	-	22,417	-	22,417
Mabuhay Digital Technologies, Inc.	1,902	-	-	-	1,902	-	1,902
Society Holdings Corp.	21,400	-	(21,400)	-	-	-	-
Solar Holdings Corp.	20,300	-	-	-	20,300	-	20,300
Tanduay Distillers, Inc.	448	-	(448)	-	-	-	-
	822,817	**-**	**(721,848)**	**-**	**100,969**	**-**	**100,969**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE D. – Intangible Assets – Other Assets
DECEMBER 31, 2024
(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	1,562,119	946,940	(1,160,592)	–	(33,868)	1,314,599

Intangibles are presented in “Other noncurrent assets” in the consolidated balance sheets.

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE E. – Long term debts
DECEMBER 31, 2024
(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		₱-	₱17,304,421
2. Lease liabilities (PFRS 16)		1,083,509	4,350,362
3. Unsecured term loan		843,134	1,967,906
TOTAL		**₱1,926,643**	**₱23,622,689**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE F. – Indebtedness to Related Parties (Long-term Loans from Related Parties)
DECEMBER 31, 2024
(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, 2024
(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, 2024

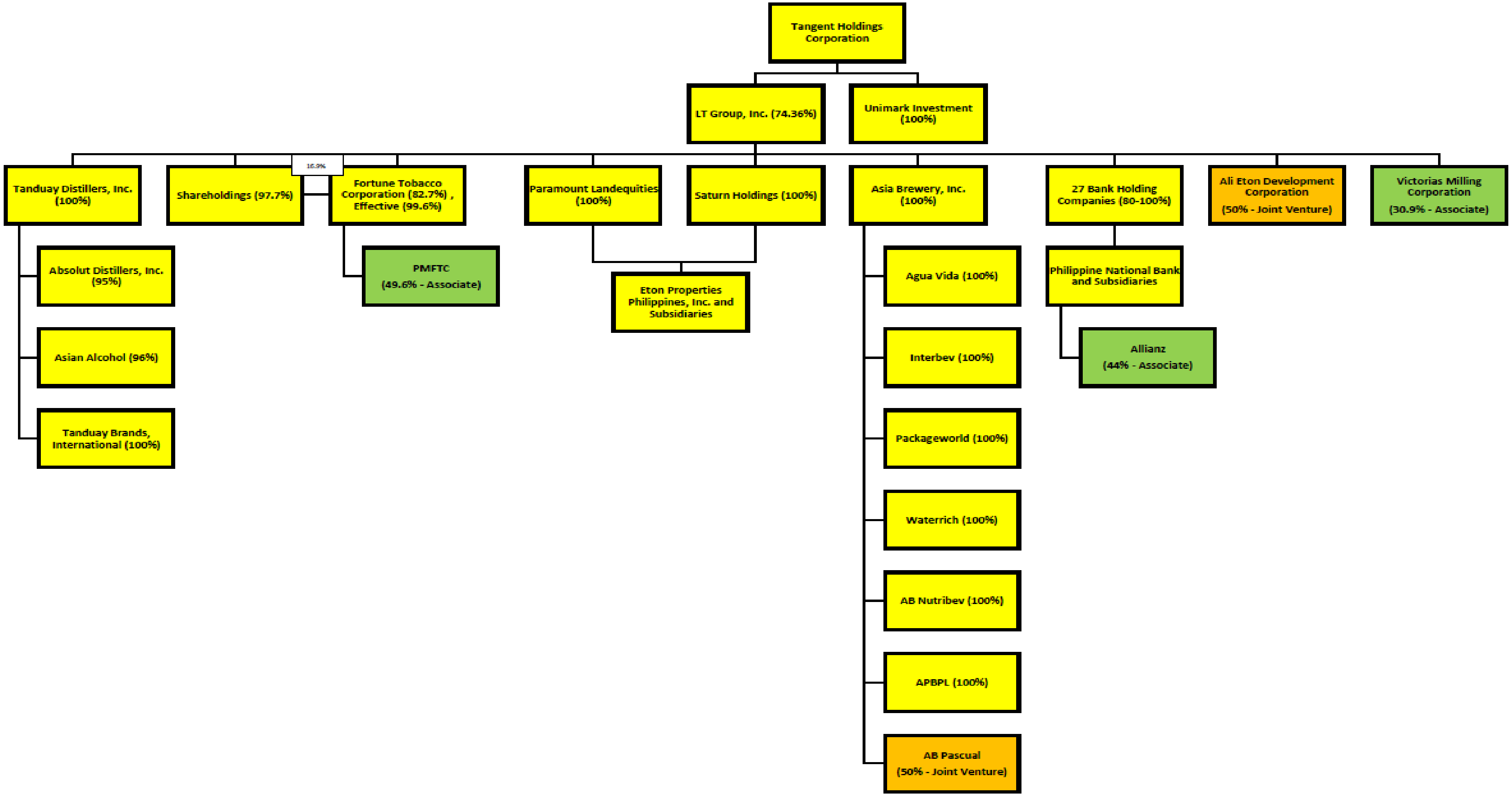
Title of Issue	Number of Shares Authorized	Number of Shares Issued And Outstanding as Shown under Related Balance Sheet caption	Number of shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of shares Held by related Parties	Directors, Officers and Employees	Others
Common Stock	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, 2024

Unappropriated retained earnings, beginning of reporting period				**₱46,659,440,900**
Add:	**Category A:**	**Items that are directly credited to unappropriated retained earnings**		
		Reversal of retained earnings appropriations	–	
		Effect of restatements or prior-year adjustments	–	
		Others (describe nature)	–	–
Less:	**Category B:**	**Items that are directly debited to unappropriated retained earnings**		
		Dividend declaration during the reporting period	13,526,736,112	
		Retained earnings appropriated during the reporting period	–	
		Effect of restatements or prior-year adjustments	–	
		Others (describe nature)	–	13,526,736,112
Unappropriated retained earnings, as adjusted				**33,132,704,788**
Add/Less: Net income (loss) for the current year				**14,688,203,388**
Less:	**Category C.1:**	**Unrealized income recognized in the profit or loss during the reporting period (net of tax)**		
		Equity in net income of associate/joint venture, net of dividends declared	–	
		Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
		Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
		Unrealized fair value gain of investment property	–	
		Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	–
Add:	**Category C.2:**	**Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**		
		Realized foreign exchange gain, except those attributable to cash and cash equivalents	–	
		Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	–	
		Realized fair value gain of investment property	–	
		Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	–
Add:	**Category C.3:**	**Unrealized income recognized in the profit or loss in prior periods but reversed in the current reporting period (net of tax)**		
		Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
		Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	–	
		Reversal of previously recorded fair value gain of investment property	–	
		Reversal of previously recorded other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	–
Add:	**Category D:**	**Non-actual losses recognized in profit or loss during the reporting period (net of tax)**		
		Depreciation on revaluation increment (after tax)	–	–
Add/ (Less)	**Category E:**	**Adjustments related to relief granted by the SEC and BSP**		
		Amortization of the effect of reporting relief	–	
		Total amount of reporting relief granted during the year	–	
		Others (describe nature)	–	–
Add/ (Less)	**Category F:**	**Other items that should be excluded from the determination of the amount of available for dividends distribution**		
		Net movement of treasury shares (except for reacquisition of redeemable shares)	–	
		Net movement of deferred tax asset not considered in the reconciling items under the previous categories	–	
		Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	–	
		Adjustment due to deviation from PFRS/GAAP - gain (loss)	–	
		Others (describe nature)	–	–
Adjusted net income				**14,688,203,388**
Total retained earnings, end of reporting period available for dividend declaration				**₱47,820,908,176**

Note: In accordance with SEC Financial Reporting Bulletin No. 14, the reconciliation is based on the separate/parent company financial statements of LT Group,

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, 2024



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, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated February 27, 2025. 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 (PFRS) Accounting Standards 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, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10465380, January 2, 2025, Makati City

February 27, 2025

LT GROUP, INC. AND SUBSIDIARIES
ANNEX 68-E

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
as of December 31, 2024 and 2023

Ratio	Formula	2024	2023
Current ratio	Current Assets / Current Liabilities	0.73	0.71
Acid test ratio	(Current Assets – Inventories – Prepaid Expenses) / Current Liabilities	0.71	0.70
Solvency ratios	(Net income after tax + Depreciation) / (Short term debt + Long-term Debt)	1.54	0.75
Debt-to-equity ratio	(Short term debt + Long-term Debt) / Equity attributable to equity holders of the Parent Company	0.13	0.25
Asset-to-equity ratio	Total Assets / Total Equity	4.16	4.42
Interest rate coverage ratio	EBITDA / Interest expense	85.89	67.13
Return on equity	Net income attributable to equity holders of the Company / Equity attributable to equity holders of the Parent Company	0.125	0.120
Return on assets	Net income attributable to equity holders of the Parent Company / Total Assets	0.021	0.019
Net profit margin	Net income attributable to equity holders of the Parent Company / Revenues	0.22	0.22

EXHIBIT 18 Subsidiaries of the Registrant

LT GROUP, Inc. has the following subsidiaries as of December 31, 2024:

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 8)	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. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
For the Year Ended December 31, 2024 and 2023

	2024	2023
	(In Thousands)	
Total Audit Fees (Section 2.1a)[1]	**₱44,809**	₱48,423
Non-audit services fees:		
Other assurance services	**8,023**	1,185
Tax services	**1,232**	844
All other services	**8,570**	2,388
Total Non-audit Fees (Section 2.1b)[2]	**17,825**	4,417
Total Audit and Non-audit Fees	**₱62,634**	₱52,840

Audit and Non-audit fees of other related entities (Section 2.1c)[3]

	2024	2023
	(In Thousands)	
Audit fees	**₱–**	**₱–**
Non-audit services fees:		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total Non-audit Fees	–	–
Total Audit and Non-audit Fees	**₱–**	**₱–**

Notes:

1/ Section 2,1a: Disclose agreed fees (excluding out of pocket expenses and VAT) with the external auditor/audit firm and its network firms (as applicable) for the audit of the covered company's stand-alone and/or consolidated financial statements and the covered company's consolidated subsidiaries' financial statements on which the external auditor/audit firm expresses an opinion. These do not include fees for special purposes audit or review of financial statements.

2/Section 2.1b: Disclose charged or billed fees (excluding out of pocket expenses and VAT) by the external auditor/audit firm or a network firm (as applicable) for non-audit services to the covered company and its related entities over which the covered company has direct or indirect control that are consolidated in the financial statements on which the external auditor/audit firm expresses an opinion. These included other assurance services such as special purpose audit or review of financial statements.

3/Section 2.1c: Disclose fees for services (excluding out of pocket expenses and VAT) charged to any related entities of the covered company over which the covered company has direct or indirect control, which are not yet disclosed in (a) or (b), such as fees for services to any unconsolidated subsidiaries that meet the consolidation exemption criteria of Philippine Financial Reporting Standard (PFRS) 10 applicable to investment entities, if the external auditor/audit firm has reason to believe that these are relevant to the evaluation of the external auditor/audit firm's independence, as communicated by the external auditor/audit firm with the covered company’s, those charged with governance or equivalent (e.g. Audit Committee).

LT GROUP, INC.

Vision Beyond Boundaries

2024 Sustainability Report

Contents

About the Report

Since the launch of our sustainability efforts in 2019, LT Group, Inc. (referred as "LTG," "Company," or "Group" in this report) has continuously evolved our practices to promote responsible business operations and long-term value creation.

For this year onwards, the Group transitions to Integrated Reporting, underscoring our strengthened commitment to Environmental, Social, and Governance (ESG) principles. This shift to Integrated Reporting reflects our dedication to providing a more holistic and transparent view of how financial and non-financial factors intertwine to drive sustainable growth.

About the Theme

As we present our maiden Integrated Report for the 2024 reporting cycle, ***Vision Beyond Boundaries*** reflects our Company's determination to break past traditional limits and lead with a bold, forward-thinking spirit. This theme captures our drive to innovate, embrace new opportunities, and continuously push ourselves to achieve greater heights. It symbolizes our commitment to transformative growth that benefits not only our business but society and the environment as well.

This vision extends to how we conduct business, setting higher standards in corporate governance rooted in transparency, integrity, and accountability. Through this report, we affirm our pledge to make every decision count toward building a more sustainable, inclusive, and responsible future—one where we leave a lasting, positive impact on our stakeholders and the communities we serve.

Reporting Scope and Boundaries

GRI 2-2, 2-3, 2-5

This report covers the period from January 1 to December 31, 2024, encompassing LTG as a holding company and our subsidiaries: Asia Brewery, Eton, Tanduay, PNB Holdings Corporation (PHC), and Philippine National Bank (PNB). While PNB's initiatives are included, they also publish a separate sustainability report. PMFTC, under the management of Philip Morris International Inc. (PMI), has limited coverage in this report, with its sustainability disclosures provided separately by PMI.

Financial statements were audited by SGV & Co., and non-financial data, though not externally assured, underwent thorough internal review and verification.

Reporting Guidelines and Standards

At LTG, we demonstrate our commitment to global sustainable development by adhering to international sustainability reporting standards. Transparency and accuracy are central to our disclosures, ensuring our contributions are both impactful and measurable in building a more sustainable future. This report adheres to the following standards:

- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)
- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*
- IFRS S2 *Climate-related Disclosures*
- Securities and Exchange Commission (SEC)
- United Nations' Sustainable Development Goals (SDGs)

2024 Our Business at a Glance

GRI 2-1

In 2012, as part of its expansion strategy, LTG previously named Tanduay Holdings, Inc. (THI), embarked on a significant milestone. diversifying its investment portfolio. This move included acquiring shares in Fortune Tobacco Corporation (FTC), Philippine National Bank (PNB), Allied Banking Corporation, Asia Brewery Inc. (ABI), Eton Properties Philippines, Inc. (EPPI). During the same year, the Company officially transitioned into a conglomerate and rebranded as LT Group, Inc.

This strategic shift expanded LTG's presence into multiple sectors, including tobacco, beverages, property development, distilled spirits, and banking. The Majority of the shares are held by Dr. Lucio C. Tan, his family, and assignees. LTG and its subsidiaries, collectively referred to as the Group, are the focus of this Sustainability Report. As of today, Tangent Holdings Corporation, LTG's ultimate parent company, holds a 74.36% ownership stake.

LTG remains committed to innovation, continually diversifying its product offerings and exploring international markets. This dedication reflects the Group's commitment to staying at the forefront of industry trends and remaining relevant in a constantly evolving market.

LT Group Logo/ Vision/ Mission

LTG operates with a clear vision and mission to deliver exceptional products and services, build a robust distribution network, leverage strategic synergies, support the well-being of employees and communities, and actively contribute to environmental sustainability.

To stay aligned with evolving goals and market conditions, the Board of Directors reviews and approves the Vision and Mission Statements each year. The most recent review took place on February 18, 2025.

About the LT Group's Logo

The LT Group, Inc. logo embodies the strength and unity that define the Group's identity. Designed with precision, it features balanced lines and curves forming a symmetrical tree with a mystical, Eastern-Oriental aesthetic—a nod to LTG's rich Chinese heritage.

The tree symbolizes life, growth, and resilience, representing the company's deep connection to its roots while emphasizing its commitment to progress and value creation. Its spreading branches illustrate the interconnectedness of LTG's subsidiaries and stakeholders. Enclosed by two circles, the inner circle reflects continuity and enduring values, while the outer circle signifies solidarity and the unity that binds all elements within the logo.

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 driving sustainable progress. We aim to create lasting value for our consumers, communities, employees, business partners, and shareholders through responsible leadership, environmental stewardship, and inclusive practices that benefit both current and future generations.

Mission

Anchored to its Vision, the LT Group, Inc. commits:
To increase stockholder values through long-term and sustainable growth in its major business groups, fostering resilience and innovation in response to environmental and social challenges.

To continuously improve the value of its products and services while ensuring sustainable sourcing, production, and distribution, providing consumers with more environment-friendly and responsible choices.

To build the largest, most effective distribution network with a focus on minimizing environmental impact and maximizing accessibility, thereby contributing to the sustainable development of communities.

To leverage synergies across our businesses to not only improve revenues and cost structure but also reduce waste, energy consumption, and carbon footprint.

To enhance the welfare of its employees and the communities by fostering an inclusive, equitable, and safe working environment, promoting human rights, and actively contributing to the sustainable development of the communities where we operate.

Our Partnership

GRI 2-6

LTG's corporate framework clearly illustrates the strong connection between the parent company and its subsidiaries, fostering seamless collaboration across the Group. Each subsidiary, with the exception of Victoria Milling Company Inc., and ALI-Eton Development Corporation, further extends its reach by establishing its own set of subsidiaries.

Several of LTG's subsidiaries have implemented vertical integration in their supply chains to boost operational efficiency and streamline business processes. This approach reflects the Group's commitment to resilience and efficiency throughout its portfolio.

