LT GROUP, INC.

Driving New Possibilities

2025 INTEGRATED REPORT



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About the **Integrated Report**

This Integrated Report presents LT Group, Inc.'s (LTG) financial performance, business operations and sustainability disclosures in a unified narrative, reflecting the Group's commitment to creating long-term value across economic, environmental, social and governance (EESG) dimensions.

Each section of the report connects business strategy, operational performance and sustainability progress, illustrating how LTG's diverse businesses work together to advance the Group's theme of Driving New Possibilities.

Readers seeking detailed disclosure mappings may refer to the GRI Content Index and ISSB Cross-Reference Table at the end of the report for easier navigation and comparison across frameworks.

About the **Theme**

Driving New Possibilities represents LT Group, Inc.'s ("LTG," the "Group," the "Company") enduring commitment to redefine growth through innovation, resilience and shared value. It is a forward-looking mindset anchored in sound governance, strategic foresight and a deep responsibility toward society and the environment.

This year, that commitment carries added purpose. Built on the momentum of the Group's collective achievements: its disciplined execution, diversified strengths and steadfast focus on stakeholder value. LTG transforms forward motion into meaningful progress: growth that is grounded in responsibility, sustainability and inclusion. Every step forward is guided by the conviction that lasting impact comes not from scale alone, but from progress that strengthens the economy, protects the environment, uplifts communities and upholds the highest standards of governance.

External Assurance **of the Report**

GRI 2-5

LTG reinforces the integrity and transparency of the information presented in this report through the engagement of independent external assurance providers.

The Company's financial statements are audited by SyCip Gorres Velayo & Co. (SGV & Co.), a Philippine member firm of Ernst & Young Global Limited.

Governance over these engagements is exercised through the Board's committees. The Audit Committee reviews and recommends to the Board matters relating to the financial audit, including the scope of services rendered by the external auditor and any permissible non-audit services, ensuring independence and objectivity are maintained.

Through this multi-layered oversight structure, LTG seeks to uphold the reliability, accuracy and accountability of both its financial and sustainability reporting.

Reporting Scopes **and Boundaries**

GRI 2-2, 2-3

This Integrated Report covers the period January 1 to December 31, 2025, and presents the financial and non-financial performance of LT Group, Inc. (LTG) and its major subsidiaries: Asia Brewery, Inc. (Asia Brewery), Eton Properties Philippines, Inc. (Eton), Fortune Tobacco Corporation (Fortune), Philippine National Bank (PNB), PNB Holdings Corporation (PNB Holdings) and Tanduay Distillers, Inc. (Tanduay).

Select disclosures from Tan Yan Kee Foundation, Inc. (TYKFI) and PMFTC, Inc., are included to the extent applicable. PMFTC, which operates under the management of Philip Morris International Inc. (PMI), maintains its own sustainability reporting, and its broader environmental and social disclosures are published separately by PMI.

Reporting Guidelines **and Standards**

Our commitment to global sustainable development is reflected in our adherence to internationally recognized reporting frameworks. We uphold transparency, accuracy and accountability as the cornerstones of our sustainability disclosures, ensuring that our progress is both measurable and aligned with global best practices.

This report has been prepared in reference to the following standards and frameworks:

- GRI Standards
- Sustainability Accounting Standards Board (SASB) metrics
- IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 – Climate-related Disclosures
- Securities and Exchange Commission (SEC) Sustainability Reporting Guidelines for Publicly Listed Companies
- United Nations' Sustainable Development Goals (UN SDGs)

How to Read **the Report**

This Integrated Report (IR) presents a comprehensive view of LT Group, Inc.'s (LTG) performance, combining both financial and non-financial information, including its Sustainability Report. It is designed to guide readers through LTG's overall value creation, governance, and sustainability performance in a clear and accessible manner. The report aligns with globally recognized frameworks, including the GRI Standards and the International Sustainability Standards Board (ISSB) frameworks, such as IFRS S1 and IFRS S2, as well as relevant SASB metrics.

Sections of the report are structured to reflect LTG's strategic priorities and sustainability pillars, with corresponding indicators referenced throughout using their respective disclosure codes (e.g., GRI 302-1, IFRS S2 – Metrics and Targets). For ease of navigation and comparison across frameworks, readers may refer to the GRI Content Index and the ISSB Cross-Reference Table provided at the end of the report.

About **LT Group, Inc.**

GRI 2-1

Our **Logo**

LTG's logo is a visual expression of the Company's enduring strength, unity, and heritage. Crafted with deliberate symmetry, it features a stylized tree — its balanced lines and flowing curves evoking both harmony and vitality. The design draws inspiration from Eastern aesthetics, reflecting LTG's Chinese roots while embodying universal values of growth and renewal.

The tree serves as a symbol of resilience and progress, its branches representing the Group's diverse subsidiaries and their shared pursuit of long-term value creation. Encircled by two rings, the inner circle signifies continuity and the preservation of LTG's core values, while the outer circle conveys cohesion and collective purpose, the unity that connects every part of the organization in driving new possibilities and shared prosperity.

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, 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.

Organizations and Individual Memberships & **Associations**

GRI 2-28

Asia Brewery
- Cabuyao River Protection Advocates (CaRPA), Member
- 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 Certificate of Membership, 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, Member
- Net Zero Carbon Alliance, Member

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

PNB Holdings
- Makati Central Estate Association, Inc. (MACEA), Member
- Financial Executives Institute of the Philippines (FINEX), Member
- Urban Land Institute Philippines, Member

Tanduay
- Employers Confederation of the Philippines (ECOP), Member
- Management Association of the Philippines, Member
- Distilled Spirits Association of the Philippines, Member
- Ethanol Producers Association of the Philippines, Member

ISO and **Other Certifications**

Asia Brewery
- ISO 9001:2015
- Good Manufacturing Practice Certificate
- Company Halal Certification
- ISO 50001 Energy Management System
- Food Safety System Certification
- Hazard Analysis Critical Control Points (HACCP)
- Halal Product Certificate
- Nestle FSQMS Market Verification Report
- Supplier Guiding Principles
- Forest Stewardship Council of Custody
- Sunkist Growers Inc. Supplier Quality Audit Report
- Customer Audits (Jollibee, Macro Asia Corp.)
- Customer Audit (Shakeys Pizza Asia Ventures Inc.)

PNB
- ISO/IEC 27001:2022

Tanduay
- Cabuyao Plant: ISO 9001:2015 Certificate Registration No. TUV 100 05 3932
FDA: Certificate of Current Good Manufacturing Process
- Murcia Plant: ISO 9001:2015 Certificate Registration No. TUV 100 05 5042
FDA: Certificate of Current Good Manufacturing Process
- El Salvador Plant: ISO 9001 2015 Certificate Registration No. TUV 100 05 5082

Awards & **Recognition**

LTG (Parent Company)
- Two Golden Arrows Award - Conferred by the ASEAN Corporate Governance Scorecard (ACGS)
- Forbes' Best Employers List (Ranked #421) - Included in the Forbes Best Employers ranking
- One of the Best-Performing Blue-Chip Stocks - Philippine Stock Exchange index (PSEi), Year-to-Date Gain: +43.4%

Asia Brewery
- Sustainable Development Partner, Sta. Rosa City Green Awards (Laguna)
- Earth Hour Advocate, Sta. Rosa City Green Awards (Laguna)
- Gold Trophy and Certificate of Recognition - El Salvador Plant, 2025 World Day for Safety and Health at Work
- LLDA Bantayog ng Lawa Awards, Cabuyao River Protection Advocate (CaRPA)

Eton
- 2025 FIABCI Philippines Property and Real Estate Excellence Awards Mixed Use Category GOLD - Eton Tower Makati
- 2025 FIABCI Philippines Property and Real Estate Excellence Awards Retail Category GOLD - Eton City Square
- 2025 FIABCI Philippines Property and Real Estate Excellence Awards Master-planed Community Category SILVER - Eton City
- 2025 FIABCI Philippines Property and Real Estate Excellence Awards Office Category SILVER - Centris Cyberpod Five
- Hubexo Awards Top Ten Developers 2025
- 2025 Lion Awards for Business in Sta. Rosa, Laguna, Eton City, Inc. (ECI) #1 Taxpayer
- 2025 Lion Awards for Business in Sta. Rosa, Laguna, Belton Communities, Inc. (BCI) #9 Taxpayer.
- Top 7 Largest Office Developer in Metro Manila
- 2025 Carousell Property Awards - Special Award for Sustainability Leadership in Real Estate (Beyond Green Initiative)
- 2025 Carousell Property Awards - Excellence in Brand Transformation (Eton Beyond18 Anniversary Campaign)

PNB
- Four Golden Arrow Awardee - ASEAN Corporate Governance Scorecard (ACGS) 2025 Golden Arrow Awards
- Best Bank for Investment Research in the Philippines - Euromoney Private Banking Awards 2025
- PNB Capital and Investment Corporation Renewable Energy Deal of the Year-Solar - The Asset Country Awards 2025
- PNB Capital and Investment Corporation Renewable Energy Deal of the Year-Rooftop Solar - The Asset Country Awards 2025
- Best Sustainability Bond: Financial Institution award for US$300 million sustainability bond - The Asset Triple A Awards 2025
- PNB Capital and Investment Corporation Best IPO for the Citicore Renewable Energy Corporation (CREC) 5.3 billion pesos IPO - The Asset Triple A Awards 2025
- Intermediate Term Bond Fund Category: PNB Profit Peso Bond Fund - Chartered Financial Analyst Society of the Philippines Best Managed Fund 2025
- Top 50 Learning & Development Team Winners (OnCon Icon Awards 2025) – Featured alongside Apple, Amazon, 7-Eleven, and Grant Thornton
- Top 100 L&D Teams Awardee – Recognized with Microsoft, PepsiCo, American Airlines, and Deloitte
- THE ASSET Benchmark Research Awards 2025
- Ranked #1 Fixed Income Individual (G3 Bonds Category) – Albert Joseph Hampton, Trading Head, PNB Trust Banking Group
- Ranked #2 Fixed Income Individual (Local Currency Bonds Category) – Albert Joseph Hampton, Trading Head, PNB Trust Banking Group
- Ranked #3 Fixed Income Investment House (G3 Bonds Category) – PNB Trust Banking Group
- Highly Commended Investment House (Local Currency Bonds Category) – PNB Trust Banking Group
- International Business Magazine Awards 2025
- Best Mobile Banking Experience Philippines for PNB Digital
- Best Sustainability Bond Offering Philippines for the US$300 million sustainability bond

PNB Holdings
- Gold and Silver Awards, Business World Best Places to Work for 2025

Tanduay
- San Francisco World Spirits Competition
- Silver Medal – Tanduay 10 Year Old Rum
- Miami Global Spirits Awards
- Gold Medal – Tanduay Asian Rum Silver
- Silver Medal – Tanduay Asian Rum Gold
- Silver Medal – Tanduay 10 Year Old Rum
- Silver Medal – Tanduay Double Rum
- Bronze Medal – Tanduay Especia Spiced Rum
- Asia Spirits Ratings
- Double Gold Medal – Tanduay Especia Spiced Rum
- Commendation: Rum of the Year – Tanduay Especia Spiced Rum
- Commendation: Best Spirit by Value – Tanduay Especia Spiced Rum
- Silver Medal – Tanduay Double Rum
- Silver Medal – Tanduay Asian Rum Gold
- Silver Medal – Tanduay 10 Year Old Rum
- Bronze Medal – Tanduay Overproof Rum
- Bronze Medal – Tanduay Asian Rum Silver
- Bronze Medal – Embassy Premium Whisky
- Bronze Medal – Tanduay Rum 1854
- Bronze Medal – Tanduay Superior Rhum
- Bronze Medal – Tanduay Select Blended Rum
- Bronze Medal – Tanduay Rhum Light
- Bronze Medal – Tanduay Dark Rhum
- International Spirits Competition by Enthusiast Magazine
- Double Gold Medal – Tanduay Double Rum
- Gold Medal – Tanduay 10 Year Old Rum
- Gold Medal – Tanduay Asian Rum Gold
- Gold Medal – Tanduay Overproof Rum
- Silver Medal – Tanduay Asian Rum Silver
- World Spirits Competition by Cigar & Spirits
- Gold Medal – Tanduay Double Rum
- Gold Medal – Tanduay 10 Year Old Rum
- Proof Awards
- Gold Medal – Tanduay Overproof Rum
- Double Gold Medal (Design Competition) – Tanduay Overproof Rum
- Silver Medal – Tanduay 10 Year Old Rum
- Gold Medal (Design Competition) – Tanduay 10 Year Old Rum



LT Group, Inc.



99.6%



56.47%[2]



100%



99.9%



99.6%



30.9%



50%



49.6%[1]























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

Group Structure **and Integration**

GRI-2-6

The corporate framework emphasizes close coordination between the parent company and its subsidiaries, ensuring consistent governance and strategic direction. Each subsidiary, except Victoria Milling Company, Inc. and ALI-Eton Development Corporation, manages its own network of sub-entities, extending operational reach and influence throughout the Philippine economy. Several business units have adopted vertically integrated systems, combining sourcing, production, and distribution under unified management. This integration enhances supply chain efficiency, strengthens quality control, and reduces operational risks, reflecting the Group's commitment to resilience and streamlined performance.

Our **Partnerships**

AB Pascual Holdings Pte. Ltd. is a 50-50 joint venture between Asia Brewery, Inc. and Corporación Empresarial Pascual of Spain. The Company imports yogurt products from Spain and distributes them in the Philippine market under the Pascual brand. Its product portfolio includes a variety of offerings such as Original, Non-fat, Thick and Creamy and Greek Style, catering to a broad range of consumer preferences.

Pascual yogurt, distributed through ABI Pascual Foods, sustained its market leadership with an estimated 45% nationwide market share. The Company has also expanded its product line with the Greek-Style Yogurt Drink, positioned as a nutritious and affordable option available in multiple packaging formats.

In 2025, Asia Brewery, Inc., through its yogurt business, invested approximately ₱1 billion for the construction of a long-life yogurt production facility in Laguna, located adjacent to its existing manufacturing complex in Cabuyao. The facility is designed to produce shelf-stable yogurt and supports the Company's local manufacturing capabilities. The foregoing developments reflect the Company's continued operations in product distribution, market expansion and investment in domestic production facilities.

ALI-Eton Development Corporation

In 2018, a 50-50 joint venture between Ayala Land, Inc. and Eton Properties Philippines, Inc., a subsidiary of LT Group, Inc., was formed to develop Parklinks, a 35-hecare mixed-use estate along the C-5 corridor. Parklinks is positioned as one of the greenest urban estates in Metro Manila, with approximately 50% of its land area dedicated to open and green spaces.

In November 2022, the Parklinks Bridge was inaugurated, connecting Quezon City and Pasig City across the Marikina River. The bridge features a distinctive asymmetrical cable-supported arch design, with a 40-meter-high arch spanning a 110-meter-long and 25-meter-wide roadway.

In 2025, infrastructure within the estate further progressed with the opening of Dr. Lucio C. Tan Sr. Avenue, a central thoroughfare that enhances internal and external connectivity of the development. The avenue links key components of the estate, including residential, commercial, and open spaces, and complements the Parklinks Bridge in improving accessibility between Quezon City and Pasig.

In the same period, vertical developments continued to advance, including the structural progress of residential projects and the ongoing development of mixed-use components such as Parklinks Mall.

Overall, Parklinks continues to evolve as a major mixed-use development along the C-5 corridor, integrating residential, commercial, and open-space components within a master-planned urban estate.

Allianz PNB LIFE INSURANCE

Allianz PNB Life Insurance, Inc. is a joint venture established in 2016 between Allianz SE and Philippine National Bank. Allianz remains one of the world's leading insurance providers with a strong global presence across insurance and asset management.

It continues to operate as a life insurer committed to helping Filipinos secure their financial future through a range of insurance and investment solutions. The company offers life insurance plans designed for protection, savings and investments and health coverage, including products such as Premier Life, Allianz Secure ProVUL plans and various health insurance options tailored to individual needs. These solutions aim to help policyholders address financial uncertainties, protect loved ones and grow assets over time.

Allianz PNB Life also advances its sustainability initiatives in the Philippines, encouraging environmentally friendly activities such as promoting cycling ("Ride Safe"), organizing tree planting events, and reducing paper usage through digital transformation.

In 2025, the company marked a significant milestone with the opening of its new corporate headquarters at One Ayala in Makati City, enhancing its workplace environment and service capabilities while aligning with broader strategic goals of customer centered transformation and sustainability. The facility meets global standards for design and environmental responsibility, supporting the company's ongoing commitment to service excellence.

Overall in 2025, Allianz PNB Life continued to offer a broad portfolio of life and health insurance solutions and to strengthen its presence in the Philippine insurance market through customer oriented services and sustainability efforts.

pmftc
Philip Morris Philippines

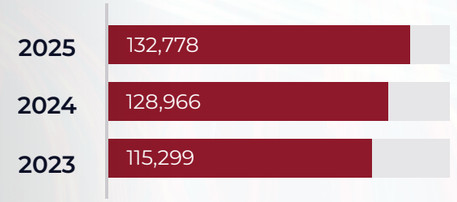
PMFTC Inc. (PMFTC) is the business combination of Philip Morris Philippines Manufacturing Inc. and Fortune Tobacco Corporation, a 99.6%-owned subsidiary of the LT Group, Inc. It remains the leading cigarette manufacturer in the Philippines, producing six of the top ten brands, including Marlboro and Fortune. In 2025, PMFTC strengthened its smoke-free portfolio with new product launches such as TEREA Oasis Pearl and IQOS ILUMA 4.1, expanded the reach of ZYN nationwide and reinforced its combustible brands through innovations and marketing campaigns. The company also advanced sustainability initiatives, achieved carbon neutrality, expanded hybrid and electric vehicle fleets, and continued investing in employee development and inclusive workplace programs, sustaining its position as a market and industry leader.

EXECUTIVE SUMMARY

LT Group, Inc. enters 2025 guided by sound governance, long-term thinking and a disciplined focus on stakeholder value. The Group continues to strengthen its position across key Philippine industries while advancing its responsibilities to the economy, the environment and the communities it serves. Financial performance and sustainability are pursued together, as expressions of a single integrated ambition. This is LTG's Momentum for Meaningful Progress: growth grounded in responsibility and value built to last.

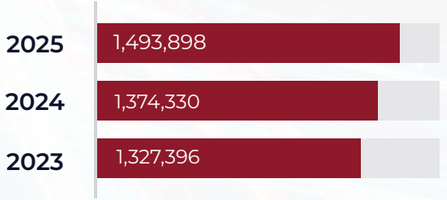
REVENUES

in Php Millions



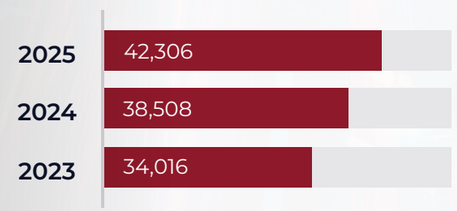
TOTAL ASSETS

in Php Millions



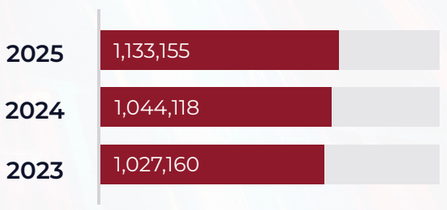
NET INCOME

in Php Millions



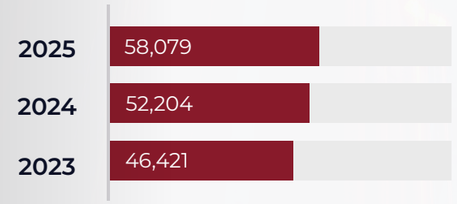
TOTAL LIABILITIES

in Php Millions



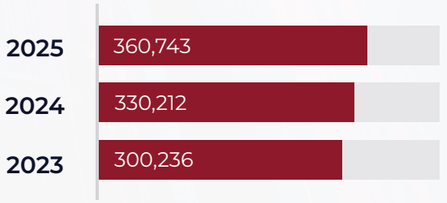
EBITDA

in Php Millions



TOTAL EQUITY

in Php Millions



PER SHARE DATA

(In Php, except Pay-out Rate)

	2025	2024	2023
Earnings per Share	2.86	2.67	2.35
Book Value *(at year end)*	23.20	21.35	19.64
Cash Dividend	1.25	1.25	1.20
Pay-Out Rate	46.77%	53.21%	51.66%

RATIOS

	2025	2024	2023
Current (x)	0.70	0.73	0.71
Current w/o PNB (x)	5.04	4.48	3.69
Debt to Equity	3.14	3.16	3.42
Debt to Equity w/o PNB (x)	0.09	0.10	0.12
Return on Average Assets	2.2%	2.1%	2.0%
Return on Average Equity	12.8%	13.0%	12.4%

Message from the **Chairman**

GRI-2-22



> "The results reflect the diligence and dedication of our people, the strength of our diversified portfolio, and the collective effort that continues to drive LTG forward."

To our Shareholders,

We are pleased to report that LT Group, Inc. once again delivered a year of strong results. In 2025, consolidated revenues reached ₱132.78 billion, resulting in attributable net income of ₱30.98 billion, surpassing prior-year levels. Our subsidiaries likewise recorded mixed but overall resilient performance, with Philippine National Bank increasing by 20%, Tanduay by 45%, Asia Brewery by 4% and Eton by 261%, while Fortune Tobacco posted a 12% decrease year-on-year. These results reflect the diligence and dedication of our people, the strength of our diversified portfolio and the collective effort that continues to drive LTG forward.

While our subsidiaries delivered solid performance in 2025, we approach 2026 with caution, recognizing that developments in other parts of the world may affect the operating environment. Ongoing geopolitical tensions, including the conflict in the Middle East, have prompted our subsidiaries to review and assess potential risks and to ensure that adequate resources are in place to support the achievement of their plans, goals and budgets. Elevated oil prices may translate to higher operating costs and reduced consumer purchasing power across many economies. The Company acknowledges that these factors may ultimately impact overall financial performance.

While we foresaw difficult days ahead, we rely on the dedication, skill, and professionalism of our people and their drive for achievement, from production floors and offices to branches and field operations to mitigate and cushion the effects of war. In 2025, we focused on strengthening leadership, enhancing workplace safety and supporting employee engagement and well-being. At the same time, we maintained rigorous governance and risk oversight, ensuring accountability and transparency throughout the Group.

Across our businesses in banking, beverages, real estate, manufacturing, and tobacco, we continue to foster synergy by bringing together the strengths of each company. This enables us to create greater value as a Group than any single entity could achieve on its own. In parallel, we advanced initiatives in environmental responsibility, inclusive growth and workforce well-being, reinforcing our belief that long-term value creation is closely linked to the health of the communities, ecosystems and institutions we serve.

Looking ahead, LTG will continue to strengthen its core businesses, deepen collaboration across its companies, advance sustainability efforts and build the capabilities needed to navigate an increasingly complex environment. The momentum we carry is collective, grounded in shared effort, guided by responsibility and anchored in disciplined execution.

We extend our sincere appreciation to our shareholders for their trust, to the Board of Directors for their guidance and to our employees and partners for their continued commitment. Together, we look forward to sustaining meaningful progress and creating new possibilities for generations to come.



Dr. Lucio C. Tan
Chairman and Chief Executive Officer

Message from the **President**

GRI-2-22



Dear Stockholders,

LTG continued to deliver strong financial and operational results in 2025 through the diligence, disciplined execution, diversified capabilities with clear focus on risk mitigation and management, even while sustainability of resources are ensured or maintained. The effort, diligence and commitment of our officers, employees and partners translated the momentum into measurable growth and progress across our businesses today. We share with you the results of such effort today:

In 2025, LT Group recorded consolidated revenues of ₱132.78 billion and an attributable net income of ₱30.98 billion, a 7% increase from 2024 and our fourth consecutive year of record earnings. Dividends totaled ₱13.53 billion, or ₱1.25 per share, representing a 46.8% payout rate. We ended the year with ₱2.67 billion in cash at the parent level. Debt-to-equity ratio was 3.14 to 1 with the Bank, and 0.09 to 1 without the Bank. Return on equity stood at 12.3%, while EBITDA margin reached 43.7%, reflecting disciplined capital management and sustained profitability.

Philippine National Bank (PNB) remained a key driver of the Group's performance, accounting for ₱14.26 billion or 46% of total attributable income. Net income grew 20% to ₱25.34 billion, supported by higher net interest income and service fees, alongside improved credit quality. This underscores the Bank's scale, resilience and consistent earnings contribution.

Fortune Tobacco Corporation (FTC) and PMFTC delivered ₱11.24 billion, or 36% of total attributable income. PMFTC increased cigarette volume by 4% to 22.0 billion sticks and expanded market share to 47.3%, with equity in net earnings reaching ₱8.73 billion, up 15%. This highlights the tobacco segment's ability to sustain growth and profitability amid evolving market conditions.

Tanduay Distillers, Inc. (TDI) recorded net income of ₱3.12 billion, up 45% and marking its sixth consecutive record year. Gross margin improved to 17%, while national market share rose to 39.5%, with continued leadership in the Visayas and Mindanao. These results reinforce Tanduay's strong market position and effective cost and pricing strategies.

Asia Brewery, Inc. (ABI) delivered net income of ₱877 million, with gross margin at 24%. Cobra Energy Drinks maintained a 45% market share, while Absolute and Summit held a combined 15% share in bottled water. This reflects continued operational discipline and stable positioning across key beverage segments.

Eton Properties Philippines, Inc. (Eton) reported net income of ₱765 million, a strong recovery from 2024. Real estate sales grew by 46% to ₱731 million, supported by key developments. The company now has a leasable portfolio of 262,800 square meters. This reflects improving demand and positions Eton for continued growth.

₱30.9B
ATTRIBUTABLE NET INCOME

₱132.78B
CONSOLIDATED REVENUES

₱13.53B
TOTAL DIVIDENDS

3.14:1
DEBT-TO-EQUITY RATIO WITH THE BANK

0.09:1
DEBT-TO-EQUITY RATIO WITHOUT THE BANK

Other subsidiaries contributed a combined ₱739 million, providing steady and diversified support to the Group's overall performance.

In 2025, responsible growth remained at the core of our approach. We focused on strengthening collaboration across our businesses and leveraging shared insights to enhance decision-making and operational efficiency. Progress in environmental stewardship, workforce development, and community engagement advanced steadily, reflecting our belief that sustainable success depends on the well-being of the people, natural systems and institutions connected to our operations. These achievements are a testament to the dedication and commitment of our teams, reminding us that lasting impact is built through disciplined effort, shared responsibility, and the pursuit of value that extends beyond financial performance.

As part of this commitment, total energy consumption reached 2,045,996.25 gigajoules, while our carbon footprint totaled 234,019.73 tonnes of CO_2e, establishing a baseline to guide sustainability priorities and inform risk management and operational planning.

Our 13,063 employees continued to deliver with expertise and professionalism. Training initiatives increased participation by 16.82%, while safety programs covered 95.76% of the workforce, equivalent to 12,509 employees, supporting a capable and safe organization.

Governance remains a cornerstone of our operations, with board independence at 36% and 63% of directors actively engaged in sustainability and risk oversight. Anti-corruption training reached 90.71% of employees, reinforcing a culture of accountability and integrity.

Community investments reached ₱77.81 million, benefiting 14,758 individuals through programs in education, healthcare, livelihood and environmental initiatives. In addition, 5.34% of employees participated in volunteer programs, representing 697 individuals.

Looking ahead to 2026, we will continue strengthening our core businesses, advancing cross-company initiatives, accelerating digital transformation, deepening sustainability integration and strengthening our talent pipeline. Our focus remains on disciplined execution, prudent risk management and delivering sustainable, long-term value.

To our stakeholders, shareholders, Board members, employees, partners and communities, thank you for your continued trust and support. Together, we will build on this momentum as we continue driving new possibilities and delivering meaningful progress.



Lucio C. Tan III
President & Chief Operating Officer

2,045,996.25 GJ
TOTAL ENERGY CONSUMPTION

234,019.73T of CO_2e
TOTAL CARBON FOOTPRINT

90.71%
PARTICIPATION IN ANTI-CORRUPTION TRAINING

95.76%
PARTICIPATION IN SAFETY PROGRAMS

36%
BOARD INDEPENDENCE

63%
BOARD OVERSIGHT IN SUSTAINABILITY AND RISK

₱77.81M
COMMUNITY INVESTMENTS

Message from the **CFO**

GRI-2-22



For the year 2025, LT Group, Inc.'s (LTG) total revenues amounted to Php132.78 billion, an increase of Php3.81 billion or 3.0% higher than 2024's Php128.97 billion revenues. All segments except for the beverage business reported an increase in revenues over the previous year.

The attributable net income of LTG reached Php30.98 billion, Php2.06 billion or 7.1% higher than 2024's Php28.92 billion. In 2025, all segments except for tobacco and contributions from sugar milling posted a higher net income versus the previous year.

On a per-segment contribution to LTG's attributable income for 2025, 46% was from Philippine National Bank (PNB), 36% from the tobacco business, 10% from Tanduay Distillers, Inc. (TDI), 4% from Asia Brewery, Inc. (ABI), and 2% from Eton Properties Philippines, Inc. (Eton). From LTG's 30.9% ownership of Victorias Milling Company, Inc. (VMC), 1% of total attributable income was booked as equity in net earnings from this investment. Other Income contributed 1% of total.

PNB's 2025 contribution amounted to Php25.34 billion, 19.7% higher than Php21.18 billion in 2024. The bank's core business performed in 2025: net interest income increased and net interest margin sustained, with the expansion of both the bank's loan book across all market categories and its low-cost deposit base. PNB's fee-based core income also went up, brought about by transaction volumes in deposit, credit card, trust and bancassurance products. PNB's other income went up, with higher gains from trading and investment securities, sale of real and other properties acquired, and equity in net earnings of subsidiaries and associates. Credit provisioning for probable losses was lower, signifying continued improvement in the bank's loan portfolio quality.

The contribution of the tobacco business in 2025 reached Php11.29 billion, Php1.48 billion or 11.6% lower than Php12.77 billion in 2024, due to lower dividend income from PMFTC, while partially offset by higher equitized earnings. The tobacco business' income is primarily from dividend income received from LTG's 49.6% stake in PMFTC, Inc. (PMFTC). The national tobacco industry expanded in 2025 given heightened crackdown of illicit tobacco and substitute products by the Philippine government. Coupled with PMFTC's stable pricing throughout the year and nationwide pricing compliance programs, the tobacco business saw improvement in its market share and volumes. Under Republic Act 11346, excise tax was Php66.15 per pack in 2025, an increase of 5% from 2024.