1 Owns 50% less 1 share
2 Voting control at 59.83%

Memberships and Associations

GRI 2-28

Asia Brewery

- Cabuyao River Protection Advocates (CaRPA) - ABI as President -Dr. Alberto D. Rivera, SVP Supply Chain Head
- ALPrESH - Advocates, Leaders and professionals in Environment, Safety and Health under Association of Safety and Heath Practitioner (ASPPI), member
- People Management Association of the Philippines (PMAP), member
- Employers Confederation of the Philippines (ECOP), member
- Philippine Society for Training and Development (PSTD), member
- Semiconductor and Electronics Industries in the Philippines (SEIPI), member
- International Bottled Water Association, member

Eton

- Philippine Society for Talent and Development, *member*
- Employees Confederation of the Philippines, *member*
- Philippine Association of National Advertisers, *member*
- IT & Business Process Association of the Philippines, *member*
- Urban Land Institute, founding *member*

PNB

- ACI Philippines, The Financial Markets Association Inc.
- Analytics and Artificial Intelligence Association of the Philippines (AAIAP)
- Asian Bankers Association (ABA)
- Association of Bank Remittance Officers (ABROI)
- Association of Bank Compliance Officers (ABCOMP)
- Association of Certified Anti-Money Laundering Specialists (ACAMS)
- Association of Certified Fraud Examiners (ACFE)
- Association of Certified Public Accountants in Commerce & Industry (ACPACI)
- Association of Philippine Correspondent Bank Officers, Inc. (APCBOI)
- Bank Marketing Association of the Philippines (BMAP)
- Bank Security & Management Association Inc. (BSMA)
- Bankers Association of the Philippines (BAP)
- Bankers Institute of the Philippines (BAIPHIL)
- BAP Credit Bureau, Inc (BAPCBI)
- BAP Data Exchange, Inc. (BAPDEX)
- British Chamber of Commerce Philippines (BCCP)
- Business Continuity Managers Assocation of the Philippines (BCMAP)
- Business for Sustainable Development
- Butuan City Bankers Club
- Cebu Chamber of Commerce & Industry, Inc.
- Chamber of Commerce of the Philippine Islands (CCPI)
- Chartered Financial Analyst (CFA)
- Clearing Officers Club Inc. (COCI)
- Credit Card Association of the Philippines (CCAP)
- Credit Management Association of the Phils, Inc. (CMAP)
- Employers Confederation of the Philippines (ECOP)
- European Chamber of Commerce of the Philippines (ECCP)
- Federation of Philippine Industries, Inc. (FPII)
- Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII)
- Financial Executives Institute of the Philippines (FINEX)
- Fintech Alliance Ph
- Fund Managers Association of the Philippines (FMAP)
- Good Governance Advocates and Practitioners of the Philippines (GGAPP)
- IAG's various membership organizations
- Information Systems Audit and Control Association (ISACA)
- Institute of Corporate Directors (ICD)
- Institute of Internal Auditors of the Philippines (IIA)
- Integrated Bar of the Philippines (IBP)
- International Association of Privacy Professional (IAPP)
- Japanese Chamber of Commerce & Industry of the Philippines, Inc. (JCCIP)
- Malaybalay Banker's Association
- Management Association of the Philipines (MAP)
- Money Market Association of thePhilippines (MART)
- National Association of Securities Broker Salesmen, Inc. (NASBI)
- People Management Association of the Philippines, Inc. (PMAP)
- Philippine Association of National Advertisers, Inc. (PANA)
- Philippine Business Coalition for Women Empowerment (PBCWE)
- Philippine Chamber of Commerce & Industry (PCCI)
- Philippine Dealing & Exchange Corporation (PDEX)
- Philippine Payments Management, Inc. (PPMI)
- Pampanga Chamber of Commerce
- Southern Bukidnon Bankers Association
- Tax Management Association of the Philippines (TMAP)
- Trust Officers Association of the Philippines (TOAP)

PHC

- Urban Land Institute, *member*
- Makati Central Estate Association (MACEA)

Tanduay

- ADI: EPAP (Ethanol Producers Association of the Philippines), *Chairman*
- ADI: CARD Foundation, *Chairman*

Awards and Recognition

Asia Brewery

- Recognition for Sustainable Development Partner 2024 – City of Sta. Rosa, Laguna
- Bantayog ng Lawa Recognition 2024 – Laguna Lake Development Authority
- Country Movers Award 2024 – Philippine Chamber of Commerce and Industry

Eton

- 2024 Lion Awardee- Top 10 taxpayers in Sta. Rosa, Laguna

LTG

- Forbes' World's Best Employers 2024- Ranked 600+
- ASEAN Corporate Governance Scorecard (ACGS) 2024 Golden Arrow Awards – Two Golden Arrow Awardee

PNB

- Forbes World's Best Banks 2024 – Best Bank in the Philippines
- International Business Magazine Awards 2024 – Most Admired Financial Services Provider in the Philippines
- Euromoney Private Banking Awards 2024 – Best Bank for Investment Research in the Philippines
- ASEAN Corporate Governance Scorecard (ACGS) 2024 Golden Arrow Awards – Four Golden Arrow Awardee
- Asian Banking and Finance: Retail Banking Awards 2024 –Rebranding Campaign of the Year in the Philippines for PNB *Every Step Together*
- The Digital Banker's Digital CX Awards 2024 – Excellence in Customer Service Innovation under the Strategy Awards category
- Asian Experience Awards 2024 – Philippines' Digital Experience of the Year – Banking for PNB Singapore Mobile App
- The Asset Benchmark Research Awards 2024 - Highly Commended in the Top Investment Houses for Trust and Investment
- The Asset Benchmark Research Awards 2024 - 2nd Most Astute Investor under the Portfolio Management category for Albert Joseph Hampton, Head of Investment and Execution Department
- Catholic Mass Media Awards (CMMA) 2024 – Best Branded Digital Ad for PNB's *Every Step Together*
- 17th Annual Best Deal & Solution Awards 2023 – PNB Capital and Investment Corporation won as Best PPP & Blended Financing Infrastructure Deal of the Year for San Miguel Corporation Mass Rail Transit Inc.'s Php 100 billion Syndicated Term Loan Facility
- 17th Annual Best Deal & Solution Awards 2023 – PNB Capital and Investment Corporation won as Best Local Currency Bond Deal of the Year in the Philippines for San Miguel Corporation's Php 60 billion Fixed Rate Bonds
- 17th Annual Best Deal & Solution Awards 2023 – PNB Capital and Investment Corporation won as Best Multi-year Bond of the Year in the Philippines for Aboitiz Equity Ventures Inc.'s Php 17.45 billion (2-, 5- and 10-year) Fixed Rate Bonds
- PDS Annual Awards – Top 1 Fixed-Income Brokering Participant
- PDS Annual Awards – Top 5 Fixed-Income Cash Settlement Bank
- PAG-IBIG Funds Chairman's Report 2023 Excellence Awards - Highest amount in payments collected from Overseas Pag-IBIG Fund members
- PAG-IBIG Funds Chairman's Report 2023 Excellence Awards - Highest number of transactions of Overseas Pag-IBIG Fund members
- LinkedIn Talent Awards 2024 – Learning Champion under the 5,000 to 10,000 employees on LinkedIn category
- Philippine Daily Inquirer and Statista's Philippines' Best Employers 2025 – Listed as One of the Top Employers in the Philippines

PHC

- Delaware Philippines. – Collaboration Excellence Award
- SAP Customer Excellence Award for SEA 2024- 2nd Runner-Up
- LinkedIn Talent Awards 2024-Best Employer Brand on LinkedIn

Tanduay

- Tanduay, 2024 World Branding Awards

Our Businesses

GRI 2-6

Beverages

Since its establishment in 1982, Asia Brewery, Inc. has become a prominent name in the beverage industry, known for delivering quality and affordable products to a wide audience. Initially breaking into the market by challenging the beer industry monopoly with a pioneering brand, the company has since evolved into a diversified enterprise offering a wide range of beverages. With a robust distribution network comprised of exclusive distributors, Asia Brewery ensures its products reach nationwide mass consumers efficiently. Today, the company is recognized for its strong presence in both non-alcoholic and alco-mix beverage segments, boasting a portfolio of over 40 alcoholic and 62 non-alcoholic beverages, including popular brands like Absolute, Summit, Cobra Energy Drink, Nestea, Beer na Beer, Tanduay Ice, and Vitamilk. This commitment to variety and quality has solidified Asia Brewery's reputation as a trusted beverage provider.

Property Development

Eton Properties Philippines Inc., established in 2007, is one of the Philippines' leading real estate developers, with a vision to become the most trusted property developer in the country. Backed by its international counterpart, Eton Properties Ltd., with a strong presence in Hong Kong and mainland China, Eton specializes in developing commercial, office, and residential properties. Its portfolio includes 36 projects, such as iconic office buildings like Centris Cyberpod in Quezon City and Eton Cyberpod Corinthian in Ortigas, along with thriving mixed-use townships, such as the 600-hectare Eton City in Sta. Rosa, Laguna, which seamlessly integrates commercial centers and residential developments. Eton's latest venture, Parklinks in Quezon City, in partnership with Ayala Land, Inc., reflects its commitment to reshaping urban spaces and addressing market needs with innovation and precision.

Eton Properties Philippines, Inc.

On the other hand, PNB Holdings Corporation (PHC) aims to be the premier developer of sustainable high-end luxury properties in the Philippines, transforming its prime assets into iconic architectural landmarks and world-class master-planned mixed-use developments. PHC's portfolio includes the PNB Financial Center in Pasay City, the PNB Makati Center, and the 8,000-square-meter PHC Buendia Property at the intersection of Sen. Gil J. Puyat Avenue and Paseo de Roxas in Makati City, among other key investment properties. As part of its growth strategy, PHC is actively seeking strategic investors with proven expertise in property development and financial strength to maximize the value and potential of these prime locations.

Banking

Established in 1916 and privatized in 2007, the Philippine National Bank (PNB) is one of the Philippines' oldest and largest financial institutions, proudly known as the "Bangko ng Bayan" or the people's bank. Over its 110-year history, PNB has remained resilient, evolving to meet the changing needs of its customers through continuous innovation and service excellence. With a strong domestic network of 631 branches and offices and 72 overseas locations, PNB serves a diverse clientele ranging from individuals to corporations and government entities, offering traditional banking services alongside digital solutions. From pioneering rural banking in the 1920s to opening its first international branch in New York in 1917, PNB continues to play a vital role in both the local and global financial landscape.

PNB
EVERY STEP TOGETHER

pmftc

Tobacco

In 2010, Philip Morris Philippines Manufacturing Inc. (PMPMI) and Fortune Tobacco Corporation (FTC) joined forces to establish PMFTC Inc., marking a significant milestone in the tobacco industry. PMPMI, which began producing Marlboro in 1955 under a licensing agreement, and FTC, founded by Dr. Lucio C. Tan in 1965, brought together decades of expertise. Today, PMFTC dominates the market, manufacturing five of the top 10 cigarette brands in the Philippines, cementing its position as a key industry leader.

Distilled Spirits

Tanduay Distillers Inc. is a leading liquor producer in the Philippines, known for its extensive product line and robust distribution network, which spans over 220,000 points of sale and 15 exclusive distributors nationwide. Established in 1988, Tanduay manufactures a variety of distilled spirits, including rhum, brandy, whiskey, and gin, and exports its products globally through Tanduay Brands International, Inc. (TBII). TBII, fully acquired in 2006, strategically markets Tanduay's products, enhancing its visibility in the competitive distilled spirits industry. Tanduay's subsidiary, Absolut Distillers Inc. (ADI), specializes in high-quality ethyl alcohol and sustainable production practices, supporting both alcoholic and non-alcoholic beverage sectors while championing employee empowerment and stakeholder engagement.

TRADE MARK
1854
TANDUAY Distillers, Inc.

Embedding Sustainability in our Footprint

Our Sustainability Framework

GRI 2-6

As one of the Philippines' leading holding companies, LTG is unwavering in its commitment to fostering positive change and building a future where prosperity and sustainability go hand in hand. Anchored in our core purpose and mission, we recognize the critical role sustainability plays in every aspect of our operations. To guide us in achieving this vision, we have established a comprehensive Sustainability Framework.

This framework is built on the core principles of our organization and informed by rigorous materiality assessments. To maintain progress and drive improvement, LTG has developed Key Performance Indicators (KPIs) within this framework. These KPIs allow us to track our sustainability goals, assess our performance, and make informed, data-driven decisions. Our KPIs and targets are reviewed and refined every 2-5 years, in alignment with our policies and sustainability action plans, with oversight from the Parent Company to ensure consistency and accountability in meeting our sustainability objectives.

- Sustained financial performance despite market challenges.
- Improvement of banking and beverages sectors' revenue streams to future-proof the business.
- Strengthened governance structures to support resilience and adaptability.
- Commitment to sustainability as a driver of long-term value creation.

SDGs Impact: SDGs 8, 9, 10, 13, 17

- Efficiency in energy consumption and greenhouse gas emissions.
- Implementation of waste management and circular economy initiatives.
- Compliance with local and international environmental regulations.
- Adoption of sustainable supply chain practices across all subsidiaries.
- Investment in operational efficiency to minimize resource use and costs.

SDGs Impact: 6, 7, 9, 12, 13

- Expansion of product offerings to align with consumer demand.
- Continued focus on high-quality, responsibly sourced products.
- Integration of sustainability principles into product development processes.
- Enhanced customer satisfaction through innovation and value-added services.
- Leveraging technology to improve access and convenience for stakeholders.

SDGs Impact: 2, 3, 8, 9, 12

- Comprehensive health, safety, and wellness programs for employees.
- Promotion of diversity, equity, and inclusion across all business units.
- Increased employee engagement through skills development and training.
- Active participation in community-building initiatives via CSR programs.
- Targeted support for education, healthcare, and livelihood opportunities in local communities.

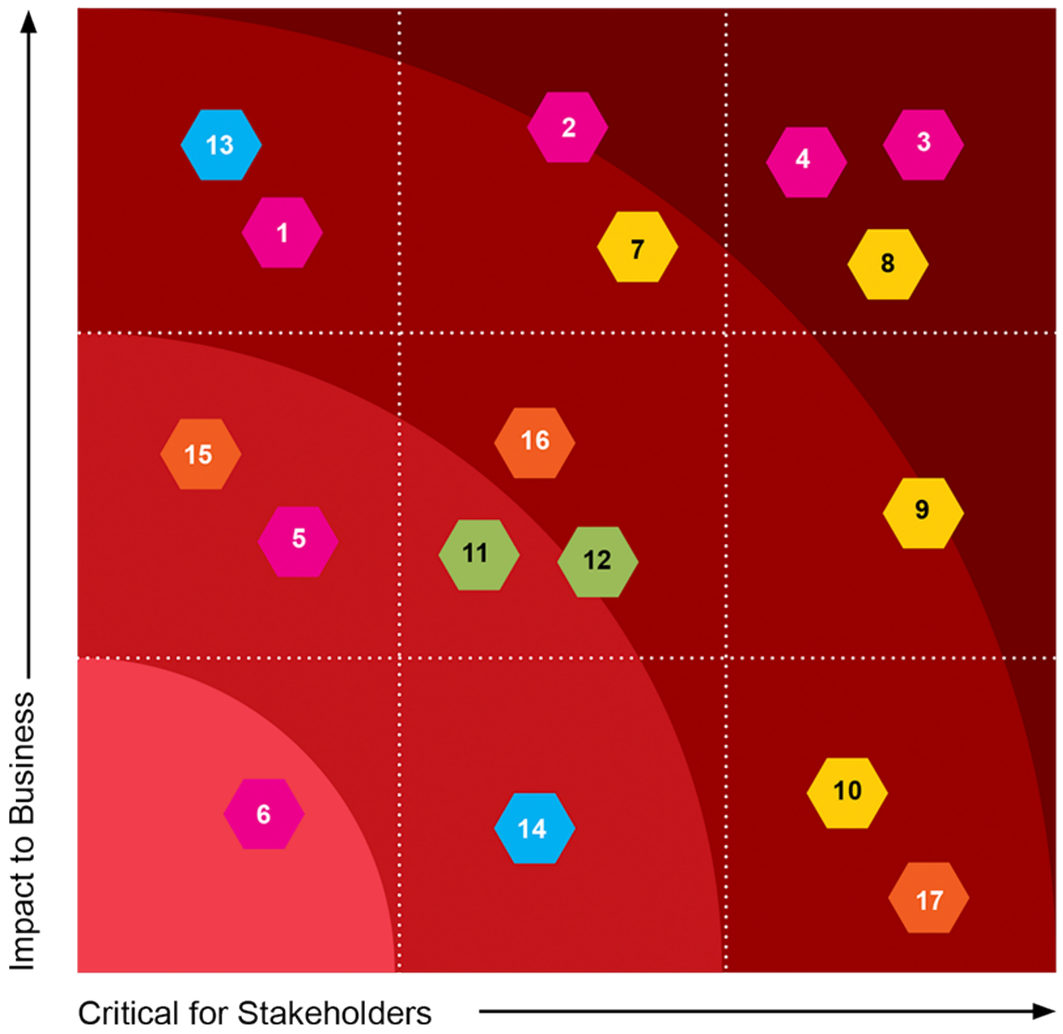
SDGs Impact: 1, 3, 4, 5, 8, 10, 11, 13

Approach to Materiality and Stakeholder Engagement

GRI 2-9, 3-1, 3-2

The Board of Directors of each LTG subsidiary acknowledges its responsibility to embed sustainability principles into both corporate governance and risk management frameworks. To ensure relevance and impact, each subsidiary conducts its own materiality assessment, identifying the sustainability issues most pertinent to its stakeholders and operational structure. These assessments involve desk reviews and surveys, with the data reported internally to the respective Sustainability Technical Work Groups, Steering Committees, and other relevant units at the subsidiary level. At the Parent Company level, the results are also reported to the Corporate Governance and Sustainability Committee. After which, the reported results are consolidated and subsidiary material topics are evaluated and ranked to ensure strategic alignment with the Group's sustainability priorities.

Following these assessments and validation sessions, we are able to identify the most pressing issues for our stakeholders across the ESG areas as highlighted in the graph below.



ECONOMIC and GOVERNANCE
1. Socio-economic and Environmental Compliance
2. Ethical Operations
3. Good Governance
4. Economic Performance
5. Customer Engagement and Satisfactio
6. Illicit Trade

EMPLOYEES
7. Employment
8. People, Safety, Security and Well-beir
9. Employee Skills and Competency Development
10. Labor Relations and Diversity

ENVIRONMENT
11. Resource Efficiency
12. Climate Change/GHG Emission

CUSTOMERS
13. Customer Data Privacy and Security
14. Marketing and Labelling

SOCIETY
15. Supply Chain Management
16. Human Rights Protection
17. Community Relations

More so, the well-being of our stakeholders is at the heart of everything we do. To ensure long-term benefits for all parties, we foster meaningful relationships through regular engagement activities. Our key stakeholders include national government agencies (NGAs), customers, employees, suppliers, and the communities we serve.

We tailor our engagement methods to suit each stakeholder group, facilitating productive collaborations and gathering valuable feedback. This feedback is vital in helping us continuously enhance our operations, products, and services.

Government Agencies and Regulators
Key concerns: Socio-economic and environmental compliance; Ethical operations; Good governance; Economic Performance; Illicit Trade; Human rights protection; Resource efficiency; and Climate change/GHG emissions
Mode of Engagement: 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; and Webinars

Employees
Key concerns: Employment; People; Safety, security, and well-being; Employee skills and competency development; Labor relations and diversity; Customer engagement and satisfaction; and Community relations
Mode of Engagement: 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; and Yearly outing/ team building

Communities
Key Concerns: Supply chain management; Human rights protection; Community relations
Mode of Engagement: 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; and Partnerships with credible NGOs, Foundations, academic institutions, LGUs, or Civil Society Organizations

Customers
Key Concerns: Customer data privacy and security; Marketing and labeling; Ethical operations; Good governance; Resource efficiency; Climate change/GHG emissions; and Customer Engagement and Satisfaction
Mode of Engagement: Email; Calls/SMS; Social Media Platforms; Messaging Apps; Websites; Retail Partners; and Customer Survey Forms

Suppliers
Key Concerns: Ethical operations; Good governance; Resource efficiency; Climate change/GHG emissions; Illicit Trade; and Supply chain management
Mode of Engagement: Supplier Performance Evaluation; Consignment Program (Partnership); Electronic/Physical Letters; Virtual meetings; and Phone calls/SMS

Our Value Creation Model

Input

Financial

- Php 48.77 billion operating costs
- Php 28.92 billion net income
- Php 89.2 million total investment for Digital Transformation Initiatives

Intellectual

- Launched Bills Pay PH in January and QR PH in February, expanding digital transaction channels for customers.
- Implemented S4-HANA to modernize business processes

Manufactured

- 1,572 ATMs and 143 CAMs
- 6,152 POS Terminals

Human

- 12,803 Total Employees
- 46.17% Male and 53.83% Female
- 344,745 Total Training Hours
- 10.79% Turnover rate

Natural

- 1,174,471.80 GJ Fuel Consumption
- 237,218,743.10 kWh Electricity Consumption (Non-Renewable)
- 7,690.25 ML Water Withdrawal
- 18 MhW solar photovoltaic project

Social and Relationship

- Php 18.96 million total investments on the Local Communities
- Php 5.2 million total investments for scholarship programs, training, and learning opportunities
- Establish a school building which comprises 46 state-of-the-art classrooms and can accommodate 2,300 students

Business Activities

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 driving sustainable progress. We aim to create lasting value for our consumers, communities, employees, business partners, and shareholders through responsible leadership, environmental stewardship, and inclusive practices that benefit both current and future generations.

Mission

Anchored to its Vision, the LT Group, Inc. commits:

- To increase stockholder values through long-term and sustainable growth in its major business groups, fostering resilience and innovation in response to environmental and social challenges.
- To continuously improve the value of its products and services while ensuring sustainable sourcing, production, and distribution, providing consumers with more environment-friendly and responsible choices.
- To build the largest, most effective distribution network with a focus on minimizing environmental impact and maximizing accessibility, thereby contributing to the sustainable development of communities.
- To leverage synergies across our businesses to not only improve revenues and cost structure but also reduce waste, energy consumption, and carbon footprint.
- To enhance the welfare of its employees and the communities by fostering an inclusive, equitable, and safe working environment, promoting human rights, and actively contributing to the sustainable development of the communities where we operate.

Sustainability Framework

Long term growth
- Economic peformance
- Ethical operations
- Good governance

Value through products and services
- Customer satisfaction
- Data privacy and security
- Innovation and digitalization

Responsible Operations
- Resource Efficiency
- Supply chain management
- Adapting to Climate Change

Welfare of employees and communities
- Safety, security and wellbeing
- Labor relations and skills
- Community relation and development

Output

Long term growth

- **Php 147.95 billion Economic Value Generated**
- **Php 122.97 billion Economic Value Distributed**

Value through products and services

- **1,449,058 enrolled users (mobile)**

Responsible Operations

- **4,636 Total of trees and seedlings planted in 2024**
- **31% increase of energy consumption**
- **17,047.32 GJ renewable energy**
- **3,375.76 ML water consumption**
- **5,976.72 MT waste generated**
- **986 total hectares of trees planted**
- **242,844.99 tCO_2e total carbon footprint**

Welfare of employees & communities

- **2,258 New hires**
- **1,052 Average training hours for employees**
- **24,806,606 Safe man hours**
- **53 students awarded scholarship grants and educational assistance**
- **351 students received school supplies, uniforms, and hygiene kits**
- **316 teachers trained for FUSE Training Program**
- **12,100 kgs. rice donated to farmers and young athletes**
- **600+ employees benefited from PAL Farm-to-Table Project**

Impact on SDGs

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

8 DECENT WORK AND ECONOMIC GROWTH

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Long-Term Growth

Economic Performance

GRI 3-3

A strong economic performance is the foundation of everything we do, enabling the Group to meet our commitments, grow responsibly, and continue making a positive impact across our stakeholders. Inasmuch as the Group faced many challenges over the years, these have strengthened our ability to adapt and innovate. For 2024, we achieved a consolidated net income attributed to the Parent Company of Php 28.92 billion, a 14% increase from last year. Such growth reflects not just numbers on a balance sheet but also our ongoing recovery and strategies that keep us moving forward.

Our performance was fueled by the steady recovery of our beverage, distilled spirits, and tobacco segments, all of which benefited from operational improvements and strong consumer demand. Our banking arm also held its ground, leveraging digital tools to expand its reach and serve more customers. Across all sectors, we stayed focused on managing costs smartly and using our resources wisely to deliver sustainable results.

GRI 201-1

	2024	2023	2022
Operating costs*	48.77	47.51	49.57
Employee wages and benefits*	13.55	12.79	12.07
Payments to government*	27.94	24.42	26.31
Payments to providers of capital*	32.70	29.06	24.77
Community investments (in Php millions)	18.96	49.96	0.03
Total direct economic value distributed*	**122.97**	**113.84**	**112.76**
Total economic value generated*	**147.95**	**134.86**	**128.28**
Economic value retained*	**24.98**	**21.03**	**15.52**

*in Php billions

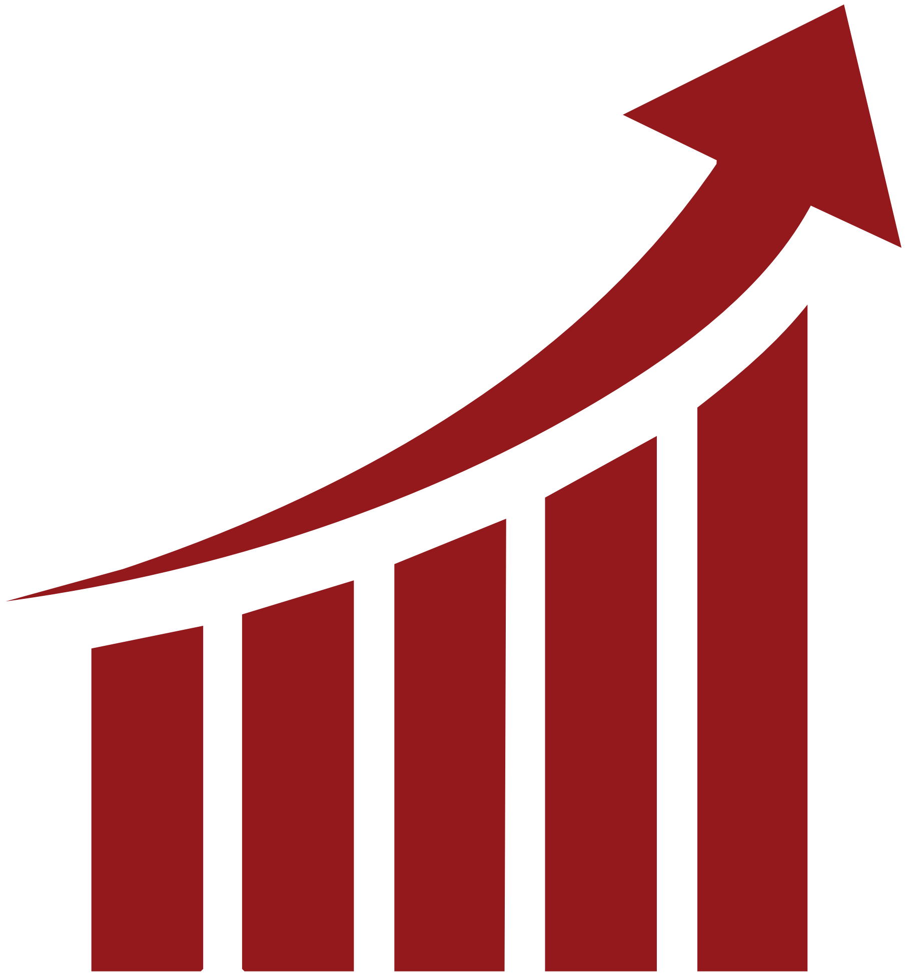
Strong, Steady Growth in 2024

In February 2025, LT Group Inc. reported strong and steady growth in 2024, with consolidated attributable to parent net income increasing by 14% to Php 28.92 billion, compared to Php 25.42 billion last year. The growth reflects the group's ability to adapt to market challenges and sustain its momentum across diverse business segments.

Banking remained a key driver of LTG's performance, posting an 11% increase in net income to Php 21.18 billion, supported by higher net interest income. LTG's share in Philippine National Bank's (PNB) earnings rose to Php 11.89 billion, up from Php 10.75 billion in 2023. Distilled spirits also showed robust performance, with Tanduay Distillers reporting a record net income since LTG initial public offering of Php 2.15 billion or 37% increase, driven by higher sales volume and selling prices.

Beverages saw significant gains, with Asia Brewery's net income surging 46% to Php 841 million due to increased sales of major product lines. Tobacco segment demonstrated consistent growth with a 12% improvement in net income to Php 12.77 billion, impacted by higher equitized earnings from PMFTC due to increased sales volume.

Despite a 53% decline in Eton Properties Philippines net income to Php 212 million, LTG's consolidated revenues increased 12% to Php 128.96 billion, driven by growth in banking, distilled spirits, beverage, and tobacco and property development segments.



Ethical Operations

GRI 3-3, 205-2, 205-3

Integrity is the bedrock of the Group's commitment to sustainable growth and responsible leadership. To achieve this, the Group has a Code of Business Ethics that establishes the foundation for ethical conduct across all operations, emphasizing transparency, fairness, and accountability. A key provision within the Code is the strict prohibition of insider trading, ensuring that all employees and stakeholders adhere to legal and ethical standards in handling material non-public information. For more information about our Code of Business Ethics, click here.

In 2024, LTG took decisive steps to strengthen its Group-wide approach to ethical governance, fostering collaboration across subsidiaries to maintain the highest standards of conduct. Noteworthy, the Group likewise maintained full compliance with all applicable laws and regulations in 2024, including environmental laws, with no recorded violations or penalties incurred. This unified effort ensures that integrity remains a cornerstone of our business practices, reinforcing our resilience and capacity to create lasting value while fostering a culture of accountability, ensuring alignment with the highest standards and the organization's core values.

Group-wide Ethical Framework

In 2024, LTG reinforced its Group-wide Code of Business Conduct and Ethics, which serves as the foundational framework guiding our actions and decisions. This code outlines the principles that all employees, from leadership to frontline staff, are expected to uphold, fostering a unified culture of ethical behavior across our diverse business units.

Transparent Reporting and Whistleblowing Mechanisms

To maintain transparency and accountability, LTG has strengthened its whistleblowing policies and grievance mechanisms. Employees and relevant third parties are encouraged to report any unethical behavior without fear of retaliation. All reports are handled with utmost confidentiality and are thoroughly investigated to ensure that any issues are addressed promptly and effectively.

Collaborative Efforts with Subsidiaries

Working closely with our subsidiaries, we have implemented comprehensive anti-corruption initiatives to prevent unethical conduct and promote fair business practices. This collaborative approach ensures that our policies are not only disseminated but also effectively integrated into daily operations. Regular training sessions, workshops, and communication campaigns have been conducted to educate employees about the importance of ethical conduct and the mechanisms in place to report any concerns.

Empowering Employees through Education

Understanding that our employees are our first line of defense against unethical behavior, we have intensified our educational campaigns to cultivate a culture of integrity. In 2024, over 11,703 employees participated in anti-corruption training programs, equipping them with the knowledge and tools to recognize, prevent, and address any unethical activities. This marks a significant increase from previous years, reflecting our commitment to continuous improvement in this area.

Apart from the aforementioned initiatives, LTG reported zero major incidents of corruption, underscoring the effectiveness of our ethical framework and the vigilance of our employees. This achievement is a testament to our collective commitment to maintaining a corruption-free environment.

11,703 employees
Received Anti-corruption Training in 2024

ZERO
Major Incidents of Corruption in 2024

Good Governance

GRI 2-9, 2-10, 2-11, 2-12

Governance is more than a structural necessity—it is the compass that guides the Group toward success beyond numbers. By embedding transparency, accountability, and ethical leadership into every decision, we ensure that our operations are not only effective but also aligned with the evolving expectations of our stakeholders.

The Group has redefined governance as a dynamic force that empowers innovation, fosters resilience, and strengthens our commitment to a sustainable future. This year, LTG introduced the ESG and Sustainability Charter. The Charter provides a unified roadmap for group-wide governance and sustainability practices, emphasizing a cohesive approach across all subsidiaries. Once fully approved, the Charter will guide every member of the organization, ensuring that governance structures are aligned with our shared sustainability vision.

Moreover, the implementation of LTG's Sustainability Framework, approved last year, has been completed across the Group. This framework, which incorporates specific KPIs for each subsidiary, ensures faithful compliance with both internal goals and external regulatory requirements, reflecting our ambition to go beyond compliance and proactively address ESG concerns to drive long-term impact.

The Board of Directors, through its five key committees—including the Audit Committee, Risk Management Committee, and Corporate Governance and Sustainability Committee—actively oversees LTG's operations. These committees play a vital role in shaping strategies, managing risks, and ensuring strong governance practices. The Board regularly includes Sustainability and ESG matters in its formal agenda, including reviews and approval of the Sustainability Report to ensure consistency, alignment with the Group's overall mission and vision, and integration of ESG principles into its strategic direction.

Nomination and Compensation Committee

The Nomination and Compensation Committee ensures that a formal and transparent Board nomination process is done in the selection, compensation, monitoring and, when necessary, replacement of key executives as well as overseeing the succession planning of the Company.

Chairman:
Dr. Lucio C. Tan

Members:
Lucio C. Tan III, Michael G. Tan, Karlu T. Say, Juanita T. Tan Lee, Mary G. Ng, and Wilfrido E. Sanchez

Audit Committee

The Audit Committee is tasked to assist the Board in its oversight functions. As such, the Audit Committee, through the Internal and External Auditors, is informed of the financial and non-financial status of the Company, the management of its risks, the system of internal control and the audit process.

Chairman:
Johnip G. Cua

Members:
Mary G. Ng, Wilfrido E. Sanchez, Juanita T. Tan Lee, Florencia G. Tarriela, and Chester Y. Luy

Risk Management Committee

The Risk Management Committee shall have Risk Oversight and Related Party Transactions (RPTs) Functions, as well as the duty and responsibility to monitor the risk environment of the Company and provide direction for the activities to mitigate, to an acceptable level, the risks that may adversely affect the Company's ability to achieve its goals. Moreover, it is responsible to review and ensure that RPTs entered into are not undertaken on more favorable economic terms with such related parties than similar transactions with non-Related Parties under similar circumstances.

Chairman:
Mary G. Ng

Members:
Johnip G. Cua, Wilfrido E. Sanchez, Juanita T. Tan Lee, Florencia G. Tarriela, and Chester Y. Luy

Executive Committee

The Executive Committee's duty and responsibility is to ensure that the Board properly manages the businesses and affairs of the Company. Its authority, however, is limited to functions not expressly reserved to be exercised by the Board of Directors under the laws of the Philippines, the corporate By-Laws and the Company's Revised Corporate Governance Manual.

Chairman:
Dr. Lucio C. Tan

Members:
Lucio C. Tan III, Michael G. Tan, Karlu T. Say, Vivienne K. Tan, Juanita T. Tan Lee, and Johnip G. Cua

Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee's primary responsibility is to oversee the Company's compliance with Philippine laws, rules, and regulations, as well as the SEC recommendations on good corporate governance for publicly-listed companies and the Company's Manual on Good Corporate Governance. Additionally, the Committee ensures the integration and oversight of sustainability and ESG matters, aligning the Company's practices with its commitment to responsible corporate citizenship and long-term value creation.

Chairman:
Florencia G. Tarriela

Members:
Lucio C. Tan III, Michael G. Tan, Juanita T. Tan Lee, Johnip G. Cua,Mary G. Ng, and Chester Y. Luy

Sustainability Governance

To strengthen sustainability leadership, LTG has appointed Mr. Jose Gabriel Olives as the Chief Sustainability and ESG Officer, spearheading the Group's overarching sustainability and ESG initiatives. Supporting this leadership structure, each subsidiary has also appointed dedicated sustainability officers to champion ESG integration within their operations.

These leaders will drive ESG integration within their respective operations, ensuring consistency and alignment with the Group's sustainability objectives.

Moreover, LTG continues to uphold a robust governance process with clear checks and balances. The Board actively engages in an annual self-assessment, evaluating both individual and collective performance to enhance efficiency and accountability. Directors are also required to disclose any material transactions or potential conflicts of interest, with ambiguity addressed in consultation with relevant committees or legal officers. Stakeholder engagement remains a cornerstone of our governance philosophy. Through active consultation, feedback from stakeholders on sustainability-related concerns is regularly presented to the Board.

This practice ensures that our governance strategies are informed, inclusive, and aligned with stakeholder expectations.

Dedicated Sustainability Officer/Manager

Asia Brewery	**Dr. Alberto Rivera**	– Senior Vice President, Supply Chain
Eton	**Ms. Donna Salgado**	– Assistant Vice President - Marketing, Public Relations and Corporate Communications
PNB	**Ms. Jean Marie Baruelo**	– Senior Vice President, Division Head-Corporate Sustainability and Social Responsibility
PHC	**Atty. Michael Delos Reyes**	– Senior Vice President, Chief Risk and Compliance Officer
Tanduay	**Mr. Nestor Mendones**	– Senior Vice President, Chief Risk and Sustainability Officer

Stakeholder Feedback Mechanism

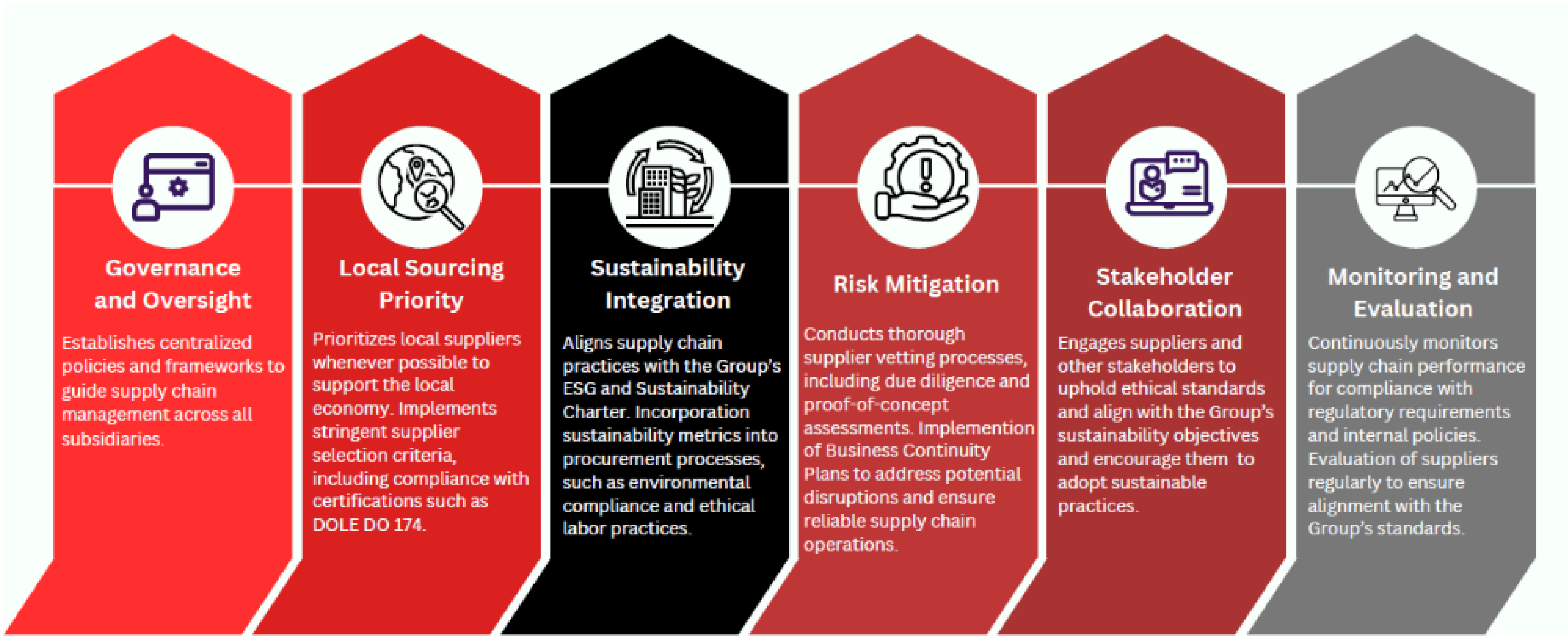
A robust feedback mechanism is essential for fostering transparency, continuous improvement, and stakeholder engagement in LTG's sustainability journey. To ensure open communication, the Company welcomes stakeholder feedback, recommendations, and inquiries at sustainability@ltg.com.ph.

Responsible Operations

Supply Chain Management

GRI 2-6, 2-13, 3-3, 414-2

While each subsidiary tailors its supply chain management processes to its specific sector and industry, the Group promotes a unified approach to responsible supply chain management that prioritizes efficiency, resilience, and alignment with operational and sustainability objectives. In 2024, the Group focused on streamlining processes, strengthening oversight, and enhancing risk management to maintain a seamless and resilient supply chain. LTG and its subsidiaries did not identify any significant environmental or social impacts within their supply chain for the reporting period.