TDI's contribution was Php3.12 billion, an increase of Php972 million or 45.2% higher than 2024's Php2.15 billion. Both TDI's liquor and alcohol businesses posted a positive performance in 2025 despite lower annual sales volumes. The liquor segment was able to increase its pricing across its different SKUs and keep input costs anchored. Meanwhile, the alcohol segment performance for the year was driven by cost-driven margin increase

PER-SEGMENT CONTRIBUTION:

46%
PHILIPPINE NATIONAL BANK

36%
TOBACCO BUSINESS

10%
TANDUAY DISTILLERS, INC.

4%
ASIA BREWERY, INC.

2%
ETON PROPERTIES PHILIPPINES, INC.

and lower operating expenses, as market price levels for bioethanol and denatured alcohol were lower in 2025 versus the previous year.

ABI's contribution was Php877 million, Php36 million or 4.3% higher than 2024's Php841 million. 2025 volumes were mixed across the beverage segment's different products: bottled water and yogurt continued to perform well, beer showed good traction, soymilk posted stagnant volumes, while energy drink, iced tea, and alcopop showed lower numbers. Local consumer demand took a hit on the slowing national economy but despite mixed volumes, the beverage business posted improved margins on product mix, continuous operational efficiency improvements, and strategic pricing.

Eton's contribution amounted to Php765 million, Php553 million or 260.9% higher than the previous year's Php212 million. Sales revenue went up from sales in the property development segment's residential projects, while leasing revenues went down on lower rental market rates despite healthy occupancy rates. Eton also incurred other income from the Philippine government's right-of-way program, while the property development segment's operating expenses were significantly lower y-o-y.

On March 14, 2025, LTG declared a regular cash dividend of Php0.15 per share and a special cash dividend of Php0.15 per share. Thereafter the company declared special cash dividends three times: Php0.30 in June, Php0.30 in August, and another Php0.35 in November. These dividend issuances amounted to Php13.53 billion, or 46.8% of LTG's 2024 attributable income of Php28.92 billion. The company's dividend payout policy is 20%.

Total capital expenditure was Php6.16 billion in 2025. ABI spent 2.01 billion on plant expansion and improvements. PNB invested Php1.73 billion in its core banking system modernization. TDI spent Php 1.92 billion primarily towards rehabilitating its bottling lines, replenishment of pallet inventories, and re-fleeting program. Eton invested Php500 million for building improvements and repairs.

LTG's balance sheet remains strong, with the parent company's cash balance at Php2.67 billion as of end-2025. Debt-to-Equity Ratio was at 3.14:1 with the Bank, and at 0.09:1 without the Bank.



Jose Gabriel D. Olives
Chief Financial Officer

Our Businesses

ASIA BREWERY INCORPORATED

2025 Key Highlights

Asia Brewery Inc. (ABI) demonstrated notable resilience in 2025 amidst a challenging global and domestic environment. Moderated public and private spending during the second half of the year, following election-driven consumption in early 2025, tempered overall demand across the fast-moving consumer goods industry. Despite these headwinds, ABI delivered sustainable growth by capitalizing on momentum in key strategic beverage categories, strengthening distribution reach and driving operational efficiencies. Strategic investments in capacity expansion and energy efficiencies further reinforced its long-term growth agenda while advancing its sustainability goals, opening new possibilities for value creation across the business.

2025 vs. 2024 Results

Backed by strong brands and a wide portfolio across the different categories in the beverage industry, ABI generated revenues of ₱17.9 billion, slightly lower by 2% compared to the ₱18.2 billion revenues in 2024. This was sustained by growth in bottled water, dairy, and packaging segments, underpinned by broader distribution coverage and favorable product mix.

Gross profit margin improved to 24.4% from 22.4% in the prior year, driven by operational efficiency gains and product innovations that mitigated the impact of lower energy drink sales, soaring prices of strategic inputs, and the depreciation of the peso.

Operating expenses increased modestly to ₱3.0 billion from ₱2.9 billion in 2024, reflecting calibrated investments in marketing and manpower to sustain market competitiveness while maintaining tight cost controls.

Operating income continued its year-on-year growth, increasing by 10.6% to ₱1.3 billion from ₱1.2 billion in 2024, driven by improved margins. Higher share in the net income of a joint venture helped offset higher income taxes, resulting in a ₱36 million increase in net income to ₱877 million.

Operational Highlights

ABI advanced several initiatives to enhance manufacturing reliability, expand capacity and improve efficiency. Apart from the new PET line completed in mid-2024, construction of a new flexible PET line is underway to capitalize on the continuous growth in both Cobra PET and Bottled Water. Major upgrades were also conducted in its CSD and Dairy lines to increase output and improve efficiency.

Following the expansion of PET capacity, Cobra expanded its distribution reach through the aggressive expansion of Cobra Astig. Generating a strong revenue base, Cobra remained ABI's flagship product, contributing 35% of total revenues.

Bottled water remained ABI's second biggest contributor to revenues. Continuous growth in modern trade markets sustained stable performance through its Absolute and Summit brands, despite heavy competition from both major competitors and low-cost brands. Summit Still and Summit Sparkling, ABI's premium bottled water in glass packaging, continue to gain traction as the number one brand in the still and sparkling water glass format category, outperforming internationally known brands. Products in returnable glass format at more affordable price points, launched in line with ABI's vision of producing more sustainable products, continue to gain traction in the general trade market.

₱17.9B
GENERATED REVENUES

24.4% GROSS PROFIT MARGIN	**10.6%** OPERATING INCOME INCREASE
₱877M NET INCOME	**17.7 MW** RENEWABLE ENERGY

Vitamilk maintained its dominance in the soymilk market and secured the number three spot in the ready-to-drink milk category, outperforming established dairy brands. It continues to attract consumers through new flavors and enhanced packaging while expanding its portfolio to cater to moms and kids with multi-serve and single-serve products in tetra packaging.

Pascual yogurt, distributed through ABI Pascual Foods, sustained its market leadership with a 45% market share. It continues to expand its Greek-Style Yogurt Drink as a nutritious and affordable option across multiple packaging formats.

Leon Strong Beer continues to gain traction as ABI launched its nationwide distribution, while the company continues to strengthen its alcoholic beverage portfolio with new brands and flavors to capture evolving preferences of young consumers seeking convenience, variety, and healthier options.









ABI also implemented various packaging and formulation innovations in the Bottled Water and Energy Drink categories, aligned with market trends and cost optimization objectives. These initiatives enabled the company to reduce costs and improve margins despite higher imported raw material costs, supply chain disruptions and peso depreciation.

ABI continues to invest in process and product innovation to strengthen operational and distribution efficiencies and drive sustainable growth.

Sustainability

In line with its environmental commitments, ABI energized its solar energy installations in two additional locations in Cagayan de Oro and Pampanga, complementing its existing facility in Cabuyao. The company now generates 17.7 megawatts of renewable energy for its operations, delivering substantial savings in power costs while reducing carbon emissions.

ABI also recovered 9,063 metric tons of diverted plastic waste, representing 50.5% of its plastic footprint during the year. Coupled with the continued expansion of returnable glass packaging across its product lines, these efforts reflect ABI's deepening commitment to environmental stewardship and circular resource management.

Outlook and Vision for the Future

Looking ahead to 2026, ABI anticipates continued market pressures stemming from the effects of the corruption probe on both private and government spending, heightened competition, supply chain disruptions, and the potential economic impact of international tensions. Nevertheless, ABI remains confident in its ability to navigate these challenges by leveraging its strong brand portfolio, operational efficiencies, and strong product culture to sustain the momentum that drives significant progress across its business.

Key focus areas include growing market shares through cost-effective marketing and distribution programs, expanding core product lines with exciting flavors and variants, and continuing product and packaging innovation programs to enhance product margins. By pursuing these priorities alongside its sustainability commitments, ABI is positioned to drive new possibilities in the Philippine beverage industry while creating enduring value for stakeholders, communities, and the environment.

Our Businesses

ETON

2025 Key Highlights

In 2025, Eton Properties Philippines, Inc. delivered stronger financial results, with top and bottom-line growth and improved liquidity, while continuing to strengthen the operating foundations of the business amid a still-evolving property market. Total revenue reached ₱3.32 billion, up 4% from ₱3.19 billion in 2024, while net income rose significantly to ₱764.7 million from ₱211.5 million in the previous year.

The Company's 2025 performance was shaped by three strategic priorities: reinforcing the organization's foundation through stronger governance, compliance, and operating discipline; improving brand visibility and credibility to support demand generation; and enhancing asset discipline and long-term value creation, including the recognition of material one-time revenues and the continued integration of sustainability across the portfolio.

Viewed over a three-year period, Eton's 2025 performance reflects a business that has continued to recalibrate its portfolio, respond to market shifts, and improve the quality of its earnings base. Following a recovery in leasing-led revenues and a resurgence in residential sales in the prior year, the Company built further momentum in 2025 through stronger residential sales, sustained recurring contributions from the leasing portfolio, and other material revenues recognized during the year, driving new possibilities for long-term value creation across its diversified property portfolio.

2025 vs. 2024 Results

Eton recorded total revenue of ₱3.32 billion in 2025, compared with ₱3.19 billion in 2024. Net income increased by 261% to ₱764.7 million, reflecting stronger profitability during the year. These gains also reflected the benefit of LT Group's ₱3.52 billion capital infusion, which strengthened Eton's balance sheet and reinforced the Company's capacity to support operational stability, portfolio optimization, and future growth initiatives.

Residential sales increased by 46% to ₱731.4 million from ₱501 million, supported by stronger take-up in key developments, particularly 68 Roces in Quezon City, Eton Tower Makati in Makati City, and South Lake Village in Eton City, Sta. Rosa, Laguna. This continued improvement in residential sales broadened Eton's revenue mix and strengthened the contribution of the sales business to overall performance.

Leasing remained a major source of recurring revenue, while one-time revenues recognized during the year also contributed meaningfully to results, supporting both earnings and liquidity.

EBITDA increased to ₱1.80 billion from ₱1.3 billion in 2024, or by 43%, reflecting stronger earnings generation and the impact of key revenue drivers recognized during the year.

₱3.32B
TOTAL REVENUE

261%
NET INCOME INCREASE

46%
RESIDENTIAL SALES INCREASE

33M kWh
ANNUAL CLEAN POWER FROM RENEWABLE GEOTHERMAL ENERGY

21,000 MT
CARBON EMISSIONS REDUCED PER YEAR

Portfolio Performance and Market Positioning

Leasing continued to anchor Eton's recurring revenue base in 2025. Office leasing generated ₱1.22 billion in revenues, while commercial leasing contributed ₱405.4 million and residential leasing contributed ₱88.7 million. The Mini Suites generated ₱171.6 million in revenues during the year.

In terms of portfolio utilization, office assets posted a 67.6% occupancy rate across 188,613 square meters of gross leasable area. Commercial assets achieved a 73.4% occupancy rate across 63,385 square meters, while residential leasing recorded a 73.8% occupancy rate across 13,495 square meters.

These results underscore the continued role of Eton's leasing portfolio in supporting income stability, while the stronger contribution from residential sales provided additional growth support during the year. Together, these segments reflect the value of Eton's diversified portfolio across office, commercial, residential and hospitality assets.

Operational Highlights

Beyond financial performance, Eton continued to strengthen the business through tighter execution discipline, stronger cross-functional coordination and a more deliberate operating posture. During the year, the Company remained focused on addressing legacy concerns, reinforcing compliance, improving process accountability and building organizational capability to support more consistent delivery across teams.

The Company also worked to strengthen brand visibility and credibility through a more focused digital presence and targeted on-ground engagement. These efforts supported demand generation and contributed to broader market visibility. In 2025, Eton received nine industry recognitions, reflecting improved external visibility and the continued effort to strengthen brand and stakeholder confidence.

From a strategic standpoint, Eton continued to sharpen asset discipline and value creation across the portfolio. This included balancing recurring income generation with residential sales acceleration, improving tenant quality and portfolio utilization, and sustaining a more disciplined approach to capital and asset management.

Sustainability

Sustainability remained part of Eton's broader business direction in 2025. The Company continued to institutionalize its sustainability agenda through Beyond Green and the Eton Sustainability Framework, aligned with LT Group's ESG reporting direction. Sustainability considerations were further embedded into portfolio and operating priorities, with continued emphasis on long-term property performance, resource efficiency and responsible business practices.

A key development during the year was the transition of eight residential, commercial and office properties to 100% renewable geothermal energy, supplying approximately 33 million kWh of clean power annually and reducing carbon emissions by over 21,000 metric tons per year, supporting both environmental objectives and longer-term operating efficiency.











Community engagement grew to 19 programs, a 40% increase from 2024, with at least 30% employee participation and more than 10 active partnerships with NGOs, local government units, schools and community groups.

People and Culture

On the social front, Eton developed its first Mental Health Index in 2025, establishing baseline scores from at least 60% of employees. The Company sustained zero work-related injuries and full compliance with occupational health and safety requirements throughout the year.

A 50:50 gender balance was maintained across the workforce, with a minimum of 40% of leadership roles held by women and inclusive hiring reviews conducted for 100% of job postings. The Eton Success Series, direct C-suite dialogue sessions, was launched to reinforce organizational transparency, accountability and shared direction.

The Company also continued to advance digital workflows and process improvements that reduced manual intervention, supported better compliance, and improved administrative and customer-facing turnaround times.

Corporate Governance

The Company remained focused on reinforcing compliance, accountability and internal discipline across the organization. Governance efforts during the year included strengthening cross-team coordination, improving process controls and advancing the use of digital systems to support better visibility, reporting and execution. Zero data privacy or cybersecurity breaches were reported for the full year. These efforts formed part of Eton's broader objective of building a more reliable and future-ready operating platform.

Outlook and Vision for the Future

Looking ahead to 2026, Eton aims to build on its 2025 gains by sustaining revenue and operating profit growth, strengthening its cash base and advancing opportunities for redevelopment and future projects.

The Company will continue to focus on strengthening customer trust and brand credibility, improving customer service and core operational processes, and advancing digital transformation initiatives, including the optimization of SAP capabilities, the implementation of S/4HANA and the use of AI and cost-efficient technologies to improve productivity, governance, and service delivery.

Eton will also continue working to improve tenant quality, accelerate residential sales, optimize tenant mix and pricing, maximize landbank value, and advance sustainability initiatives that support long-term property performance. Through these priorities, Eton is channeling its momentum into meaningful progress, ensuring that growth remains disciplined, responsible and anchored on lasting value creation for shareholders and stakeholders as part of the LT Group.

Our Businesses

2025 Key Highlights

In 2025, PMFTC continued to advance its vision of making Philippine society smoke-free while driving new possibilities in growth aligned with long-term value creation and PMI's product and operational-impact priorities. The company strengthened its smoke-free portfolio with new launches such as TEREA Oasis Pearl and IQOS ILUMA 4.1 and expanded ZYN beyond Metro Manila, making smoke-free alternatives more accessible to legal-age smokers and nicotine users. At the same time, PMFTC reinforced its combustible portfolio through new launches including Marlboro Titanium and Chesterfield XL, as well as brand-building campaigns such as Fortune's 'Sing Solid ng Tropa'.

All these achievements were made possible by the dedication of its employees. PMFTC continued to invest in its people by embedding a culture of growth through the 'Growth Movement', providing tools for development, and fostering an inclusive workplace with equal opportunities and active employee resource groups.

PMFTC also achieved significant milestones in carbon neutrality, expanded its fleet of hybrid and electric vehicles, and implemented waste upcycling initiatives — reinforcing its commitment to environmental stewardship and positive community impact.

2025 vs. 2024 Results

In 2025, PMFTC delivered robust financial performance, supported by growth in volume, market share and profitability. Shipment volume increased by 4.3% year-on-year to 22.0 billion sticks, outpacing the industry's 3.4% growth over the same period. PMFTC's market share rose to 47.3%, a gain of 0.4 percentage points from the previous year.

Net income for 2025 increased compared to the prior year, driven by higher volumes and disciplined cost management, partially offset by higher excise taxes and increased investments in strategic commercial activities.

Following this strong financial performance, PMFTC continued to reinvest in its products, people and sustainability initiatives, channeling momentum into meaningful progress across the business and reinforcing its commitment to long-term value creation and responsible growth.

Operational Highlights

Marketing & Commercial

In 2025, PMFTC strengthened its smoke-free portfolio with the launch of TEREA Oasis Pearl. Within the year, the company also introduced IQOS ILUMA 4.1, featuring enhanced induction-heating technology, a user-friendly touchscreen interface and flexible functions such as Pause Mode, Flex Puff and Flex Battery, delivering a consistent tobacco experience without smoke, combustion, or ash. These advancements reflect PMFTC's commitment to product innovation and its vision of making Philippine society smoke-free.

PMFTC further expanded the reach of ZYN through commercial and flavor range expansion. In January, the 1.5mg nicotine strength achieved full-scale distribution across all channels and accounts, reinforcing accessibility for legal-age consumers. In the later part of the year, availability was expanded to the rest of the Philippines. In November, PMFTC introduced ZYN Bright Green as a limited-edition variant, adding diversity to the portfolio and catering to evolving consumer preferences. These initiatives underscore PMFTC's commitment to offering a wide range of smoke-free alternatives nationwide.

PMFTC amplified its combustible portfolio through targeted innovations and brand-building campaigns, reinforcing its market position while driving sustainable growth. Marlboro introduced the Titanium Edition, offering legal-age smokers a premium experience through distinctive packaging and exclusive promotional activities. Chesterfield expanded its value proposition with XL variants in Full Flavor and Menthol, delivering quality at an accessible price point. Fortune reinforced its connection with menthol adult smokers through the nationwide rollout of the 'Sing Solid ng Tropa' campaign, celebrating consumer loyalty and strengthening engagement across retail and digital channels. These initiatives ensured continued relevance and choice for legal-age smokers while complementing PMFTC's smoke-free transformation.

47.3%
MARKET SHARE

22B
SHIPMENT VOLUME

50t
UPCYCLED PLASTIC WASTE



Beyond product innovation, PMFTC enhanced trade partnerships through digital platforms like Appwards Kasosyo, providing retailers with access to engaging content and exclusive promotions. To further extend distribution, PMFTC introduced WOW (Wholesale on Wheels), a routing delivery program leveraging wholesalers' network coverage. These initiatives not only improved market access but also supported local enterprises by equipping them with digital tools and efficient delivery solutions.

Operations

Operational efficiency was strengthened through the implementation of QRPh-enabled payment solutions in partnership with PNB. This initiative streamlined transactions, reduced risk exposure in handling cash, and accelerated reconciliation processes nationwide. The time saved through cashless and automated methods allows business partners to focus on business building and frees up valuable time for employees to spend with their families, underscoring PMFTC's commitment to both operational excellence and social well-being.

Sustainability

PMFTC continued to strengthen its role as a responsible corporate citizen, making targeted investments to minimize environmental impact across its value chain, from production to delivery and consumer engagement.

The company's manufacturing operations are powered by solar energy and utilize advanced water management systems, while its logistics fleet includes hybrid and electric vehicles to reduce carbon emissions. From 10 electric vehicles in 2023, PMFTC now operates over 100 fully electric vehicles and around 450 hybrid vehicles, which constitutes around 18% of the entire fleet, reducing carbon emissions per kilometer by 40% compared to 2020. Since 2024, PMFTC has achieved carbon neutrality for both manufacturing and market operations, certified by SGS as part of PMI's global verification process. PMFTC also sources all marketing materials from suppliers committed to PMI's Zero Deforestation Manifesto, with all supplies coming from Forest Stewardship Council-certified suppliers, ensuring that products originate from responsibly managed forests that provide environmental, social and economic benefits.

A notable initiative this year is the Marketing Operations 360 Sustainability Initiative, which reflects a holistic approach to environmental responsibility, upcycling waste generated within PMFTC's operations and transforming them into sustainable materials. From the manufacturing process, approximately 50 tons of plastic waste were collected and upcycled into sustainable materials. Additionally, outdated uniforms and paper waste were repurposed into drawstring bags and ledgers. These items were donated to members of the Hapinoy Sari-Sari Store Club during a ceremony in November 2025, reinforcing PMFTC's commitment to community engagement and driving new possibilities for circular resource use.

People and Culture

In 2025, PMFTC continued to demonstrate exceptional employee engagement, achieving scores that significantly outperformed global benchmarks. This achievement reflects PMFTC's commitment to fostering a growth-oriented culture anchored in PMI's core DNA.

PMI DNA Strengthened Through the Growth Movement

PMFTC reinforced the PMI DNA through its nationwide 'Growth Movement', bringing together over 600 people managers to strengthen a culture of growth and feedback across teams and the organization. The initiative equipped leaders with the mindset and tools needed to embed growth-oriented behaviors into daily leadership. This momentum continued with the roll-out of 'Formula for Growth', which enabled all employees to give, receive and act on feedback effectively. The company-wide movement achieved a 95% PMI DNA Confidence rating.

Accelerating Growth for Everyone

PMFTC is dedicated to nurturing talent and driving growth both locally and globally. Locally, PMFTC welcomed over 700 new team members in 2025, each contributing unique skills and perspectives to elevate business performance. Globally, PMFTC proudly serves Filipino talent, with many Filipino professionals thriving in development roles across PMI offices worldwide. Through initiatives like 'Growth For All' and 'BIDA Best', employees gained access to development tools and career pathways, empowering them to increase their skill sets and explore opportunities for growth.

Driving an Inclusive Workplace Where Everyone Can Grow

This year, PMFTC earned re-certification from the EQUAL-SALARY Foundation, verifying that employees are paid equally for equal work and reaffirming its commitment to fair pay and equal opportunities.

Beyond certification, PMFTC continues to strengthen inclusivity through enhanced employee benefits, including granting health insurance for same-sex partners, rolling out sabbatical and volunteering leaves, enhancing flexible working arrangements and providing improved life protection benefits.

Employee resource groups such as W1N PH, STR1PES PH and Parents PH, along with sports clubs for football, basketball and badminton, remain vital in fostering a sense of belonging. With over 900 volunteer employees actively engaged, these groups serve as catalysts for connection, shared experiences and supportive networks that strengthen PMFTC's workplace culture.

Corporate Governance

In 2025, PMFTC reinforced its governance framework through a series of strategic initiatives designed to uphold ethical standards and mitigate compliance risks. Anchored on a Tone from the Top approach, leadership set clear expectations for integrity and accountability across all levels.

Program Governance and Risk Assessment

A comprehensive Compliance Risk Assessment was conducted, enabling targeted mitigation strategies. Governance platforms were strengthened through the establishment of escalation and oversight mechanisms, including the Compliance Committee and Contributions Committee, ensuring high-level review of critical transactions and cases.

Training and Communication

To foster a culture of transparency and ethical behavior, the organization launched impactful engagement programs. PMI Global Ethics Day in the Philippines featured innovative approaches to increase awareness on conflict of interest, speak-up culture and workplace integrity. The Kasandigan program was relaunched to drive greater field force participation in integrity initiatives in sales offices nationwide. Compliance capability was further enhanced through fit-for-purpose training, leveraging function-based and case-based approaches. Notably, the organization significantly improved completion of mandatory compliance trainings.

Compliance Advisory

Proactive advisory support was provided to business units and subject matter experts on high-risk transactions, ensuring alignment with policy requirements. Through these initiatives, PMFTC demonstrated its commitment to embedding compliance into business operations, promoting transparency in decision-making, and ensuring accountability at all levels. This governance strategy not only addresses current risks but also builds a resilient compliance culture for the future.

Outlook and Vision for the Future

PMFTC remains committed to sustaining its competitive position in the combustible tobacco category while accelerating its transition to a smoke-free future. The company is confident in its ability to lead the industry's transformation, supported by a robust smoke-free portfolio that includes the world's leading heat-not-burn brand, IQOS and the globally recognized nicotine pouch franchise, ZYN. With a rich pipeline of innovative smoke-free products, PMFTC is well-positioned to pursue its bold ambitions and continue its journey toward a smoke-free future.

Looking ahead, PMFTC will maintain its focus on investing in people, fostering organizational capability and driving innovation across all business segments. While illicit trade remains a persistent challenge, the company recognizes that ongoing government efforts are making meaningful progress in addressing this issue. PMFTC will continue to adapt and navigate this evolving landscape and support a fair and transparent market environment.

Through its commitment to continued growth, continuous improvement and industry leadership, PMFTC aims to deliver long-term value for its stakeholders and help drive the broader transformation of the tobacco industry in the Philippines, contributing to the momentum for meaningful progress that defines LT Group's shared direction.

Our Businesses

PNB

2025 Key Highlights

The year 2025 marked a transformative period for Philippine National Bank (PNB). Building on its trajectory of sustainable growth, the Bank focused on modernizing responsibly, empowering its workforce with cutting-edge tools and training while preserving the deeply personal banking experience that remains the cornerstone of its customer relationships.

PNB advanced its vision of becoming a fully digital, customer-centric and inclusive institution through the launch of the APEX (AI Proficiency and Excellence) Academy, equipping over 1,000 employees with competencies in digital-age banking and ethical AI utilization.

Across its business lines, PNB drove meaningful progress in financial inclusion and nation-building. The bank was recognized as "Best Bank for Investment Research in the Philippines" by Euromoney for the fifth consecutive year, the treasury team delivered a 20% increase in foreign exchange volumes, and Trust Banking onboarded approximately 4,000 new clients. The Bank also raised ₱15.7 billion through a dual-tranche ASEAN Sustainability bond offering, marking its return to the domestic debt capital market since 2019, with an order book more than 5.2 times oversubscribed.

PNB held its second sustainability summit, conducted a Materiality Assessment Survey and engaged an external assurance provider for its sustainability bond allocation reporting. The Bank's commitment to governance excellence was affirmed with its fourth Four Golden Arrow Award from the Institute of Corporate Directors, while its ISO/IEC 27001:2022 certification was expanded to include the PNB Singapore Branch, making it one of the first Philippine banks in Singapore to secure the upgraded certification.

2025 vs. 2024 Results

PNB delivered a strong financial performance in FY2025, with net income reaching ₱25.3 billion, reflecting a 20% year-on-year increase.

Loan growth remained robust, with the total portfolio expanding by 15% year-on-year, supported by strong performance across the consumer, SME and corporate segments. The continued shift toward retail and consumer lending underscores the Bank's strategic direction to diversify revenue sources and strengthen long-term profitability.

The Bank also continued to bolster its funding base, with total deposits reaching ₱1.06 trillion, up 9% from the prior year. CASA deposits remained a key strength, accounting for 75% of the total deposit base.

Profitability was sustained through a healthy net interest margin (NIM) of 4.51%, supported by disciplined asset deployment, stable funding costs and a favorable loan mix. Asset quality improved as the gross non-performing loan (NPL) ratio dropped to 4.7%, reflecting effective credit oversight, sound underwriting and risk management. Operating expenses were managed prudently to support business expansion, resulting in a modest 6% increase over the prior year. Meanwhile, the cost efficiency ratio improved to 48.2%, reflecting disciplined cost management alongside continued investments in digital initiatives and technology projects that enhance operational efficiency.

Overall profitability metrics strengthened, with Return on Assets (ROA) improving to 1.93% and Return on Equity (ROE) increasing to 11.09%. These results underscore PNB's progress in executing its strategic priorities and reinforcing its position for sustainable growth.

Operational Highlights

Elevating the Banking Experience

PNB Digital was recognized at the International Business Magazine Awards 2025 as "Best Mobile Banking Experience" in the Philippines. User growth rose by 26%, supported by enhancements such as improved credit card management tools, transfer device feature via QR, expanded real-time biller integrations and digital account opening for both domestic and selected overseas markets. The platform recorded a steady increase in financial transactions and maintained 99.7% reliability, reflecting strong operational performance. Internationally, PNB strengthened its digital infrastructure with the rollout of PNB e-Send, an upgraded web-based remittance platform initially serving select US markets, alongside enhanced security capabilities for the PNB Singapore App.



An exciting enhancement to PNB Digital was the introduction of the Mobile Account Application (MAA) in early 2025. This feature allows potential customers and existing account holders to easily open a savings account directly through the app. By year-end 2025, the application had achieved strong adoption, especially among new-to-bank clients and made a significant contribution to deposit growth. This affirms the Bank's continuing growth in low-cost deposits.

During the first half of the year, the Bank upgraded its ATM switch and core banking system to sustain a seamless banking experience. While strengthening digital banking, PNB continued to serve more communities by expanding its branch network. It opened four branches in the cities of Trece Martires, Parañaque, Cagayan de Oro and Cotabato, as well as a branch-lite unit in the Municipality of General Luna in Siargao Island. By year-end, PNB had a total of 635 domestic branches, supplemented by Bank-on-Wheels deployments in Metro Manila and nearby Luzon areas.

₱25.3B
NET INCOME

1.93%
RETURN ON ASSETS

11.09%
RETURN ON EQUITY

26%
MOBILE BANKING USER GROWTH

20%
FOREIGN EXCHANGE INCREASE

₱1.06T
TOTAL DEPOSITS

Advancing Financial Growth for Every Filipino

In everything it does, PNB keeps in mind the specific needs of its customers, on both domestic and overseas fronts, for consumers and investors alike.

The Bank offered a variety of mortgage and auto loan products designed to serve the financing requirements of private individuals and corporations. To substantially expand its secured loans portfolio, PNB explored new avenues to enhance production through partnerships with leading property developers and various car dealerships.

Remittance continued to be the key driver of overseas business, with sharpened focus on digital solutions to serve the account opening and remittance needs of global Filipinos. The Bank broadened its reach through strategic partnerships with key government agencies and accelerated the growth of its housing loan portfolio through the Own a Philippine Home Loan, a unique product that allows foreigners and immigrants to purchase real estate properties in the Philippines.







PNB OPHL
Own a Philippine Home Loan

PNB sustained robust trading revenue and accrual income, further strengthening its position among the country's top banks in both fixed income and foreign exchange markets. Anchored on a client-first philosophy, the Bank's treasury team provided comprehensive support to the sales organization as it expanded product offerings, accelerated digitalization initiatives, established satellite offices, and delivered targeted teach-ins and seminars.