Each subsidiary implements tailored initiatives to meet operational demands while contributing to the Group's commitment to responsible business practices. For instance, Asia Brewery prioritizes supply chain efficiency to achieve operational excellence. Its Board Executive Committee oversees supply acquisitions and strategic sourcing initiatives, ensuring dependability and cost-effectiveness. The Committee also shapes operational strategies to maintain a robust supply chain that supports the company's long-term objectives.

As for Eton, the Company focuses on optimizing its supply chain to enhance customer satisfaction and operational efficiency. The company has strengthened its supplier selection process by requiring DOLE DO 174 certification, ensuring compliance with labor standards and ethical contracting practices based on the stipulations on the said regulation. To address potential risks, Eton also monitors its supply chain for disruptions and ensures compliance with regulatory standards at all project sites.

PNB emphasizes a transparent and efficient procurement process guided by its Outsourcing and Accreditation Policy. This includes rigorous due diligence during supplier selection, ensuring vendors meet technical requirements and align with PNB's sustainability policy. The Bank's Procurement Committee evaluates bids, incorporating ESG criteria such as environmental compliance and gender inclusion. PNB also implements a Business Continuity Plan to mitigate risks and maintain supply chain stability during unforeseen disruptions.

PNB Procurement Process

1. sourcing from accredited vendors/suppliers and third-party service providers;
2. canvassing and bidding;
3. review/assessment of bids; and
4. awarding to vendors/suppliers through issuance of Purchase Order or Letter of Awards.

Tanduay adopts a comprehensive approach to supply chain management, balancing local and international supplier engagement. The company prioritizes suppliers with ISO certifications and compliance with government regulations to ensure quality and sustainability. Tanduay's supplier accreditation policy requires legally binding agreements that uphold ethical standards, fostering a transparent and inclusive supply chain.

At PHC, the supplier accreditation process incorporates compliance with social and environmental standards, including adherence to SDGs and ethical labor practices. PHC prioritizes local suppliers to reduce carbon footprint and mitigate logistical risks while employing proactive measures to address potential challenges such as material shortages, price fluctuations, and labor constraints. The company's initiatives include sustainable procurement practices, automation of procurement processes, and fostering strong supplier relationships to ensure seamless and responsible supply chain operations.

Human Rights

The Group continues to uphold a firm commitment to human rights across its supply chain, guided by its Human Rights Policy. This policy emphasizes the prohibition of forced and child labor, harassment, and discrimination while advocating for fair labor practices, workplace safety, and ethical business conduct. For more information about our Human Rights Policy, click here.

Illicit Trade

Illicit trade continues to be a significant challenge for PMFTC in 2024, deeply affecting the company's operations, market dynamics, and stakeholder relations. The prevalence of illicit cigarettes, spurred by tax-driven price increases and the widening gap between legal and illegal cigarette prices, remains a pressing issue. The illicit cigarette market constituted 19.9% of total consumption in 2024 and is expected to increase to 21.3% the following year. Forecasts show that illicit trade will continue to increase annually. The lower cost of illicit cigarettes, averaging Php 40/pack compared to the Bureau of Internal Revenue's mandated floor price of Php 78.58/pack (inclusive of excise tax) makes them appealing to the youth and low-income consumers, which negatively impacts the consumption of legitimate products.

With such, PMFTC has bolstered its efforts to combat illicit trade through strategic partnerships and legislative advocacy. Participation in key initiatives, such as the 2nd International Tobacco Agricultural Summit and engagements with ASEAN Customs Enforcement and Compliance Group officials, highlight PMFTC's commitment to global and regional collaboration. These efforts aim to harmonize anti-illicit trade policies across borders and promote shared enforcement strategies.

On the legislative front, PMFTC actively supported the passage of Republic Act No. 12022 (Anti-Agricultural Economic Sabotage Act), which imposes stricter penalties on illicit activities, including tobacco smuggling. The company also advocated for the enactment of local anti-illicit trade ordinances across various provinces, enhancing regional enforcement capabilities.

In 2024, PMFTC conducted 89 training sessions attended by approximately 3,000 individuals, including law enforcement officers, sales agents, and retailers. These programs focused on identifying counterfeit products, understanding the implications of illicit trade, and fostering vigilance among stakeholders. Additionally, public awareness campaigns were intensified across traditional and social media platforms, reaching diverse audiences and amplifying the deterrent message.

Collaborations with agencies like the Bureau of Customs (BOC), Bureau of Internal Revenue (BIR), Philippine National Police (PNP) and Armed Forces of the Philippines (AFP) have yielded tangible results. As of December 2024, 645 enforcement actions led to the seizure of over 1 billion illicit cigarette sticks and 131 machine components, with 9 illicit factories shut down nationwide. These interventions, including high-profile raids in Clark, Pampanga, and Bulacan, have significantly disrupted illicit supply chains.

PMFTC has also enhanced its internal processes, implementing rigorous supply chain security measures and due diligence protocols to mitigate diversion risks. These measures ensure that products are distributed responsibly and in alignment with market demand. PMFTC aims to limit illicit trade to manageable levels by reclaiming market share from counterfeit products and curbing demand through targeted retailer engagement and consumer awareness campaigns.

The company will continue to allocate significant resources for capacity building, legislative advocacy, and operational support to further strengthen anti-illicit trade enforcement efforts.

89 Sessions
Trainings Conducted in 2024

3,000 attendees
received training in 2024

Resource Efficiency

Energy and Emissions

GRI 3-3, 2-4

Managing energy and emissions is a critical component of our commitment to sustainability. Our Company's approach to energy and emissions management is characterized by our ongoing efforts to refine processes, invest in sustainable technologies, and engage with stakeholders. Our subsidiaries are continuously identifying opportunities for improvement, setting Science-based energy reduction targets, and aligning our practices with international sustainability standards. Moreover, while the Group currently does not monitor NOx, SOx, VOC, PM, and HAP emissions, we are in the process of establishing a system to measure and track these emissions.

The total energy consumption for this year is 2,045,506.60 GJ whereas the corresponding emissions are 75,099.32 tCO_2e for Scope 1 and 167,745.67 tCO_2e for Scope 2 emissions. There is an 31% increase in the total energy consumption and 25% increase in emission thereof.

	2024	2023	2022
Total electricity consumption within the organization from renewable sources (kWh)	**4,735,368.00**		
Total electricity consumption within the organization froam non-renewable sources (kWh)	**237,218,743.10**	**188,104,787.83**	**211,434,909.06**
Luzon and Visayas (kWh)	215,625,481.74	166,734,201.03	192,555,829.46
Mindanao (kWh)	21,362,727.36	21,300,916.80	18,879,080.60
*International (kWh)**	230,534.00	69,669.00	

*Scope is for PNB only.
*The shaded areas indicate periods for which data monitoring was not conducted.

GRI 302-1, FB-AB-130a.1, FB-NB-130a.1

	2024	2023	2022
Total energy consumption within the organization (GJ)	**2,045,506.60**	**1,565,090.00**	**2,549,615.24**
Total fuel consumption within the organization from non-renewable sources (GJ)	**1,174,471.80**	**887,913.26**	**1,788,471.39**
Luzon and Visayas (GJ)	1,069,466.78	842,275.78	1,646,688.33
Mindanao (GJ)	105,005.02	45,638.48	141,783.06

	2024	2023	2022
Total Fuel Consumption (GJ)	**1,174,471.81**	**887,913.26**	**1,788,471.40**
Bunker Fuel (GJ)	526,442.75	367,785.36	586,022.92
Coal (GJ)	451,822.52	393,419.50	867,769.55
Low Sulfur Fuel Oil (LSFO) (GJ)	0.00	0.00	254.46
Diesel (GJ)	37,816.99	17,957.40	139,736.25
Gasoline (GJ)	13,928.61	1,409.37	14,604.13
Liquefied Petroleum Gas (GJ)	144,460.94	107,341.63	180,085.10

GRI 305-1, 305-2

Emissions Breakdown	2024	2023	2022
Generator Sets	26,566.71	27,677.11	10,008.00
Company-owned Vehicles	3,096.83	4,847.04	2,585.00
Third-party vehicles	-	-	-
Others	45,435.78	28,304.12	53,727.00
Scope 1 (tCO_2e)	**75,099.32**	**60,828.27**	**66,320.17**
Luzon and Visayas (tCO_2e)	149,643.42	115,630.16	133,537.47
Mindanao (tCO_2e)	18,098.17	18,152.64	16,088.75
*International (tCO_2e)**	4.08	1.23	
Scope 2 (tCO_2e)	**167,745.67**	**133,784.03**	**149,626.18**
Total carbon footprint (tCO_2e)	**242,844.99**	**194,612.30**	**215,946.35**

*Scope is for PNB only.
*The shaded areas indicate periods for which data monitoring was not conducted.

Asia Brewery's operations are heavily reliant on energy. The beverage and packaging sites in Cabuyao, Sta. Rosa, Laguna, San Fernando Pampanga, El Salvador, Misamis Oriental, and Toril, Davao, along with support offices, from the scope of the energy management efforts. The largest energy consumers are coal-fired boilers and electricity-dependent equipment. To optimize energy use, Asia Brewery has implemented an Energy Management System based on the ISO 50001 framework, which was audited by DQS. Initiatives include converting to LED lighting, installing high-efficiency motors and inverters, optimizing room cooling systems, and ongoing efforts to integrate solar photovoltaic technology for future electricity needs. To reduce reliance on non-renewable energy sources, Asia Brewery is pursuing solar photovoltaic projects to meet future electricity demands. Site-specific targets aim for a 5% energy reduction, enhancing operational sustainability through continuous assessment and system improvements. In addition to energy-saving initiatives, ABI is advancing renewable energy projects, including the completion of an 18 MWh solar photovoltaic project at its Cabuyao facility. The total cost of this project is Php 468.8 million and energy savings for this year are Php 11 million from 4 MWh generated. Two additional solar PV projects in Pampanga and El Salvador, with capacities of 2 MWh and 3 MWh respectively, are scheduled to be operational by 2025. Asia Brewery is also optimizing fuel use by improving logistics practices, such as enhanced shuttle schedules and reduced forklift idling times, and maintaining backup systems for emergencies only.

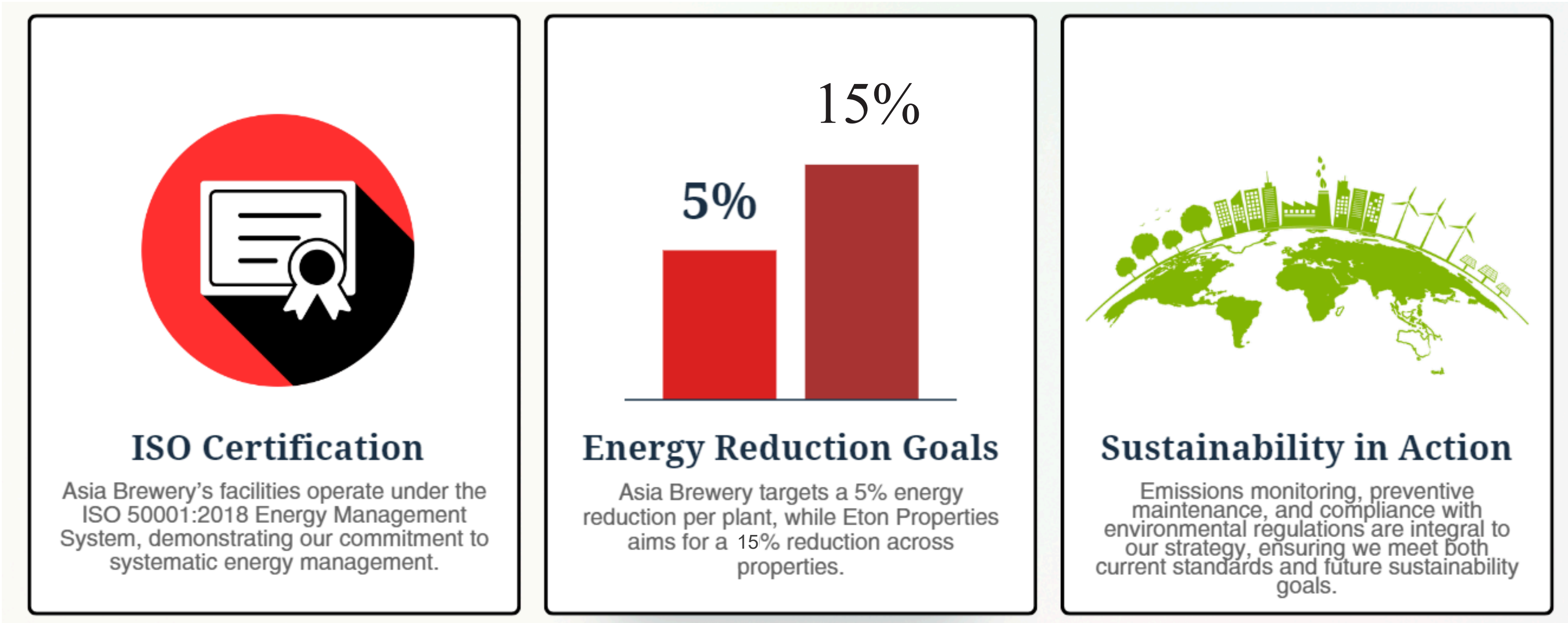
Emissions monitoring is conducted by third-party laboratories accredited by the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB). While Scope 1, 2, and 3 emissions monitoring frameworks are being established, Asia Brewery has committed to measurable goals for greenhouse gas reduction and compliance with emission standards.

As for Eton, energy efficiency is a top priority across our residential and commercial properties. Currently, Eton is transitioning select sites to solar power and collaborating with service vendors to enhance renewable energy integration by implementing LED lighting across its projects. Rigorous energy conservation programs are enforced at each property to achieve ongoing reductions in energy use, with a target of a 15% energy reduction across properties. Emissions related to generator operations are strictly monitored, with a focus on energy efficiency measures and compliance assessments to mitigate environmental impact.

PNB's corporate offices exemplify energy efficiency, featuring LED lighting, inverter-type air conditioning units, and initiatives encouraging employees to minimize unnecessary energy consumption. Energy considerations are integral to property investment evaluations, and PNB continues to identify and implement strategies that enhance operational efficiency. Through annual GHG accounting, PNB tracks emissions and implements measures to reduce Scope 1 emissions through maintenance of generator sets and Scope 2 emissions through energy-efficient practices. PNB's commitment extends to engaging employees in energy conservation efforts.

As for Tanduay, efforts to optimize energy use span our facilities in Cabuyao, El Salvador, and Negros, with initiatives such as improving coal acceptance procedures and integrating solar energy at the Quiapo office. Tanduay's focus on energy efficiency is guided by Energy Use Ratio (EUR) targets to drive continuous improvement. As for emission regulations, Tanduay complies with regulatory emissions standards through regular testing of air pollution sources such as vehicles, boilers, and gensets.

From 2021, PHC has undergone extensive study on reduction of energy consumption by replacement of electro-mechanical equipment such as AC and the use of energy-efficient fixtures. PHC is also identifying ways to integrate sustainable sources of power for more responsible energy consumption.



Water

GRI 3-3, 303-1, 303-2, FB-AB-140a.2, FB-NB-140a.2

The Group recognizes water as a vital resource, serving as an essential component in production and operations across industries. Our approach to water resource management extends beyond operations, where we actively evaluate water-related risks and opportunities through annual reviews and apply industry-specific frameworks to ensure continuous improvement. In 2024, the Group reported a total of 3,375.76 ML water consumption primarily driven by high-demand operations such as bottling processes at Asia Brewery and demineralization at Tanduay Distillers. While water usage increased slightly due to higher production volumes and occupancy rates across subsidiaries, the Group maintained its commitment to resource efficiency while prohibiting withdrawal for water-distressed sites. For this year, initiatives include the implementation of preventive maintenance programs, compliance with effluent quality standards, and long-term plans to mitigate water scarcity risks by upgrading facilities and reducing water usage.

Each LTG subsidiary employs targeted initiatives to manage water use effectively, reflecting their unique operational demands. Asia Brewery, for instance, focuses on high-demand areas such as bottling operations and bottle-washing processes, implementing a 5% water reduction target as part of its three-year plan. These efforts are supported by real-time monitoring and adherence to effluent discharge standards under DENR regulations to ensure water quality.

Eton prioritizes reducing water waste by reusing greywater through rehabilitated sewage treatment plants. These measures, combined with efforts to detect and eliminate leaks, enable the company to minimize consumption while maintaining compliance with DENR standards. PNB integrates water efficiency into building operations, employing measures such as close monitoring of water discharge and treating effluent at sewage treatment plants before discharge into Manila Bay.

Tanduay Distillers incorporates water efficiency into its production with a focus on demineralization processes and the adoption of Water Use Ratio (WUR) targets. These efforts are complemented by system upgrades, such as submeter installations and optimized waterline layouts, to meet industry benchmarks. The company has also begun connecting secondary water supplies to reduce dependence on groundwater sources.

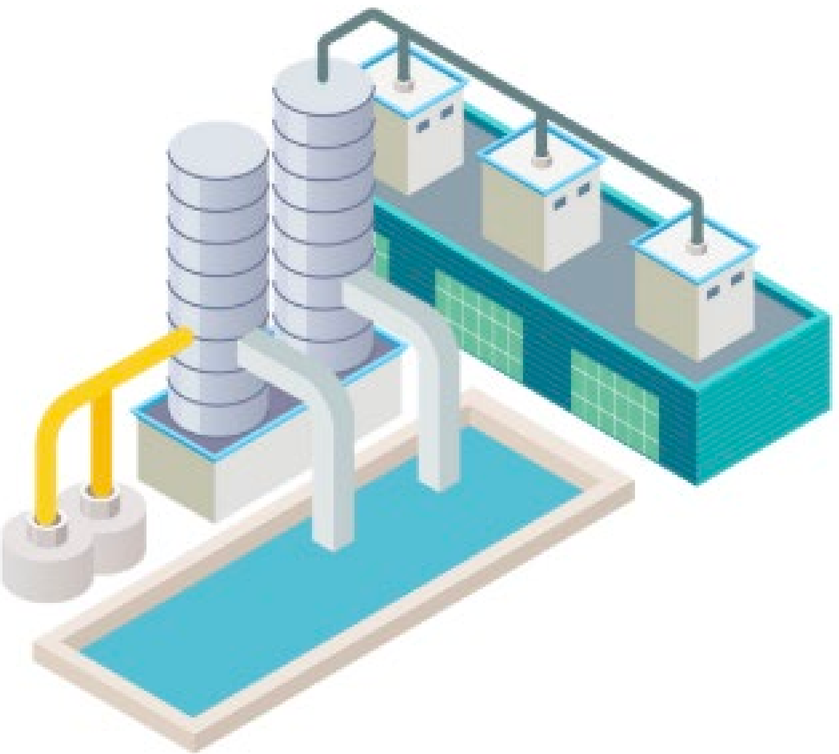
PHC ensures efficient use of water by proper monitoring of water consumption thru installation of sub-meters and periodic inspection and repair or replacement of pipes or plumbing fixtures in and around its commercial properties. PHC also has a policy of strict compliance with DENR and LLDA regulations regarding effluents and waste discharge.

The Group is also exploring opportunities for water recycling and reuse while ensuring compliance with all regulatory requirements. These measures are reinforced by transparency, with subsidiaries disclosing water withdrawal, usage, and discharge metrics.

Water Withdrawal, Discharge, and Consumption in megaliters

GRI 303-3, 303-4, 303-5, FB-AB-140a.1, FB-NB-140a.1

	2024	2023	2022
Groundwater (ML)	6,038.00	5,107.95	6,402.09
Third-party water (ML)	1,652.25	948.04	1,160.45
Total Water Withdrawal (ML)	**7,690.25**	**6,055.99**	**7,562.55**
Surface Water (ML)	1,853.00	2,177.14	1,594.09
Groundwater (ML)	85.00	116.95	184.92
Seawater (ML)	616.00	891.79	504.16
Third-party water (ML)	1,165.12	600.23	570.53
Total Water Discharge (ML)	**3,719.12**	**3,786.11**	**2,853.70**
Total Water Consumed (ML)	**3,375.76**	**2,189.25**	**2,374.13**



Waste

GRI 3-3, 306-1, 306-2

LTG sets measurable targets to drive progress in waste management, such as a 5% reduction in waste generation over three years for Asia Brewery. The Group is committed to increasing waste recycling rates, reducing landfill dependency, and exploring innovative solutions to minimize packaging waste and consumer-generated waste. All metrics on waste generation, recycling, and disposal are disclosed in alignment with international sustainability standards. In 2024, LTG advanced its waste management initiatives across subsidiaries, emphasizing reduction, reuse, and recycling. Collaborating with accredited third-party providers, we ensured that waste disposal processes were efficient, compliant, and in line with our sustainability objectives.

Asia Brewery prioritizes segregation and recycling as core components of its Solid Waste Management and Hazardous Materials and Waste Management Plan. By utilizing alternative raw materials and closely monitoring packaging consumption, the company minimizes waste generation. Used oils and solvents are recycled, and scrap materials are sold for reuse. Waste collection and disposal are handled by accredited third-party firms, with Pollution Control Officers (PCOs) stationed at each plant to collect and monitor waste-related data. Quarterly audits and compliance tracking ensure alignment with waste management policies, with third-party haulers providing regular reports and certifications. With such, the Company's solid waste management program has successfully reduced waste generation and environmental impact.

PNB focuses on digitalization to reduce waste generation, particularly paper waste, while promoting the reuse and recycling of office materials. Construction and renovation projects adhere to waste management standards, with systematic processes for equipment disposal. Waste collection is handled by third-party contractors, while trained PCOs participate in regular environmental compliance seminars to uphold standards.

Tanduay, on the other hand, incorporates waste reduction into employee training from day one, emphasizing programs like Solid Waste Segregation and the 3Rs initiative. Compost pits and the reuse of secondhand bottles through a Back-to-Supplier scheme contribute to operational waste reduction. Hazardous waste is managed through DENR-accredited haulers, verified through due diligence. General Services oversee data collection, while PCOs monitor hazardous waste, submitting quarterly reports to DENR on effluent quality.

Eton ensures cleanliness across its properties through strict solid waste management policies. Recovered materials are reused, and tenants are encouraged to reduce waste through sustainable practices and circulars. The company maintains recovery facilities on its properties and collaborates with third-party waste service providers for efficient disposal.

PHC strictly observes and implement proper waste segregation and disposal across its building premises. PHC also engaged an accredited waste hauling company to maintain a more sustainable and efficient building waste management system.

Throughout LTG, our third-party waste haulers are accredited annually and monitored for compliance through certificates of treatment, disposal, and recycling/co-processing. Waste management policies and best practices are communicated to employees and stakeholders through training programs and ongoing engagements.

GRI 306-3, 306-4, 306-5

Waste by composition in metric tons (mt)	2024	2023	2022
Total hazardous waste	498.38	270.18	2,326.83
Total non-hazardous waste	5,478.34	4,191.68	5,540.75
Third-party vehicles	**5,976.72**	**4,461.86**	**7,867.58**

Waste diverted from disposal by recovery operation in metric tons (mt)	2024	2023	2022
Preparation for reuse	14.08	0.00	0.00
Recycling	10.35	5.03	33.72
Others	12.59	43.00	3,039.55
Total Hazardous waste (mt)	**37.02**	**48.03**	**3,073.27**
Preparation for reuse	1,513.36	5.00	0.00
Recycling	15.94	2.30	974.41
Others	0.00	1,070.35	849.04
Total Non-hazardous waste (mt)	**1,529.30**	**1,077.65**	**1,823.45**

Waste directed to disposal-by-disposal operation (mt)	2024	2023	2022
Incineration (mt)	7.83	0.00	0.16
Landfilling (mt)	367.47	179.1	1,904.63
Others (mt)	63.66	1,006.57	290.64
Total Hazardous waste (mt)	**438.96**	**1,185.67**	**2,195.42**
Incineration (mt)	0.00	0.20	0.17
Landfilling (mt)	3,719.07	3,198.97	3,137.04
Others (mt)	80.58	230.00	166.56
Total Non-hazardous waste (mt)	**3,799.65**	**3,429.17**	**3,303.77**

Materials

Materials are essential to the Group's operations, as they are integral to the products and services we provide. Managing these resources efficiently ensures the quality of our offerings while supporting our commitment to sustainability. This year, the Group is slowly but steadily advancing its goal of fostering a circular economy by integrating practices that reduce material consumption, prioritize renewable and sustainable inputs, and minimize environmental impacts. Given the diverse products and services of each subsidiary and the unique sectors they serve, material sourcing, usage, and management practices vary across the Group. Nonetheless, each subsidiary tailors its approach to align with its specific operational needs while maintaining a shared commitment to sustainability and efficiency.

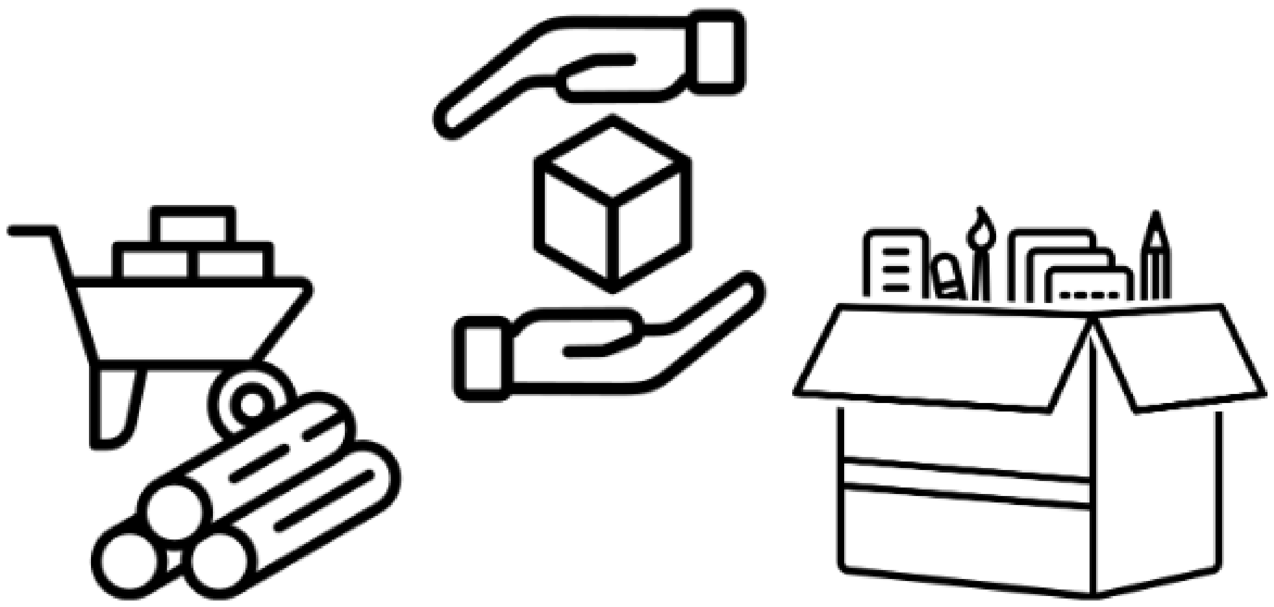
For Asia Brewery, the Company leverages advanced systems like ERP Sys21 to monitor material consumption through direct measurements, ensuring precision in resource use. They also implement material yield monitoring for production and continually explores alternative raw materials to improve efficiency. Recycling plays a pivotal role in its operations, with recycled glass cullets and scrap plastic crates serving as inputs for producing new bottles and crates, reducing reliance on virgin materials. Packaging innovation also contributes to sustainability, with lightweight PET bottles and Returnable Glass Bottles (RGB) reducing material use while maintaining product quality. In response to RA 11898, otherwise known as the Extended Producers Act (EPrA), Asia Brewery likewise established a consumer product waste management program. The program aims to achieve a 40% retrieval of plastic used in 2024.

Meanwhile, Eton integrates its Property Management Software (My EPMC) to closely monitor material consumption and improve efficiency. The company prioritizes sustainability by reusing recovered materials from tenants and residents in smaller property projects. This approach not only reduces material costs but also aligns with its commitment to a circular economy. Through its Building and Inventory Management modules, Eton assesses and manages the environmental impact of materials, ensuring compliance with sustainability targets.

PNB focuses on extending the lifecycle of materials through maintenance and upgrades, particularly for fixed assets and IT equipment. The bank promotes digitization to reduce paper consumption and encourages the reuse and recycling of office supplies.

Tanduay demonstrates its commitment to sustainability by integrating biogas from digesters into its boiler systems, synchronizing it with coal to reduce waste production. This innovation lowers coal usage and minimizes ash waste from the boiler system, improving efficiency and reducing environmental impact. Tanduay also maintains a storage facility designed to meet stringent safety and environmental standards, ensuring responsible material handling and storage.

PHC adopts a balanced approach to materials management, employing both estimation and direct measurement to monitor material consumption effectively. The Company prioritize material efficiency through bulk ordering, inventory optimization, and innovative construction methodologies such as precast and prefabricated components. PHC actively incorporates sustainability in material sourcing, emphasizing renewable and energy-efficient solutions, such as LED lighting, green roofs, and modular construction for future projects. For existing properties, adaptive reuse and retrofitting extend building lifespans while improving tenant experiences. While challenges such as supplier limitations and higher costs for renewable materials persist, PHC remains committed to mitigating risks and environmental impacts.



Adapting to Climate Change

GRI 3-3, 201-2

Governance

At LTG, board oversight of climate-related risks and opportunities is an integral part of our governance structure, specifically managed by the Corporate Governance Sustainability Committee which is established this year.

For more information regarding Sustainability at the Board level, visit the Sustainability Governance section. Each subsidiary's Board of Directors, including Asia Brewery and PNB, is responsible for embedding sustainability principles into strategic decision-making processes. PNB's board-level Risk Oversight Committee reviews climate-related updates monthly, while Asia Brewery aligns with regulatory compliance standards and is poised to implement Science-Based Targets initiatives (SBTi) for emissions tracking.

Strategy

The Group's strategy to address climate-related risks is centered on both mitigating potential disruptions and capitalizing on emerging opportunities. LTG identifies risks like asset damage from extreme weather events and rising regulatory expectations, integrating these into our strategic and financial planning. At the subsidiary level, PNB has detailed recovery strategies in its Enterprise Business Continuity Plan (EBCP) to ensure operational stability during climate-related disruptions.

On the opportunity side, the Group invests in energy-efficient technologies, such as PNB's shift to LED lighting and Asia Brewery's preventive maintenance practices, to optimize resource use and reduce emissions. Additionally, we are committed to exploring renewable energy options and expanding digitalization efforts to minimize our environmental footprint.

Our approach to managing climate-related risks and opportunities involves active collaboration with stakeholders, including regulatory bodies, academic experts, and local communities. PNB has engaged with the Tan Yan Kee Foundation and university experts to refine its emissions reduction plans, ensuring that the Bank's strategy is well-informed and impactful. Asia Brewery and Tanduay engage with process owners to monitor compliance and maintain environmental performance standards. Additionally, LTG continues to engage suppliers and align them with our sustainability vision, planning further engagement in 2024 to extend our environmental impact management across the supply chain.

Risk Management

Climate-related risk management at LTG involves systematic identification, assessment, and mitigation practices embedded into our enterprise risk management framework. Subsidiaries like Asia Brewery monitor emissions through third-party audits and conduct regular environmental testing, covering parameters like boiler and genset emissions. PNB uses the Risk and Control Self-Assessment (RCSA) framework to evaluate the impact of environmental risks and implement appropriate controls.

This process includes monthly reporting of loss events and continuous improvement of disaster recovery plans. Both Asia Brewery and PNB emphasize stakeholder engagement and compliance with local regulations, reinforcing their commitment to managing climate risks effectively.

Metrics and Targets

LTG uses a variety of metrics to assess and manage climate-related risks. For example, PNB performed a company-wide GHG emissions assessment in early 2023, utilizing tools like a Carbon Footprint Calculator developed with academic experts. The Bank has set a preliminary goal to reduce GHG emissions by 1.5% annually, subject to management approval, and continues to monitor energy use and emissions rigorously. Asia Brewery is enhancing its environmental management system by incorporating SBTi measures and regularly updating emissions protocols. Tanduay employs an Energy Use Ratio to measure energy efficiency per unit of product while engaging with stakeholders and monitoring environmental impacts.

GHG emissions, resource use including energy, materials, waste, and water data can be found on the Resource Efficiency section for comprehensive information. For the whole of our sustainability metrics and targets, more information can be found in our Material Topics section.

Biodiversity Conservation

GRI 3-3, 304-2

Zero significant negative impacts were recorded across all subsidiaries.

Implementation of **renewable energy technologies** in Eton's operations to minimize emissions affecting biodiversity.

While biodiversity is not a direct component of LTG's core businesses, we recognize the critical role our subsidiaries play in environmental stewardship. Guided by our sustainability framework, biodiversity is integrated as one of our material topics, ensuring that our operations are aligned with environmental conservation principles.

In 2024, the following initiatives were done across the Group to ensure that the companies will continue to preserve biodiversity even if it does not directly affect their operations. This includes Eton's partnership with the ASEAN Centre for Biodiversity (ACB), making it the first real estate company in the Philippines to collaborate with an ASEAN organization on biodiversity and sustainability. Other initiatives of the Group are as follows:

Over 3,391 seedlings were planted in critical areas to promote reforestation.

100% adherence to DENR effluent and air quality standards.

Quarterly testing of surface and groundwater quality.

986 hectares reforested under the Dr. Lucio C. Tan Legacy Forest Project.

Reduction of 725.24 metric tons of solid waste through improved waste segregation.

Multiple river cleanup drives led by Tanduay and volunteer employees. To promote awareness, campaigns on biodiversity conservation for communities and employees were also led by Tanduay.

Value Through Products and Services

Customer Satisfaction

GRI 3-3

We prioritize delivering value through quality products, ethical practices, and customer-centric innovations. Customer satisfaction and retention are key performance indicators embedded in our business strategy. Through consistent monitoring—via Net Promoter Scores, customer feedback channels, and tailored engagement programs—we ensure that the voice of the customer informs our operations and drives measurable improvement.

Across the subsidiaries, we prioritize open communication with our customers through various channels, ensuring that their voices are heard and concerns addressed promptly. Feedback loops—through surveys, customer service hotlines, and digital platforms—allow us to identify opportunities for improvement and strengthen our relationships with stakeholders.

To reinforce trust, we disclose key metrics, including customer satisfaction levels and retention rates, through our transparency initiatives. Regulatory compliance is integral to our operations, and we take pride in maintaining a spotless record, with no violations or fines for non-conformance with labeling, marketing codes, or ethical advertising standards. Additionally, our internal protocols ensure that product recalls, should they occur, are handled swiftly and responsibly, safeguarding customer trust.

Asia Brewery prioritizes customer health and safety through its Food Safety and Quality Policy, which outlines a commitment to manufacturing safe and high-quality products. The company implements a Food Safety and Quality Management System aligned with international standards, ensuring compliance with all regulatory requirements. With no food safety complaints or regulatory violations reported in 2024, Asia Brewery reinforces its reputation for excellence. Continuous improvements, including hazard analysis, have strengthened its ability to protect customers and employees alike.

On the other hand, Eton integrates customer satisfaction into its operations by leveraging digital platforms and environmentally conscious designs. The company uses its Property Management Software to monitor tenant feedback and operational efficiency, ensuring timely responses to customer needs. Strategic marketing campaigns, partnerships, and compliance with local regulations further enhance the customer experience. Eton also promotes sustainable living among tenants by encouraging energy and water conservation practices through digital communications and on-site initiatives.

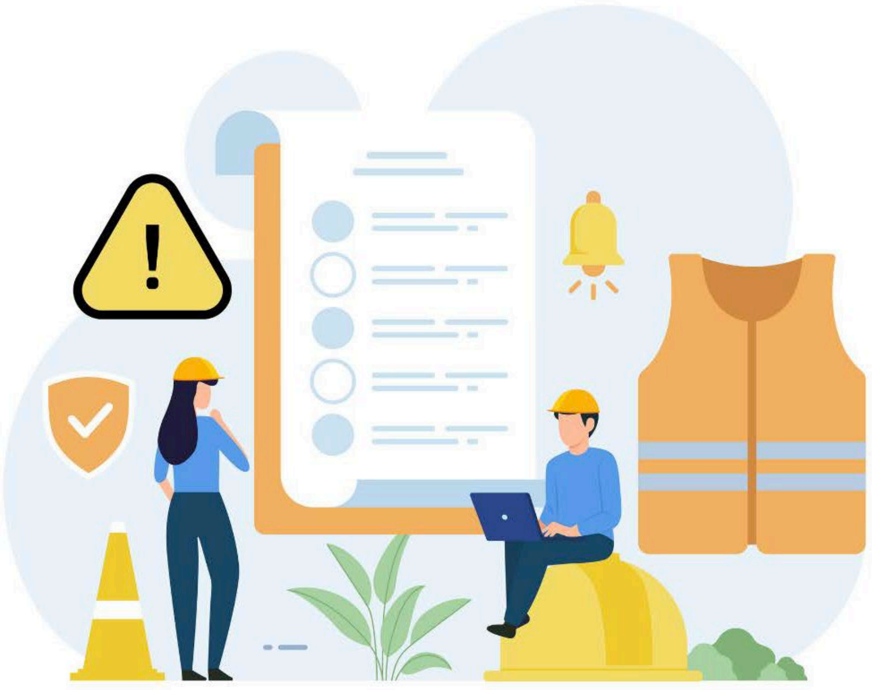
Meanwhile, Tanduay prioritizes customer satisfaction by delivering high-quality products backed by ISO, HACCP, and HALAL certifications. The company actively gathers feedback through surveys and after-sales communication, using these insights to continuously enhance its offerings and meet customer expectations.

Upholding Excellence in Customer Health and Safety

LTG ensures that its products and services consistently meet the highest expectations to reinforce our reputation as a provider of safe, high-quality offerings that consumers can rely on by placing emphasis on consumer health and safety.

Asia Brewery and Tanduay Distillers place the health and safety of their customers at the forefront of their operations, guided by a shared commitment to quality and trust. At Asia Brewery, rigorous adherence to Food Safety and Quality Policies ensures that every product meets the highest international and local standards, including FDA Good Manufacturing Practices and ISO certifications. The company continually enhances its workforce's skills and employs digital platforms for efficient customer support, enabling swift resolution of concerns and proactive measures to prevent future issues.

Tanduay Distillers integrates consumer health and safety into its quality management system, conducting annual surveillance audits to identify and address potential risks. Even amidst the challenges of the pandemic, Tanduay upheld strict health protocols aligned with regulatory guidelines, safeguarding both customers and employees. With ISO 9001:2015 certification and regular assessments by TUV-SUD Asia Pacific, the company demonstrates its steadfast dedication to maintaining the highest standards of quality and safety.