On wealth management, PNB strengthened its proposition by securing a Type 4 Special Broker License for Structured Products and creating the Wealth Solutions Department to deliver curated products, dynamic investment ideas, and portfolio strategies aligned with market trends and client risk profiles. To advance financial literacy, the Bank conducted 19 nationwide market briefings, empowering clients to make informed decisions.

True to its role as a partner in nation-building, PNB played a key role in delivering landmark deals and launching relevant financing solutions through its Institutional Banking Sector. During the year, the sector implemented a more holistic approach to account management by absorbing the cash management and remedial accounts management functions. The sector also reorganized its commercial banking business to broaden market reach, deepening relationships with clients and capitalizing on growth opportunities in the middle and SME markets. The corporate banking business expanded to include financial institutions and non-bank financial institutions such as leasing and microfinance companies, complementing a stable base of large corporate and conglomerate accounts.

In Trust Banking, PNB delivered a strong performance, onboarding approximately 4,000 new clients. This growth was driven by tailored programs like the Tactical Incentive Program and specialized investment forums for cooperatives. A major highlight was PNB's collaboration with the Bangko Sentral ng Pilipinas (BSP) on the Personal Equity and Retirement Account (PERA). By adopting a new "open finance" system, PNB made it significantly easier for Filipinos to start their retirement savings. Instead of long manual forms, the new digital API connection allows the Bank to securely verify customer identity using existing bank data, making account opening fast and seamless.

These efforts earned significant recognition. The Asset named PNB a "Top Investment House" for the second consecutive year (2024–2025). Within the trust banking team, Senior Manager and Investment and Execution Department Head Albert Joseph Hampton earned top rank for bond investments (No. 1 in G3 Bonds and No. 2 in Local Currency Bonds), while the PNB Profit Peso Bond Fund was named Best Peso Intermediate Term Bond Fund by the CFA Society of the Philippines.

Trust Banking's internal systems also underwent significant upgrades. By migrating the core trust software (Moneyware) to the latest Windows operating system, PNB made daily transaction processing faster. Automated reporting was rolled out, enabling clients to receive more accurate and timely updates on their investments while reducing paper waste in support of the Bank's sustainability goals.

Sustainability

PNB implemented a range of initiatives to contribute positively to the economy, society and the environment, translating the Bank's growth momentum into meaningful, measurable progress on its sustainability commitments.

As part of continuing efforts to safeguard the planet, the Bank monitored resource management metrics including electricity consumption, water and waste management, and Scope 1 and 2 emissions. It also computed Scope 3 emissions including Category 15 (Investments). Utilizing these metrics, PNB refined measurement methodologies and data collection, and enabled target-setting to improve resource usage efficiency and reduce related emissions.

The Bank continued to manage and mitigate physical risks to operations through hazard-mapping and knowledge cascade, while assessing the impact of environmental risk by identifying physical risk exposure of assets and transition risk emanating from the Bank's portfolio.

PNB conducted a Materiality Assessment Survey from June to July 2025 to identify the sustainability topics most relevant to the Bank and its stakeholders. This was participated in by retail and corporate clients, investors, regulators, communities, suppliers, and employees.

In August 2025, the Bank held its second sustainability summit, attended by the board of directors, senior management and internal stakeholders. The summit strengthened PNB's commitment to sustainability through discussions on ESG trends, regulations, and strategies, featuring sustainability experts from S&P Global, Komunidad, Gaia Corporate Sustainability Solutions, Inc. (GCSS, Inc.), and the Asian Institute of Digital Transformation (AIDT). This was followed by a series of thematic sustainability workshops covering greenhouse gas emissions, waste management, value creation through product services, digital transformation, employee well-being, risk and compliance, and climate risk assessment, all in alignment with upcoming PFRS S1 and S2 sustainability reporting regulations.

To reinforce accountability and transparency in reporting, PNB engaged Punongbayan and Araullo (P&A) as an independent assurance provider. P&A delivered a Sustainable Financing Instruments Allocation Report focusing on PNB's USD 300-million sustainability bond, whose proceeds were allocated for projects supporting the Philippines' national renewable energy plan and energy transition toward a low-carbon, climate-resilient economy. This partnership ensured that proceeds allocation was aligned with the principles of PNB's Sustainability Financing Framework.

Before the year ended, PNB raised ₱15.7 billion through a dual-tranche three-year and five-year ASEAN Sustainability bond offering, marking the Bank's return to the domestic debt capital market since 2019. The issuance garnered an order book more than 5.2 times oversubscribed the initial target size, driven by strong support from institutional and retail investors. This bond issuance reinforced the Bank's commitment to creating long-term value for its stakeholders while contributing to the country's sustainable goals for a more inclusive and resilient future.

Corporate Governance

In its pursuit of excellence, PNB continues to practice governance at the highest level. The Bank was honored with its fourth Four Golden Arrow Award by the Institute of Corporate Directors, affirming its unwavering compliance with ASEAN corporate governance principles and its legacy of integrity in banking.

Data Security and Global Compliance

PNB continues to reinforce its defense against cyber threats, successfully passing its ISO/IEC 27001:2022 surveillance and expanded certification audits conducted by the British Standards Institution (BSI). A key highlight is the expansion of the Bank's security scope to include the PNB Singapore Branch, making PNB one of the first Philippine banks in Singapore to secure the upgraded 2022 certification. This achievement demonstrates the Bank's commitment to upholding identical security standards across both its local and global operations, ensuring a safer and more resilient banking environment for all stakeholders.

Outlook and Vision for the Future

PNB's medium to long-term vision continues to anchor on three core strategic pillars: Profitability, Cross-Selling, and Digitalization. These pillars guide the Bank's efforts to create sustainable value, strengthen competitiveness, and position PNB for growth in a rapidly evolving financial landscape.

Profitability

The Bank continues to reinforce its earnings capability through sustained deposit growth, deeper client relationships and expansion into new customer segments and markets. PNB also aims to enhance margins by promoting higher-yielding financial solutions. These initiatives support the diversification of revenue streams while addressing the differentiated financial needs of customers. The Bank remains committed to maintaining a balanced and resilient portfolio anchored on prudent risk management and disciplined execution.

Cross-Selling

Cross-selling serves as a critical growth driver, enabling PNB to maximize the value of its long-standing customer relationships. By leveraging its broad suite of products and services, the Bank provides integrated financial solutions tailored to the distinct needs of both domestic and global clients. Strategic partnerships further enhance PNB's ability to broaden its market reach, introduce new capabilities, and drive product innovation. The Bank aims to deliver seamless, end-to-end banking experiences that support customers across every stage of their financial journey. By deepening engagement and offering comprehensive, relationship-based solutions, PNB positions itself as the preferred financial partner for individuals and businesses alike.

Digitalization

Digitalization remains a critical enabler of PNB's ongoing transformation—modernizing the way the Bank delivers services and strengthening its internal operations. The Bank continues to broaden and enhance its digital touchpoints, providing customers with more convenient, intuitive and accessible banking options across platforms.

Operational efficiency is being significantly improved through the deployment of automation and artificial intelligence, enabling faster and more accurate processing of transactions across a wide range of products and services. Complementing these initiatives, PNB is modernizing its technology infrastructure in alignment with global best practices and regulatory standards. The Bank also continues to invest in advanced cybersecurity measures to strengthen data protection and ensure the confidentiality, integrity and resilience of customer information—reflecting PNB's commitment to secure and trustworthy digital banking.

Our Businesses

TANDUAY *Distillers, Inc.*

2025 Key Highlights

Tanduay Distillers, Inc. (TDI) sustained its momentum in disciplined cost management and strategic pricing execution, effectively navigating ongoing macroeconomic and industry-specific challenges in 2025. The Company delivered its sixth consecutive year of net income growth, with year-to-date net income reaching ₱3.12 billion — a 45% increase year-on-year and surpassing the prior year's full-year result of ₱2.15 billion. The liquor segment reinforced its market leadership, expanding share to 39.5% from 34.2% in the prior year, while the bioethanol segment posted a substantial upswing in profitability.

These financial achievements were complemented by meaningful strides in sustainability and operational excellence. TDI recorded a 13% reduction in total energy consumption and a 5% reduction in emissions, driven largely by higher biogas usage at Absolut Distillers, Inc. (ADI). The Company also achieved 54% second-hand bottle usage, resulting in a net decrease of 72,868 tCO_2 in carbon emissions and saved 70 million liters of water through conservation initiatives. On the people front, TDI exceeded its target employee satisfaction rating of 4.0, achieving a rating of 4.8 in the third quarter.

Production plants achieved record performance for the year, and the Company expanded its product portfolio with new launches including Jamaica variants, Bantam SKUs, Tanduay Select 1L, Torres Brandy and Tanduay Reserve Rum Overproof. TDI's commitment to quality was recognized with multiple international awards, including the Spirits Business Asian Spirits Masters 'Master Medal' and 'Taste Master' title, medals from the International Wine and Spirit Competition, the Miami Global Spirits Award, and the San Francisco World Spirits Competition.

2025 vs. 2024 Results

Against a backdrop of moderating economic growth, with Philippine GDP at 4.4% and inflation at 1.7% (below the government's 5.5–6.5% target due to weaker spending), TDI delivered robust financial results anchored in cost discipline and operational agility.

Net Sales increased by ₱151 million, rising from ₱33.85 billion to ₱34.00 billion. Driven by disciplined cost management, enhanced operational efficiencies and favorable raw material pricing, the Company delivered significant improvements across both variable and fixed costs. These factors fueled a 19% increase in gross profit, equivalent to ₱949 million, while gross profit margin expanded by 3 percentage points from 15% to 17%.

Net income reached ₱3.12 billion, surpassing the prior year's full-year result of ₱2.15 billion and delivering 45% year-on-year growth. Net income margin improved to 9.2% from 6.4% the previous year, marking the Company's sixth consecutive year of net income growth. Over the 2019–2025 period, TDI delivered a 30% compound annual growth rate (CAGR) in net income.

Working capital management also strengthened, with the cash conversion cycle reduced from 125 days to 119 days. Cash balances reached ₱7.25 billion, up ₱4.86 billion from end-2024, driven by better payment terms and reduced inventory levels.

Segment Performance

The liquor segment expanded its market share to 39.5% from 34.2% in the prior year. A three-point uplift in gross profit margin drove the overall increase in net income.

The bioethanol segment delivered a substantial upswing in profitability, driven by lower molasses costs and reduced energy expenses. Gross profit margin expanded by 5 percentage points, rising from 8% to 13%. Net income for the segment reached ₱368.2 million compared to ₱227.5 million in the prior year, a 62% increase of ₱141 million, already surpassing the previous year's full-year result.

Operational Highlights

Production and Manufacturing

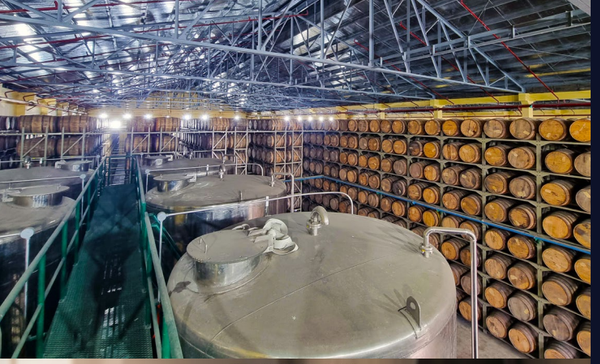
Production plants achieved record performance for the year, with yields and efficiencies reaching 74% in Cabuyao, 91% in Negros and 80% at the El Salvador Plant. A process engineering program introduced countermeasures that further enhanced product quality and optimized bottling efficiencies, including improvements in bottle coating and hotmelt glue applications. The rightsizing of the boiler at the El Salvador plant significantly reduced emissions.

TDI also extended its ageing facility at the El Salvador Plant with an 18,000-barrel capacity, reducing logistics and storage costs while supporting long-term growth. All plants sustained ISO 9001:2015 certification, underscoring governance discipline and adherence to international standards.

Product Innovation and Market Recognition

The Research and Development team, in collaboration with Supply Chain, successfully identified and onboarded alternative suppliers for the top four critical flavor materials. The R&D team also led Consumer Insights initiatives, strengthening capabilities across the full product lifecycle.

New product launches during the year included Jamaica variants, Bantam SKUs, Tanduay Select 1L, Torres Brandy and Tanduay Reserve Rum Overproof. These launches reflect TDI's commitment to expanding its portfolio and meeting evolving consumer preferences across both domestic and international markets.











TDI's pursuit of excellence was recognized with multiple international awards: the Spirits Business Asian Spirits Masters 'Master Medal' and 'Taste Master' title; a silver medal from the International Wine and Spirit Competition; a bronze medal for Especia; silver medals for Asian Rum Gold, 10-Year-Old and Double Rum and a gold medal for Asian Rum Silver at the Miami Global Spirits Award; and a silver medal for 10-Year-Old Rum at the San Francisco World Spirits Competition.

Operational Efficiency and Digital Transformation

The Company established the Finance Shared Services function for TDI and ADI and embedded a finance business partner in ADI operations. Payroll processing and approval were centralized, strengthening data security for confidential information. TDI also successfully transitioned SAP Application Management Services (AMS) to a new partner, enabling comprehensive knowledge sharing of SAP processes across all divisions and securing a reliable AMS partner capable of addressing the functional needs of TDI users.

Under cybersecurity and process automation initiatives, a full diagnostic assessment of IT infrastructure, systems, processes, and personnel was completed across all TDI entities. This assessment supported the development of the organization's IT roadmap and the seamless transfer of IT infrastructure from the Nepomuceno office to the New Era office with no operational downtime.

The 2nd Quality Improvement Team (QIT) Conference showcased initiatives across Operations and Support Groups that addressed challenges through process optimization, machine enhancements and coaching by Subject Matter Experts. These projects embedded sustainability and the Triple Bottom Line — Planet, People, and Profit — at their core, while reinforcing a culture of excellence and accountability.

Sustainability

TDI's strong financial position provided a solid foundation for continued investment in sustainability initiatives throughout 2025.

The Company achieved a 13% reduction in total energy consumption, translating into a 5% reduction in emissions, driven primarily by higher biogas usage at ADI. Second-hand bottle usage reached 54%, resulting in a net decrease of 72,868 tCO_2 in carbon emissions. Water conservation efforts, including the optimization of bottle washers at production facilities, saved 70 million liters. Additional water reuse measures at El Salvador — such as slow rinse water recovery, bottle label rinse, reuse and softener optimization — saved a further 15.3 million liters.

TDI conducted its first batch of Sustainability Awareness Trainings across all sites, formalizing a culture of environmental responsibility across the organization. The Company also implemented 69 CSR projects as of December 2025, reinforcing its commitment to community engagement.

Renewable energy initiatives continued to advance, with the planned rollout of solar photovoltaic (PV) systems across all plants: Cabuyao (ongoing negotiations with a third-party supplier), Negros (approved for implementation) and El Salvador (feasibility study ongoing).

A centralized energy metering system is being installed across all plants. To further future-proof operations, TDI conducted a Climate Risk and Scenario Analysis to guide the development of strategies addressing climate-related risks.

₱151M

NET SALES INCREASE

17% GROSS PROFIT MARGIN	**9.2%** NET INCOME MARGIN
₱3.12B NET INCOME	**₱7.25B** CASH BALANCES

People and Culture

TDI exceeded its target employee satisfaction rating of 4.0, achieving a rating of 4.8 in the third quarter of 2025, a testament to the Company's investment in its workforce.

The Company recorded 38,568 training hours across all sites as of December 2025 and launched a new employee wellness program. The T-LEAD (Tanduay Leadership Excellence and Development) Program under the Leadership and Management Development Program was implemented during the year, strengthening leadership capabilities across the organization.

SAP usage continued to be optimized across all sites and subsidiaries, enhancing process efficiency, consolidation and data integrity while equipping employees with better tools to drive performance and collaboration.

Corporate Governance

All plants sustained ISO 9001:2015 certification, affirming TDI's adherence to international quality and governance standards. The establishment of the Compliance Committee and Contributions Committee, along with the centralization of payroll processing, reinforced the Company's commitment to transparency, data security and accountability across all levels.

The transition of SAP Application Management Services to a new partner strengthened cross-functional understanding of ERP systems, while the full diagnostic assessment of IT infrastructure under the cybersecurity initiative supported robust information security and process integrity.

Outlook and Vision for the Future

TDI remains cautiously optimistic about the year ahead, acknowledging the current economic environment, political uncertainties and evolving geopolitical conditions. Recent consumer research indicates that younger generations are drinking less than previous generations, presenting both a challenge and an opportunity for the business.

The Company will continue to invest in new products aligned with emerging consumer trends, including the launch of Torres to strengthen its presence in the brandy and imported segments of the distilled spirit industry. TDI also remains committed to expanding exports and investing in its brands internationally, supporting its direction of promoting Rhum and driving premiumization across its product portfolio.

In 2026, TDI plans to re-engage local consumers through brand-building activities and promotions, including under-the-cap promotions, the reintroduction of Tanduay First Five, Battle of the Bands, and strengthened campaigns on responsible drinking. The Company will actively pursue strategic partnerships to accelerate brand reach both locally and internationally, including collaborations with new distributors in Europe, South America, and potentially Africa, as well as partnerships supporting CO_2 emission reduction and additional revenue streams.

These initiatives will be supported by targeted investment in operations, ESG programs and support functions. TDI remains committed to strengthening governance and compliance, enhancing product development capabilities for both domestic and export markets, and continuing investment in its people through training and development. Digital infrastructure and information security will be further improved to ensure growth is supported by robust operational and technological capabilities. Quality Improvement Teams will broaden their scope, transitioning to Continuous Improvement Teams (CIT), encompassing workplace organization, work standards development, productivity improvements, cost reduction, preventive maintenance and safety.

Sustainability and ESG remain integral to TDI's strategy. In 2026, the Company will continue to embed environmental, social and governance considerations across its operations, including renewable energy initiatives, water and waste management, employee well-being programs and community engagements. Through these efforts, TDI aims to deliver sustainable, profitable growth while reinforcing its commitment to innovation and meaningful engagement with consumers and communities.

Long-term **Growth**



In 2025, LT Group, Inc. once again delivered record-level financial results while reinforcing the operational and ethical foundations that make such performance repeatable. Across banking, beverages, spirits, tobacco and real estate, each subsidiary contributed to a portfolio designed not just for scale, but for resilience: diversified enough to absorb market shifts and disciplined enough to allocate capital where it generates the most sustainable returns.

This financial strength is underpinned by an equally deliberate commitment to ethical conduct and sound governance. LTG's Code of Business Conduct and Ethics applies across all subsidiaries, supported by active risk oversight, transparent disclosure practices and a pipeline of new policies, from supply chain management to diversity, equity and inclusion, that deepen accountability across the value chain. At the Board level, corporate governance functions as the mechanism through which strategy, risk and sustainability converge: aligning short-term performance with long-term value creation and ensuring that growth is pursued responsibly, transparently and in the interest of all stakeholders.

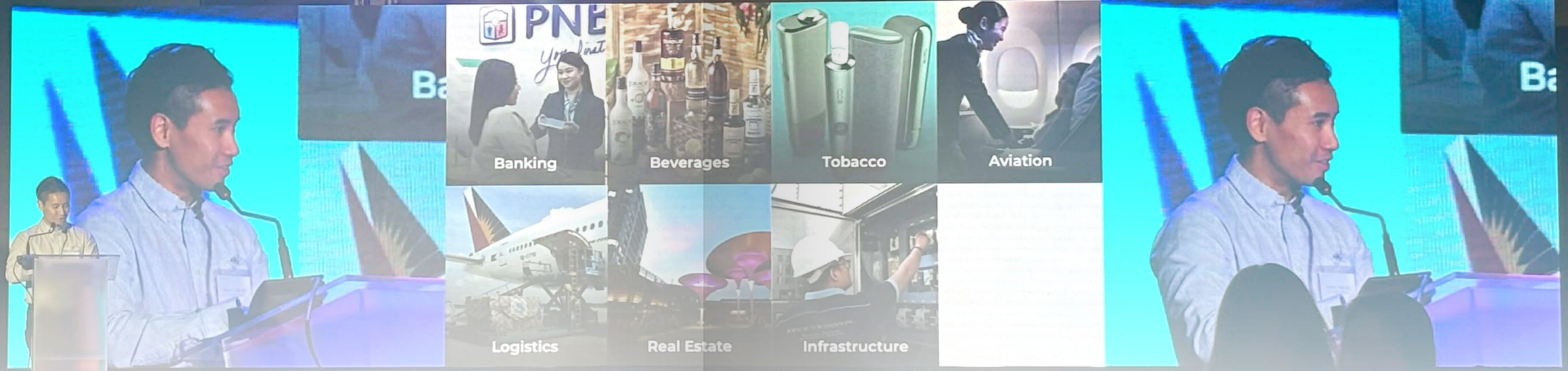
The sections that follow detail these dimensions: economic performance, ethical operations and corporate governance as interconnected pillars of the Group's long-term growth strategy, each reinforcing the others in sustaining momentum for meaningful progress.

₱151.31B
REVENUES

₱30.98B
NET INCOME

₱7.30B
CAPITAL EXPENDITURES

Zero
VIOLATIONS



Economic Performance

GRI 3-3

A stronger, more resilient and sustainable economic performance continues to anchor the Group's ability to generate long-term value, manage risk decisively and reinvest with confidence across its diversified portfolio. Based on this reporting year's figures, consolidated total revenue and net income once again surpassed prior-year levels, delivering another set of record-breaking results and reinforcing LTG's position as a consistently high-performing conglomerate.

This achievement is particularly notable given the backdrop of market normalization, persistent cost pressures and shifting consumer and regulatory dynamics. Within this environment, the Group not only preserved momentum but strengthened it, driven by disciplined execution, robust contributions from core businesses and the structural resilience afforded by portfolio diversification.

This performance is further underscored by LTG's standing as a blue-chip company, recognized among the country's most established and liquid stocks and included in the Philippine Stock Exchange Index. Its blue-chip status reflects sustained earnings capacity, scale and market confidence, reinforcing the Group's position as a stable long-term value creator within the Philippine capital markets.

For the year ended 2025, the Group generated a consolidated net income attributed to the Parent Company of Php30.98 billion, representing a 7% year-on-year change. Consolidated revenues amounted to Php132.78 billion, while total assets reached Php1.49 trillion as of year-end. These results reflect stable performance across core business segments, prudent cost management and continued focus on operational efficiency.

The Group's consumer-related businesses, including beverages, spirits and tobacco, continued to contribute meaningfully to earnings, supported by steady demand conditions, margin management initiatives and ongoing operational improvements. The banking segment delivered stable results, underpinned by conservative credit practices, continued digital adoption and a focus on expanding customer access while managing risk exposure. Across the portfolio, LTG maintained a disciplined approach to capital allocation: investment and funding decisions were calibrated to the risk profile of each business, ensuring that capital deployment remained consistent with the Group's defined risk appetite and long-term strategic objectives. This approach reflects LTG's commitment to sound governance principles, balancing growth opportunities with prudent risk management while safeguarding financial stability and shareholder value.

Capital expenditures totaling Php7.30 billion were directed toward investments that support operational continuity, digital capabilities and long-term competitiveness, while preserving balance sheet strength. Liquidity and leverage metrics remained within internally defined thresholds, reinforcing financial flexibility amid external uncertainties.

These results demonstrate that the Group's economic performance is not an outcome of any single strategy but the product of an integrated approach: one that aligns financial discipline, operational excellence, governance and responsible business practices to sustain momentum and deliver meaningful progress across the enterprise.

GRI 201-1

	2025	2024	2023
Operating costs*	46.07	48.77	47.51
Employee wages & benefits*	14.94	13.55	12.79
Payments to government*	29.39	27.94	24.42
Payments to providers of capital*	32.05	32.70	29.06
Community investments (in ₱ millions)	77.81	18.96	49.96
Total direct economic value distributed*	**122.53**	**122.97**	**113.84**
Total economic value generated*	**151.31**	**147.95**	**134.86**
Economic value retained*	**28.78**	**24.98**	**21.03**

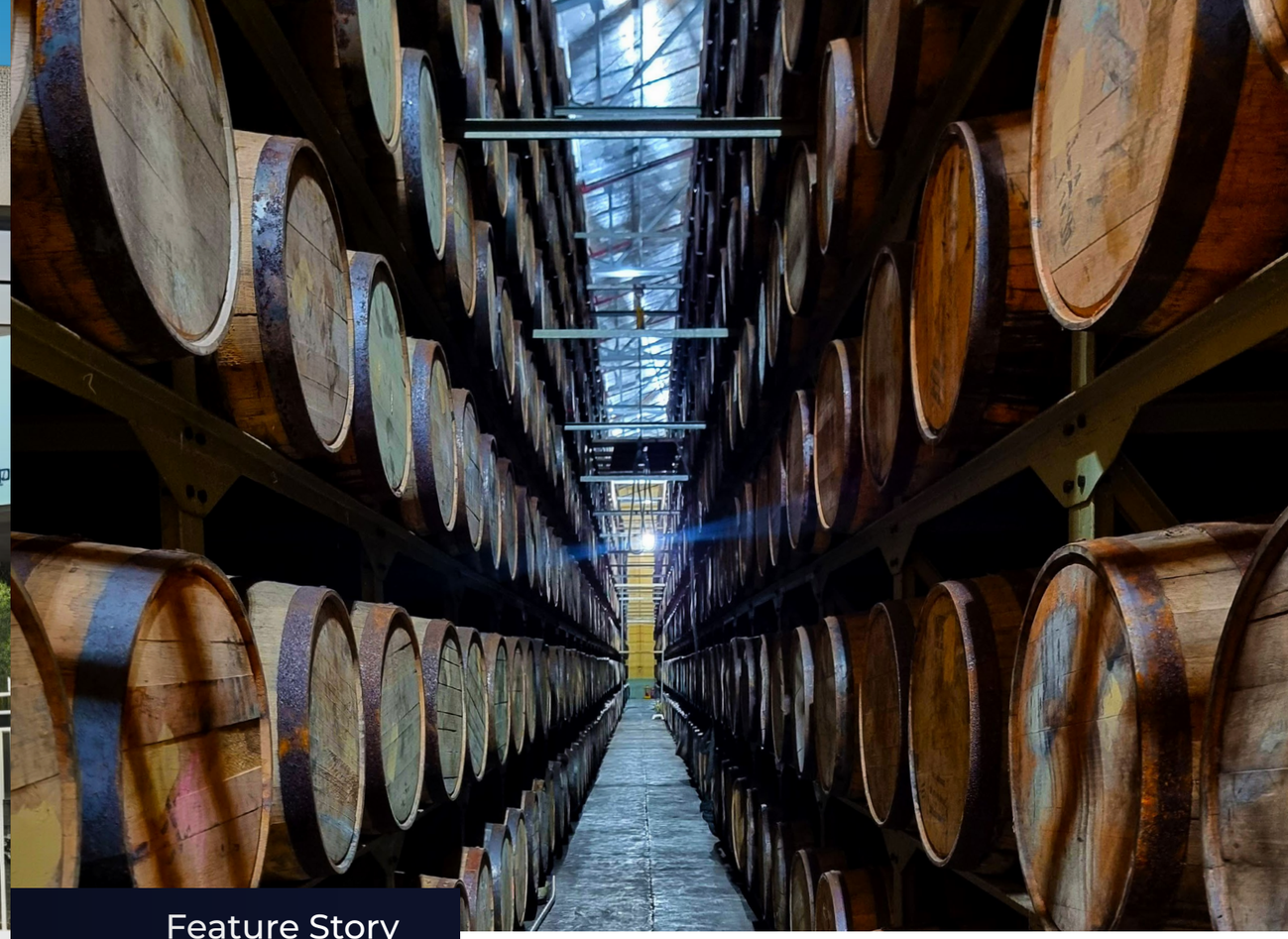
**in ₱ billions*



LT Group’s Strategic Move — PNB’s $962.4 M Property Arm Heads for Public Market Debut

LT Group’s PNB Holdings Corporation (PHC) is advancing a strategic initiative to list its property arm on the Philippine Stock Exchange (PSE) with an estimated valuation of about ₱56.3 billion (~$962.4 million). The listing is planned by way of introduction, a structure that allows existing shareholders to begin trading their shares publicly without a traditional IPO issuance, expediting access to market liquidity and broadening the investment base for one of the Philippines’ significant real estate portfolios.

The move reflects a deliberate value-unlocking strategy by LTG for its high-quality real estate assets, positioning them as a standalone investable instrument for both domestic and international capital. It also signals confidence in the Philippine capital markets and provides investors with clearer visibility into the performance and prospects of prime urban properties underlying PHC’s portfolio. LTG and PHC have indicated that they will share further updates as regulatory approvals progress and a formal listing timeline is established.



Tanduay’s Momentum Powers Growth: Strong 2025 Performance Supports Ambitious Outlook

Tanduay carried strong operating momentum through 2025, translating sustained consumer demand and disciplined cost management into another year of solid earnings performance. For the full year, the company recorded net income of ₱3.12 billion, reflecting continued gains driven by improved pricing strategies, stable sales volumes and strengthened operating margins. Revenue growth remained resilient despite a competitive and cost-sensitive environment, supported by operational efficiencies across production and distribution networks.

Performance was reinforced by Tanduay’s continued leadership in the domestic distilled spirits market, with further expansion of its presence nationwide, particularly across Visayas and Mindanao.

Prudent management of operating expenses, especially marketing and promotional spend, supported margin improvement while maintaining strong brand visibility and consumer engagement. The company’s ability to balance commercial growth with disciplined cost management enabled it to sustain profitability while reinforcing competitive positioning.

As one of LT Group’s core operating businesses, Tanduay’s sustained performance continued to provide a meaningful contribution to consolidated results in 2025. The company’s consistent execution, strong brand equity and expanding distribution footprint underscore management’s confidence in sustaining long-term growth and value creation, positioning Tanduay to capture further opportunities in both domestic and international markets in the years ahead.



Strong Operating Performance Positions LT Group for Continued Momentum in 2025

LT Group sustained strong operating performance throughout 2025, delivering attributable net income of ₱30.98 billion, reflecting the continued strength of its diversified portfolio and disciplined execution amid a dynamic operating environment. Growth was supported by broad-based contributions across core businesses, with banking, tobacco, beverages, distilled spirits, property development and milling operations collectively reinforcing earnings stability and resilience. Philippine National Bank remained a major earnings contributor, supported by sustained lending activity and margin improvements, while PMFTC, Inc., Tanduay, Asia Brewery and Eton provided steady and complementary performance across their respective sectors.