GRI 416-2

Customer Health and Safety	2024	2023
Total no. of incidents of non-compliance with regulations resulting in a fine or penalty	0	151
Total no. of incidents of non-compliance with regulations resulting in a warning	0	125
Total no. of incidents of non-compliance with voluntary codes	0	0
Total no. of substantiated complaints	66	45
Total no. of complaints addressed	66	45

Marketing and Labeling

GRI 417-1, 417-2, 417-3, FB-NB-270a.3, FB-NB-270a.4, FB-AB-270a.2, FB-AB-270a.3

Marketing and Labeling	2024
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	0
Total no. of complaints addressed	0
Number of significant product or service categories offered	0
Number of significant product or service categories covered by and assessed for compliance with information and labeling procedures	0
Percentage of significant product or service categories covered by and assessed for compliance with information and labeling procedures	0

*No sustained complaints for 2024 as per ABI and TDI

Empowering Responsible Choices

Through our diverse product offerings, we enable consumers to make informed and responsible decisions. Our portfolio includes products that cater to a variety of preferences, including lower-alcohol options. We provide clear, detailed labelling to help consumers understand their choices and promote a culture of moderation.

Expanding Access to Responsible Alternatives

Asia Brewery and Tanduay are exploring opportunities to introduce low- and no-alcohol products to complement our existing lineup. These alternatives are part of our long-term commitment to providing customers with greater options for enjoying our products responsibly.

FB-NB-270a.1, FB-AB-270a.1

Responsible Drinking, Product Labelling & Marketing	2024
Percentage of total advertising impressions made on individuals at or above the legal drinking age	30%
Total number of advertising impressions made on individuals at or above the legal drinking age	12,025,000
Total number of advertising impressions made on alcoholic beverages	33,205,000
Percentage of total advertising impressions made on children	0%
Number of advertising impressions made on children	0
Total number of advertising impressions made on non-alcoholic beverages	0

Data Privacy and Security

GRI 3-3, FN-CB-230a.2

Data privacy and security are not just operational priorities—they are integral to safeguarding stakeholder trust and upholding regulatory compliance. In 2024, the Group has further strengthened its cybersecurity framework and data protection measures across all subsidiaries, ensuring resilience against evolving risks. Through regular IT infrastructure reviews, enhanced employee training, and robust governance practices, LTG continues to prioritize the protection of sensitive information.

At a subsidiary level, Asia Brewery has made significant strides in data privacy by developing a comprehensive Data Classification Policy that governs the use, storage, and processing of all data within its operations. The company has implemented Incident Management and Information Security Incident Policies to swiftly address and mitigate potential breaches. Non-disclosure agreements are strictly enforced with third-party agencies and service providers to uphold confidentiality. In alignment with the Advertising Standard Council's guidelines, Asia Brewery ensures that all advertising and communication materials are accurate and transparent, further strengthening customer trust.

On the other hand, Eton reinforces customer privacy by adhering to the Data Privacy Act of 2012 and implementing robust cybersecurity tools and backup procedures. The company's proactive approach includes immediate breach reporting protocols to the National Privacy Commission within 72 hours, ensuring transparency and accountability. Cybersecurity awareness initiatives remain a priority, enabling the company to prevent and respond effectively to emerging threats. These measures reflect Eton's unwavering commitment to protecting personal data and upholding the highest security standards.

Recognizing the importance of data privacy and security in the banking industry, PNB upholds customer data privacy through a comprehensive suite of policies, including the Enterprise Data Privacy Policy, Governance and Risk Management Sub-Policy, and a detailed Data Privacy Architecture. Supported by the PNB Enterprise Data Privacy Manual for overseas branches, these policies ensure consistency across global operations. Privacy Impact Assessments, conducted under ISO standards and the Data Privacy Act of 2012, proactively identify and mitigate risks. To address teleworking challenges, PNB has implemented a Telecommuting Policy that safeguards employee privacy and ensures the security of IT infrastructure and systems, with additional measures such as VPN authentication and endpoint encryption.

GRI 418-1, FN-CB-230a.1

Customer Health and Safety	2024	2023	2022
Number of substantiated complaints on customer privacy	0	1	3
Number of complaints addressed	0	1	2
Number of customers, users, and account holders whose information is used for secondary purposes	0	1	344
Number of data breaches, including leaks, thefts, and losses of customer data	0	0	2
Percentage of data breaches in which personally identified information (PII) was subject to a data breach	0	0	100%
No. of customers affected by data breaches	0	0	44

As a startup real estate company in its second year of operation, PHC understands that data privacy is essential to maintaining trust and credibility with our clients, partners, and stakeholders. Recognizing the growing importance of safeguarding personal and sensitive information, we have proactively implemented strong data privacy practices, aligned with both legal requirements and industry best standards.

Our commitment to data privacy is embedded within our core values and is a key element of our sustainable business model. We ensure that all client data, including personally identifiable information (PII) and transaction details, are handled with the utmost care, secured through advanced encryption technologies and robust internal protocols. To meet privacy regulations under the Data Privacy Act of 2012, we have integrated privacy by design into our operations. This includes performing regular privacy impact assessments, implementing transparent data collection practices, and offering clear consent options for our customers. Furthermore, we have trained all employees on data protection principles and have established clear guidelines for data access and retention.

Innovation and Digitization

The Group continues to embrace innovation and digital transformation to enhance operational efficiency, improve customer engagement, and align with the demands of a digital-first world. Across its subsidiaries, LTG leverages technology to streamline processes, reduce costs, and deliver better services to stakeholders.

Asia Brewery is transforming internal operations by digitizing expense and cash management systems. Manual processes for reimbursements, cash advances, and petty cash approvals have been replaced with electronic systems, significantly improving efficiency, reducing costs, and enabling real-time tracking. Additionally, the Request for Payment process for importation-related transactions and non-PO payments is undergoing a shift to a fully digital system, which will minimize paperwork, reduce errors, and ensure compliance with streamlined approval workflows.

Eton continues its digital transformation with initiatives such as ZingHR, an end-to-end Human Capital Management System that automates HR processes and enhances efficiency. The company also implemented an automated workflow to streamline payment and procurement processes, reducing redundancies and manual routing while enhancing compliance. Currently, it is in the process of implementing S4 Hana to drive greater efficiencies through more automation and adoption of industry best practices; to strengthen controls across all core process and to elevate data integrity and relevance. Additionally, Eton transitioned from landlines to a digital communication system, modernizing its infrastructure and improving connectivity.

PHC embarked on a digital transformation journey by implementing SAP S4/HANA to modernize its business processes. Focusing on the Finance and Material Management modules, the implementation streamlined financial processes, improved inventory management, and enhanced decision-making capabilities. By automating tasks, reducing data silos, and providing real-time insights, SAP S4/HANA has significantly increased efficiency, reduced costs, and improved customer satisfaction. Additionally, PHC implemented a Human Resource Information System (HRIS) to eliminate manual timekeeping, streamline payroll preparation, and allow employees to manage their leave records digitally. These successful implementations have positioned PHC for continued growth and innovation by enabling agile responses to market changes and fostering a data-driven culture within the organization.

PNB has spearheaded several digital initiatives in 2024 to enhance customer experience and security. The Enterprise Fraud Management System, implemented in October, effectively mitigates fraud risks in web and mobile applications. The Bank also launched Bills Pay PH in January and QR PH in February, expanding digital transaction channels for customers. By the end of 2024, PNB implemented in-app push notifications to improve customer communication and convenience. Notable projects include digital account opening, set for live deployment in phases, with Phase 1 operational by January 2025 and Phase 2, featuring eKYC, scheduled for 2025. Mobile remittance applications for OFWs are also under development, with the UK-specific app targeted for launch in 2025.

Php 89.2 Million

Total Amount of Investment for Digital Transformation Initiatives in 2024*

*Data from PNB only

On the other hand, Tanduay continues to enhance operational efficiency and drive growth through digital transformation. The Electronic Transport Request System and Power BI have reached full implementation, streamlining approval processes and strengthening financial analytics. The Learning Management System and Materials Resource Planning are also fully deployed, improving workforce productivity and optimizing budget planning. Meanwhile, Mobile Device Management is halfway complete, bolstering data security, while the Human Capital Management (HCM) system is in the training phase to improve payroll efficiency. Integration of the Truck Scale System with SAP is underway, promising increased warehouse productivity. Looking ahead, TDI is set to implement a Document Management System and Secure Access Service Edge, advancing paperless operations and cybersecurity. The Electronic Invoicing System, designed for BIR compliance, is also in the pipeline. These initiatives build upon TDI's S4-HANA enterprise resource planning system, which has already improved Procure-to-Pay, Inventory Management, transaction processing, and financial reporting.

Strengthening Digital Banking with PNB

The Bank also continues to strengthen its position in the digital banking landscape by rolling out initiatives that attract more users and enhance customer satisfaction. Guided by a three-year digital strategy aligned with its enterprise vision, mission, and regulatory landscape, PNB prioritizes providing a safe, reliable, and convenient digital experience. Endorsed by the Board Strategy and Policy Committee (BSPC) and overseen by the Board IT Governance Committee (BITGC), the strategy is designed to drive growth and expand the Bank's reach.

PNB's digitalization efforts are governed by a Projects Prioritization Committee that ensures alignment with strategic priorities, while execution is monitored by dedicated steering committees and the Technology Committee. The Bank adheres to BSP regulations, including the Digital Payment Transformation Roadmap under the National Retail Payment System (NRPS), actively participating in initiatives like InstaPay, PESONet, and the Open Finance Framework. PNB has also automated key processes, including bank forms and e-SOA, to improve efficiency, promote sustainability, and enhance customer convenience.

	2024	2023	2022
ATMs	1,572	1,535	1,575
CAMs	143	145	145
Corporate CAMs (CCAMs)	63	29	29
POS Terminals	6,152	7,876	8,367

In 2024, PNB's mobile banking platform, PNB Digital, continued its growth trajectory, reaching over 1,449,058 million enrolled users. Significant enhancements such as upgraded security features, expanded payment capabilities, and access to a broader range of financial products, have positioned the platform as a trusted tool for customers. To increase awareness and engagement, the Bank leveraged digital channels like Facebook, Instagram, YouTube, email, and SMS, resulting in improved enrollment and usage rates.

	2024	2023 (Mobile Banking Application)	2022 (Mobile and Internet)
Enrolled Users	1,449,058	1,105,231	1,508,741

Welfare of Employees and Communities

Safety, Security, and Well-being

GRI 2-23, 2-24, 2-25, 2-26, 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8

12,197 Employees Covered by OHS in 2024

We recognize that fostering a safe, supportive, and health-conscious workplace is not only a regulatory obligation but a critical element of our long-term success and social responsibility. Across all subsidiaries in the Group, we have established comprehensive programs across our subsidiaries to ensure a safe working environment, promote health and wellness, and support our workforce's physical and mental well-being. The table below highlights the diverse range of OHS and wellness programs undertaken by the Group, underscoring our dedication to prioritizing employee safety, promoting physical and mental well-being, and achieving excellence in workplace health standards.

General OHS Initiatives:	• **Compliance with OSH Standards:** Compliance with OSH Standards under DOLE, including monthly health and safety committee meetings. • **Hazard Identification, Risk Assessment, and Control (HIRAC):** Procedures for identifying and managing risks and hazards. • **Safety Audits:** Regular internal and external audits to ensure compliance and safety improvements.
Safety Trainings and Drills:	• **Basic Occupational Safety and Health (BOSH) and Construction OHS (COSH):** Mandatory training sessions for employees and safety officers. • First Aid and Basic Life Support Training: Training for emergency preparedness and response. • **Fire Safety and Spill Management Training:** Focused training to handle fire and chemical spill emergencies. • **Earthquake and Fire Evacuation Drills:** Conducted twice annually for disaster preparedness.
Health, Wellness, and Voluntary Promotion Services	• **Annual Physical Exams (APE):** Comprehensive check-ups for all employees. • **Vaccination Programs:** Includes COVID-19 vaccines, flu shots, and other immunizations. • **Mental Health Support:** 24/7 mental health hotlines (e.g., KonsultaMD), webinars, and HR programs for psychological support. • **Employee Engagement Activities:** "Eton Kamustahan," team-building sessions, holiday celebrations, and sports festivals. • **Fitness Challenges:** Activities promoting physical health like yoga, fun runs, and cycling events. • **Wellness Facilities:** Access to gyms, sports courts, and wellness areas. • **Health Awareness Campaigns:** Programs addressing tuberculosis, HIV/AIDS, Hepatitis B, and chronic diseases. • **Regular Health Monitoring:** Blood pressure and sugar level checks for early detection of health risks. • **Webinars and Advisories:** Awareness sessions on workplace ergonomics and general health issues.

Stress Management and Engagement:	• **Stress Monitoring:** Employee surveys, absenteeism monitoring, and satisfaction assessments. • **Return-to-Work Programs:** Personalized workload adjustments and post-illness reintegration plans. • **Team Engagement Activities:** Sports festivals, holiday events, and "kumustahan" sessions for well-being check-ins.
Recognition and Rewards:	• **Safe Man-Hour Milestone:** Rewards for achieving safety performance milestones. • **Acknowledgment of Participation:** Recognition of employees actively participating in wellness and safety programs.

On a subsidiary level, Asia Brewery has institutionalized an Occupational Safety and Health (OSH) program, ensuring that health and safety policies cover all employees, including regular, contractual, and part-time workers. Through initiatives such as regular wellness activities, mental health webinars, and on-site medical clinics, Asia Brewery fosters a culture of care and awareness. Their comprehensive mental health policy, coupled with a "Speak Up" program, encourages employees to address concerns openly. The Environmental Health and Safety (EHS) committee oversees monthly meetings, hazard identification, and risk assessments, ensuring continuous improvement of health and safety measures.

Meanwhile, PNB recognizes the multifaceted challenges of employee well-being, delivers a holistic health and safety program that includes physical health initiatives, mental health hotlines, and comprehensive healthcare coverage. Their proactive approach extends to disaster preparedness through regular fire and earthquake drills. To combat workplace stress, PNB has implemented targeted interventions. Employees benefit from extensive healthcare coverage, including annual physical exams, teleconsultation hotlines, and mental health support services. The Bank actively fosters resilience through stress management workshops, employee wellness programs, and disaster preparedness drills. A dedicated Occupational Safety, Health, and Family Welfare Committee ensures ongoing compliance with regulatory requirements while proactively addressing emerging risks. These initiatives reflect the Bank's commitment to creating a balanced and supportive workplace while ensuring employees are equipped to adapt to emerging risks and challenges.

Eton on the other hand complements LTG's mission by implementing safety and health initiatives tailored to its workforce and operational context. Their "Eton Kamustahan" program promotes psychological well-being by offering employees a safe platform for dialogue and support. Comprehensive OSH training, semi-annual safety audits, and wellness initiatives demonstrate Eton's commitment to fostering a safe and inclusive work environment. Employees also benefit from accessible HMO services and mental health resources, ensuring their needs are consistently met.

For Tanduay, the Company prioritizes health and safety through targeted programs such as regular health screenings, mental health consultations, and periodic training in laboratory safety, hazardous material handling, and first aid. The Environmental, Health, and Safety (EHS) committee oversees quarterly reviews of safety hazards, ensuring risks are effectively managed. With robust health initiatives that address non-occupational risks like tuberculosis, HIV/AIDS, and hepatitis, Tanduay ensures comprehensive care for all workers, including third-party contractors.

PHC extends LTG's focus on employee welfare by providing accessible healthcare services through an HMO partnership and dedicated OSH programs. Annual physical exams, flexible work arrangements, and health promotion activities such as family days and team-building exercises create a supportive work environment. The PHC-OSH Committee oversees risk assessments, ensuring hazards are identified and mitigated effectively, while disaster preparedness training equips employees to respond confidently in emergencies.

Work-related Injuries
GRI 403-9

	2024
Number of fatalities as a result of work-related injury	0
Rate of fatalities as a result of work-related injury	**0**
Number of high-consequence work-related injuries (excluding fatalities)	5
Rate of high-consequence work-related injuries (excluding fatalities)	**0**
Number of recordable work-related injuries	16
Rate of recordable work-related injuries	**0**
Number of hours worked	26,437,648
Safe man hours	26,023,770
Number of high-potential work-related incidents identified (optional)	0
Number of close calls identified (optional)	91

Mental Health

Going beyond the typical OHS standards, the Group is also actively creating a safe working environment where mental health is prioritized, reducing stigma, and empowering employees to thrive personally and professionally. Through targeted initiatives, such as wellness programs, mental health awareness campaigns, and access to counseling services, the organization ensures employees have the resources they need to maintain their well-being.

While only PNB and Eton actively monitor the number of employees benefiting from mental health and well-being programs, all subsidiaries across the Group are committed to providing psychological and well-being support. These initiatives, as highlighted in the previous section, reflect the collective effort to prioritize employee mental health and foster a supportive work environment throughout the organization.

Mental Health Programs Data

1,463
Employees Attending from Mental Health Support Programs and Seminars

346
Employees Benefitting from Workload Adjustments

346
Employees Participating in Return-to-Work Programs

Note: Numerical scope is for PNB and Eton only.

Labor Relations and Skills

GRI 2-25

Included in the Forbes' World's Best Employers in 2024 (Ranked 600+ worldwide)

To ensure employees are engaged, valued, and equipped to contribute to the Group's success, the Group is continuously making efforts to improve our metrics on DEI, employee engagement, labor-management relations, training and development, and benefits. For 2024, we have implemented programs and initiatives to uphold our strong labor relations and continuous skill development to support our workforce.

Diversity, Equity, and Inclusion

GRI 2-7, 3-3, 406-1

The Group is committed to fostering a culture of fairness and equal opportunity, thereby continuing to strengthen our workforce and ensure that every employee feels valued, empowered, and respected in their roles. Additionally, all companies ensure to implement equitable practices and policies as we aim to create an environment that supports personal and professional growth, regardless of race, gender, age, religion, or socio-economic background. For this reporting cycle, neither the Parent Company nor any of the subsidiaries have reported any cases or controversies of discrimination.

ZERO Cases of Discrimination in 2024

On a subsidiary level, Asia Brewery upholds diversity by strictly adhering to its Recruitment, Selection, and Placement Policy. While the company currently does not set specific gender ratio targets or offer programs for vulnerable sectors, it ensures equal opportunities for all applicants and employees.

On the other hand, Eton promotes a gender-neutral recruitment process to eliminate bias, aiming for a balanced gender ratio while ensuring inclusivity throughout its hiring practices. The company employs individuals from vulnerable sectors and is committed to respecting diversity in all aspects of its operations.

At PNB, inclusivity and safety are integral to our workplace safe spaces. We enforce comprehensive policies on diversity, gender equality, anti-sexual harassment, and whistleblowing to safeguard employees and external stakeholders from discrimination. Additionally, the Bank provides mental health support through healthcare coverage and an in-house certified psychosocial facilitator. Gender mix is tracked and presented to management, although formal targets have not been set.

Meanwhile, Tanduay educates its managers and employees on the importance of diversity and clearly communicates expectations for inclusive workplace conduct. While no specific targets for gender ratio or programs for vulnerable sectors are currently in place, the company remains committed to fostering a diverse workforce.

PHC ensures non-discrimination in hiring by prioritizing competency over other factors. While the company has not established specific DEI targets or programs for vulnerable sectors, it upholds a culture of fairness and respect.

In 2024, the Group has a total workforce of 12,803 employees.

	Quantity (M)	Percentage (M)	Quantity (F)	Percentage (F)	2024 Total
Asia Brewery	2,279	78%	661	22%	2,940
Eton	155	45%	191	55%	346
LTG	11	44%	14	56%	25
PNB	2,963	34%	5,853	66%	8,816
Tanduay	472	77%	144	23%	616
PHC	31	52%	29	48%	60
				Total number of employees	**12,803**

Employee Engagement

On the employee engagement side, we continuously implement programs and strategies that empower employees and enhance their experience throughout their professional journey at LTG. Each subsidiary has targeted strategies to ensure that the Group and its operations remain competitive in the job market and attract the right candidates for their teams. In 2024, the Group welcomed a total of 2,258 new hires while experiencing 1,381 employee turnovers.

- Asia Brewery actively boosts job visibility through online portals and social media platforms, expediting recruitment through virtual processes.
- PNB strengthens its hiring process by participating in university job fairs and career talks, offering internship opportunities, and leveraging social media for talent outreach.
- Eton focuses on employer branding, highlighting employee satisfaction and engagement on platforms like LinkedIn and Facebook, while also fostering partnerships with educational institutions.
- Tanduay enhances its appeal by offering competitive benefit packages and providing career development opportunities for new hires.
- PHC emphasizes diversity, equality, and inclusion in recruitment, ensuring a broad spectrum of candidates are considered based on skills and potential.

In line with our employee engagement initiatives, the Group also had several retention and development programs to foster and retain talents within the organization.

- PNB has established a Succession Management Program to identify and develop potential leaders for critical roles. This includes individual development plans and continuous monitoring to bridge competency gaps.
- Asia Brewery employs succession planning within business units to ensure operational continuity.
- Tanduay uses cross-training among supervisors to ensure versatility in operations and leadership readiness.
- Eton focuses on structured clearance and proper delegation to ensure seamless workplace transitions.
- PHC is launching a formal succession planning initiative in the second quarter to identify and nurture future leaders within departments.

New Hires

GRI 401-1

Gender	Male			Female			2024
Age	< 30 y.o.	30-50 y.o.	>50 y.o.	< 30 y.o.	30-50 y.o.	>50 y.o.	Total
Asia Brewery	147	70	10	99	20	0	**346**
Eton	43	101	10	75	108	9	**346**
LTG	0	1	0	1	0	0	**2**
PNB	278	160	15	745	201	20	**1,419**
Tanduay	33	45	2	19	2	1	**102**
PHC	4	12	6	13	8	0	**43**
						Total New Hires	**2,258**
						New Hire Rate	**17.64%**

Turnovers

GRI 401-1

Gender	Male			Female			2024
Age	< 30 y.o.	30-50 y.o.	>50 y.o.	< 30 y.o.	30-50 y.o.	>50 y.o.	Total
Asia Brewery	119	117	38	43	25	6	**348**
Eton	4	10	2	9	13	1	**39**
LTG	0	0	0	2	2	1	**5**
PNB	90	141	89	218	234	158	**930**
Tanduay	11	18	5	4	3	1	**42**
PHC	0	8	0	0	9	0	**17**
						Total Turnovers	**1,381**
						Turnover Rate	**10.79%**

Labor-Management Relations

GRI 2-30

Subsidiaries such as Asia Brewery, PNB, and Tanduay actively maintain regular communication with labor unions and uphold compliance with Collective Bargaining Agreements (CBAs). Monthly Labor Management Committee (LMC) meetings facilitate dialogue between management and union representatives to address issues and enhance industrial peace. For non-unionized entities like Eton and the Parent Company (LTG), direct communication channels, such as departmental meetings and pulse surveys, ensure that employee voices are heard. All companies within the Group uphold and respect the rights of unions, ensuring adherence to fair labor practices regardless of union status.

Likewise, each subsidiary also encourages employee involvement in decision-making through various initiatives:

- Asia Brewery conducts toolbox meetings and employee-related activities to involve employees in work-related decisions.
- PNB integrates union feedback in policy formulation and regularly involves union representatives in committees such as the Occupational Safety, Health, and Family Welfare Committee.
- PHC leverages town hall meetings and KPI-setting processes to align individual employee goals with organizational objectives.

- Tanduay cascades departmental goals and Key Results Areas (KRAs) to employees while fostering collaboration in operational planning.

As for grievance mechanisms and to protect employees from retaliation, LTG enforces strict non-retaliation policies across its subsidiaries, ensuring a safe environment for employees to raise concerns. Each subsidiary offers robust grievance mechanisms to address employee concerns effectively:

- Asia Brewery utilizes grievance machinery, LMC meetings, and its Committee on Decorum and Investigation (CODI).
- PNB incorporates Alternative Dispute Resolution (ADR) mechanisms and union-mediated grievance handling.
- Eton employs a Whistleblower Policy to safeguard confidentiality and resolve employee concerns without retaliation.
- PHC has structured grievance policies and engages external consultants to review and mitigate human capital risks.

3,967 **Number of Employees Under Collective Bargaining Agreement in 2024**

Training and Development

GRI 3-3

The Group prioritizes creating programs and opportunities that equip employees with the necessary skills and knowledge to thrive in their roles while preparing them for future leadership and challenges in the evolving corporate landscape. Training and development programs across LTG subsidiaries serve as a critical investment in employee growth and organizational success. Programs at PNB, for instance, emphasize leadership, digital fluency, and mental wellness, boosting productivity and work-life integration. At Asia Brewery, employees are equipped with behavioral and technical skills that enhance engagement, improve quality, and foster a culture of continuous learning. Eton provides essential skills training, with a focus on adaptability and technical expertise, boosting productivity and ensuring compliance with industry standards. PHC emphasizes the integration of new skills and industry knowledge, leading to higher-quality outputs and more innovative solutions. Meanwhile, Tanduay focuses on reducing workplace errors, increasing productivity, and ensuring safety through targeted training initiatives.

While 2024 posed challenges across the Group particularly in implementing training programs (often tied to scheduling conflicts, resource constraints, or technological barriers), each subsidiary nonetheless created solutions that demonstrate LTG's adaptability and commitment to employee development. Asia Brewery has optimized schedules and adopted a phased training rollout to accommodate production demands, while PNB has leveraged e-learning platforms like LinkedIn Learning to ensure accessibility for employees across all ranks. PHC measures training effectiveness through return on expectations (ROE) to ensure tangible benefits and better resource allocation. Eton, on the other hand, improved employee engagement in training by aligning programs with operational priorities and offering personalized learning paths. Tanduay, overcoming HR turnover challenges, has reintroduced shelved training programs and reinforced its calendar for 2024.

GRI 404-1

	Total training hours	Total number of employees trained	Average hours of training
Male			
Officers	373	28	81
Managers	15,523	1,051	230
Supervisors	51,517	2,260	134
Rank and File	174,564	3,341	114
Female			
Officers	300	28	45
Managers	8,411	632	215
Supervisors	26,756	1,171	108
Rank and File	67,302	1,659	125
TOTAL	**344,745**	**10,170**	**1,052**

Benefits

The Group and its subsidiaries continue to deliver exceptional benefits that cater to the diverse needs of their employees. Each has tailored offerings that reflect a Group-wide philosophy that values people as its greatest asset, fostering a culture of care, support, and opportunity. To this day, we are continuously innovating our benefits program as we commit to become an employer of choice in every industry we operate in. From comprehensive healthcare programs and wellness initiatives to remote work arrangements and above-compliance perks, the Group ensures that its workforce is supported at every stage of their career.

Parent Company (LTG):

- **Remote Work Options:** Skeletal work schedules, provision of laptops, online communication tools.
- **Special Leaves:** Bereavement Leave, Emergency Leave, paid and unpaid leave options.
- **Dependent Care:** HMO policy allows dependents to enroll with the same coverage.
- **Long-Term Incentives:** Additional leave credits based on tenure.
- **Employee Wellness:** Wellness webinars and health information bulletins in partnership with HMO providers.
- **Above-Compliance Benefits:** Additional leave credits beyond labor laws, well-equipped and sanitized workspaces.
- **Seasonal Gifts:** Christmas grocery packs as tokens of appreciation.

Asia Brewery:

- **Remote Work Options:** Integrated into the Business Continuity Plan for transactional processes.
- **Special Leaves:** Vacation Leave, Sick Leave, Maternity/Paternity Leave, Solo Parent Leave, Emergency Leave, and more.
- **Healthcare Support:** Assistance for medical expenses exceeding healthcare coverage.
- **Retirement Program:** Comprehensive retirement benefits.
- **Employee Wellness:** Annual physical examinations, health and wellness seminars, and activities.
- **Seasonal Gifts:** Christmas grocery packs as tokens of appreciation.
- **Labor Compliance:** Implementation of statutory benefits such as the Magna Carta for Women and other protective laws.

Eton:

- **Special Leaves:** Birthday Leave, Maternity/Paternity Leave.
- **Dependent Care:** HMO coverage includes at least two dependents.
- **Employee Wellness:** Annual wellness fairs in collaboration with the HMO provider.
- **Seasonal Gifts:** Christmas grocery packs as tokens of appreciation.
- **Industry Benchmarking:** Competitive salary and benefits package benchmarked against top real estate companies.

PNB:

- **Remote Work Options:** Telecommuting arrangements evaluated based on job nature and IT capabilities.
- **Special Leaves:** Birthday Leave, Emergency Leave, Solo Parental Leave, and more.
- **Seasonal Gifts:** Christmas grocery packs as tokens of appreciation.
- **Healthcare and Wellness:** Regular wellness webinars (mental, physical, and financial health), support for social groups, and clubs foremployee engagement.
- **Innovative Benefits:** Flexible Leave Monetization program for financial emergencies.
- **Above-Compliance Benefits:** Enhanced wellness programs, interest clubs, and HR initiatives exceeding labor regulations.

PHC:

- **Remote Work Options:** Work-from-home options for deadline-critical tasks during inclement weather.
- **Special Leaves:** Bereavement Leave, Birthday Leave, and comprehensive sick/vacation leave entitlements.
- **Enhanced Healthcare Benefits:** Increased HMO coverage, bereavement benefits.
- **Additional Perks:** Allowances for rice, uniforms, communication, and transportation.
- **Seasonal Gifts:** Christmas grocery packs as tokens of appreciation.

Tanduay:

- **Special Leaves:** Leaves under the Magna Carta for Women and Violence Against Women and Children Act.
- **Healthcare and Dependent Care:** Free HMO coverage for up to three dependents.
- **Employee Wellness:** Mental Health Month, Zumba sessions, wellness webinars, and bloodletting activities.
- **Seasonal Gifts:** Christmas grocery packs as tokens of appreciation.
- **Performance Rewards:** Incentives for perfect attendance and other recognitions.
- **Labor Compliance:** Full adherence to labor regulations with additional employee engagement initiatives.

Benefits

GRI 401-2

	2024	
	# of women who availed	# of male who availed
SSS	1,631	2,106
Philhealth	661	273
Pag-IBIG	1,233	2,455
Parental leave	328	95
Vacation Leave	5,541	3,337
Sick Leave	4,985	2,904
Medical benefits (aside from Philhealth)	341	646
Housing assistance (aside from Pag-IBIG)	11	3
Retirement fund (aside from SSS)	255	206
Further education support	0	1
Telecommuting	612	320
Flexible working hours	1,003	771

Parental Leave

GRI 401-3

	2024	
	Male	Female
Total number of employees that were entitled to parental leave	639	506
Total number of employees that took parental leave in 2024	94	329
Total number of employees that returned to work in 2024 after parental leave ended	88	312
Return to work rate	**93.62%**	**94.83%**
Among those who availed the parental leave in 2023 how many of them returned and are still with the company in 2024	88	298
Total number of employees that took parental leave in 2024	100	307
Retention rate	**88.00%**	**97.07%**

Solo Parental Leave

GRI 401-3

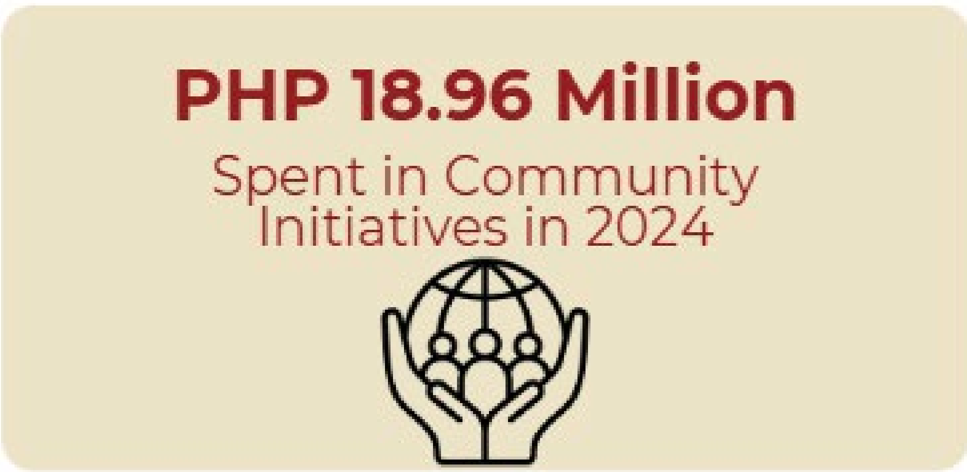
	2024	
	Male	Female
Total number of employees that were entitled to parental leave	34	218
Total number of employees that took parental leave in 2024	16	173
Total number of employees that returned to work in 2024 after parental leave ended	14	168
Return to work rate	**87.50%**	**97.11%**
Among those who availed the parental leave in 2023 how many of them returned and are still with the company in 2024	16	179
Total number of employees that took parental leave in 2024	17	183
Retention rate	**94.12%**	**97.81%**

Community Relations and Development

GRI 3-3, 203-2, 413-1

We are dedicated to advancing the United Nations' 17 SDGs. To ensure our efforts align with our business activities and drive the greatest positive impact on society and the environment, we have identified 10 key focus areas.

For this reporting year, we have allotted a budget of Php 18.96 million for our community initiatives which is detailed under the 2024 Community Development Programs section.



Our Dedicated Corporate Social Responsibility (CSR) Arm

Central to our community engagement efforts is the Tan Yan Kee Foundation, Inc. (TYKFI), the Group's dedicated CSR arm. TYKFI serves as the cornerstone of LTG's social responsibility strategy, implementing programs that address critical societal needs while fostering inclusivity and development.

The Group's CSR efforts focus on priority areas such as education, healthcare, environmental conservation, livelihood enhancement, and disaster response. Through TYFI's flagship programs—such as the Dr. Lucio C. Tan Legacy Forest Project, Small Water Impounding Project, agriculture-focused scholarships, and the HOPE Caravan Assistance Program—the Foundation embodies LTG's vision of building a sustainable, equitable, and empowered society.

Group-wide Community Engagement Policy

We are actively collaborating with our subsidiaries to ensure that its initiatives are impactful and far-reaching, delivering tangible benefits to the communities it serves. These programs are meticulously aligned with the Group's overarching goal of sustainable development, embodying its commitment to ethical practices, social responsibility, and shared value creation.

	2024	2023	2022
Total number of operations with implemented local community engagement, impact assessments and/or development programs	13	166	3
Number of complaints addressed	13	197	194
Percentage of operations with implemented local community engagement, impact assessments and/or development programs	100%	91%	87%

Driving Employee Volunteerism

By empowering employees to actively participate in community development, the Group strengthens its connection to the communities it serves while building a workplace culture of empathy, purpose, and shared responsibility.

Employee volunteerism is encouraged through structured programs and meaningful opportunities tailored to resonate with employees' personal values and interests. Subsidiaries such as PHC offer paid time off for volunteering, while others, like PNB, incentivize participation with perks such as free meals, activity shirts, tools, and materials for volunteer events. The Group also leverages internal communication platforms to share announcements, document activities, and recognize employee contributions, fostering a sense of pride and collective purpose.

2024 Community Development Programs

Education, Development, and Youth Empowerment

SDGs Alignment

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
5 GENDER EQUALITY
10 REDUCED INEQUALITIES
17 PARTNERSHIPS FOR THE GOALS

A Journey to Find Roots in China: Bridging Cultures Through Learning

596 Students

Participated in A Journey to Find Roots in China and Tan Yan Kee Library Cultural Classes Programs

Since 1991, the program has strengthened Filipino-Chinese students' cultural ties. In 2024, 500 students from 50 schools completed a six-week educational journey in China. Meanwhile, the Tan Yan Kee Library Cultural Classes engaged 96 young learners in Chinese festivals, traditional songs, Tang poetry, calligraphy, and Mandarin.

Investing in Future Leaders

52 Students
Beneficiaries under Tan Yan Kee - St. Teresita's Academy (STA) Scholarship Program

Php 1.2 million
Disbursed Scholarship under ABI Medical Specialty Scholarship Program

Php 4 million
Disbursed Scholarship under TYKFI-Foundation for Liberty and Prosperity (FLP) Legal Scholarship Program

28 Students
Beneficiaries under FLP and ABI Programs

Dr. Juan Franco S. Felipe, RMT, MD, DPBO
Orthopedic Surgery & Sports Medicine

The Tan Yan Kee-St. Teresita's Academy Scholarship Program has supported farmers' children since 2016 with tuition, stipends, and school supplies. The TYKFI-FLP Legal Scholarship Program awarded Php 200,000 each to 20 law students in 2023-2024, with three scholars ranking in the Top 1, Top 6, and Top 18 of the 2024 Bar Exams. Meanwhile, the ABI Medical Specialty Scholarship Program, in partnership with Asia Brewery Inc. and the PAL Foundation, granted four full scholarships worth Php 200,000 with round-trip tickets and four partial scholarships with travel assistance.

Strengthening Educational Foundations

The Dr. Lucio C. Tan and Mrs. Carmen K. Tan School Building at Chiang Kai Shek College in Silang, Cavite, introduced 46 state-of-the-art classrooms, accommodating 2,300 students. Meanwhile, the FUSE Teacher Training Program, in partnership with TYKFI, trained 235 teachers and hosted assemblies for 81 educators, enhancing teaching methodologies and critical thinking.

316 teachers

Beneficiaries for the Foundation for Upgrading the Standard of Education (FUSE) Teacher Training Program

46 State-of-the-art classrooms

Built on Chiang Kai Shek College (Silang, Cavite)

2,300 Students

Can be accommodated in classrooms

Supporting Education Through Community Outreach

351 Students
Beneficiaries of school supplies, uniforms, and hygiene kits

To combat absenteeism among indigenous and farming communities, LTG equips students with essential learning materials, ensuring they stay in school and thrive. On October 29, 263 learners from Macdu Elementary School and 88 from Tan Yan Kee Elementary School received school supplies, uniforms, and hygiene kits, providing them with the tools they need for academic success.

Economic Upliftment and Livelihood Enhancement

SDGs Alignment

Empowering Public Service Through Technology

Recognizing the importance of efficient public service, the Computer Equipment Donation program provided critical resources to the Manila district office of the Philippine National Police. On October 4, the Foundation donated a computer monitor, two printers, and three air conditioning units to enhance operational efficiency and ensure better service delivery for community safety.

TYKFI-ETON Masaganang Palayan Project: Sustaining Farmers and Strengthening Food Security

495
Longpin rice seed donated

This project, initiated in 2019, continues to uplift local farmers in Aritao, Nueva Vizcaya. In preparation for the new rice cropping season, 18 sacks of 30kg Longping seeds and seven sacks of 3kg Longping seeds were distributed to Brgy. Comon farmers.