The Group's results highlight the effectiveness of its conglomerate model, underpinned by earnings diversity, operational discipline and strong cash generation capacity. Despite evolving market conditions, core business fundamentals remained sound, reinforcing investor confidence in the Group's financial position and strategic direction. As LT Group closes 2025, the Company remains focused on sustaining growth momentum while strengthening operational efficiency and expanding opportunities across its portfolio.

Ethical Operations

GRI 2-23, 2-24, 3-3, 205-2, 205-3

The Group's ethical standards are anchored in its Code of Business Conduct and Ethics (CBCE), which applies across all subsidiaries and business units. The Code establishes clear expectations for ethical behavior, emphasizing transparency, fairness, accountability and compliance with applicable laws and regulations. A core provision of the CBCE is the strict prohibition of insider trading, ensuring that material non-public information is handled responsibly and in full compliance with legal and ethical standards.

Building on initiatives undertaken in prior years, LTG continued to strengthen its Group-wide ethical governance framework in 2025. The Company maintained full compliance with applicable laws and regulations during the reporting period, including those related to environmental protection, with no recorded violations, penalties, or sanctions. Ethical oversight and risk monitoring are supported by regular Risk Management Committee meetings, which assess potential risks across the Group and ensure that emerging issues are promptly identified and managed while regular internal reviews and control mechanisms help ensure adherence to ethical standards and established reporting channels enable employees and other stakeholders to raise concerns confidentially and without fear of retaliation. Any reported incidents are subject to investigation and appropriate disciplinary action.

In 2025, LTG further enhanced its ethical and sustainability governance through the drafting and refinement of key policies for incorporation and implementation in the succeeding reporting cycle.

These include:
- Supply Chain Management Policy
- Product Health Policy
- Responsible Marketing Policy
- Diversity, Equity, and Inclusion (DEI) Policy
- Enhancements to the Whistleblower Policy
- Integration of sustainability-related risks into the Company's Enterprise Risk Management (ERM) framework
- Policies addressing biodiversity and deforestation
- Policies on hazardous substances

These policies reinforce ethical conduct across operations, strengthen accountability within the value chain and support responsible decisionmaking in areas with potential environmental, social and governance impacts. For 2025, the Company is not involved in any legal cases related to corruption, anti-competitive behavior, anti-trust, or monopoly practices during the reporting period. LTG strictly prohibits unfair competition and any practices that violate anti-trust laws. It is committed to respecting intellectual property rights, including trademarks, patents, and trade secrets, and to conducting business fairly and lawfully.

11,850 Employees
Received anti-corruption training in 2025

ZERO
Major incidents of corruption in 2025

ZERO
Legal cases related to anti-corruption, anti-competitive behavior, anti-trust, or monopoly practices

LTG's policies are aligned with applicable laws and regulations, including, but not limited to the Philippine Competition Act (Republic Act No. 10667), and are reviewed and approved by the Corporate Governance and Sustainability Committee prior to endorsement by the Board of Directors. Once approved, these policies are published on the Company's website to ensure transparency and proper dissemination to employees, shareholders and other stakeholders.

All Directors, officers and employees are required to comply with the Code of Business Conduct and Ethics. Compliance is actively monitored and violations are addressed through established disciplinary procedures. Through these measures, LTG continues to foster a culture of integrity, accountability and ethical conduct, reinforcing stakeholder trust and supporting long-term value creation.



Feature Story

Strengthening Integrity Through a More Robust Whistleblower Policy

As part of its continuing efforts to strengthen governance, transparency and accountability, LT Group, Inc. significantly enhanced its Whistleblower Policy to reflect evolving regulatory expectations, international standards and the Group's expanding ESG and risk governance framework. Central to the enhancement is the establishment of a formal whistleblowing management system aligned with COSO Enterprise Risk Management (ERM) and ISO 37002:2021, ensuring consistency with leading governance and risk management practices. The revised policy significantly broadens both coverage and scope, extending protection beyond directors and employees to include suppliers, contractors, consultants, community partners and other external stakeholders.

Reportable concerns now cover fraud, bribery, ESG-related violations, data privacy breaches, environmental and safety risks, and obstruction of investigations. Multiple secure reporting channels—including dedicated email, sealed submissions and an optional third-party hotline—support confidential and anonymous reporting, with strengthened nonretaliation and data privacy safeguards. Oversight and investigations are conducted through clearly defined governance mechanisms, with structured timelines, escalation pathways to the Board or Risk Management Committee when warranted, and enhanced recordkeeping and analytics. These improvements align the policy with GRI 2-26, Philippine SEC corporate governance requirements, and the OECD Anti-Bribery Guidelines, embedding whistleblowing as a core element of LTG's ESG, risk and sustainability governance.

Good Governance

Governance is the foundation upon which LT Group, Inc. builds momentum for meaningful progress — not merely as a compliance requirement, but as the strategic framework that channels resilience and discipline into outcomes grounded in responsibility, sustainability, and inclusion. In 2025, sound governance guided every decision, ensuring that growth delivers lasting value: strengthening the economy, protecting the environment, uplifting communities, and upholding transparency and accountability across all operations. For LTG, meaningful progress is measured not by scale alone, but by the responsible stewardship of resources, the ethical conduct of business, and the creation of shared value for stakeholders across generations.

Framework Policies and Oversight Structure

Strong governance underpins the Group's ability to operate responsibly, manage risk effectively, and deliver sustainable long-term value. LTG's governance framework promotes transparency, reinforces accountability, and supports sound decision-making across a diversified portfolio of businesses, reflecting established international principles and the expectations of regulators, investors, and sustainability rating agencies.

The Board of Directors retains overall responsibility for oversight and direction, supported by five standing committees: the Audit Committee, Risk Management Committee, Corporate Governance and Sustainability Committee, Executive Committee, and Nomination and Compensation Committee. Through this structure, the Board exercises informed oversight of financial performance, internal controls, risk exposures, ethical conduct, and strategic execution, with sustainability, regulatory compliance, and risk considerations integrated into Board deliberations alongside financial performance.

In 2025, the Board conducted nineteen (19) meetings. The CGSC convened monthly to review sustainability performance, regulatory compliance, and strategic ESG initiatives. The Risk Management Committee met twice monthly to monitor enterprise risk exposures and oversee related-party transactions. The Audit Committee oversaw the integrity of financial and non-financial reporting, internal controls, and audit processes. The Executive Committee monitored operational performance and strategic implementation, while the Nomination and Compensation Committee evaluated senior leadership and Board performance to ensure alignment of incentives with long-term value creation.

As a holding company, LTG enables its operating subsidiaries to engage directly with stakeholders on economic, environmental, and social matters through structured channels including consultations, surveys, and regular communications. Designated officers within each subsidiary manage these engagements, ensuring that stakeholder insights are systematically captured, communicated to senior management, and elevated to Board-level committees where relevant.

Potential concerns on economic, environmental, social, or governance matters are assessed through established risk management processes. Issues identified at the subsidiary level are reviewed by management and, if material, referred to the Risk Management Committee for evaluation and Board escalation. In 2025, no material governance-related issues were escalated for Board consideration.

Governance and Value Creation

At LT Group, governance is a strategic driver of long-term value creation. The Board and Management embed transparency, accountability, and ethical leadership into every decision, translating the Group's momentum into sustainable, responsible outcomes.

Throughout 2025, the Group strengthened its governance framework across several fronts. An Enhanced Whistleblower Policy — aligned with COSO ERM principles and ISO 37002:2021 — expanded coverage to suppliers, contractors, and external partners, introduced secure reporting channels, and reinforced non-retaliation provisions. A Group-wide Double Materiality Assessment identified and prioritized material sustainability topics for 2025–2028, while sustainability and climate-related risks were formally integrated into the Enterprise Risk Management (ERM) Framework, sharpening alignment between business objectives, risk appetite, and sustainability considerations.

Management also initiated the development of several new policies for the next reporting cycle, including those covering Supply Chain Management, Product Health, Responsible Marketing, and Diversity, Equity & Inclusion (DEI), alongside policies on Biodiversity, Deforestation, and Hazardous Substances to reinforce responsible sourcing, environmental stewardship, and product accountability.

On reporting and disclosure, the Group improved alignment with ISS, Sustainalytics, the S&P Corporate Sustainability Assessment (CSA), and other ESG rating frameworks. LTG advanced its transition to Integrated Reporting by linking financial and non financial disclosures, initiated alignment with IFRS S1 and IFRS S2 for sustainability and climate-related disclosures, and standardized ESG KPIs across subsidiaries using 2024 as the baseline year for performance measurement and target-setting.

Key strategic decisions included the listing of Philippine Holdings Corporation (PHC) on the Philippine Stock Exchange by way of introduction at an estimated valuation of ₱56.3 billion, unlocking value from the Group's property assets. The Company also approved a Group-level strategic outlook for 2025–2030, establishing priorities across climate strategy and decarbonization, water stewardship, circularity and waste reduction, sustainable real estate, digital resilience, and responsible finance and inclusion.

ESG Integration

Ethics & Controls

A culture grounded in integrity and accountability guides governance at LT Group. The Group upholds robust policies, internal controls, and compliance frameworks to promote ethical conduct, protect corporate assets, and safeguard the interests of its stakeholders across all operations.

LTG's internal control systems encompass financial, operational, compliance, and risk management controls. In 2025, the ERM system was updated to improve risk alignment across business units, enhance reporting accuracy, and formalize escalation protocols. Information security was further reinforced through third-party Vulnerability Assessment and Penetration Testing (VAPT), Security Operations Center (SOC) monitoring, Managed Detection and Response (MDR) capabilities, and Next-Generation Firewall (NGFW) upgrades, particularly within Asia Brewery and Eton operations.

The Group recorded zero major incidents related to corruption, anti-competitive conduct, or regulatory sanctions during the year. Operations maintained compliance with requirements of the DOLE, DENR, NPC, BSP, and applicable building and environmental regulations. Audit outcomes reflected the effectiveness of these controls, with no adverse findings and overall compliance maintained across business units. Internal control systems undergo continuous evaluation through regular Internal Audit assessments and Audit Committee oversight.

The Group published its 2025 audited financial statements — audited by SGV & Co. — within 60 days of fiscal year-end, consistent with its practice of setting internal disclosure deadlines ahead of regulatory schedules. Sustainability disclosures were fully aligned with GRI, SASB, ISSB, and SEC reporting requirements, with enhanced coverage of climate-related risks, ESG KPIs, governance practices, and community impact. All disclosures are made publicly available upon acknowledgment by the BIR, SEC, and PSE, reinforcing the Group's commitment to transparent communication with investors, regulators, and stakeholders.

Ethical leadership at LTG extends beyond compliance to a corporate culture where integrity guides every decision. All Management and employees are expected to uphold the Code of Business Conduct, which defines the ethical standards and principles of behavior that govern the Group's operations and identity.

Recognition

In 2025, LT Group continued to receive external recognition for its strong governance practices and commitment to transparency and stakeholder trust. The Company was honored with two (2) Golden Arrow Awards from the Institute of Corporate Directors (ICD) at the ASEAN Corporate Governance Scorecard (ACGS) Golden Arrow Recognition Ceremony. This prestigious distinction is awarded to publicly listed companies that achieve high scores in the ACGS assessment—a benchmark that evaluates corporate governance performance across key principles such as shareholder rights, equitable treatment of stakeholders, board effectiveness, transparency of disclosures, and sustainable practices.

The awards were conferred during the ICD Golden Arrow Awards held on October 23, 2025, at Okada Manila Hotel, Pasay City. These accolades reaffirm LT Group's sustained dedication to upholding the highest standards of corporate governance and ethical conduct across its diversified operations.

Receiving the Golden Arrow Awards underscores the Company's ongoing efforts to deepen transparency, strengthen board oversight, and enhance accountability in a complex operating environment. The recognition serves as an external affirmation of governance excellence and builds further stakeholder confidence in LT Group's commitment to long-term value creation for investors, regulators, and the broader community.

At the same time, the Group views recognition as a milestone rather than a destination. Awards serve as validation of progress made, while also reinforcing the imperative to continuously strengthen governance frameworks, anticipate emerging challenges, and adapt to stakeholder expectations in an evolving business environment.

Forward Outlook

LT Group remains committed to the continuous strengthening of its governance framework to support sustainable growth and deliver meaningful progress. Governance at LTG is not static — it evolves in response to changing market dynamics, regulatory developments, technological advancements, and stakeholder priorities.

Over the 2025–2030 period, the Group will undertake a climate risk assessment and develop a decarbonization roadmap aligned with IFRS S2 to strengthen resilience against transition and physical climate risks. Environmental stewardship priorities include strengthening water management initiatives, expanding watershed partnerships for long-term resource security, and advancing circular economy practices through packaging reduction, improved recyclability, and enhanced waste recovery.

Governance processes will be further strengthened through the integration of ESG KPIs into executive decision-making, performance evaluations, and Board oversight. Digital transformation will support this evolution, with expanded use of AI-enabled workflows and analytics — including the PNB Copilot Lab — to improve risk monitoring, compliance tracking, and reporting accuracy.

The Group will also expand green and social financing initiatives and enhance disclosures on financed emissions and climate-related financial exposures, reinforcing responsible capital allocation and transparency.

Stakeholder engagement will be deepened through improved ESG reporting, clearer communication channels, and more proactive dialogue with investors, regulators, communities, and employees. Investment in Board and Management development, stronger risk management and internal control systems, and a culture of continuous improvement will ensure governance remains a source of competitive advantage and resilience.

Anchored in Momentum for Meaningful Progress, LTG's governance framework will continue to channel the Group's collective achievements into outcomes grounded in responsibility, sustainability, and inclusion — sustaining momentum that delivers financial performance and positive impact across generations.



Board **Directors**

GRI 2-17

Board **Composition**

Following the recommendations of good governance, the Company takes due diligence in reviewing and considering the individual attributes and characteristics of a nominee to the Board. It ensures that distinguished leaders and experts will be appointed in key roles across the various fields relevant to the industries represented by the conglomerate's subsidiaries. This aims to guarantee that a broad spectrum of widely and highly qualified individuals will compose its Board of Directors and contribute to its success.

Among the factors considered in nominating the members of the board include business experience, gender, competence, knowledge, and expertise. To prove its commitment to diversity, the Company placed strong emphasis on gender equality and expertise in considering a nominee to the Board.

During the Annual Stockholders' Meeting (ASM) last May 7, 2025, the stockholders elected the eleven (11) member board consisting of five (5) accomplished women and six (6) accomplished men who are all experts in their respective fields.

Dedicated to maintaining a balanced decision-making body, the majority of the board is composed of Non-Executive Directors (NED), while four (4) members serve as Independent Directors (ID). Moreover, the NEDs concurrently serve as directors to a maximum of five publicly listed companies.

Following the said ASM, the Board held an organizational meeting to discuss and approve the members of Management and the composition of the Committees.

Board **Responsibilities**

The key towards effective good governance for sustainable development is to have a Board capable of giving strategic directions and making key business decisions which shape the Company's path forward. In accordance with its By-Laws, the Board convenes every second Tuesday of the month with the respective Chief Financial Officers (CFOs) of the different subsidiaries attending these meetings and reporting on the operational results of their respective companies. This ensures that the Board stays informed of the developments in the operations and financial status of the businesses and at the same time, promote a culture of transparency.

The respective Presidents/Chief Executive Officer (CEO) or Chief Operating Officers (COOs) of each subsidiary are likewise mandated to attend quarterly meetings, fostering a cohesive strategic alignment across leadership levels through a unified vision.

Nomination & Election of Directors

GRI 2-10

On February 18, 2025 and April 11, 2025, the Company's Nomination and Compensation Committee held meetings to discuss and approve the nominees to the Board for the year 2025 to 2026.

The criteria for eligibility of a nominee included their knowledge, age, business experience, expertise, gender, cultural and educational background, skills/professional background, competence, and possible contribution to the Board. Moreover, it is likewise determined whether the potential nominee possesses integrity and probity.

All shareholders are invited and given the opportunity to exercise their right to nominate or recommend for election an individual as a director of the Company. The profiles of the final list of nominees are thereafter presented to the Board and subsequently to the stockholders for approval.

Concurrent & Interlocking Directorships

The Company recognizes the advantage of having interlocking directors across the different companies under the conglomerate, which fosters a network of shared leadership throughout the organization.

Interlocking directorships inspire cross-pollination of ideas facilitating the exchange of innovative strategies, best practices, and fresh perspectives. Aligned with its commitment to good governance. the Board's non-executive directors hold directorships in no more than five publicly listed companies concurrently.

All recommendations for Interlocking director positions are assessed determine whether they could present a potential conflict of interest. This evaluation will also ensure compliance with the established guidelines and limitations before any endorsement for approval.

Board **Performance Evaluation**

GRI 2-18

Good corporate governance practices suggest that the effectiveness of the Company's governance practices be regularly monitored, with adjustments made as needed. Following said recommendation, the members of the Board, the Committees and the Chief Executive Officer (CEO) were made to participate in the annual self-assessment to evaluate their individual and collective performance. A performance evaluation was conducted last January 2026 covering the year 2025 operations, allowing the Directors, Committee members and CEO to assess their own performance as well as the implementation of corporate governance practices within the Company.

Independent Directors

Following the Code of Good Governance for publicly-listed companies, the Company guarantees that its Board shall have no less than four (4) Independent Directors (IDs) who, among other qualifications, must be independent of Management and the controlling shareholder, and is free from any business or other relationships which could, or could reasonably be perceived to, materially interfere with his/her exercise of independent judgment in carrying out the responsibilities of a director of the Company.

The Board ensures that the IDs possess all the necessary qualifications and none of the disqualifications to hold said position. Thus, in 2025, the Company elected four (4) IDs who are experts in their respective fields. They have the qualifications, background, experience, independence, and skills required for the proper execution of their functions individually and as a whole.

Lead Independent Director

On February 16, 2026, the Company appointed Ms. Mary G. Ng as its Lead Independent Director (LID). Her roles include serving as an intermediary between the Chairman and other Directors, convening and chairing the meetings of NEDs and IDs, and contributing to the performance evaluation of the Chairman.

In line with her functions, the non-executive directors (NEDs) held a meeting on February 16, 2026 with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Company.

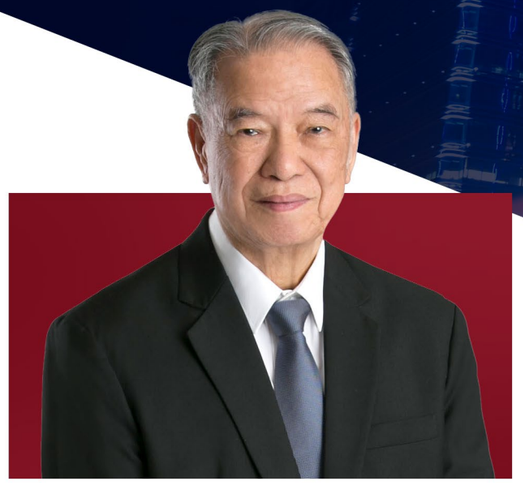
Meetings & Attendance

In 2025, the Board of Directors conducted 19 meetings via remote communication. In full commitment to the Company, the Directors attended and actively participated in these meetings despite the virtual setting.

Office	Name	No. of Meetings Attended	%Present
Chairman	Dr. Lucio C. Tan	19	100%
Vice Chairman	Carmen K. Tan	19	100%
Member	Lucio C. Tan III	19	100%
Member	Karlu T. Say	18	94.74%
Member	Michael G. Tan	19	100%
Member	Vivienne K. Tan	17	89.47%
Member	Juanita T. Tan Lee	19	100%
Independent	Johnip G. Cua	19	100%
Independent	Mary G. Ng	19	100%
Independent	Raul M. Leopando*	11	100%
Independent	Woochong Um*	11	100%

**Mr. Raul M. Leopando and Mr. Woochong Um were appointed last May 07, 2025, and have attended all Board Meetings since their appointment.*

BOARD OF DIRECTORS



Dr. Lucio C. Tan

Chairman & Chief Executive Officer,
Filipino, 91 years old

EC C NC C

Academic Background
Doctor of Philosophy, Major in Commerce,
University of Santo Tomas
Bachelor of Science, Major in
Chemical Engineering,
Far Eastern University – Manila

Date of Appointment
July 2, 1999

Chairmanships in Listed Companies
MacroAsia Corporation
PAL Holdings, Inc.

Position in Other Organizations and Corporations
Chairman Emeritus,
Philippine National Bank
Chairman Emeritus,
Federation of Filipino-Chinese Chambers
of Commerce and Industry, Inc.

Chairmanships in Non-Listed Companies
Absolut Distillers, Inc.
Air Philippines Corporation
Allianz PNB Life Insurance, Inc.
Allied Banking Corporation (Hongkong) Limited
Allied Commercial Bank (Xiamen)
Alliedbankers Insurance Corporation
Asia Brewery, Inc.
Asian Alcohol Corporation
Basic Holdings Corporation
Buona Sorte Holdings, Inc.
Eton Properties Philippines, Inc.
Foremost Farms, Inc.
Fortune Tobacco Corporation
Grandspan Development Corporation
Himmel Industries, Inc.
Philippine Airlines, Inc.
PMFTC, Inc.
PNB Holdings Corporation
Progressive Farms, Inc.
Tanduay Brands International, Inc.
Tanduay Distillers, Inc.
Tangent Holdings Corporation
The Charter House, Inc.
Trustmark Holdings Corporation
University of the East
Zuma Holdings and Management Corporation



Carmen K. Tan

Vice Chairman & Director,
Filipino, 85 years old

Academic Background
Paco Citizen Foundation
(Formerly Paco Chinese School)

Date of First Appointment
Vice Chairman – May 3, 2023
Director – May 5, 2010

Directorships in Listed Companies
MacroAsia Corporation
PAL Holdings, Inc.

Directorships in Non-Listed Companies
Air Philippines Corporation
Asia Brewery, Inc.
Alliedbankers Insurance Corporation
Basic Holdings Corporation
Buona Sorte Holdings, Inc.
Cosmic Holdings Corporation
Dominium Realty and
Construction Corporation
Dynamic Holdings, Ltd.
Eton City, Inc.
Foremost Farms, Inc.
Fortune Tobacco Corporation
Grandspan Development Corporation
Himmel Industries, Inc.
Interbev Philippines, Inc.
Manufacturing Services and Trade
Corporation Paramount Land Equities, Inc.
Philippine Airlines, Inc.
PMFTC, Inc.
Progressive Farms, Inc.
REM Development Corporation
Saturn Holdings, Inc.
Shareholdings, Inc.
Sipalay Trading Corporation
Tanduay Distillers, Inc.
Tangent Holdings Corporation
The Charter House, Inc.
Trustmark Holdings Corporation
Waterich Resources Corporation
Zuma Holdings and Management
Corporation

Position in Other Organizations and Corporations
Vice Chairman, Eton Properties Philippines
Vice Chairman, Philippine Airlines, Inc.
Board Advisor, Philippine National Bank
Trustee, Tan Yan Kee Foundation
Member, Tzu Chi Foundation

LEGEND

- C — CHAIRMAN
- M — MEMBER
- A — AUDIT COMMITTEE
- CG — CORPORATE GOVERNANCE & SUSTAINABILITY COMMITTEE
- E — EXECUTIVE COMMITTEE
- NC — NOMINATION & COMPENSATION COMMITTEE
- R — RISK MANAGEMENT COMMITTEE

BOARD OF DIRECTORS



Lucio C. Tan III

President & Chief Operating Officer,
Filipino, 33 years old

EC M CG M NC M

Academic Background
Masters in Computer Science,
Stanford University, California
Bachelor of Science in Electrical Engineering,
Stanford University, California
Lick Wilmerding High School, California
British School Manila

Date of First Appointment
President - May 3, 2023
Chief Operating Officer – May 4, 2022
Director – December 17, 2019

Directorships in Listed Companies
MacroAsia Corporation
PAL Holdings, Inc.
Philippine National Bank

Directorships in Non-Listed Companies
Air Philippines Corporation
Ali-Eton Property Development 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
Dunman Holdings Corporation
Eton City, Inc.
Eton Properties Philippines, Inc.
First Homes, Inc.
Fortune Land Equities and Resources Inc.
Fortune Tobacco Corporation
Kaizer Chemical Industries, Inc.
Lufthansa Technik Philippines
MacroAsia Airport Services Corporation
MacroAsia Catering Services Inc.
MacroAsia SATS Food Industries
MacroAsia SATS Inflight Services Corporation
Philippine Airlines, Inc.
PMFTC, Inc.
PNB Holdings Corporation
Prior Holdings Corporation
Qualisure Holdings, Inc.
REM Development Corporation
Sabre Travel Network Phils. Inc.
Shareholdings, Inc.
Silangan Holdings, Inc.
Sipalay Trading Corporation
Tanduay Brands International, Inc.
Tanduay Distillers, Inc.
Tangent Holdings Corporation
Trustmark Holdings Corporation
Qualisure Holdings, Inc.
Zuma Holdings and Management Corporation

Position in Other Organizations and Corporations
President & COO, PAL Holdings, Inc.
President, Tanduay Distillers, Inc.
President, Dunman Holdings Corporation
President, Tanduay Brands International, Inc.
Vice Chairman and President, Sabre Travel Network Phils. Inc.
Vice President, Dunmore Development Corporation
Member, Stanford Tau Beta Pi Engineering Honor Society



Karlu T. Say

Director,
Filipino, 56 years old

EC M NC M

Academic Background
Bachelor of Science in Management,
Ateneo de Manila University
Associate of Arts degree in Interior Design,
Fashion Institute of Design
& Merchandising, California

Date of First Appointment
May 5, 2021

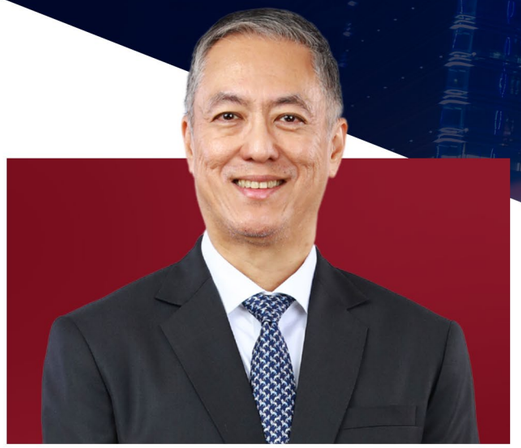
Directorships in Non-Listed Companies
Dong-A Pharma Phils, Inc.
PNB Holdings Corporation
Allied Bankers Insurance Corporation
Eton Properties Philippines, Inc.
Eton Properties Management Corporation

Position in Other Organizations and Corporations
President, PNB Holdings Corporation

LEGEND

- C CHAIRMAN
- M MEMBER
- A AUDIT COMMITTEE
- CG CORPORATE GOVERNANCE & SUSTAINABILITY COMMITTEE
- E EXECUTIVE COMMITTEE
- NC NOMINATION & COMPENSATION COMMITTEE
- R RISK MANAGEMENT COMMITTEE

BOARD OF DIRECTORS



Michael G. Tan

Director,
Filipino, 60 years old

EC M CG M NC M

Academic Background
Bachelor of Applied Science
in Civil Engineering, Major in
Structural Engineering,
University of British Columbia
Dunman High School, Singapore
Beijing Language Institute
Beijing University

Date of First Appointment
February 21, 2003

Directorships in Listed Companies
Philippine National Bank
Victorias Milling Company, Inc.

Position in Other Organizations and Corporations
President & COO, Asia Brewery, Inc.
Member, Private Sector Advisory Council
Member, ASEAN Business Advisory Council
(ASEAN BAC) representing the Philippines
Treasurer, Zuma Holdings and
Management Corporation
Trustee, Help Educate and Rear Orphans
(HERO) Foundation, Inc.
Vice-President, Federation of
Filipino-Chinese
Chambers of Commerce & Industry, Inc.

Directorships in Non-Listed Companies
Absolut Distillers, Inc.
Allied Banking Corporation (Hong Kong) Limited
Allied Commercial Bank (Xiamen)
Asia Brewery, Inc.
Asia's Emerging Dragon Corporation
Federation of Filipino Chinese Chambers of
Commerce and Industry, Inc. (FFCCCII)
Foremost Farms, Inc.
Havitas Developments Corporation
Pan-Asia Securities Corporation
Paramount Land Equities, Inc.
PMFTC Inc.
PNB Global Remittance &
Financial Company (HK) Ltd.
Saturn Holdings, Inc.
Shareholdings, Inc.
Tanduay Brands International, Inc.
Tanduay Distillers, Inc.
Trustmark Holdings Corporation
Zuma Holdings and Management Corporation



Vivienne K. Tan

Director,
Filipino, 58 years old

EC M

Academic Background
Bachelor of Science, Double Degree
in Mathematics and Computer Science,
University of San Francisco, California
Diploma in Fashion Design and
Manufacturing Management,
Fashion Institute of Design and
Merchandising, Los Angeles, California

Date of First Appointment
May 7, 2019

Directorships in Listed Companies
Philippine National Bank
MacroAsia Corporation

Directorships in Non-Listed Companies
Air Philippines Corporation
Eton Properties Philippines, Inc.
Philippine Airlines, Inc.
Dynamic Holdings Limited

Position in Other Organizations and Corporations
Founding Chairperson,
Entrepreneurs School of Asia
Founding Trustee of Philippine Center
for Entrepreneurship (Go Negosyo)
Trustee, De La Salle-College of Saint Benilde
Trustee, University of the East
Trustee, University of the East Ramon
Magsaysay Memorial Medical Center

LEGEND

- C CHAIRMAN
- M MEMBER
- A AUDIT COMMITTEE
- CG CORPORATE GOVERNANCE & SUSTAINABILITY COMMITTEE
- E EXECUTIVE COMMITTEE
- NC NOMINATION & COMPENSATION COMMITTEE
- R RISK MANAGEMENT COMMITTEE

BOARD OF DIRECTORS



Juanita T. Tan Lee

Director & Treasurer,
Filipino, 83 years old

A M | CG M | EC M | NC M | R M

Academic Background
Bachelor of Science, Major in Business Administration, University of the East – Manila

Date of First Appointment
Treasurer – April 8, 2014
Director – May 2, 2012

Directorships in Non-Listed Companies
Asia Brewery, Inc.
Fortune Tobacco Corporation
Tanduay Distillers, Inc.

Position in Other Organizations and Corporations
Trustee, University of the East
Trustee, University of the East Ramon Magsaysay Memorial Medical Center Inc.

Corporate Secretary
- Absolut Distillers, Inc.
- Asian Alcohol Corporation
- Basic Holdings Corporation
- Foremost Farms, Inc.
- Fortune Tobacco Corporation
- Grandspan Development Corporation
- Himmel Industries, Inc.
- Landcom Realty Corporation
- PMFTC Inc.
- Progressive Farms, Inc.
- The Charter House, Inc.
- Total Bulk Corporation

Treasurer
- Asia Brewery, Inc.
- Philippine Airlines, Inc.
- PAL Holdings, Inc.



Johnip G. Cua

Independent Director,
Filipino, 69 years old

A C | CG M | EC M | R M

Academic Background
Bachelor of Science in Chemical Engineering, University of the Philippines

Date of First Appointment
May 8, 2018

Directorships in Listed Companies
MacroAsia Corporation
PAL Holdings, Inc.

Directorships in Non-Listed Companies
Independent Director
- Asia Brewery, Inc.
- First Aviation Academy
- MacroAsia Catering Services, Inc.
- MacroAsia Airport Services Corporation,
- MacroAsia Properties Development Corporation
- MacroAsia SATS Food Industries Corporation
- MacroAsia SATS Inflight Services Corporation
- Philippine Airlines, Inc.
- PhilPlans First, Inc.
- Tanduay Distillers, Inc.
- Tagaytay Highlands International Golf Club Inc.
- The Spa & Lodge at Tagaytay Highlands

Director
- Allied Botanical Corporation
- Alpha Alleanza Manufacturing Inc.
- Interbake Marketing Corporation
- Lartizan Corporation
- Lufthansa Technik Philippines, Inc.
- Teambake Marketing Corporation
- Zenori Corporation

Position in Other Organizations and Corporations
Chairman of the Board of Trustees, Xavier School, Inc. and P&Gers Fund Inc.
Chairman and President, Taibrews Corporation
Trustee, Xavier School Educational
Trustee, Trust Fund and MGCC Foundation Inc.

LEGEND

- C — CHAIRMAN
- M — MEMBER
- A — AUDIT COMMITTEE
- CG — CORPORATE GOVERNANCE & SUSTAINABILITY COMMITTEE
- E — EXECUTIVE COMMITTEE
- NC — NOMINATION & COMPENSATION COMMITTEE
- R — RISK MANAGEMENT COMMITTEE

BOARD OF DIRECTORS



Mary G. Ng

Independent Director,
Filipino, 72 years old

R C | A M | CG M | NC M

Academic Background
Bachelor of Science in Commerce,
Major in Banking and Finance,
St. Paul's College

Date of First Appointment
May 7, 2019

Directorships in Non-Listed Companies
Allied Bankers Insurance Corporation
Eton Properties Philippines, Inc.
Philippine Dongshi Townmate Association, Inc.

Position in Other Organizations and Corporations
Affiliate Member, ISF International Sports Federation
Chief Executive Officer, H&E Group of Companies
Honorary Chairman, Asean Federation of Plastics Industries (AFPI)
Honorary Executive Vice President, Federation of Filipino-Chinese Chamber of Commerce and Industries
Honorary President, Association of Volunteer Fire Chiefs and Firefighters of the Philippines
Honorary President, Packaging Institute of the Philippines
Honorary President, Philippine Plastic Industrial Association of the Philippines, Inc.
Management and Operation Consultant, Foremost Farms, Incorporated
President, Philippine Inter-school Sports Association
Trustee, PAL Foundation
Vice President, Philippine Piak O Eng Chamber of Commerce
Vice President, Philippine Piak O Eng Uy's Association



Raul M. Leopando

Independent Director,
Filipino, 75 years old

CG C | A M

Academic Background
Bachelor of Arts in Economics,
University of the Philippines
Bachelor of Science in Accounting,
San Beda Colleges
Master's Degree in Business Administration,
Ateneo de Manila Graduate School of Business

Date of First Appointment
May 7, 2025

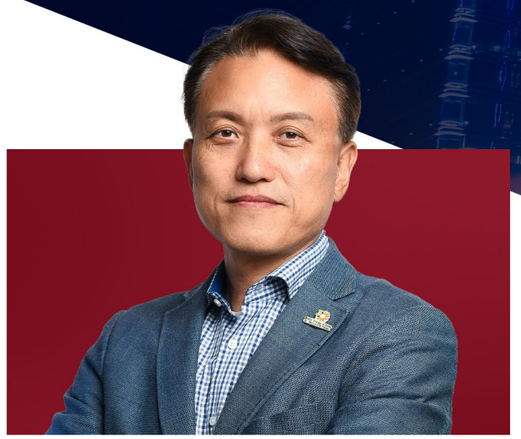
Directorships in Listed Companies
Liberty Flour Mills Inc.
Seafront Resources Corporation
UPSON International Corporation

Position in Other Organizations and Corporations
Former Vice Chairman of the Board of Directors, RCBC Bankard Services Corporation
Former Senior Consultant, Rizal Commercial Banking Corporation
Former Adviser to the Board of Directors, RCBC Capital Corporation
Former Member of the Board of Directors, Investment Houses Association of the Philippines
Former Member of the Board of Directors. Maibarara Geothermal Energy Corporation
Former Member of the Board of Directors, PetroGreen Energy Corporation

LEGEND

- C — CHAIRMAN
- M — MEMBER
- A — AUDIT COMMITTEE
- CG — CORPORATE GOVERNANCE & SUSTAINABILITY COMMITTEE
- E — EXECUTIVE COMMITTEE
- NC — NOMINATION & COMPENSATION COMMITTEE
- R — RISK MANAGEMENT COMMITTEE

BOARD OF DIRECTORS



Woochong Um

Independent Director,
Korean, 62 years old

A M CG M R M

Academic Background
Master of Business Administration,
Finance and International Business,
New York University
Bachelor of Science in Computer Science
and Management, Boston College

Date of First Appointment
May 7, 2025

Position in Other Organizations and Corporations
Chief Executive Officer, Global Energy Alliance for
People and Planet (GEAPP)
Honorary Member and Trustee Emeritus of the
Board, International School Manila
Former Managing Director General,
Asian Development Bank
Former Director General, Asian Development Bank's
Regional and Sustainable Development Department
Former Key leader in ADB's Mekong Department;
led major infrastructure projects, including the Nam
Theun 2 Hydroelectric Project (with the World Bank)
Former Corporate Information System Specialist,
Pfizer Inc. (New York)
Former Lead Programming Analyst, Bowes Inc.
(Stamford, Connecticut)

BOARD OF ADVISORS

The Board of Advisors of LT Group, Inc. provides an additional layer of insight to the Company's leadership, supporting the Board of Directors and management through seasoned perspectives drawn from extensive industry experience. Composed of respected professionals in finance, governance, and corporate management, the advisory body contributes to the evaluation of key business directions and emerging developments relevant to the Group's diversified operations. Their role reflects the Company's approach of complementing internal capabilities with external expertise to strengthen strategic thinking.

The Board of Advisors includes individuals such as Eduardo Luis T. Luy, Benito T. Pascual II, Chester Y. Luy, Wilfrido E. Sanchez, Protacio T. Tacandong, and Florencia G. Tarriela. Their backgrounds span leadership roles in banking, accounting, and large-scale enterprises, allowing them to provide practical and experience-based input across the Group's principal sectors, including financial services, tobacco, beverages, real estate, and manufacturing. This breadth of experience enables a more comprehensive appreciation of both opportunities and challenges across the portfolio.

Through regular engagement with management, the Board of Advisors offers guidance on matters such as business priorities, industry trends, and operational considerations. While advisory in nature, their participation supports more balanced and informed discussions at the Board level. This structure underscores LT Group's continued focus on sound governance, ensuring that decisions are supported by both internal expertise and independent professional judgment.

BOARD OF ADVISORS



Eduardo Luis T. Luy

Filipino, 32 years old

Academic Background
Bachelor's Degree in Business Administration,
University of the Philippines - Diliman
Master's Degree in Business Administration,
Asian Institute of Management

Date of First Appointment
May 3, 2024

Directorships in Listed Companies
MacroAsia Corporation

Directorships in Non-Listed Companies
Allied Water Services, Inc.
AlliedKonsult Eco-Solutions Corporation
Aqualink Resources Development, Inc.
Boracay Tubi System, Inc.
Bulawan Mining Corporation
Cavite AlliedKonsult Service Corporation
Cavite Business Resources, Inc.
First Aviation Academy, Inc.
Japan Airport Service Co., Ltd.
Lufthansa Technik Philippines, Inc.
Mabini Pangasinan Resources Development Corporation
MacroAsia Air Taxi Services, Inc.
MacroAsia Airport Services Corporation
MacroAsia Catering Services, Inc.
MacroAsia Mining Corporation
MacroAsia Properties Development Corporation
MacroAsia SATS Food Industries Corporation
MacroAsia SATS Inflight Services Corporation
MMC Management and Development Corporation
Monad Water and Sewerage Systems, Inc.
Naic Water Supply Corporation
New Earth Water System, Inc.
SNV Resources Development Corporation
Summa Water Resources, Inc.
Tera Information and Connectivity Solutions, Inc.
Water Business Solutions, Inc.

Position in Other Organizations and Corporations
Chairman - AlliedKonsult Eco-Solutions Corporation
Chairman - Boracay Tubi System, Inc.
Chairman - Cavite AlliedKonsult Service Corporation
Chairman - Cavite Business Resources, Inc.
Chairman - First Aviation Academy, Inc.
Chairman - Monad Water and Sewerage Systems, Inc.
Chairman - New Earth Water System, Inc.
Chairman - SNV Resources Development Corporation
Chairman - Summa Water Resources, Inc.
Chairman -Water Business Solutions, Inc.
Chairman and President - Allied Water Services, Inc.
Chairman and President - Aqualink Resources Development, Inc.
Chairman and President - Bulawan Mining Corporation
Chairman and President - Mabini Pangasinan Resources Development Corporation
Chairman and President - Tera Information and Connectivity Solutions, Inc.
Chairman and President - MacroAsia Air Taxi Services, Inc.
Chairman and President - MacroAsia Airport Services Corporation
Chairman and President - MacroAsia Catering Services, Inc.
Chairman and President - MacroAsia Mining Corporation
Chairman and President - MacroAsia Properties Development Corporation
Chairman and President - MacroAsia SATS Food Industries Corporation
Chairman and President - MacroAsia SATS Inflight Services Corporation
Chairman and President - MMC Management and Development Corporation
Chairman and President - Naic Water Supply Corporation
Chairman and President – MacroAsia Jolliant Food Services Corporation
Chairman and President – MacroAsia New Ventures, Inc.
Former Director and Treasurer - MacroAsia Corporation
President and Chief Operating Officer - MacroAsia Corporation



Benito Carlo T. Pascual II

Filipino, 39 years old

Academic Background
Bachelor's Degree in Finance
from Beijing University
Associate of Arts Degree in Liberal Arts,
Honolulu Community College

Date of First Appointment
May 3, 2024

Directorships in Non-Listed Companies
Naic Water Supply Corporation
Summa Water Resources, Inc.
Cavite AlliedKonsult Services Corporation
MacroAsia SATS Food Industries Corporation

LEGEND

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- R — RISK MANAGEMENT COMMITTEE

BOARD OF ADVISORS



Chester Y. Luy

Filipino, 57 years old

A M CG M R M

Academic Background
Master's Degree in Management (MBA) from the J.L. Kellogg Graduate School of Management at Northwestern University, Evanston, Illinois, U.S.A.
Bachelor's Degree in Business Administration from the University of the Philippines - Diliman.
Chartered Financial Analyst (CFA)

Date of First Appointment
November 10, 2022

Directorships in Listed Companies
Philippine National Bank

Directorships in Non-Listed Companies
PNB Europe Plc
PNB Global Remittance and Financial Corporation (Hong Kong)
PNB Remittance Company Canada
Tanduay Distillers, Inc

Position in Other Organizations and Corporations
Board Advisor, Eton Properties Philippines
Board Advisor, PNB Capital and Investment Corporation
Former Director, PNB Mizuho Leasing and Finance Corporation
Managing Director with several international banks based in New York and Singapore leading various businesses including Investment Banking, Corporate Finance, Credit Risk Analysis, Investment Management, and Wealth Management
Served in senior leadership roles with JP Morgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore, RCBC and PNB
Executive Vice President (EVP), Head of Strategy Sector and Head of Wealth Management Group, Philippine National Bank (PNB)
Senior Executive Vice President (SEVP), Treasurer and Head for the Financial Advisory and Markets Group (comprised of the Treasury and Wealth Management Group) – Rizal Commercial Banking Corporation (RCBC)
President and CEO, RCBC Forex Brokers Corporation
Director of a Singapore-based Real Estate and Hospitality Entity.
Member - Singapore Institute of Directors



Wilfrido E. Sanchez

Filipino, 89 years old

NC M R M

Academic Background
Bachelor of Arts, Ateneo de Manila University
Bachelor of Laws, Ateneo de Manila University
Master of Laws, Yale Law School

Date of First Appointment
May 7, 2025

Directorships in Listed Companies
Philippine National Bank

Directorships in Non-Listed Companies
Asia Brewery, Inc.
Commercial Trade Financial Services, Inc.
EMCOR, Inc.
K-Servico Trade, Inc.
Eton Properties Philippines, Inc.
J-DEL Investments and Management Corp.
Kawasaki Motor Corporation
KS Prime Financial Corp.
Tanduay Distillers, Inc.
Trimotors Technology Corp.
WODEL Financial, Inc.

Position in Other Organizations and Corporations
Trustee, JVR Foundation, Inc.
Tax Counsel, Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm

LEGEND

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- R — RISK MANAGEMENT COMMITTEE

BOARD OF ADVISORS



Protacio T. Tacandong

Filipino, 75 years old

Academic Background
Honorary Doctorate Degree (Ph.D) in Business Management and Administration by Thames International University, Paris
Master's Degree in Management, Asian Institute Management
Bachelor of Science in Commerce, Major in Accounting, University of San Carlos

Date of First Appointment
October 8, 2024

Directorships in Non-Listed Companies
Chairman, PTCoco Agri-Ventures, Inc.
Chairman, PTCOFFAB Development Corporation
Director and President, PTTalents Development Foundation, Inc.
Director and President, Red Round Abacus Holding Corporation
Director and President, Reyes Tacandong & Co. Foundation, Inc.

Position in Other Organizations and Corporations
Co-founder, Managing Partner and Chief Operating Officer - Reyes Tacandong & Co. (RT & Co.)
Former Partner, Chief Finance and Administrative Officer and Head of Branches
- SyCip Gorres Velayo & Co. (SGV & Co.)



Florencia G. Tarriela

Filipino, 79 years old

CG M R M

Academic Background
Bachelor of Science in Business Administration, Major in Economics, University of the Philippines
Master of Arts in Economics, University of California, Los Angeles

Date of First Appointment
May 7, 2025

Directorships in Listed Companies
Nickel Asia Philippines (NAC)

Directorships in Non-Listed Companies
Tarriela Management Company
Gozon Development Corporation

Position in Other Organizations and Corporations
Board of Advisor and former Chairman, Philippine National Bank
Vice President, Tarriela Management Company
Vice President and Assistant Treasurer, Gozon Development Corporation
Trustee, Financial Executives of the Philippines (FINEX)
Trustee, Tulay sa Pag-unlad, Inc. (TSPI)
Trustee, TSPI MBA
Trustee, Philippine Bible Society
Fellow, Institute of Corporate Directors
Former Undersecretary of Department of Finance
First Filipina Vice President, Citibank NA

LEGEND

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- NC — NOMINATION & COMPENSATION COMMITTEE
- R — RISK MANAGEMENT COMMITTEE

THE MANAGEMENT

The Management of LT Group, Inc. is composed of key executives responsible for the direction, coordination, and oversight of the Company's day-to-day operations. In carrying out these functions, Management acts in accordance with the Revised Corporation Code of the Philippines, the Company's Articles of Incorporation and By-Laws, and established internal policies. This structure supports disciplined execution across the Group while ensuring that operational decisions remain aligned with broader corporate objectives.

Leadership is provided by the Company's Chairman and Chief Executive Officer, Dr. Lucio C. Tan, together with Vice Chairman Ms. Carmen K. Tan, and Mr. Lucio C. Tan III, who serves as President and Chief Operating Officer. They are supported by a team of senior officers, namely: Ms. Juanita T. Tan Lee, Treasurer; Atty. Ma. Cecilia L. Pesayco, Corporate Secretary and Chief Legal Counsel; Mr. Jose Gabriel D. Olives, Chief Financial Officer, Chief Risk Officer, Chief Sustainability and ESG Officer, and Data Privacy Officer; Mr. Dioscoro Teodorico L. Lim, Chief Audit Executive; Mr. Nestor C. Mendones, Deputy Chief Financial Officer and Investor Relations Officer; and Atty. Marivic T. Moya, Assistant Corporate Secretary and Compliance Officer. Further information on the officers is available in this report and on the Company's website.

Management maintains regular coordination across the Group through structured meetings involving senior leaders and representatives from key business units. These sessions provide a venue to discuss operational developments, address issues across subsidiaries, and align priorities with the direction set by the President and Chief Operating Officer. This approach facilitates timely decision-making and supports cohesive execution across the Company's diversified businesses.



Jose Gabriel D. Olives

Filipino, 79 years old
Chief Financial Officer (CFO), Chief Risk Officer (CRO)
Chief Sustainability Officer (CSO) and
ESG Officer, Data Privacy Officer

Academic Background
Bachelor of Science degree in Mechanical Engineering, De La Salle University

Date of First Appointment
CFO - August 9, 2012
CRO - July 9, 2019
CSO and ESG Officer - May 9, 2023

Position in Other Organizations and Corporations
Former Senior Vice President for Finance & Chief Financial Officer,
Philippine Airlines, Inc.
Former Chief Finance Officer,
Asia Brewery, Inc.

Mr. Olives serves as the Company's Chief Risk Officer (CRO), Chief Financial Officer (CFO), Data Privacy Officer (DPO), and Chief Sustainability and ESG Officer (CSO). He has been with the Company since 2012.

As CFO, he is responsible for ensuring that the Company maintains a sufficient cash position to meet its obligations, while ensuring that funds are spent wisely to enhance its market value.

In his role as CRO, he leads the development of the Company's Risk Management Framework, assesses risks across the organization and its subsidiaries, defines risk limits, and oversees risk mitigation strategies.

Additionally, he plays an active role in the strategic planning of the Company's activities alongside other members of Management, and makes important financial and investment decisions. Lastly, he oversees the coordination and control of various departments, including accounting, finance, and treasury, to ensure the effective and balanced allocation of financial resources.

As the DPO since 2017, his responsibilities include ensuring compliance with data protection laws and regulations, as well as developing, implementing and monitoring policies and procedures to ensure that personal data is processed securely and lawfully, among other duties.

In 2023, Mr. Olives was likewise appointed as the CSO. He plays a vital role in driving the organization's sustainability initiatives and ensuring the integration of Environmental, Social and Governance (ESG) principles into the Company's strategy and operations.

THE MANAGEMENT



Ma. Cecilia L. Pesayco

Filipino, 73 years old
Corporate Secretary & Chief Legal Counsel

Academic Background
Bachelor of Arts degree in Political Science, University of Sto. Tomas
Bachelor of Laws, University of the Philippines

Date of First Appointment
Corporate Secretary - March 31, 1998
Chief Legal Counsel - May 3, 2024

Position in Other Organizations and Corporations
Corporate Secretary
- Asia Brewery, Inc.
- Buona Sorte Holdings, Inc.
- PAL Holdings, Inc.
- Saturn Holdings, Inc.
- Tangent Holdings Corporation
- Trustmark Holdings Corporation
- Zuma Holdings and Management Corporation

Chief Legal Counsel
- Tan Yan Kee Foundation

The Company's Corporate Secretary is Atty. Ma. Cecilia L. Pesayco. She has held this position since 2012 and has been with the Group since 1998. In line with the Company's Revised Manual on Corporate Governance and prevailing best practices, she regularly attends annual corporate governance training.

In her capacity as Corporate Secretary, Atty. Pesayco plays a critical role in supporting the Board in the effective discharge of its duties and responsibilities. Her core functions include the preparation, signing, and maintenance of minutes of Board meetings, the safekeeping of corporate records, and ensuring that the Board and Management are apprised of relevant developments as they arise. She also ensures that Directors are provided with accurate, relevant, and timely information necessary for informed decision-making.

Atty. Pesayco likewise serves as the Company's Chief Legal Counsel, a role she assumed in May 2024. As a lawyer in good standing, she possesses the requisite expertise in applicable laws, rules, and regulations essential to the proper performance of her functions.



Dioscoro Teodorico L. Lim

Filipino, 70 years old
Chief Audit Executive

Academic Background
Bachelor of Science in Commerce, Major in Accounting, University of San Carlos - Cebu

Date of First Appointment
Chief Audit Executive - July 11, 2017

Position in Other Organizations and Corporations
Former Chief Audit Executive, Philippine National Bank
Former Chief Audit Executive. Allied Banking Corporation
Former Chief Risk Officer, Allied Savings Bank
Former Member of the Board of Directors, Rosehills Memorial Management Philippines, Inc.

The Chief Audit Executive (CAE) is responsible in the periodic review of the Internal Audit (IA) Charter and its presentation to the Senior Management and the Audit Committee for approval; the establishment of a risk-based IA plan, including policies and procedures, to determine the priorities of the IA activity, consistent with the organization's goals; the communication of the IA activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to Senior Management and the Audit Committee for review and approval; the spearheading of the performance of the IA activity to ensure it adds value to the organization; periodic reporting to the Audit Committee on the IA activity's performance relative to its plan; and the presentation of findings and recommendations to the Audit Committee and recommendation to Senior Management and the Board on the improvements to internal processes.

THE MANAGEMENT



Marivic T. Moya

Filipino, 66 years old
Assistant Corporate Secretary & Compliance Officer

Academic Background
Juris Doctor degree,
University of Santo Tomas
Bachelor of Arts Major in Child Study,
Maryknoll College

Date of First Appointment
Asst. Corporate Secretary and
Compliance Officer - June 9, 2014

Directorship in Non-Listed Companies
Watergy Business Solutions Inc.
Cavite Business Resources Inc.

Position in Other Organizations and Corporations
Assistant Corporate Secretary - PAL Holdings, Inc.
Corporate Secretary - MacroAsia Airport Services Corp.
Corporate Secretary - Aqualink Resources Development Corporation
Corporate Secretary - Asia's Emerging Dragons Corp.
Corporate Secretary - MacroAsia SATS Food Industries Corporation
Corporate Secretary - Philippine Airlines, Inc.
Corporate Secretary - Tera Connectivity and Information Inc.
Corporate Secretary – Mabuhay Miles Inc.
Corporate Secretary – MacroAsia Jolliant Food Services Corporation
Corporate Secretary – PR Holdings
Corporate Secretary and Director - First Aviation Academy, Inc.
Corporate Secretary and Director - MacroAsia Mining Corp.
Corporate Secretary and Director - MacroAsia Properties Development Corp.
Corporate Secretary and Director - Naic Water Supply Corporation
Corporate Secretary and Director - SNV Resources Development Corp.
Corporate Secretary and Director -MacroAsia Air Taxi Services, Inc.
Corporate Secretary and former Director - Alliedkonsult Eco-Solutions Corporation
Corporate Secretary and former Director - Boracay Tubi System, Inc.
Corporate Secretary and former Director - MacroAsia Catering Services Inc.
Corporate Secretary and former Director - MacroAsia SATS Inflight Services Corporation
Corporate Secretary and former Director - Summa Water Resources, Inc.
Corporate Secretary and former Director – Cavite AllliedKonsult Services Corporation
Senior Vice President (former Vice President) for Human Resources, Legal and External Relations, MacroAsia Corporation
Treasurer - Cavite Business Resources Inc.
Treasurer - Watergy Business Solutions Inc.

As the Assistant Corporate Secretary and Compliance Officer, she oversees the implementation of the Manual, monitors regulatory compliance, assesses corporate governance practices, and recommends necessary improvements to the Board.



Nestor C. Mendones

Filipino, 71 years old
Deputy Chief Financial Officer & Investor Relations Officer

Academic Background
Bachelor of Science in Accountancy
(Magna cum Laude), University of the East

Date of First Appointment
Deputy Chief Financial Officer - August 9, 2012
Investor Relations Officer - July 29, 2024

Position in Other Organizations and Corporations
Senior Vice President - Chief Risk Officer and Sustainability Officer - Tanduay Distillers, Inc.

Mr. Mendones was appointed as the Company's Deputy Chief Financial Officer (DCFO) in 2012. As the DCFO, his duties and responsibilities generally involve supporting the Chief Financial Officer in overseeing the financial operations of the Company.

His responsibilities include assisting in the preparation of financial statements, reports, and forecasts; monitoring cash flow to ensure sufficient liquidity; helping establish and maintain effective internal controls to ensure compliance with financial regulations and safeguarding of the Company's assets; managing relationships with investors, analysts, and stakeholders by ensuring accurate information of financial performance and strategy; and ensuring adherence to financial regulations and tax laws while working with external auditors to guarantee proper financial reporting and adherence to regulations.

As Investor Relations Officer, Mr. Mendones provides strategic leadership in the Company's engagement with the investment community. He plays a key role in upholding the highest standards of transparency, credibility, and regulatory compliance in investor communications, and works closely with senior management in articulating the Company's financial performance, strategic priorities, and longterm value creation to shareholders, analysts, and institutional investors.



BOARD COMMITTEES

GRI 2-9, 2-10, 2-11, 2-12, IFRS S1.27(a)(i), IFRS S2.6(a)(i), IFRS S1.27(a)(iv).(v) IFRS S2.6(a)(iv),(v)

To enhance the effectiveness of its governance structure, the Company has established Board committees that support the Board in the discharge of its duties and responsibilities, while providing focused oversight of key functional areas across the Group.

These committees consist of the Audit Committee, the Risk Management Committee, the Executive Committee, the Nomination and Compensation Committee, and the Corporate Governance and Sustainability Committee. Each committee is tasked with overseeing specific aspects of the Company's operations, including financial reporting and internal controls, enterprise risk management, strategic and operational matters requiring timely action, Board composition and compensation, as well as governance practices and sustainability integration across the organization and its subsidiaries.

Each committee operates under a formal charter approved by the Board, which sets out its composition, membership qualifications, roles, duties, and responsibilities, as well as the scope of its authority and reporting framework. These charters are aligned with regulatory requirements and leading governance practices, and collectively strengthen the Board's capacity for informed decision-making, effective oversight, and the consistent application of sound governance principles across the Group.

NCC Nomination & Compensation Committee

The Nomination and Compensation Committee ensures a formal, structured, and transparent process for the nomination, selection, evaluation, and compensation of key executives. This includes monitoring their performance, recommending replacements when necessary, and overseeing the Company's succession planning to ensure continuity of leadership. The Committee also establishes clear criteria and guidelines for evaluating candidates' qualifications, experience, integrity, and performance, thereby aligning executive appointments and compensation with the Company's strategic objectives and corporate governance standards.

Chairman
Dr. Lucio C. Tan
Members
Lucio C. Tan III
Karlu T. Say
Mary G. Ng
Michael G. Tan
Juanita T. Tan Lee
Wilfrido E. Sanchez

AC Audit Committee

The Audit Committee is tasked with assisting the Board of Directors in fulfilling its oversight responsibilities, ensuring the integrity and transparency of the Company's operations and reporting. In this capacity, the Committee works closely with both Internal and External Auditors to stay fully informed on the Company's financial and non-financial performance and the adequacy of its internal control systems. It also oversees the audit process, including the planning, execution, and reporting of audits, to ensure that financial statements are accurate, compliance obligations are met, and operational controls are properly maintained. Through these activities, the Audit Committee provides independent assurance to the Board and stakeholders that the Company maintains robust governance and accountability practices.

Chairman
Johnip G. Cua
Members
Mary G. Ng
Juanita T. Tan Lee
Raul M. Leopando
Woochong Um
Chester Y. Luy

RMC Risk Management Committee

The Risk Management Committee is tasked with overseeing the Company's risk management framework and Related Party Transactions (RPTs). It continuously monitors the Company's risk environment on a monthly basis, providing guidance to ensure that risks are identified, assessed, and mitigated to an acceptable level, thereby safeguarding the Company's ability to achieve its strategic and operational objectives. The Committee reviews RPTs to ensure that transactions with related parties are conducted on terms no more favorable than those applicable to comparable transactions with non-related parties, promoting fairness, transparency, and accountability.

Chairman
Mary G. Ng
Members
Johnip G. Cua
Wilfrido E. Sanchez
Woochong Um
Juanita T. Tan Lee
Florencia G. Tarriela
Chester Y. Luy

EC Executive Committee

The Executive Committee supports the Board in managing the Company's business and affairs. Its authority is limited to matters not specifically reserved for the Board under Philippine law, the Company's By-Laws, or the Revised Corporate Governance Manual. The Committee oversees management initiatives, ensures timely implementation of key decisions, monitors performance, and ensures compliance with governance standards, helping the Board fulfill its responsibilities effectively.

Chairman
Dr. Lucio C. Tan
Members
Lucio C. Tan III
Michael G. Tan
Karlu T. Say
Vivienne K. Tan
Juanita T. Tan Lee
Johnip G. Cua

CGSC Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee is primarily responsible for ensuring that the Company complies with all applicable Philippine laws, rules, and regulations, as well as the Securities and Exchange Commission's recommendations on good corporate governance for publicly-listed companies. The Committee also oversees adherence to the Company's Manual on Good Corporate Governance, promoting transparency, accountability, and ethical conduct across the organization. It monitors the implementation of governance policies, evaluates the effectiveness of the Company's governance framework, and provides guidance to the Board and management on sustainability initiatives and corporate responsibility. The Committee convenes monthly to discuss sustainability matters, review progress, and recommend actions to integrate sustainability practices into the Company's strategic decision making. Through these efforts, the Committee helps safeguard the Company's reputation, strengthen stakeholder confidence, and ensure that governance and sustainability are embedded in its operations.