Promoting Sustainable Agriculture and Livelihoods

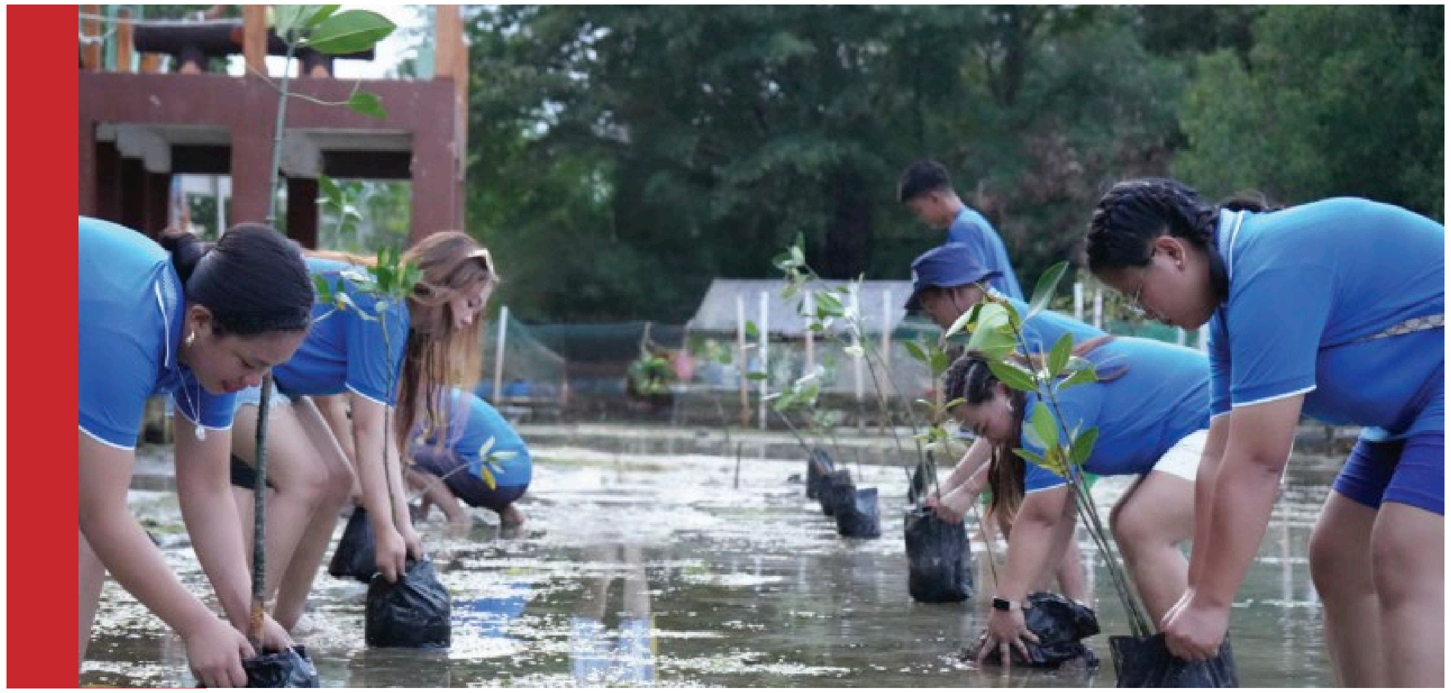
The Dr. Lucio C. Tan Legacy Forest Project in Carranglan, Nueva Ecija, plays a vital role in food security and environmental conservation. The Agroforestry Project yielded 6,496.08 kilograms of farm-fresh vegetables and fruits, with an additional 151.11 kilograms from upland harvests. These fresh produce supplies benefited employees from PNB, PAL, and other LT Group subsidiaries while providing farmers with sustainable livelihoods amid rising food prices.

Environmental Stewardship

SDGs Alignment

Dr. Lucio Tan Legacy Forest Project

3,391
seedlings planted



This Legacy Forest project remains a cornerstone of LTG's commitment to environmental sustainability and climate action. This large-scale reforestation initiative spans 930 hectares in Carranglan, Nueva Ecija, and a 56-hectare mangrove site, contributing to carbon sequestration, habitat restoration, and long-term biodiversity conservation. This semester, extensive forest maintenance and protection activities were conducted, including regular roving, patrolling, strip brushing, and tree planting. A total of 3,391 seedlings were planted across the two sites, covering a diverse range of species including, but not limited to, Narra, Batino, Indian Rosewood, Rubber Tree, and Kasod, to enhance ecosystem resilience. Moreover, conservation efforts included the maintenance of a wildling nursery and the installation of protective net fencing to prevent algae and lichen growth.

Reforesting for a Sustainable Future

As part of the *Dr. Lucio C. Tan Legacy Forest Project* and *PNB Communi-tree*, TYKFI and PNB planted 1,200 Falcata trees in Brgy. Mamuyao, Tanay, Rizal. Since 2021, over 6,400 seedlings have been planted with the help of 60 dedicated PNB volunteers. This initiative plays a crucial role in forest restoration, mitigating climate change, and protecting natural habitats.

Similarly, the *PAL Foundation Tree Planting* initiative saw the planting of 45 tamarind trees in partnership with Philippine Airlines and the PAL Foundation. This effort promotes indigenous tree cultivation, supports the local mango industry, and enhances carbon sequestration, contributing to a healthier ecosystem.

1,245
Falcata and Tamarind Trees planted

6,400+
Seedlings planted since 2021

Strengthening Collaboration for Greater Impact

On November 8, the CSR *Council Meeting* brought together 24 executives from 15 LT Group companies, alongside LTG and TYKFI representatives, to discuss ongoing and future sustainability projects. Key initiatives presented included the *Palawan Mango Orchard Project, Ilocos Sur Mangroves Project, Falcata Tree Planting in Tanay, Masaganang Palayan, and Xiamen Summer Camp.*

Health and Social Welfare

SDGs Alignment

Ensuring Food Security Through Sustainable Agriculture

600+ employees
Benefited

The *PAL Farm to Table Project*, a joint initiative by TYKFI and PAL, provided fresh, locally sourced produce to over 600 PAL employees. This program strengthens food security while supporting local farmers, creating a direct supply chain that benefits both employees and agricultural communities.

Empowering Youth Through Sports and Community Engagement

11,700 kgs.
Rice donated

The B*rgy. Comon Summer Inter-Purok Basketball League 2024* and *Aritao LGU Rice Donation* continue to uplift young athletes by promoting teamwork, discipline, and holistic development through basketball. Winners of the tournament in Aritao, Nueva Vizcaya, received 45 sacks of 25-kilogram rice, 45 sacks of 10-kilogram rice, and cash prizes—motivating youth to develop their skills while reinforcing positive community values.

Supporting Healthcare and Community Well-Being

400 kgs.
Rice donated

The *Madre de Amor Hospice Foundation Mass for the Sick and Gift-Giving* provided essential support to terminally ill patients in Los Baños, Laguna. A total of 40 sacks of 10-kilogram rice were donated, ensuring patients and caregivers had access to nutritious food.

Spreading Holiday Cheer and Giving Back

The *Christmas Carnival* brought joy to 340 students from Tan Yan Kee ES, Macdu ES, and Saint Teresita's Academy through games, mascots, and inter-school competitions. Each child received a food pack containing a 10-kg rice sack, groceries, and a 2025 calendar.

Meanwhile, the *Thanksgiving Mass and Gift-Giving* in Aritao, Nueva Vizcaya, distributed 389 food packs—each containing 3kg rice, canned goods, noodles, and juice—to farming communities, providing much-needed support during the holiday season.

The *Tan Yan Kee - Saint Teresita's Academy Scholars Alumni Homecoming and Christmas Celebration* gathered 90 alumni under the theme *"Return, Reminisce, Reunite."* Attendees celebrated milestones and camaraderie while receiving food packs filled with a 10-kg rice sack, Noche Buena essentials, and a 2025 calendar.

Additionally, *Food Distribution* efforts reached 467 students from Babayoan ES, Negtenga ES, and Sidaoen ES in Ilocos Sur, ensuring they had the necessary resources to celebrate the season with their families.

Rice Distribution for Typhoon-Affected Families

In response to the aftermath of Typhoon Pepito, 121 families in Brgy. Vista Alegre, Bayombong, Nueva Vizcaya received 5 kilograms of rice each to help ease their recovery.

GRI Content Index

Statement of use	LT Group, Inc. has reported in accordance with the GRI Standards for the period 1 January 2023 to 31 December 2024.
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.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General Disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	3				
	2-2 Entities included in the organization's sustainability reporting	2				
	2-3 Reporting period, frequency and contact point	2				
	2-4 Restatements of information	23				
	2-5 External assurance	2				
	2-6 Activities, value chain and other business relationships	4-5,8-10, 11, 20-22				
	2-7 Employees	45-46				
	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	11, 17-18	
	2-10 Nomination and selection of the highest governance body	17-18	
	2-11 Chair of the highest governance body	17-18	
	2-12 Role of the highest governance body in overseeing the management of impacts	17-18	
	2-13 Delegation of responsibility for managing impacts	20	
	2-14 Role of the highest governance body in sustainability reporting	19-20	
	2-15 Conflicts of interest	19-20	
	2-16 Communication of critical concerns	19-20	
	2-17 Collective knowledge of the highest governance body	19-20	
	2-18 Evaluation of the performance of the highest governance body	19-20	
	2-19 Remuneration policies	19-20	
	2-20 Process to determine remuneration	19-20	

	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 confi dential. Nevertheless, compensation is based on performance.	
	2-22 Statement on sustainable development strategy	19-20				
	2-23 Policy commitments	42-43				
	2-24 Embedding policy commitments	42-43				
	2-25 Processes to remediate negative impacts	42-43, 45-46				
	2-26 Mechanisms for seeking advice and raising concerns	42-43				
	2-27 Compliance with laws and regulations	22				
	2-28 Membership associations	6				
	2-29 Approach to stakeholder engagement	11				

	2-30 Collective bargaining agreements	49	
Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	11	
	3-2 List of material topics	11	
Economic and Governance			
GRI 3: Material Topics 2021	3-3 Management of material topics	14	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	14	
	201-2 Financial implications and other risks and opportunities due to climate change	14	
GRI 3: Material Topics 2021	3-3 Management of material topics	54-64	
GRI 203: Indirect Economic Impacts 2016	203-2 Signifi cant indirect economic impacts	54-64	
GRI 3: Material Topics 2021	3-3 Management of material topics	16	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	16	
	205-3 Confirmed incidents of corruption and actions taken	16	

GRI 3: Material Topics 2021	3-3 Management of material topics	20-22	
GRI 414: Supplier Social Assessment 2016	3-1 Process to determine material topics	20-22	
Environment			
GRI 3: Material Topics 2021	3-3 Management of material topics	23	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	23	
GRI 3: Material Topics 2021	3-3 Management of material topics	26-27	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	26-27	
	303-2 Management of water discharge-related impacts	26-27	
	303-3 Water withdrawal	27	
	303-4 Water discharge	27	
	303-5 Water consumption	27	
GRI 3: Material Topics 2021	3-3 Management of material topics	33	
GRI 304: Biodiversity 2016	304-2 Signifi cant impacts of activities, products and services on biodiversity	33	

GRI 3: Material Topics 2021	3-3 Management of material topics	23	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	24	
	305-2 Energy indirect (Scope 2) GHG emissions	24	
GRI 3: Material Topics 2021	3-3 Management of material topics	28	
GRI 306: Waste 2020	306-1 Waste generation and signifi cant waste-related impacts	28	
	306-2 Management of signifi cant waste-related impacts	28	
	306-3 Waste generated	29	
	306-4 Waste diverted from disposal	29	
	306-5 Waste directed to disposal	29	
Employees			
GRI 3: Material Topics 2021	3-3 Management of material topics	47	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	48	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	51-53	
	401-3 Parental leave	53	

GRI 3: Material Topics 2021	3-3 Management of material topics	42	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	42	
	403-2 Hazard identifi cation, risk assessment, and incident investigation	42	
	403-3 Occupational health services	42	
	403-4 Worker participation, consultation, and communication on occupational health and safety	42	
	403-5 Worker training on occupational health and safety	42	
	403-6 Promotion of worker health	42	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	42	
	403-8 Workers covered by an occupational health and safety management system	100% Employees	
	403-9 Work-related injuries	44	

GRI 3: Material Topics 2021	3-3 Management of material topics	50	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	50	
	404-3 Percentage of employees receiving regular performance and career development reviews	100% Employees	
GRI 3: Material Topics 2021	3-3 Management of material topics	45	
GRI 406: Non-discrimination 2016	3-3 Management of material topics	45	
Customers			
GRI 3: Material Topics 2021	3-3 Management of material topics	35	
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	35	
GRI 3: Material Topics 2021	3-3 Management of material topics	36	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	36	
	417-2 Incidents of non-compliance concerning product and service information and labeling	36	

	417-3 Incidents of non-compliance concerning marketing communications	36	
GRI 3: Material Topics 2021	3-3 Management of material topics	37-38	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	38	
Society			
GRI 3: Material Topics 2021	3-3 Management of material topics	54-64	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	54-64	

SASB Content Index

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 / DIRECT ANSWER
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	23
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	27
	FB-AB-140a.2 FB-NB-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	26-27
Responsible Drinking & Marketing	FB-AB-270a.1	Percentage of total advertising impressions made on individuals at or above the legal drinking age	37
	FB-AB-270a.2	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	36
	FB-AB-270a.3	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	36
Product Labeling & Marketing	FB-NB-270a.1	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	37
	FB-NB-270a.3	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	36
	FB-NB-270a.4	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	36
Financials Sector - Commercial Banks			
Data Security	FN-CB-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	38
	FN-CB-230a.1	Description of approach to identifying and addressing data security risks	37-38

International Financial Reporting Statement S1 & S2 Content Index

REFERENCE NO.	OBJECTIVE	REQUIRED INFORMATION	PAGE NO.
-	Disclose information about the organization's sustainability-related risks and opportunities (SRROs), climate-related risks and opportunities (CRRO's), and Nature-related impacts that is useful to primary users of general purpose financial reports ('primary users') in making decisions relating to providing resources to the organization.	Information about the SRROs and CRROs that could reasonably be expected to affect the organization's cash flows, its access to finance or cost of capital over the short, medium, or long term. SRROs are referred for disclosures under IFRS S1 whereas CRROs are referred for disclosure under IFRS S2 Standards. Nature-related impacts are referred to disclosures needed under the Task Force of Nature-Related Financial Disclosures (TNFD).	17
I	**GOVERNANCE** Enable understanding of the governance processes, controls, and procedures an entity uses to monitor, manage, and oversee SRROs, CRROs, and Nature related impacts.	Governance processes, controls, and procedures the organization uses to monitor and manage SRROs for IFRS S1 Disclosure. Governance processes, controls, and procedures the organization uses to monitor and manage CRROs for IFRS S2 Disclosure. Governance processes, controls, and procedures the organization uses to monitor and manage nature related impacts as per TNFD	17
II	**STRATEGY** Enable understanding of the organization's strategy for managing SRROs, CRROs, and Nature related risks.	a) SRROs, CRROs, Nature related risks that could reasonably be expected to affect the organization's prospects. (b) Current and anticipated effects of those SRROs, CRROs, and nature related risks on the organization's business model and value chain. (c) Effects of those SRROs, CRROs, and nature related risks on the organization's strategy and decision-making. (d) Effects of those SRROs, CRROs, and nature related risks on the organization's financial position, financial performance and cash flows for the reporting period, and anticipated effects of those SRROs on the organization's financial position, financial performance and cash flows over the short, medium, and long term, taking into consideration how those SRROs and CRROs have	17, 31-32

		been facatored into the organization's financial planning. (e) Resilience of the organization's strategy and its business model to those SRROs, CRROs, and nature related risks and opportunities	
III	**RISK MANAGEMENT** (a) Enable understanding of the organization's processes to identify, assess, prioritize, and monitor SRROs, CRROs, and nature related risks and opportunities including whether and how those processes are integrated into and inform the organization's overall risk management process (b) Enable assessment of the organization's overall risk profile and its overall risk management process	(a) Processes and related policies used to identify, assess, prioritise, and monitor sustainability-related, climate-related, and nature-related risks. (b) Processes used to identify, assess, prioritise, and monitor sustainability-related, climate-related, and nature-related opportunities. (c) Extent to which, and how, the processes in (a) and (b) are integrated into and inform the organization's overall risk management process.	17
IV	**METRICS AND TARGETS** Enable understanding of the organization's performance in relation to its SRROs, CRROs, and nature related including progress towards any targets (a) the organization has set; and (b) the organization is required to meet by law or regulation.	For each SRRO, (a) metrics required by an applicable ISSB Standard; and (b) metrics used to measure and monitor that SRRO and its performance in relation to that SRRO, including progress towards any targets the organization has set, and any targets it is required to meet by law or regulation. Climate-related metrics (a) Scope 1 Greenhouse Gas Emissions (b) Scope 2 Greenhouse Gas Emissions (c) Scope 3 Greenhouse Gas Emissions Other relevant Metrics to nature-related risks and opportunities	23-24

Philippine SEC Sustainability Reporting for Publicly Listed Companies Content Index

DISCLOSURE	SECTION	PAGE NO.
Contextual Information	About this Report; About the Theme; Reporting Scope and Boundary; Reporting Approach; Sustainability Reporting Guidelines and Standards; Sustainability Report Feedback; Message from the Chairman; Message from the President; Our Organizational Profile; The LT Group, Inc. logo; Our Business Strategy; Our Corporate Structure; Our Businesses, Markets, and Geographical Reach; Awards and Recognition; Membership in Associations	1-13
ECONOMIC		
Economic Performance	2023 Highlights and Our Contribution to the SDGs; Economic Performance	14
Procurement Practices	Supply Chain Management	20-22
Anti-Corruption	Good Governance	17-18
ENVIRONMENT		
Resource Management		
Energy consumption within the organization	Resource Efficiency (Energy Efficiency)	23-24
Reduction of energy consumption	Not Available	
Water consumption within the organization	Resource Efficiency (Water Management)	26-27
Materials used by the organization	Resource Efficiency (Materials)	29-30
Ecosystems and Biodiversity	Adapting to Climate Change (Biodiversity)	31
Environmental Impact Management		
Air emissions	Adapting to Climate Change (Emissions)	31-32
Air pollutants	Adapting to Climate Change (Emissions)	31-32
Solid and hazardous wastes	Resource Efficiency (Managing Waste)	28-29
Effluents	Not Available	
Environmental Compliance		
Non-compliance with environmental laws and regulations	Compliance; Adapting to Climate Change	23, 31-32

Social		
Employee Management		
Employee data	Labor relations and Skills	45-46
Employee benefits	Labor relations and Skills	51-53
Employee training and development	Labor relations and Skills	50
Labor-management relations	Labor relations and Skills	47-48
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Workplace Conditions, Labor Standards, and Human Rights		
Occupational health and safety	Safety, Security, and Well-being	44-47
Labor laws and human rights	Ethical Operations	17-18
Supply Chain Management	Supply Chain Management; Illicit Trade	20-23
Relationship with Community		
Significant impacts on local communities	Community Relation and Development	54-64
Customer Management		
Customer satisfaction	Customer Satisfaction	34
Customer health and safety	Customer Satisfaction (Prioritizing the Health and Safety of our Consumers)	35
Customer privacy	Data Privacy and Security	37-38
Data Security	Data Privacy and Security	37-38
UNITED NATIONS SUTAINABLE DEVELOPMENT GOALS		
Product or Service Contribution to UN SDGs	2024 Highlights and Our Contribution to the SDGs	13

LT GROUP, INC.

SECURITIES AND EXCHANGE COMMISSION
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