Chairman
Raul M. Leopando
Members
Lucio C. Tan III
Michael G. Tan
Juanita T. Tan Lee
Johnip G. Cua
Mary G. Ng
Woochong Um
Chester Y. Luy
Florencia G. Tarriela





Audit Committee (AC)
Message from the Chairman

To Our Valued Stakeholders,

As we embrace the momentum that has carried LT Group, Inc. forward, it is with a deep sense of responsibility that I present this message as Chairman of the Audit Committee. Our 2025 theme, Driving New Possibilities, reflects LTG's commitment to turning collective advancement into disciplined, transparent, and accountable governance. Our work as a Committee is dedicated to ensuring that every financial disclosure, every control mechanism, and every audit process upholds these principles, enabling the Group to advance with confidence and accountability.

Financial transparency is not merely an obligation but a core component of long-term value creation. It empowers stakeholders, investors, regulators, employees, and communities to make informed decisions based on accurate and timely information. As the Audit Committee, we take this mandate seriously, recognizing that our vigilance safeguards not only the integrity of financial reporting but also the trust that underpins the Group's ability to create lasting value across economic, environmental, social, and governance dimensions.

Our Mandate: Vigilant Oversight

The Audit Committee continues to serve as a key governance body within LTG, providing the Board with independent oversight over the Group's financial reporting processes, internal control systems, internal and external audit functions, and compliance with laws, regulations, and the Company's Code of Business Conduct. Each responsibility is executed with rigor to ensure that stakeholder interests are consistently protected.

To fulfill this mandate, the Committee works closely with the Board, Management, Internal Audit, and External Auditors. This collaborative approach ensures that our oversight remains responsive to operational developments, regulatory updates, and the Group's strategic priorities.

Dedication to Accurate and Timely Financial Reporting

I am pleased to report that LT Group, Inc. successfully submitted and disclosed our 2025 Consolidated Audited Financial Statements on February 27, 2025 well within the regulatory timeline. This achievement demonstrates our unwavering commitment to good governance practices and the timely disclosure of financial information. By ensuring that our stakeholders have access to current and accurate financial data, we enable informed decision-making and reinforce the transparency that is essential to meaningful progress.

In addition to timeliness, 2025 marked an important year of enhanced disclosure requirements. The Committee worked closely with Management and External Auditors to ensure compliance with the heightened rigor associated with LTG's adoption of **IFRS S1 and IFRS S2**, which require clearer linkages between sustainability-related metrics and financial reporting. This transition introduced new layers of scrutiny, particularly over data quality, disclosure completeness, and cross-functional coordination which the Committee oversaw diligently.

Active Oversight Throughout 2025

During 2025, the Audit Committee convened four (4) regular meetings, along with one (1) special meeting to address emerging issues and ensure continuous oversight of the Group's financial reporting and control environment. Our discussions were comprehensive, covering a wide range of topics including quarterly and annual financial results, the effectiveness of internal controls, audit findings and management responses, compliance with regulatory requirements, and significant accounting policies and estimates.

The Committee closely supervised the Group's transition toward Integrated Reporting, harmonizing financial information with non-financial ESG disclosures and ensuring narrative consistency across subsidiaries. We oversaw substantive internal control enhancements, including structured control documentation and strengthened monitoring mechanisms across business units.

A significant development in 2025 was the Group-wide upgrade of cybersecurity and data-privacy controls. Subsidiaries implemented independent Vulnerability Assessment & Penetration Testing (VAPT), continuous threat monitoring via Security Operations Centers (SOC), ISO-aligned information security frameworks, and improved data-handling protocols—all directly supporting the accuracy and reliability of financial systems.

The Committee also monitored the implementation of a significantly enhanced Whistleblower Policy, aligned with ISO 37002 and COSO principles. This policy expanded stakeholder coverage, strengthened reporting and investigation procedures, and introduced improved documentation and confidentiality safeguards.

These developments collectively elevated audit quality, strengthened LTG's internal control environment, and improved the reliability of both financial and sustainability-related disclosures.

External Auditor Appointment Process

The Audit Committee remains committed to ensuring that the External Auditor maintains independence, objectivity, and technical proficiency. Throughout 2025, we conducted comprehensive evaluations of our External Auditor's performance, examining audit methodology, team qualifications, communication effectiveness, and compliance with professional and ethical requirements. Based on this review, the Committee issued its recommendation to the Board for the External Auditor's engagement for the period ending 2026 on February 16, 2026.

In addition, the Committee reviewed all non-audit services and confirmed that none impaired auditor independence. This disciplined approach continues to uphold the credibility of LTG's financial reporting.

Sound Internal Control Framework

LTG's internal control framework continues to be robust, with well-defined financial, operational, and compliance controls operating across subsidiaries. The Audit Committee monitors these systems through regular reviews of Internal Audit reports, management updates, and follow-through actions on identified findings. When deficiencies are noted, the Committee works with Management to ensure corrective actions are promptly implemented.

In 2025, our oversight benefitted from enhanced cross-organizational coordination. The Group-wide double materiality assessment required meaningful collaboration across Finance, Sustainability, and Compliance teams to align non-financial and financial data streams. The Audit Committee engaged with the Corporate Governance and Sustainability Committee in reviewing the implications of this work, particularly where new sustainability-related disclosures intersected with financial reporting or internal control requirements.

Furthermore, collaborative discussions accompanying the adoption of IFRS S1 and S2 improved the accuracy and consistency of narrative disclosures and strengthened internal processes supporting sustainability-linked financial reporting. Coordination on the enhanced Whistleblower Policy also reinforced the Group's compliance environment, ensuring clearer reporting channels, stronger investigative protocols, and improved controls over ethical reporting. These updates support more reliable and integrated governance practices across LTG.

Forward Outlook

Looking ahead, the Audit Committee will continue to strengthen its oversight in anticipation of evolving financial reporting expectations and regulatory developments. Particular attention will be given to the continued refinement of internal controls supporting sustainability-related disclosures, the integration of technology into audit processes, and the enhancement of cybersecurity controls across subsidiaries.

The progress achieved in 2025 builds a solid foundation, but meaningful progress requires ongoing vigilance and continuous improvement. The Committee remains committed to ensuring that LTG's governance, reporting integrity, and control environment evolve in parallel with the Group's strategic ambitions.

I extend my sincere gratitude to my fellow Committee members for their diligence, to Management for their transparency and cooperation, and to our Internal Audit and External Audit teams for their consistent professionalism. Together, we will continue to uphold the principles of transparency, accountability, and integrity that enable LTG to turn momentum into enduring progress.

Sincerely,



Johnip G. Cua
Chairman of Audit Committee

Mandate:

· Assist the Board in fulfilling its oversight responsibilities.

· Review (i) the financial reporting process, (ii) the system of internal control, (iii) the audit process, and (iv) the Corporation's process for monitoring compliance with laws and regulations and its own code of business conduct.

· Recommend the appointment, dismissal, replacement and re-appointment of the Company's External Auditor. Regularly review and evaluate the performance of its External Auditor before making the necessary recommendation to the Board for its approval.

· Meet with the External Auditors, without the presence of the Company's Management present, at least annually, to verify that the External Auditors act independently, and are given unrestricted access to all records, properties and personnel to enable it to perform its audit functions.

· Review the quarterly, half-year, and annual financial statements before their submission to the Board.

· Evaluate and determine the non-audit work of the External Auditor

· Review and evaluate the adequacy of the work performed by the CAE and the Internal Audit function.

Structure & Membership:

· Chaired by an Independent Director. He is not simultaneously the Chairman of the Board or any other Committee.

· Composed of six (6) members, majority of whom are NEDs and four (4) are IDs, in accordance with its charter.

· All the members have relevant background, knowledge, skills, and experience in the areas of accounting, auditing or finance.

Meetings & Attendance:

· In 2025, the Committee held a total of five (5) meetings.

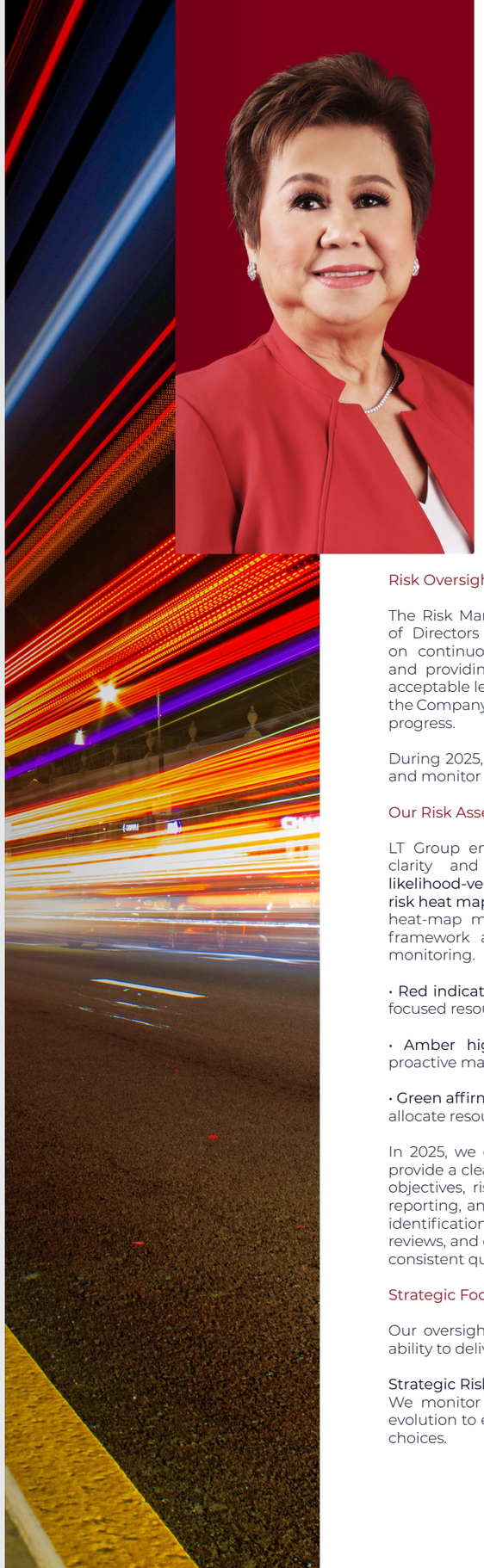
· Its charter provides that the Committee meet at least every quarter. Special meetings may be convened as required.

· The Internal or External Auditors may request for the convening of a meeting if they consider that it is necessary.

· All recommendations of the Committee shall be decided by a majority vote and thereafter submitted to the Board for approval. Issues arising at any meeting shall be resolved by a majority of votes of the members present, and in case of an equality of votes, the Chairman shall have a second or casting vote.

Office	Name	No. of Meetings Attended	%Present
Chairman	Johnip G. Cua	5	100%
Member	Juanita T. Tan Lee	3	60%
Member	Mary G. Ng	5	100%
Member	Raul M. Leopando*	3	100%
Member	Woochong Um*	3	100%
Member	Chester Y. Luy	5	100%

**Mr. Raul M. Leopando and Mr. Woochong Um were appointed last May 07, 2025, and have attended all Committee Meetings since their appointment.*



Risk Management Committee (RMC)
Message from the Chairman

To Our Esteemed Stakeholders,

As we reflect on 2025, I am honored to address you as Chairman of the Risk Management Committee of LT Group, Inc. Our committee recognizes that risk management is not merely about protection. It is a catalyst for resilience and a foundation for driving meaningful progress across our organization.

The momentum we have built through disciplined risk practices enables us to navigate uncertainties with confidence while pursuing opportunities that create lasting value for all stakeholders.

Risk Oversight as Strategic Enabler

The Risk Management Committee serves a vital role in supporting the Board of Directors in fulfilling its oversight responsibilities. Our mandate centers on continuously monitoring the risk environment affecting LT Group Inc. and providing strategic direction for activities designed to mitigate risks to acceptable levels as well as risks that, if left unaddressed, could adversely impact the Company's ability to achieve its goals and sustain momentum for meaningful progress.

During 2025, the Committee held 18 meetings to systematically identify, assess, and monitor enterprise risks across the Group and its subsidiaries.

Our Risk Assessment Framework

LT Group employs a structured approach to risk assessment that provides clarity and enables effective prioritization. The organization **uses a likelihood-versus-impact risk-scoring approach visualized through Group-wide risk heat maps**, risk registers, and standardized reporting tools. This color-graded heat-map methodology functions as the primary enterprise risk evaluation framework across subsidiaries and is used to prioritize interventions and monitoring.

· **Red indicators** alert us to critical issues requiring immediate intervention and focused resource allocation

· **Amber highlights** emerging concerns warranting close monitoring and proactive management to prevent escalation

· **Green affirms** areas operating within acceptable risk parameters, allowing us to allocate resources strategically

In 2025, we enhanced the Enterprise Risk Management (ERM) framework to provide a clearer end-to-end structure and tighter alignment between business objectives, risk appetite, and risk assessment, with strengthened monitoring, reporting, and escalation mechanisms across the Group. Methodologically, risk identification was reinforced through risk workshops, interviews, RCSA, incident reviews, and dedicated sustainability and climate assessments, supporting more consistent qualitative and quantitative scoring of likelihood and impact.

Strategic Focus on Enterprise Risks

Our oversight encompasses the full spectrum of risks that affect the Group's ability to deliver on its commitments:

Strategic Risks
We monitor market dynamics, competitive positioning, and business model evolution to ensure the Group remains agile and forward-looking in its strategic choices.

Operational Risks

We assess supply chain resilience, process discipline, and continuity risks, including climate-related disruptions to manufacturing, property, and banking operations. In 2025, typhoons and extreme wind events remained the highest-priority risk on the Group risk heat map, while drought/water stress and extreme heat moved into elevated zones given their impact on energy and production; earthquake exposure also remained material for assets and operations.

Financial Risks

We sustain vigilant oversight over exposures that can affect performance and liquidity across sectors, supported by strengthened reporting and escalation mechanisms embedded in the ERM upgrades.

ESG-Related Risks

Environmental and social risks, including climate-related physical and transition risks, continue to be integrated into risk assessment and prioritization. In 2025, the Group advanced a consolidated climate risk evaluation with a likelihood-impact heat map across businesses, while initiating emerging assessments on biodiversity/deforestation and hazardous substances through new policy development.

During the year, we also addressed specific risk events and trends: the banking subsidiary reported two data privacy breaches to the National Privacy Commission, triggering strengthened information security controls and user-protection measures; meanwhile, the tobacco affiliate's market context included illicit trade at an estimated 21% of consumption, requiring continued enforcement collaboration with public agencies and industry bodies.

Integration and Coordination Across the Group

The Committee works to ensure seamless alignment of risk management practices with the Group's broader strategy, sustainability objectives, and governance frameworks. We coordinate closely with other Board committees, particularly the Audit Committee and Corporate Governance and Sustainability Committee, to provide comprehensive oversight that addresses interdependencies and reinforces organizational resilience.

A critical aspect of our mandate includes rigorous oversight of Related Party Transactions (RPTs) to uphold transparency, fairness, and adherence to governance standards. By maintaining robust controls and clear policies, we protect stakeholder interests and preserve the integrity of the Group's operations.

Robust Risk Management Framework and Systems

I am pleased to confirm that LT Group maintains a comprehensive ERM system supported by standardized risk registers, dashboards, heat maps, and key performance indicators, enabling consistent monitoring and timely reporting to the Committee and the Board. In 2025, we sharpened the linkage between ERM reporting and management actions through clearer escalation pathways and consolidated Group-level views.

Across the subsidiaries, our control environment is further enabled by specific platforms and tools that reduce exposure and enhance responsiveness, including:

• Cybersecurity stack upgrades such as independent Vulnerability Assessment & Penetration Testing (VAPT), Security Operations Center (SOC) and Managed Detection & Response (MDR) services, deployment of Next-Generation Firewalls (NGFW), and ISO/IEC 27001:2022-aligned information security programs in the banking business. These directly mitigate operational, compliance, and reputational risk.

• SAP S/4HANA–enabled monitoring of materials, production, and inventory in manufacturing (e.g., Tanduay and ABI) to control process risk, reduce loss events, and improve data integrity for decision-making.

• Environmental compliance tools, including DENR-accredited emissions testing, water/wastewater monitoring, and expanded sub-metering for energy and water, to manage regulatory and operational risk exposures.

• An enhanced whistleblowing management system aligned with ISO 37002 and COSO ERM—with multiple channels, defined case-handling timelines, escalation to the Board when warranted, and improved analytics—supporting early detection and remediation of compliance, fraud, ESG-related, and safety concerns.

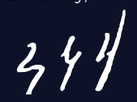
Forward Outlook

As we advance into 2026, the Risk Management Committee remains committed to enhancing the Group's preparedness and adaptability. We will continue to refine methodologies (including climate-risk techniques and data quality procedures), expand focus on emerging risks (such as biodiversity and transition risks, and advanced cyber threats), and strengthen coordination across subsidiaries to support sustainable, long-term performance.

By maintaining momentum in our risk practices, we enable the Group to pursue its ambitions with confidence, responsibility, and purpose.

I extend my sincere gratitude to my fellow Committee members for their expertise, diligence, and unwavering commitment to sound risk governance. I also thank our Management teams across the Group for their collaboration and dedication in embedding risk awareness into daily operations. Together, we are building a risk-intelligent organization—one that is prepared for uncertainties, resilient in the face of challenges, and positioned to sustain momentum for meaningful progress across all dimensions of our business.

Sincerely,



Mary G. Ng
Chairman of Risk Management Committee

Mandate:

• Assist the Board in fulfilling its oversight responsibilities.

• Monitor the risk environment for the Company and provide direction for activities to mitigate, to an acceptable level, the risks that may adversely affect the Company's ability to achieve its goals.

• Facilitate continuous improvement of the Company's capabilities around managing its priority risks.

• Oversee the evaluation of Related Party Transactions (RPT) that present the risk of potential abuse, thus ensuring that processes and approvals are conducted on an arm's length basis and that sound and objective judgment is exercised in deciding for the best interest of the Company.

Structure & Membership:

• Chaired by an Independent Director. She is not simultaneously the Chairman of the Board or any other Committee.

• Composed of seven (7) members, majority of whom are NEDs and three (3) are IDs, in accordance with its charter.

• Each member has relevant background, knowledge, skills, and experience to properly and efficiently discharge his duties and responsibilities.

Meetings & Attendance:

• In 2025, the Committee held a total of eigtheen (18) meetings to discuss the risk exposures of the Company and the different subsidiaries under the conglomerate based on Management reports, as well as the review and approval of the annual Sustainability Report.

• Meetings shall be convened as required or when the Committee deems it necessary to discuss current risk exposures based on Management reports. Special meetings may be convened as required.

• The subsidiaries' Chief Financial Officer (CFO) and the Chief Risk Officer (CRO) report their respective risk management frameworks and provide the Committee with updates on the significant risks found which require regular monitoring and their corresponding risk mitigation plans. As part of its functions, the members of the Committee provide insights and suggestions as to how the reported risks may be mitigated.

• All recommendations of the Committee shall be decided by a majority vote and thereafter submitted to the Board for approval. Issues arising at any meeting shall be resolved by a majority of votes of the members present, and in case of an equality of votes, the Chairman shall have a second or casting vote.

Office	Name	No. of Meetings Attended	%Present
Chairman	Mary G. Ng	18	100%
Member	Juanita T. Tan Lee	16	88.89%
Member	Johnip G. Cua	16	88.89%
Member	Wilfrido E. Sanchez	17	94.45%
Member	Florencia G. Tarriela	18	100%
Member	Chester Y. Luy	18	100%
Member	Woochong Um	15	83.34%

**Mr. Woochong Um was appointed last May 07, 2025, and have attended majority of the Committee Meetings since his appointment.*

Risk Management

IFRS S1.44, IFRS S2.25, IFRS S1.44 (a)(i)-(iv) (b), IFRS S2.25 (a)(i)-(iv)(b), IFRS S1.44 (c), IFRS S2.25(c)

The Group continues to strengthen its risk management capabilities in 2025 through targeted enhancements to its Enterprise Risk Management (ERM) framework and broader risk governance practices. The ERM framework is in the process of amendments to provide a clearer, end-to-end structure and more explicit alignment between business objectives, risk appetite, and risk assessment, reinforcing risk management as an integral part of strategy execution and capital allocation.

Our ERM System is built on core components that work together to ensure risks are identified, assessed, managed, and monitored in a consistent and disciplined manner across the Group. These components form the foundation of a coordinated approach to financial, operational, legal, sustainability, and climate-related risk management.

Governance and Oversight

A defined governance structure ensures accountability at all levels. The Board, the Audit and Risk Management Committee, Executive Management, and subsidiary leadership each carry specific responsibilities for directing, implementing, and monitoring the ERM process. Governance reinforces a risk-aware culture across the organization.

Risk Appetite and Tolerance

The ERM System operates within clearly articulated risk appetite statements that guide strategic decisions and day-to-day operations. Risk appetite defines the level of risk the Company is willing to accept, while tolerance establishes the boundaries within which performance may vary without triggering corrective action.

Risk Identification

Risks are identified through structured tools such as risk workshops, interviews, operational reviews, RCSA, incident reports, and sustainability and climate assessments. Identification covers internal and external factors that may affect objectives, including emerging risks with strategic or long-term implications.

Risk Assessment and Prioritization

Each identified risk is evaluated based on its likelihood and potential impact on operations, financial performance, compliance, reputation, and sustainability objectives. Assessment includes qualitative and quantitative indicators, enabling prioritization of critical risks that require immediate or high-level intervention.

Risk Response and Mitigation

Risk owners determine the appropriate response: avoid, reduce, transfer, or accept, and implement necessary controls. Mitigation activities include internal controls, policy enhancements, process improvements, technology safeguards, business continuity measures, and sustainability or climate-related interventions where relevant.

Control Activities

Each identified risk is evaluated based on its likelihood and potential impact on operations, financial performance, compliance, reputation, and sustainability objectives. Assessment includes qualitative and quantitative indicators, enabling prioritization of critical risks that require immediate or high-level intervention.

Information, Data, and Reporting

Reliable, timely information supports effective decision-making. The ERM System includes standardized reporting tools such as risk registers, dashboards, heatmaps, and performance indicators. Data from subsidiaries are consolidated at the Group level to enable oversight, identify trends, and support internal and external disclosures.

Data Monitoring and Review

The effectiveness of risk controls and mitigation measures is regularly monitored through management reviews, internal audit, compliance checks, and performance evaluations. Significant changes, emerging risks, and lessons learned are incorporated into updates of the ERM System.

Integration with Strategy and Planning

Risk management is embedded in corporate strategy, capital allocation, and operational planning. Decisions at the strategic and subsidiary level consider risk appetite, sustainability considerations, and potential impacts of long-term developments such as regulatory shifts and climate-related changes.

Continuous Improvement

The ERM System is updated as the business environment evolves. Adjustments may arise from audit findings, operational incidents, regulatory developments, stakeholder feedback, or changes in sustainability and climate-risk conditions. Continuous improvement ensures the system remains relevant and effective.

Beyond framework enhancements, LTG's risk management approach emphasizes forward-looking oversight and enterprise-wide accountability. Sustainability and climate-related risks and opportunities are integrated into risk identification and assessment, with financial materiality considered to evaluate potential impacts on performance, cash flows, and enterprise value. Strengthened monitoring, reporting, and escalation mechanisms support timely management and Board attention to material risks, while enabling the Group to remain responsive to regulatory developments, market volatility, and evolving stakeholder expectations. Collectively, these measures support a more disciplined, resilient, and decision useful risk management system aligned with long-term value creation.

Risk Category	Sustainability Risk Area	Potential Impacts	Opportunities / Mitigation Levers	Management Approach
Long-Term Growth & Financial Resilience	Financial Loss and Earnings Volatility	Increased operating and compliance costs; exposure to regulatory changes (e.g., excise taxes, banking regulations); cash flow pressure from delayed payments or credit defaults; potential erosion of investor confidence	Portfolio diversification across sectors; strengthened credit and liquidity management; cost efficiency, automation, and digitalization initiatives	Risks are monitored through the Group's ERM framework, with capital allocation decisions calibrated to identified risks and aligned with the Group's risk appetite; financial stress testing & scenario analysis support resilience planning
	Credit and Counterparty Risk	Cash flow instability arising from defaults or financial distress among business partners, distributors, or suppliers	Enhanced credit assessment, tighter collection controls, and diversification of counterparties	Embedded within financial risk governance at the subsidiary and Group levels, with oversight through audit and risk committees
Supply Chain & Vendor Management	Supply Chain and Vendor Risks	Production and distribution disruptions; reputational exposure from unethical labor practices or environmental noncompliance; cost increases due to supplier concentration or logistics inefficiencies	Supplier screening, ESG due diligence, and strengthened local supplier partnerships; capacity-building for key suppliers	Development and implementation of group-wide supply chain and procurement policies, integrating ESG criteria and vendor monitoring
	Disaster-Related Supply Volatility	Raw material shortages due to climate events, disease outbreaks, or trade restrictions	Supplier diversification and local sourcing strategies; contingency planning	Incorporated into business continuity planning and supplier risk assessments
	Food Safety and Labor Standards Non-Compliance	Product safety incidents; legal exposure; reputational damage linked to modern slavery, child labor, or unsafe working conditions	Supplier audits, contractual safeguards, and awareness programs	Oversight through compliance functions and periodic audits; escalation protocols for non-compliance
Value Through Products & Services	Regulatory Compliance (Product Quality, Safety, Labeling)	Fines, recalls, license suspension, and loss of consumer trust	Robust quality assurance systems; certification maintenance; regular testing and compliance training	Compliance governance embedded in operational controls, internal audits, and regulatory monitoring
	Customer Safety and Transparency	Health risks from inaccurate product information; erosion of brand trust	Clear labeling standards; grievance and feedback mechanisms; consumer awareness initiatives	Managed through product governance structures and customer protection policies
	Cybersecurity and Data Privacy	Data breaches, service disruption, legal liabilities, and reputational harm	Strengthened IT security, privacy-bydesign practices, employee awareness programs	Cyber and data privacy risks integrated into ERM; alignment with Data Privacy Act, BSP, and NPC requirements
Responsible Operations	Energy Consumption and Carbon Emissions	Higher energy costs; exposure to future carbon pricing; reputational risk	Energy efficiency initiatives; gradual adoption of low-carbon technologies; emissions monitoring	Environmental risks managed through operational controls, capital planning, and longterm sustainability roadmaps
	Water Use and Waste Management	Water scarcity impacting operations; regulatory penalties from improper waste or wastewater management	Conservation measures; recycling and waste diversion; partnerships with LGUs and treatment providers	Environmental compliance managed at operational level, with Group oversight on environmental risk exposure
	Climate Change – Physical and Transition Risks	Asset damage from extreme weather; rising cooling costs; shifts in customer preferences; regulatory transition risks	Climate risk assessments; resilience measures; green financing and adaptation initiatives	Climate risks progressively integrated into ERM and business continuity planning, with forward-looking alignment to IFRS S2

Risk Category	Sustainability Risk Area	Potential Impacts	Opportunities / Mitigation Levers	Management Approach
People, Workforce & Communities	Employee Health, Safety, and Labor Practices	Workplace injuries, absenteeism, labor disputes, burnout, and morale decline	Comprehensive OHS programs; wellness and mental health initiatives; fair compensation and skills development	Human capital risks managed through Group HR policies, safety programs, grievance mechanisms, and continuous training
	Regulatory Compliance (Labor, Tax, Safety Laws)	Fines, sanctions, and reputational damage from non-compliance	Regular audits; policy updates; automated monitoring and reporting	Compliance oversight maintained through internal controls, audit functions, and management accountability

Our Outlook and Future Commitments

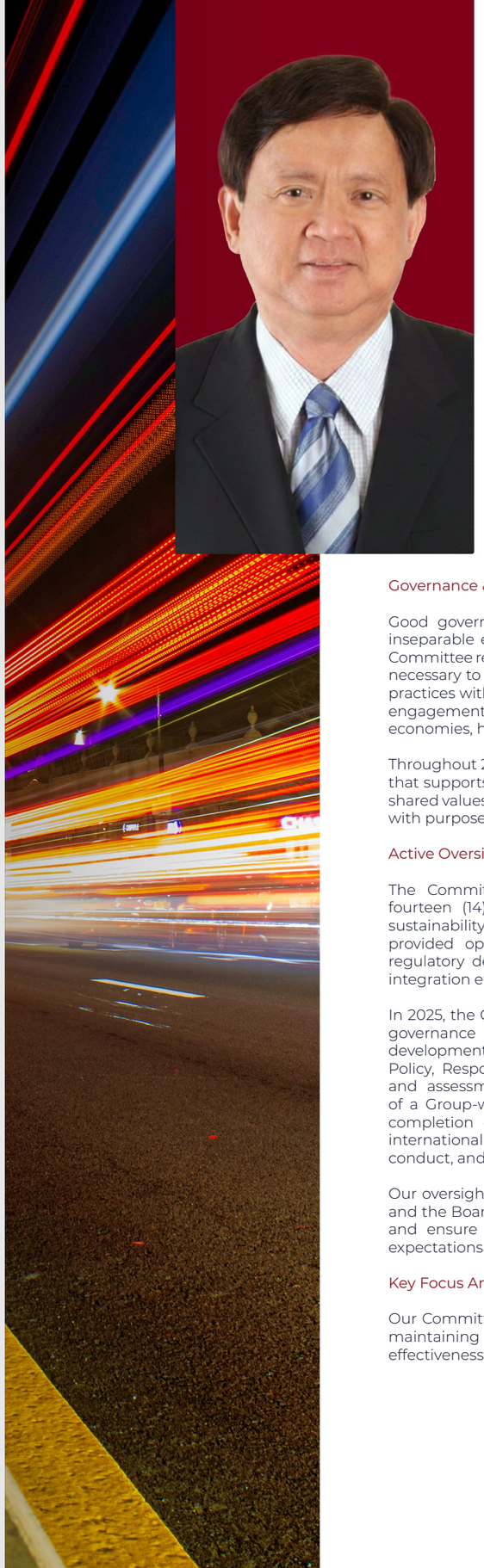
Looking ahead to 2025–2030, LTG has defined a set of strategic outlook areas across the Parent Company and its subsidiaries to strengthen competitive positioning, resilience, and long-term value creation. These outlook areas reflect a consolidated view of business priorities, emerging risks, and growth opportunities across the Group's diversified portfolio, informed by materiality assessments, enterprise risk management, and evolving market and regulatory conditions.

The Group's outlook emphasizes disciplined growth, capital efficiency, and operational resilience, alongside deeper integration of sustainability and climate considerations into strategy and decision-making. Focus areas include strengthening governance and risk oversight, enhancing customer and stakeholder value propositions, improving resource efficiency and environmental performance, and investing in people, capabilities, and systems that support long-term adaptability.



Strategic Area / Focus	Strategic Context	Implications for LT Group	Key Actions & 2025 Progress	Forward-Looking Commitments
Climate Change & Energy Transition	Physical and transition risks from extreme weather, evolving climate regulation, carbon pricing, and shifts toward low carbon energy	Potential operational disruption, capital exposure, and regulatory risk across diversified businesses	Climate-related initiatives continued at subsidiary level, including energy efficiency measures, environmental restoration projects, and climate-resilient operations; initial groundwork laid for a consolidated climate strategy	Develop a Group-wide climate risk assessment and decarbonization roadmap; integrate climate risks into ERM and capital planning; align disclosures with IFRS S2 and TCFD
Water Scarcity & Resource Efficiency	Growing water stress affecting agriculturelinked operations, beverage manufacturing, and property developments	Heightened operational and community dependency risks	Water stewardship and irrigation initiatives implemented through TYKFI; operational water efficiency and compliance measures maintained across relevant subsidiaries	Formalize Group water stewardship principles; strengthen watershed partnerships; enhance water efficiency metrics and monitoring
Resource Circularity & Waste Management	Increasing regulatory and stakeholder pressure to reduce waste, manage plastics, and comply with EPR requirements	Compliance, cost, and reputational risks; opportunity for operational efficiency	Waste reduction, recycling, and recovery initiatives implemented across subsidiaries, including EPR related actions and supplier engagement	Advance circular economy practices; strengthen packaging reduction and recovery targets; enhance waste data consolidation at Group level
Urbanization & Sustainable Real Estate	Demand for climate-resilient, efficient, and disaster prepared developments amid flooding, heat, and density challenges	Asset exposure to climate and operational risks	Property level disaster preparedness, energy efficiency, tenant engagement, and business continuity programs sustained	Integrate climate risk mapping into property planning; pursue green building practices and tenant sustainability partnerships

Strategic Area / Focus	Strategic Context	Implications for LT Group	Key Actions & 2025 Progress	Forward-Looking Commitments
Cybersecurity & Digital Resilience	Rising cyber threats, data privacy risks, and reliance on digital systems	Elevated operational, financial, and reputational risk	Cybersecurity controls, audits, and data privacy compliance maintained; cyber risks embedded in ERM processes	Strengthen Groupwide cyber governance; enhance digital resilience testing; align further with BSP and global data protection standards
Responsible Finance & Inclusion	Shift toward sustainable and inclusive finance; increasing ESG expectations in banking and lending	Opportunity to support inclusive growth while managing ESG-related credit risks	Continued delivery of MSME, agricultural, and development oriented financing; ESG considerations embedded in credit processes	Expand green and social financing offerings; progress toward financed emissions assessment and disclosure
Human Capital & Community Development	Heightened expectations on workforce well-being, skills, and community impact	Workforce stability and strengthened social license to operate	Employee training, engagement, and safety programs delivered; extensive education, agriculture, housing, and relief initiatives implemented through TYKFI	Strengthen skills development and succession planning; enhance social impact measurement and outcome tracking
Governance, Ethics & Transparency	Increasing investor and regulatory scrutiny on governance and sustainability oversight	Need for strong accountability, risk oversight, and credible disclosures	Board and management oversight of sustainability reinforced; governance, ethics, and compliance frameworks strengthened	Further align governance with best practices and IFRS S1/ S2; integrate sustainability KPIs into performance and decision making



Corporate Governance and Sustainability Committee (CGSC)

Message from the Chairman

Dear Valued Stakeholders,

As Chairman of the Corporate Governance and Sustainability Committee of LT Group, Inc., I am honored to share our progress in strengthening the governance and sustainability frameworks that enable the Group to sustain momentum for meaningful progress. Our work reflects a commitment not only to meeting regulatory standards but to embedding responsibility, sustainability, and inclusion into every dimension of how we operate and create value.

Governance & Sustainability Leadership

Good governance and sustainability are not separate priorities as they are inseparable enablers of long-term value creation and responsible growth. The Committee recognizes that governance provides the structure and accountability necessary to transform momentum into meaningful outcomes. By aligning our practices with the principles of transparency, ethical leadership, and stakeholder engagement, we ensure that the Group's growth contributes to stronger economies, healthier communities, and a more sustainable environment.

Throughout 2025, our leadership has centered on fostering a governance culture that supports the Group's diverse businesses while maintaining alignment with shared values and strategic objectives. This unified approach allows us to advance with purpose, turning collective achievements into lasting progress.

Active Oversight

The Committee maintained active oversight throughout 2025, convening fourteen (14) regular meetings to review governance implementation and sustainability practices across the Group and its subsidiaries. These sessions provided opportunities to assess emerging governance priorities, monitor regulatory developments, and evaluate the effectiveness of the sustainability integration effort.

In 2025, the Committee's oversight included structured reviews of sustainability governance across subsidiaries; progress updates on ongoing policy development, including the Supply Chain Management Policy, Product Health Policy, Responsible Marketing Policy, and Diversity, Equity & Inclusion Policy; and assessments of ESG KPI implementation following the establishment of a Group-wide baseline in 2024. The Committee also reviewed the Group's completion of its double materiality assessment, ensuring alignment with international standards, and monitored enhancements to whistleblowing, ethical conduct, and stakeholder engagement frameworks.

Our oversight extends beyond compliance. We work closely with Management and the Board to anticipate challenges, identify opportunities for improvement, and ensure that governance structures remain responsive to the evolving expectations of regulators, investors, and other stakeholders.

Key Focus Areas

Our Committee's work in 2025 focused on advancing sustainability integration, maintaining rigorous regulatory compliance, and strengthening governance effectiveness across the organization.

Sustainability Integration

We continued to embed sustainability considerations into strategic decision-making and operational processes.

In 2025, the Group completed its comprehensive double materiality assessment, aligned with global standards such as GRI and IFRS S1/S2; strengthened ESG integration through standardized sustainability KPIs across subsidiaries; and advanced sustainability leadership by maintaining monthly reporting to the Committee by the Chief Sustainability & ESG Officer.

Additionally, subsidiaries progressed with climate-related initiatives, including emissions measurement improvements, renewable energy adoption projects, and enhanced sustainability reporting alignment.

Regulatory Compliance

The Group remained fully compliant with all applicable governance and sustainability regulations.

During 2025, LTG demonstrated full adherence to Philippine SEC sustainability reporting requirements, maintained 100% compliance with DENR effluent and air-quality standards across relevant facilities, and ensured timely, accurate submissions of governance-related disclosures.

Zero incidents of corruption, anti-competitive behavior, or regulatory sanctions were recorded across the Group, underscoring the effectiveness of our governance and compliance frameworks.

Governance Strengthening

We implemented initiatives designed to enhance governance effectiveness across the organization.

During 2025, the Committee oversaw significant enhancements to LTG's Whistleblower Policy aligned with ISO 37002 and COSO principles, supported Group-wide governance training initiatives as part of sustainability integration, and monitored the continued transition toward Integrated Reporting - a major governance milestone that strengthens Board visibility over financial and non-financial performance. The Committee also oversaw the drafting of new sustainability-related policies and the enhancement of the Group's ESG and Sustainability Charter, reinforcing governance accountability and strategic alignment.

These focus areas reflect our understanding that effective governance requires continuous adaptation and improvement, particularly as the Group pursues growth opportunities across diverse industries.

Transparency & Disclosure

Timely and accurate disclosure remains central to our governance philosophy. The Committee ensures that all regulatory submissions meet the highest standards of completeness and accuracy, with internal processes designed to exceed external deadlines. We maintain rigorous review protocols to verify that disclosures to agencies such as the Bureau of Internal Revenue (BIR), Securities and Exchange Commission (SEC), and Philippine Stock Exchange (PSE) are submitted promptly and made publicly available in a manner that supports informed stakeholder decision-making.

Transparency is not merely a compliance obligation. It is a governance principle that strengthens trust and accountability. By providing clear, accessible information about our operations, performance, and governance practices, we enable stakeholders to evaluate our progress and hold us accountable for our commitments.

Fulfilling Our Governance Mandate

The Committee recognizes that corporate governance serves as the system through which stakeholders ensure that Management enhances corporate value responsibly and sustainably. The Board of Directors bears primary responsibility for ensuring adherence to governance principles, and our Committee assists the Board in fulfilling this mandate.

Guided by our Corporate Governance Committee Charter, we support the Board in overseeing Management's implementation of governance standards, evaluating the adequacy of governance frameworks, and identifying opportunities to strengthen governance practices. Our work ensures that governance systems remain aligned with strategic objectives while protecting stakeholder interests and supporting the creation of sustainable value.

Advancing Our Sustainability Journey

The Group's sustainability strategy is built on pillars that reflect the 2025 theme of Momentum for Meaningful Progress: responsibility in operations, environmental sustainability, social inclusion, and governance excellence. These pillars guide our decisions as we integrate sustainability into core operations, ensuring that growth creates value that endures across generations.

Responsibility grounds our approach to business, ensuring that we operate with integrity and consider the full impact of our decisions on stakeholders and communities. Environmental sustainability drives our commitment to minimizing our footprint and contributing to climate resilience. Social inclusion ensures that our progress uplifts diverse communities and creates opportunities for participation and benefit. Governance excellence provides the accountability and transparency necessary to sustain trust and deliver on our commitments.

By embedding these pillars into strategy, operations, and performance measurement, we ensure that momentum translates into progress with meaning; progress that strengthens economies, protects the environment, and enhances the well-being of the communities we serve.

Embracing International Standards

The Group continues to adopt internationally recognized reporting frameworks, including GRI Standards, SASB, IFRS S1 and S2, Integrated Reporting, and the UN SDGs, among others. This alignment ensures transparency, comparability, and credibility in our reporting and reinforces our commitment to global best practices.

Cultivating Board Diversity

We believe that diversity strengthens Board effectiveness and enhances our capacity to navigate complex challenges and opportunities. Our Board composition reflects consideration of factors including age, gender, cultural background, expertise, and professional experience. This diversity of perspective enables more robust deliberation, better risk assessment, and more innovative problem-solving.

The Committee continues to support the Board in maintaining a composition that reflects the breadth of stakeholder interests and the complexity of the environments in which the Group operates. Diversity is not simply a matter of representation; it is a governance strength that contributes directly to better decisions and stronger corporate performance.

Culture & Accountability

Beyond structures and policies, effective governance requires a culture of ethical leadership, transparency, and accountability. The Committee actively promotes this culture across the organization, supporting initiatives that reinforce integrity, encourage open communication, and hold leaders accountable.

Forward Outlook

As we look ahead, the Committee remains committed to strengthening the alignment between governance and sustainability practices to support future-ready growth. We will continue to monitor emerging governance trends, evaluate our frameworks, and identify opportunities to enhance effectiveness. Our momentum provides a strong foundation, but meaningful progress requires ongoing vigilance, adaptation, and commitment.

I extend my sincere gratitude to my fellow Committee members, the Board, and Management for their dedication to governance excellence and sustainability. Together, we are building an enterprise that delivers lasting value for all stakeholders while contributing positively to society and the environment.



Raul M. Leopando
Chairman of Corporate Governance and Sustainability Committee

Mandate:

• Assist the Board in the performance of its corporate governance responsibilities, helping ensure the Company's compliance with Philippine laws, rules and regulations, and the SEC recommendations on good corporate governance for publicly-listed companies. Accordingly, this helps safeguard the Company's growth and success, while preserving the trust of its stockholders and the investing public.

• Ensure that the Board adheres to corporate governance principles and guidelines, including the sustainability policies. This shall likewise ensure that these principles are practiced, observed, and complied with by the Board of Directors and Management.

• Exercise primary responsibility for Sustainability and ESG-related matters.

• Oversee the institutionalization of sustainability principles in the Company's business and operations, including the setting of sustainability goals, objectives, and targets.

• Monitor and assess the Company's sustainability performance.

• Ensure that the Company has a clear and focused policy on the disclosure of non-financial information related to economic, environmental, social, and governance (EESG) issues.

• Conduct and oversee periodic performance evaluations of the Board, its committees, and Management, ensuring that forms for evaluation are provided and that performance criteria and indicators are developed and approved by the Board.

• Ensure the annual self-evaluation of each Director's performance and the Committee's own performance, assessing competence, attendance, preparedness, and participation.

Structure & Membership:

• Chaired by an Independent Director. He is not simultaneously the Chairman of the Board or any other Committee.

• Composed of nine (9) members, majority of whom are independent directors, in accordance with its charter.

• Each member has relevant background, knowledge, skills, and experience to properly and efficiently discharge his duties and responsibilities.

Meetings & Attendance:

• In 2025, the Committee held fourteen (14) meetings to discuss the corporate governance and sustainability practices observed by the Company and its subsidiaries, as well as updates on planned practices to be implemented.

• The Chief Sustainability Officer (CSO), together with the Sustainability Report Consultant, present before the Committee the annual Sustainability Report (SR) which covers the progress, status, and monitoring of sustainability initiatives. Likewise reported to the Committee is the conduct of sustainability workshops on the Global Reporting Initiative (GRI) and other SR Reporting Standards.

Office	Name	No. of Meetings Attended	%Present
Chairman	Raul M. Leopando*	9	100%
Member	Michael G. Tan	13	92.86%
Member	Juanita T. Tan Lee	12	85.71%
Member	Johnip G. Cua	14	100%
Member	Lucio C. Tan III	7	50%
Member	Chester Y. Luy	14	100%
Member	Mary G. Ng	12	85.71%
Member	Florencia G. Tarriela	14	100%
Member	Woochong Um*	8	88.89%

**Mr. Raul M. Leopando and Mr. Woochong Um were appointed last May 07, 2025, and have attended all Committee Meetings since their appointment.*

Executive Committee (EC)

Mandate:

• Act on specific matters within the competence of the Board of Directors as may be delegated to it by a majority vote of the Board, except with respect to the following:

a. Approval of any action for which shareholders' approval is also required;
b. Filling of vacancies in the Board;
c. Amendment or repeal of the By-Laws or the adoption of new By-Laws;
d. Amendment or repeal of any resolution of the Board which, by its express terms, is not so amendable or repealable; and
e. Distribution of cash dividends to shareholders.

• Serve as a sounding board for Management on emerging issues, problems, and initiatives.
• Report to the Board any official actions taken by the Committee, the same being subject to revisions and alterations by the Board, provided that no rights of third persons shall be affected by any such revision or alteration.
• Approve he business plan, operating budget, and capital expenditures each year, which shall be subject to confirmation by the Board.

Structure & Membership:
• Composed of seven (7) members, at least two (2) of whom are independent directors, in accordance with its charter.

Meetings & Attendance:
• As the Committee is expected to hold meetings as often as necessary or on an "as-needed basis," no ExCom meeting was conducted in the year 2025 since no urgent matters required their decision or guidance.

Nomination & Compensation Committee (NCC)

Mandate:

• Ensure a formal and transparent Board nomination process, and to select, compensate, monitor, and, when necessary, replace key executives and oversee succession planning.

Structure & Membership:
• Composed of seven (7) members, four (4) of whom are Non-Executive Directors (NEDs), with at least one (1) Independent Director (IDs), in accordance with its charter.

Meetings & Attendance:
• As prescribed by its Charter, on February 18, 2025 and April 11, 2025, the Committee convened and passed upon the pre-qualified and shortlisted candidates for election to the Board of Directors, including candidates for Independent Directors who shall constitute at least thirty percent (30%) of the members of the Board.
• The candidates were nominated and elected at the Annual Stockholders' Meeting (ASM) held on May 7, 2025.

Office	Name	No. of Meetings Attended	%Present
Chairman (ED)	Lucio C. Tan	2	100%
Member	Lucio C. Tan III	2	100%
Member	Karly T. Say	2	100%
Member	Michael G. Tan	2	100%
Member	Juanita T. Tan Lee	2	100%
Member	Mary G. Ng	2	100%
Member	Wilfrido E. Sanchez	2	100%

Dealings in Securities and Trading Blackout

All directors and principal officers are required to report their dealings in the Company's shares within three (3) business days. This is to allow the Company to disclose to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) any acquisition, disposal, or change in PSE and shareholdings by filing the requisite SEC Form 23-B or 23-A, as applicable. Moreover, directors and officers are prohibited from dealing in the Company's securities during the period in which material non-public information is obtained and up to two (2) full trading days after the price-sensitive information has been disclosed, bearing in mind the following dates for the Company's reports:

- Annual Report – within 105 days after the end of the fiscal year
- Quarterly Report – within 45 days from the end of the first three quarters of the fiscal year
- Other periodical reports – as may be prescribed by the PSE

The Company strictly observes and implements a policy against insider trading and fraudulent practices. As such, its directors, officers, advisers, consultants, and employees who may have knowledge of material facts regarding matters which may affect the Company are prohibited from trading on the Company's shares within the specified period. To ensure compliance, the Office of the Corporate Secretary makes timely and constant reminders during Board meetings and through electronic mail. These rules are outlined in the Company's Code of Business Conduct and Ethics, emphasizing that individuals should not benefit directly or indirectly from information that is not generally available to the market.

Trading Blackout Periods

The following blackout periods apply before financial results are disclosed to the public:

- For quarterly reports – two (2) weeks before disclosure
- For year-end financials – one (1) month or thirty (30) days before disclosure

During the blackout period, covered persons are strictly prohibited from trading in the Company's securities.



Security Ownership of Management

In 2025, with the consent and timely review of the Corporate Secretary and the cooperation of the Directors, officers, and all covered employees within the Group, no instance of insider trading has been reported within the Company.

As presented in the table below, the following details outline the Security Ownership of Management as of December 31, 2024 and December 31, 2025.

Title of Class	Name of Beneficial Owner	Amount & Nature of Ownership *(as of 12/31/24)*	Amount & Nature of Ownership *(as of 12/31/25)*	Citizenship	% of Beneficial Ownership
Common	Lucio C. Tan	2,200 R (Direct)	2,200 R (Direct)	Filipino	Nil
Common	Carmen K. Tan	2,200 R (Direct)	2,200 R (Direct)	Filipino	Nil
Common	Lucio C. Tan III	1,100 R (Direct)	1,100 R (Direct)	Filipino	Nil
Common	Michael G. Tan	1,151,996 R (Direct)	1,151,996 R (Direct)	Filipino	Nil
Common	Karlu T. Say	1,000 R (Direct) 530,000 R (Indirect)	1,000 R (Direct) 530,000 R (Indirect)	Filipino	Nil
Common	Vivienne K. Tan	1,000 R (Direct)	1,000 R (Direct)	Filipino	Nil
Common	Juanita T. Tan Lee	1,100 R (Direct)	1,100 R (Direct)	Filipino	Nil
Common	Johnip G. Cua	1,000 R (Direct)	1,000 R (Direct)	Filipino	Nil
Common	Mary G. Ng	1,000 R (Direct)	1,000 R (Direct)	Filipino	Nil
Common	Raul M. Leopando	1,000 R (Direct)	1,000 R (Direct)	Filipino	Nil
Common	Woochong Um	1,000 R (Direct)	1,000 R (Direct)	Korean	Nil
Common	Ma. Cecilia L. Pesayco	2,200 R (Direct)	2,200 R (Direct)	Filipino	Nil
N/A	Jose Gabriel D. Olives	None N/A	None N/A	Filipino	N/A
N/A	Dioscoro Teodorico L. Lim	None N/A	None N/A	Filipino	N/A
N/A	Nestor C. Mendones	None N/A	None N/A	Filipino	N/A
N/A	Marivic T. Moya	None N/A	None N/A	Filipino	N/A

Security ownership of directors and officers as a group:
1,696,796 shares, representing 0% of the Company's total outstanding capital stock.

Ownership Structure

The Company's outstanding common shares held by record owners of more than 5% are as follows:

Title of Class	Name of Record Owner	Citizenship	No. of Shares	% of Class
Common	Tangent Holdings Corporation	Filipino	8,046,318,193	74.36%
Common	PCD Nominee Corporation	Filipino	1,373,587,500	12.69%
Common	PCD Nominee Corporation	Non-Filipino	617,435,739	5.71%

Disclosure & Transparency

Unstructured Disclosures

In 2025, the Company made the following disclosures to the SEC and the Philippine Stock Exchange (PSE). Said disclosures were subsequently uploaded in the Company's website for proper and efficient dissemination of information to its Stockholders.

Date	Management Approvals
February 18, 2025	Calling of the Annual Stockholders' Meeting on May 7, 2025 at 10:00 a.m. via Remote Communication
February 18, 2025	Approval of the Revised Vision and Mission
February 18, 2025	Approval of the ESG and Sustainability Charter
February 18, 2025	Approval of the 2024 Sustainability Report
February 18, 2025	Approval of the Reappointment of SGV & Co. as the External Auditor of the Company
February 27, 2025	Confirmation of the Approval of the Audited Consolidated Financial Statements of the Company for the period ending December 31, 2024
March 14, 2025	Declaration of Regular and Special Cash Dividends
May 6, 2025	Approval of the Audited Consolidated Financial Statements of the Company for the period ending March 31, 2025
May 6, 2025	Approval of the 2024 Integrated Annual Corporate Governance Report
June 16, 2025	Declaration of Special Cash Dividends
August 6, 2025	Approval of the Audited Consolidated Financial Statements of the Company for the period ending June 30, 2025
August 22, 2025	Declaration of Special Cash Dividends
November 6, 2025	Approval of the Audited Consolidated Financial Statements of the Company for the period ending September 30, 2025
November 17, 2025	Declaration of Special Cash Dividends

Disclosure and Timing

As a publicly listed entity, it is the duty and commitment of the Company to adhere to sound corporate governance practices. Compliance with the rules and regulations of the SEC and the PSE are ensured by properly filing and submitting all required documents to the SEC and making necessary disclosures with the PSE, immediately after approval or confirmation by the Board at any material information action or decision, which may affect the Company or the trading community.

- The minutes of the Annual Stockholders' Meeting are uploaded in the Company website within five (5) days from the date of the meeting.
- The Audited Financial Statements (SEC Form 17-A) for the year was submitted to both the SEC and PSE on February 27, 2026, within sixty (60) days from year-end.- Other periodical reports – as may be prescribed by the PSE
- The interim and quarterly financial statements and results of operations are submitted to the regulators within 45 days from the end of the financial periods, as prescribed by the rules.

Analysts' Briefing

To keep the investing public informed of key developments affecting the Company and to provide access to its periodic financial statements relevant to the stock market, the Company, in addition to timely disclosures, regularly conducts analysts' briefings throughout the year. These briefings are attended by members of Management who are available to explain and address any questions raised by the analysts.

In 2025, the Company conducted four (4) analysts' briefings on:
- February 28, 2025;
- May 13, 2025;
- August 12, 2025; and
- November 13, 2025.



Board **Remuneration**

GRI 2-19, 2-20

The Company's Directors receive an allowance of Php30,000 a month and a per diem of Php25,000 for every Board meeting attended, and Php15,000 for every Committee meeting attended.

Other than those mentioned above, no other standard arrangements are received by the Directors of the Company as compensation, directly or indirectly, for any services rendered as such, including any additional amounts payable for Committee participation or special assignments, for the last completed fiscal year and the ensuing year.

Four (4) most highly compensated executive officers (see below)

	Year	Salary	Bonus	Others*
Four (4) most highly compensated executive officers (see below)	2026 (Estimate)	Php 11,317,680	Php 943,140	Php 3,822,500
	2025	Php 10,288,800	Php 857,400	Php 3,475,000
	2024	Php 9,675,600	Php 857,400	Php 3,355,000
All other officers and directors as a group unnamed	2026 (Estimate)	-	-	Php 13,750,000
	2025	-	-	Php 12,500,000
	2024	-	-	Php 10,550,000

*Others – includes per diem of directors
The following constitute LTG's four (4) most highly compensated executive officers (on a consolidated basis):

1. Dr. Lucio C. Tan is the Chairman of the Board of Directors and CEO.
2. Mr. Lucio C. Tan III is the President and COO.
3. Atty. Ma. Cecilia L. Pesayco is the Corporate Secretary and Chief Legal Counsel.
4. Ms. Juanita L. Tan Lee is the Treasurer.

Internal & External **Auditor**

As part of its mandate, the Audit Committee (AC) recommends to the Board the appointment, dismissal, replacement, and re-appointment of the External Auditors. It regularly reviews and evaluates the performance of its External Auditor before making the necessary recommendation to the Board for its approval.

On February 18, 2025, the Chief Audit Executive (CAE), Mr. Dioscoro Teodoro Lim, recommended to the Audit Committee (AC) the reappointment of SyCip Gorres Velayo & Co. (SGV & Co.) for the year 2025. He reported that the Company had conducted a tender process and the recommendation was based on the result of such process and the consideration of several factors such as the external auditor's extensive experience on the auditing firm, its extensive knowledge on the Company's business, and the reduced security risk associated with re-engaging SGV & Co.

After thorough study and evaluation, the AC approved the CAE's proposal and recommended to the Board the retention of SGV & Co.'s services. Ms. Aileen L. Samjang as the partner-in-charge. The re-appointment was subsequently ratified by the stockholders during the ASM held last May 7, 2025. Accordingly, as part of its services, SGV & Co. provides the Company with updates on the latest rules, regulations, and other relevant laws, as well as updates on Philippine Financial Reporting Standards for the entire group of companies.

For the year 2025, the Company incurred audit fees of Php 1,062,727 exclusive of Out-of-Pocket Expenses (OPE) or Php 1,169,000, inclusive of OPE.

For non-audit services, the fees incurred was Php 280,000.

Rights of **Shareholders**

1. Right to Participate
Stockholders are urged to personally attend the ASM with an option to designate an authorized representative should they be unavailable.

Stockholders holding at least one-third (1/3) of the subscribed and paid-up capital stock of the Company have (1) right to call for a Special Stockholders' Meeting and (2) the right to propose items in the agenda of the Stockholders' Meeting, provided the items are for legitimate business purposes.

Notice to attend the Annual and Special Stockholders' Meeting, whether in person or by proxy, which includes sufficient and relevant information, are sent to the Stockholders at least 30 days before the meeting. Stockholders who choose to appoint a proxy to attend on their behalf are informed of the proper and necessary procedures on how to appoint one.

In compliance with the Notice from the SEC dated February 23, 2024, Notices to the ASM held last May 7, 2025 were published in print and online format via The Philippine Daily Inquirer and Philippine Star, at least twenty-eight (28) days prior to the scheduled date of the Meeting. The publications included the Agenda for the meeting, the access link to all ASM documents, the process for proxy appointments, and Stockholder may be able to personally attend the Meeting and the procedures on how to register and vote at the virtual meeting.

2. Right to Vote
Stockholders are encouraged to vote by submitting their voting instructions to the Office of the Corporate Secretary within the period stated in the Notice to the Stockholders' Meeting.

They have right to vote on corporate acts of fundamental importance, such as, but not limited to, the election, removal and replacement of Directors and the changes or amendments made to the Company's Articles of Incorporation and By-Laws.

The affirmative vote of at least a majority of the stockholders present in person or by proxy during the said meeting, except for the election of Directors and such other matters where the law requires a different threshold for approval, is required in all matters submitted for voting in the ASM.

3. Right to Inspect or Examine Corporate Records
Stockholders have the right to inspect corporate books and records, including minutes of Board meetings, stock registries, annual reports and financial statements. See subsection to the Corporate Secretary, a written notice for such purpose provided that they have not misused any information previously gathered.

4. Right to Information
The Company makes timely disclosures through the PSE website and its own website as well, complete disclosures and the investing public is provided access to material information. Minority stockholders are furnished with relevant information as may be required by law on a timely and regular basis.

5. Right to Dividends
In 2025, the Company paid four (4) times declared dividends out of its Unrestricted Retained Earnings. It strictly adheres to its dividend policy to distribute the dividends within 30 days from the date it is approved and declared.

6. Appraisal Right
Stockholders have the right to dissent and demand payment of the fair value of his shares when: (1) an amendment to the Articles of Incorporation will change or restrict the rights of such stockholder or authorize creation or increase of several classes of stock; (2) there is a sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets; (3) there is merger or consolidation; and (4) the Company decides to invest its funds in another corporation or business or any purpose other than its primary purposes.

Declaration Date	Dividends	Payment Date
March 14, 2025	Regular Cash Dividend of Php 0.15 per share and Special Cash Dividend of Php 0.15 per share to all stockholders as of March 31, 2025	April 8, 2025
June 16, 2025	Special Cash Dividend of Php 0.30 per share to all stockholders as of July 1, 2025	July 14, 2025
August 22, 2025	Special Cash Dividend of Php 0.30 per share to all stockholders as of September 9, 2025	September 24, 2025
November 17, 2025	Special Cash Dividend of Php 0.35 per share to all stockholders as of December 2, 2025	December 12, 2025

Sustainability **Governance**

GRI 2-14, 2-15, 2-16, 2-17, IFRS S1.27(b)(i)(ii), IFRS S2.6(b)(i)(ii)

Sustainability governance at LTG is structured to ensure clear leadership, accountability, effective oversight, and consistent integration of economic, environmental, and social considerations across the Group. This governance approach supports informed decision-making, aligns with investor and regulatory expectations, and embeds disciplined management of sustainability-related risks and opportunities. To strengthen sustainability leadership at the executive level, LTG appointed Jose Gabriel D. Olives as Chief Sustainability and ESG Officer on May 9, 2023, concurrent with his role as Chief Financial Officer. In this capacity, he is responsible for embedding sustainability and ESG considerations into corporate strategy and operations, monitoring progress on sustainability initiatives, and ensuring alignment with regulatory requirements, stakeholder expectations, and recognized ESG best practices.

The Chief Sustainability and ESG Officer reports directly to the Board of Directors and provides regular updates on sustainability performance and related matters. At the Group level, sustainability oversight is further reinforced through the Corporate Governance and Sustainability Committee, which receives regular reports from subsidiaries. The Chief Sustainability and ESG Officer participates in these monthly committee meetings, enabling consistent information flow, timely escalation of issues, and alignment of sustainability priorities across businesses. At the operating level, each subsidiary has designated sustainability officers responsible for advancing ESG integration within their respective operations. These officers drive implementation, monitor performance, and ensure that sustainability considerations are embedded in day-to-day activities in a manner consistent with Group-level direction. This structure supports accountability while allowing flexibility to address sector-specific risks and opportunities.

Asia Brewery

Dr. Alberto Rivera
Senior Vice President, Supply Chain

ETON

Ms. Donna Kristine Salgado
Assistant Vice President, Marketing, Public Relations & Corporate Communications and Sustainability Officer

PNB

Ms. Jean Maria Baruelo
Senior Vice President, Residential Real Estate 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

Orientation & Continuing Education Programs for Directors

In compliance with the Securities and Exchange Commission's (SEC) Code of Corporate Governance for Publicly Listed Companies, the Company implements an orientation program for first-time directors and provides continuing education programs for all members of the Board.

Pursuant to SEC Memorandum Circular No. 20, series of 2013, directors are required to annually attend corporate governance training conducted by accredited and recognized training providers. In line with this requirement, the Company conducted a group-wide Corporate Governance Seminar on November 26, 2025, delivered via remote communication and facilitated by SGV & Co.

The seminar covered key developments in corporate governance, regulatory updates, risk oversight, sustainability integration, and emerging governance practices relevant to publicly listed companies. It also included discussions on the evolving role of artificial intelligence in business operations and governance, strengthening anti-fraud frameworks, and reinforcing compliance with applicable laws and regulations, including the Anti-Money Laundering Act (AMLA).

The session aimed to enhance the Board's effectiveness in the discharge of its duties, strengthen oversight on risk and compliance, and reinforce accountability across the organization.

Attendees included members of the Board of Directors, Board Advisors, and key officers of the Company and its subsidiaries within the Group. The program forms part of the Company's continuing commitment to uphold high standards of corporate governance and ensure that its directors remain informed, competent, and responsive to evolving regulatory and business environments.

Among the attendees were the following:

Board of Directors:
Dr. Lucio C. Tan
Carmen K. Tan
Lucio C. Tan III
Michael G. Tan
Karlu T. Say
Vivienne K. Tan
Juanita T. Tan Lee
Johnip G. Cua
Mary G. Ng
Raul M. Leopando
Woochong Um

Board Advisors:
Eduardo Luis T. Luy
Benito T. Pascual II
Chester Y. Luy
Wilfrido E. Sanchez
Protacio T. Tacandong
Florencia G. Tarriela

Executive Officers:
Jose Gabriel D. Olives
Atty. Ma. Cecilia L. Pesayco
Dioscoro Teodorico L. Lim
Nestor C. Mendones
Atty. Marivic T. Moya



Embedding **Sustainability** in our **Footprint**

Our Value Creation Model

INPUT

FINANCIAL

₱46.07 B Operating Costs	₱30.98 B Net Income

INTELLECTUAL

₱519.68 M Total investments for digital transformation initiatives	₱2.95 B Total IT-related CapEx budget

- PNB Holdings completed foundational digital initiatives by migrating to SAP S/4HANA Cloud
- PNB conducted 27 batches of training through the AI Proficiency and Excellence Academy (APEX)
- Eton digitalized property management and marketing through MyEPMC, the DMC Hub, and migration to Microsoft Azure.

MANUFACTURED

1,585 ATMs	145 CAMs
102 CCAMs	6,953 POS Terminals

HUMAN

13,063 Total Employees	46.59% Male and 53.41% Female
425,157 Total Training Hours	3,111 Total no. of trainings conducted
7.04% Turn over rate	

NATURAL

1,183,478.44 GJ Fuel Consumption	217,471,654.10 kWh Electricity Consumption (Non-Renewable)
8,342.57 ML Water Withdrawal	

SOCIAL & RELATIONSHIP

₱77.81 M
Total investments on the Local Communities

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 performance
- Ethical operations
- Good governance

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

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

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

OUTPUT

LONG-TERM GROWTH

₱151.31 B Economic Value Generated	₱122.53 B Economic Value Distributed

VALUE THROUGH PRODUCTS AND SERVICES

13 Digital and Innovation projects for 2025 at Asia Brewery	100% Completion of DMC Hub deployment and Microsoft Azure cloud migration
100% Completion rate across all digitization projects at Tanduay	1,824,005 Mobile Banking Enrolled Users

RESPONSIBLE OPERATIONS

2,408 Total of trees and seedings planted in 2025	0.02% Decrease of Energy Consumption
79,619.89 GJ Renewable Energy	3,272.29 ML Water Consumption
7,776.92 MT Waste Generated	1,609 Total hectares of trees planted
234,019.73 tCo_2e total carbon footprint	ZERO significant negative impact in biodiversity across all subsidiaries

WELFARE OF EMPLOYEES AND COMMUNITIES

1,325 New hires	1,679 Average training hours for Employees
25,857,619 Safe man hours	11,881 Total employees trained

Supported **20 farmers**; **35 hectares** cultivated using **561 kg** hybrid rice seeds and 95 sacks of fertilizers; harvest reached **239,720 kg** palay (avg. 6.85 MT/ha)

1,044 educators trained for FUSE Training Program
28 new scholars; continued support for **21 existing scholars** (farmers' children program) for **SY 2025–2026**

495 employees successful blood donors for year **2025**

IMPACT ON SDG's

8 DECENT WORK AND ECONOMIC GROWTH

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

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
17 PARTNERSHIPS FOR THE GOALS

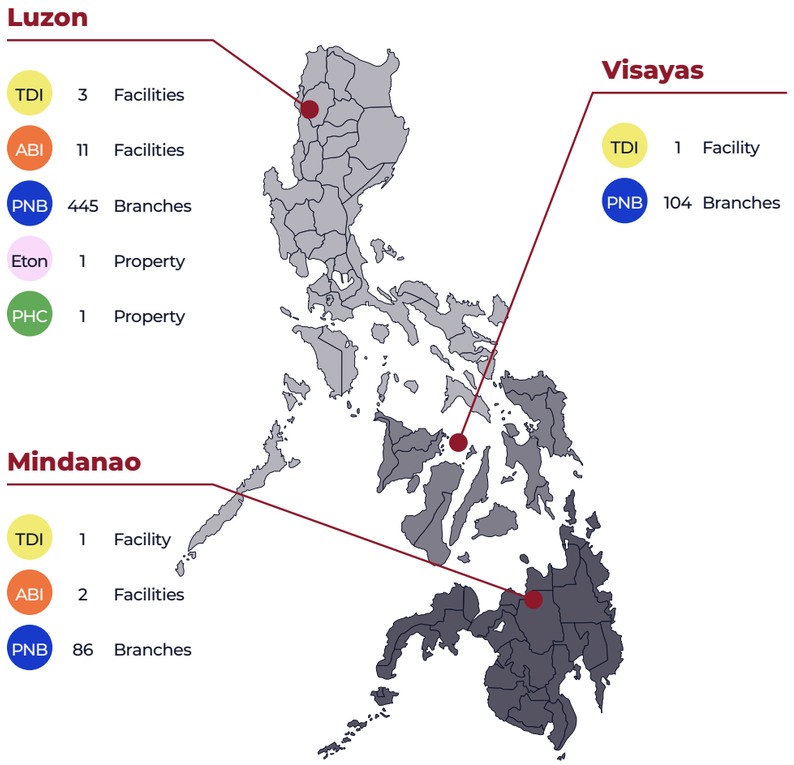
LT Group's Value Creation Model illustrates how the Group transforms diverse capital inputs into meaningful, measurable outcomes across the economic, environmental, social, and governance dimensions. Drawing on ₱46.07 billion in operating costs, a workforce of 13,063 employees, and ₱519.68 million invested in digital transformation initiatives, the Group channels these resources through business activities anchored in its Vision and Mission, creating lasting value for consumers, communities, employees, and shareholders through responsible leadership, environmental stewardship, and inclusive practices.

These inputs translate into tangible results that reinforce the Group's sustained momentum. In 2025, LT Group generated ₱151.31 billion in economic value and distributed ₱122.53 billion back into the economy, while advancing 13 digital and innovation projects across its subsidiaries. On the environmental front, the Group planted 2,408 trees and seedlings, achieved a 0.02% decrease in energy consumption, and utilized 79,619.89 GJ of renewable energy — all while maintaining zero significant negative impacts on biodiversity across all subsidiaries. These efforts were matched by continued investment in people and communities: 11,881 employees were trained across 3,111 training programs totaling 425,157 hours, 1,325 new hires joined the Group, and ₱77.81 million was directed toward local community programs, including support for 20 farmers and 28 new scholars.

Together, these outcomes contribute directly to ten United Nations Sustainable Development Goals, spanning decent work and economic growth, climate action, life on land, quality education, and partnerships for the goals, among others. The Value Creation Model reflects the Group's integrated approach to growth: one where financial performance, operational responsibility, and stakeholder welfare advance in concert, sustaining progress that is both scalable and purposeful.

Our Operational **Footprint**

Our **operational footprint** reflects the breadth and reach of the Group's businesses across key sectors of the Philippine economy. Each subsidiary contributes distinct expertise and value while operating under shared principles of efficiency, integrity, and sustainability. Through a nationwide presence and selected international ventures, the Group's operations are positioned to serve millions of customers and communities. This geographic and sectoral diversity strengthens resilience, enables resource optimization, and supports the Group's long-term commitment to inclusive growth and sustainable development.



Advancing Our **Sustainability Path**

Our Sustainability Framework

GRI 2-6

LT Group's approach to sustainability is not a separate initiative but an integral dimension of how the Group creates and preserves value. Grounded in the belief that lasting growth must account for its broader impact, the Group has developed a Sustainability Framework that connects corporate strategy with environmental stewardship, social responsibility, and sound governance. This framework provides the structure through which each subsidiary, across banking, beverages, real estate, manufacturing, and tobacco, aligns its operations with shared sustainability commitments while responding to the distinct opportunities and risks within its sector. It is through this framework that the Group's momentum translates into progress that is not only financially sound but also responsible, inclusive, and enduring.

The Sustainability Framework is anchored in the Group's purpose, mission, and core values, and is informed by regular materiality assessments that identify the sustainability topics most relevant to our business model and stakeholder expectations. The framework provides a clear structure for translating sustainability commitments into concrete actions across our diversified portfolio. At its core, the framework is organized around the objective of ensuring continuous benefits for our stakeholders, guided by four interrelated pillars:

LONG-TERM GROWTH

Focused on economic performance, ethical operations, and good governance, this pillar underscores LTG's commitment to sustainable profitability, prudent risk management, and integrity in decision-making.

It ensures that growth is pursued responsibly and in a manner that supports resilience over time.

RESPONSIBLE OPERATIONS

Covering resource efficiency, supply chain management, and climate change adaptation, this pillar reflects LTG's responsibility to minimize environmental impacts and strengthen operational resilience.

It guides efforts to use resources efficiently, engage responsibly with suppliers, and respond proactively to climate-related risks and opportunities.

VALUE THROUGH PRODUCTS AND SERVICES

This pillar emphasizes customer satisfaction, data privacy and security, and innovation and digitalization. LTG seeks to deliver reliable, high quality products and services while adapting to changing customer needs and leveraging innovation to enhance efficiency and accessibility.

WELFARE OF EMPLOYEES AND COMMUNITIES

Centered on safety, security, and well-being, labor relations and skills development, and community relations and development, this pillar affirms LTG's commitment to its people and the communities where it operates. It supports safe workplaces, inclusive development, and the creation of long-term social value.

To operationalize this framework, LTG has established a set of Key Performance Indicators (KPIs) aligned with each pillar and its corresponding material topics. These KPIs enable the Group to monitor progress, evaluate performance, and support data-driven decision-making. Targets and indicators are reviewed and refined on a two- to five-year cycle, in line with relevant policies and sustainability action plans. Oversight of the|Sustainability Framework and its performance rests with the Parent Company, ensuring consistency, accountability, and alignment across subsidiaries



Approach to **Materiality**

GRI 3-1, 3-2

In 2025, LT Group conducted a comprehensive double materiality assessment to identify and prioritize the sustainability topics most relevant to the Group's long-term value creation—and to understand the Group's impacts on society and the environment. This assessment advances LTG's previous materiality exercises and reflects the evolving landscape of regulatory expectations, heightened climate-related risks, rising stakeholder demands, and growing scrutiny of technology use and global supply chains. The exercise was conducted across LTG and its key subsidiaries, ensuring consistency while recognizing the diversified nature of the Group's businesses.

Participants evaluated sustainability topics through a survey administered via Mentimeter, using a five-point scale ranging from *Not Important* (1) to *Very Critical* (5). Topics were assessed under four sustainability pillars:

Long-Term Growth

Responsible Operations

Value Through Products and Services

Welfare of Employees and Communities

Potential material topics were identified through a review of internal policies, prior materiality assessments, regulatory requirements, and emerging sustainability trends. These topics were then assessed and ranked based on:

- Stakeholder expectations and societal impacts
- Operational and financial implications for the Group
- Likelihood and severity of potential impacts

Results were consolidated and prioritized under LTG's four sustainability pillars—Long-Term Growth, Value Through Products and Services, Responsible Operations, and Welfare of Employees and Communities—producing the Group's 2025–2028 material topics as reflected in the materiality matrix. These priorities guide the focus of this Integrated Report and inform the development of targets, KPIs, and action plans across the Group and its subsidiaries.



LT GROUP MATERIALITY MATRIX



Responsible Operations

2 Resource Efficiency
9 Waste Management and Circular Practices
11 Water Stewardship and Responsible Withdrawal
13 Climate Change and GHG Emissions
17 Environmental Compliance and Permitting
22 Supply Chain Management

Long-Term Growth

1 Economic Performance and Value Creation
3 Risk Management and Business Continuity
4 Tax Transparency and Fiscal Responsibility
7 Innovation, Digitalization, and Future Readiness
10 Corporate Governance and Board Effectiveness
12 Sustainability Governance and ESG Integration
21 Ethical Business Conduct and Anti-Corruption
28 Illicit Trade

Welfare of Employees and Communities

8 Occupational Health, Safety, and Well-being
19 Community Investment and Social Inclusion
20 Talent Development and Succession Planning
24 Human Rights Protection and Grievance Mechanisms
25 Labor Relations, Fair Employment, and DEI

Value Through Product and Services

5 Product and Service Quality Assurance
6 Customer Satisfaction and Service Quality
14 Innovation in Customer Experience and Platforms
15 Financial Inclusion and Equitable Access
16 Accessible and Inclusive Product Design
18 Responsible Marketing and Advertising
23 Customer Data Privacy and Cybersecurity
26 Consumer Health and Responsible Information
27 Customer Education and Empowerment

Stakeholder **Management**

GRI 2-29

Effective stakeholder management is central to LT Group's sustainability approach and supports the Group's momentum toward meaningful progress. As a diversified holding company, LTG engages a broad range of stakeholders whose expectations, concerns, andinfluenceareintegraltoresponsibledecision-making. The Group's stakeholder management positions are designed to ensure transparency, responsiveness, and constructive dialogue—while supporting informed decision-making and long-term value creation.

LTG classifies its key stakeholder segments based on their degree of influence on the business and the extent to which they are affected by the Group's operations. Engagement mechanisms are matched to the appropriate stakeholder group, and material concerns are addressed in a timely and systematic manner. Feedback gathered through these engagements informs strategy, risk management, policy development, and sustainability performance monitoring.

STAKEHOLDER SEGMENT	KEY CONCERNS	OUR MODE OF ENGAGEMENT	STRATEGIC RESPONSE
Government Agencies and Regulators	· Socio-economic and environmental compliance · Ethical Operations · Good Governance · Economic Performance · Illicit Trade · Human Rights protection · Resource Efficiency · Climate change/GHG emissions	· Policy dialogues, consultations and meetings, and legislative hearings · Regular reportorial requirements and other official correspondence · Briefings, forums, webinars and conference (primarily online) · Annual audits · Formal proceedings · Membership in committees organized by the government · Periodic examinations · Emails/Correspondences · Virtual Meetings · Webinars	→Community Relations and Development →Ethical Operations →Good Governance →Responsible Operations →Adapting to Climate Change
Customers	· Customer data privacy and security · Marketing and labeling · Ethical operations · Good · Resource efficiency · Climate change/GHG emissions · Customers Engagement and Satisfaction	· Emails · Calls/SMS · Social Media Platforms · Messaging Apps · Websites · Retail Partners · Customers Survey Forms	→Community Satisfaction →Data Privacy and Security →Innovation and Digitization →Resource Efficiency →Adapting to Climate Change
Communities	· Supply chain management · Human rights protection · Community relations	· Corporate Social Responsibility Activities · Investors' Conference · Plan Visits · Virtual Financial Literacy/ Financial Wellness sessions · Virtual meetings and events/ activities (i.e., donations, turnovers, etc.) · Charitable/Philantropic Contributions · Environmental and sustainability related projects or initiatives · Partnerships with credible NGOs, Foundations, academic institutions, LGUs, or Civil Society Organizations	→Community Relations and Development →Organization and Individual Memberships and Associations
Employees	· Employment · People, safety, security, and well-being · Employee skills and competency development · Labor relations and diversity · Customer engagement and satisfaction · Community relations	· Consultation · Tool box meetings · Employee-related activities · Labor union · Annual Shareholder's Meeting · Annual Press Briefing · Quarterly's Analysts' Briefing · Consultation Meetings with the government institutions · Conference/telephone calls · Regular virtual meetings with relationship managers and branch personnel · Website updates · Email communication · Social Media Updates and Messaging Apps (Facebook, Messenger, Twitter, Instagram, Viber, WhatsApp · Virtual Events · Yearly outing/Team building	→Safety, Security, and Well-being →Labor Relations and Skills →Diversity, Equality, and Inclusion →Labor-management relations
Supplier	· Ethical operations · Good governance · Climate change/ GHG emissions · Resource Efficiency · Illicit Trade · Supply chain management	· Supplier Performance Evaluation · Consignment Program (Partnership) · Electronic/Physical Letters · Virtual meetings · Phone calls/SMS	→Supply Chain Management →Human Rights →Illicit Trade →Resource Efficiency →Adapting to Climate Change

Stakeholder **Feedback Mechanism**

To ensure open dialogue among our stakeholders, we welcome stakeholder feedback, recommendations, and inquiries at **sustainability@ltg.com.ph**.

Amplifying Our **Commitments to International** Agreements

While LTG is not a direct signatory to international sustainability or human rights treaties at the corporate level, the Group recognizes its responsibility to operate in a manner that supports the Philippines' commitments to global agreements and frameworks. As a Philippine company, LTG is a signatory to domestic laws and executive orders aligned with sustainable development, climate action, human rights, labor standards, and environmental protection. As a Philippine-based company operating diversified businesses, LTG aligns its policies, practices, and sustainability priorities with the spirit and intent of these international commitments as they are translated into national laws, regulations, and policy frameworks.

The Group's approach is grounded in compliance with applicable local regulations that give effect to international agreements—including environmental laws, labor standards, governance requirements, and climate-related policies. Beyond regulatory compliance, LTG seeks to enforce these commitments through responsible business conduct, ethical operations, and long-term value creation across its subsidiaries. LTG's Sustainability Framework and materiality-driven priorities support national and global objectives related to:

· Economic growth anchored in good governance and ethical business practices
· Protection of human rights and promotion of safe, inclusive, and equitable workplaces
· Climate change mitigation and adaptation through improved operational resilience
· Community development and social inclusion
· Responsible resource use and environmental stewardship

A Look Into **Our Sustainable Progress** and **Milestones**

Over the past four years, we have taken deliberate and progressive steps to strengthen the integration of sustainability into our governance, risk management, and business strategy. These milestones reflect the Group's evolving maturity in sustainability management, moving from foundational structures toward deeper integration with enterprise-wide decision-making and reporting.

2022

- Strengthening of sustainability compliance mechanisms
- Formal commitment to advancing the integration of sustainability considerations into business operations and disclosures

2023

- Establishment of the Group's Sustainability Framework as the foundation for consistent ESG management and reporting
- Adoption of a Human Rights Policy Statement, reinforcing responsible business conduct across operations
- Integration of ESG and sustainability commitments into the Company's mission and vision statements, reinforcing long-term value creation objectives
- Approval of the Group's ESG and Sustainability Charter, formalizing governance and accountability structures
- Alignment with internationally recognized sustainability frameworks, including GRI, SASB, and TCFD
- Deployment of ESG KPI dashboards at the subsidiary level to support performance monitoring and management oversight

2024

- Integration of sustainability considerations into ERM processes to strengthen risk identification and oversight
- Initial assessment of biodiversity, deforestation, and hazardous substances as emerging environmental risk areas
- Strengthened strategic oversight of ESG and sustainability matters by the Corporate Governance and Sustainability Committee (CGSC)
- Transition toward Integrated Reporting, reinforcing the linkage between financial and non-financial performance
- Alignment with IFRS S1 and IFRS S2 to enhance consistency, comparability, and investor decision-usefulness
- Implementation of standardized ESG and sustainability KPIs across subsidiaries, with 2024 established as the baseline year

2025

- ***Strengthened*** alignment with ***investor expectations*** and ***sustainability rating methodologies***, including ISS, Sustainalytics, and the S&P Corporate Sustainability Assessment (CSA)
- ***Completion*** of a Group-wide double materiality assessment to ***identify sustainability issues*** with potential impact on stakeholder value and long-term enterprise performance
- Enhanced responsiveness to stakeholder requirements across business units
- Identification of sustainability and climate-related risks and opportunities relevant to strategy and capital allocation
- Integration of ESG and sustainability risks into the Company's Enterprise Risk Management (ERM) framework
- Conduct of an employee engagement survey to inform human capital management strategies
- Drafting of key sustainability-related policies for adoption in the succeeding reporting cycle, including supply chain management, product health, responsible marketing, diversity, equity and inclusion (DEI), and enhancements to the Whistleblower Policy

Responsible **Operations**



In 2025, LT Group, Inc. advanced its commitment to responsible operations across every dimension of its environmental and supply chain performance — reducing its carbon footprint, expanding renewable energy use, and strengthening the governance structures that make sustainable progress possible over the long term.

Across the Group's diverse businesses, responsible operations is not a compliance exercise but a operating discipline embedded in how each subsidiary manages its resources, engages its suppliers, and responds to the physical and regulatory realities of a changing environment. From the 2025 draft of a Group-wide Supply Chain Management Policy to subsidiary-level climate adaptation strategies, the Group continued to build the systems, data infrastructure, and accountability mechanisms needed to manage environmental impact with greater precision and purpose. These efforts are reflected in measurable outcomes: a year-on-year decline in total carbon emissions, a near five-fold increase in renewable electricity consumption, and a significant multi-year reduction in hazardous waste — results that reflect both operational discipline and deliberate investment in cleaner, more resilient ways of working.

The sections that follow detail these efforts across three interconnected fronts: supply chain governance and human rights, which address how the Group sources responsibly and upholds ethical conduct across its value chain; resource efficiency, which covers how each business manages energy, water, waste, and materials; and climate change adaptation and biodiversity, which outlines how the Group identifies, assesses, and responds to environmental risks while protecting the natural systems its operations depend on. Together, they reflect the Group's conviction that momentum for meaningful progress is built not only through financial performance, but through the responsibility with which that performance is achieved.

22.1M kWh

RENEWABLE ELECTRICITY CONSUMED

234,020 tCO_2e

TOTAL CARBON FOOTPRINT

157 mt

HAZARDOUS WASTE GENERATED

Zero

SIGNIFICANT ENVIRONMENTAL OR SUPPLY CHAIN INCIDENTS

Supply Chain **Management**

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

Effective supply chain governance is a critical enabler of operational resilience, responsible sourcing, and sustainable value creation. As the Group deepens its momentum across businesses, strengthening the integrity of its supply chain remains a deliberate and ongoing priority. In 2025, the Group drafted a Supply Chain Management Policy targeted for rollout in 2026. Designed to embed ESG and sustainability considerations across the Group's diverse businesses, the policy introduces supplier ESG and risk scoring, enhances accreditation mechanisms, and formalizes a Supplier Code of Conduct applicable across subsidiaries.

At the subsidiary level, each business maintains disciplined procurement frameworks calibrated to its operating context. PNB Holdings manages procurement with a focus on quality, timeliness, and cost efficiency for both existing properties and new developments. Local suppliers are prioritized to reduce carbon footprint and logistics risks, with challenges such as supply constraints and variable quality addressed through diversification, early planning, inventory management, and continuous vendor engagement. Supplier compliance with fair labor, ethical business, and environmental practices is assessed during accreditation through the Vendor Code of Ethics. PNB applies a structured, multi-level} procurement process anchored on vendor accreditation, competitive bidding, and approval thresholds extending to Board oversight for significant transactions. Enhanced vendor due diligence incorporates ESG criteria, environmental and social scorecards, business continuity readiness, and information security and data privacy compliance. Supplier risks are monitored through regular evaluations, audits, and escalation mechanisms, with clear rules governing non-compliance and disqualification.

Asia Brewery and Tanduay maintain sourcing frameworks designed to ensure continuity of supply, quality, and compliance. Asia Brewery prioritizes local suppliers where feasible and addresses global risks, including geopolitical disruptions, energy price volatility, and logistics constraints, through multi-sourcing, inventory buffers, and quality audits. Tanduay applies a rigorous Supplier Accreditation Program benchmarked against ISO 9001 standards, covering legal, financial, quality, and sustainability criteria. Environmental and social compliance is embedded through documentation reviews, site audits, and performance evaluations, with zero significant environmental or social supply chain incidents recorded in 2025.

Eton manages supplier risks through accreditation, performance monitoring, and internal reporting mechanisms focused on delivery reliability, quality, and cost efficiency. While formal ESG supplier standards are still evolving, risks related to supplier capability and availability are monitored through procurement and risk compliance programs.

Human Rights

The Group upholds a firm commitment to respecting and protecting human rights across its operations and supply chain, guided by its Human Rights Policy. The policy enforces zero tolerance for forced labor, child labor, harassment, discrimination, and other abusive practices, while promoting fair labor standards, safe working conditions, and ethical business conduct. These principles are embedded in supplier accreditation, due diligence, and ongoing engagement processes to ensure human rights considerations are integrated throughout the value chain.

For more information on the Group's Human Rights Policy, please go to this link:
https://ltg.com.ph/human-rights-policy-statement/

Illicit Trade

GRI 2-27

Illicit trade remains a significant and persistent challenge in the Philippine tobacco market, with wide-ranging consequences for public health, government revenues, and legitimate businesses. Based on third-party estimates from Euromonitor, illicit cigarettes accounted for approximately 21% of total cigarette consumption in 2025, equivalent to around 11.5 billion sticks or roughly one in every five cigarettes sold in the country. This share is projected to reach 25% by 2030 if left unaddressed.

The growth of illicit trade is largely driven by price disparities arising from tax evasion. Legal cigarettes are subject to excise taxes of ₱66.15 per pack, while illicit products evade all taxes and regulatory costs and are sold for as low as ₱40 per pack, creating a strong incentive for price-sensitive consumers to shift toward illegal alternatives. Counterfeit products that imitate legitimate brands further undermine consumer trust and create an uneven playing field where compliant manufacturers bear the full burden of taxation, regulation, and health standards.

Prevention, Enforcement, and Market Protection

PMFTC addresses illicit trade through a multi-layered strategy aimed at disrupting supply chains, protecting legitimate commerce, and supporting enforcement. Key measures include breaking illicit supply networks across distribution and retail channels, preventing product diversion through strengthened supply-chain controls, and enhancing market surveillance to identify counterfeit products. Where warranted, cease-an-desist actions are pursued to safeguard intellectual property and deter further illegal activity.

Specialized training programs equip law enforcement agencies and internal sales teams to identify counterfeit and illicit tobacco products. These initiatives are supported by continuous information-sharing with government stakeholders and ongoing research into the health, social, and economic impacts of illicit trade.

Education and Public Awareness

Awareness and education remain central to demand reduction. PMFTC conducts nationwide outreach through forums, retail store visits, and campaigns across traditional and digital media, targeting retailers, government officials, trade partners, and legal-age consumers on the risks, penalties, and consequences of illicit cigarette trade.

In 2025, PMFTC actively supported the Philippine Tobacco Institute's (PTI) nationwide education campaign, which reached over 30,000 retail store owners, helping them recognize illicit products and understand applicable laws and sanctions. Additional ITP specialist training sessions were conducted to strengthen frontline detection capabilities.

Collaboration and Policy Engagement

PMFTC works closely with domestic and international stakeholders to strengthen collective action against illicit trade. Locally, the company is an active member of the PTI, which represents tobacco manufacturers, importers, exporters, and leaf traders and plays a key role in industry coordination, advocacy, and retailer education.

At the policy level, PMFTC advocated for consistent nationwide enforcement of key legislation, including the Tax Code, the Vape Law (RA 11900), and the Anti-Agricultural Economic Sabotage Act (RA 12022), emphasizing the importance of active prosecution to deter repeat offenses. Operationally, the company collaborates with the Bureau of Customs (BOC), Bureau of Internal Revenue (BIR), Philippine National Police (PNP), and the National Bureau of Investigation (NBI), contributing to nationwide seizures, factory closures, arrests related to smuggling and tax evasion, and the dismantling of large-scale counterfeit operations. PMFTC also monitors illicit tobacco and vape listings on e-commerce platforms and reports violations to the Department of Trade and Industry for appropriate action.

At the international level, PMFTC participates in global platforms, including international trade forums and regional business councils, supporting coordinated cross-border responses to illicit trade.

Strategic Objective

PMFTC's objective is to reduce illicit trade to manageable levels through sustained coordination with PMI affiliates and stakeholders, both locally and internationally. Demand-side efforts focus on retailer engagement and consumer awareness among legal-age smokers. On the supply side, the company continues to invest in supply-chain security, customer due diligence, and demand-aligned product distribution, reinforced through ongoing collaboration with government and law enforcement partners. Progress on this front is measured not only in seizures and sanctions, but in the gradual restoration of a fair, compliant market that protects public health, legitimate business, and government revenues — a goal the company pursues with consistent purpose.



Resource **Efficiency**

Energy and Emissions

GRI 3-3, 103-1, 103-4, 103-5, 102-4, IFRS S1.46(a)(b), IFRS S2.29(a)(i),(ii),(iv)

Managing energy use responsibly is central to how the Group sustains operational momentum while reducing its environmental footprint. Across the Group, emissions management currently focuses on regulatory compliance, energy intensity reduction, and improved monitoring. While comprehensive emissions targets and transition plans are still being developed, LTG continues to strengthen data quality, internal controls, and governance structures to support a more systematic approach to climate and emissions management in the coming years. PNB Holdings manages energy consumption within corporate offices and managed properties, where major energy users include lighting, air-conditioning systems, pumps, elevators, and chillers. Efficiency initiatives include the conversion to LED lighting, installation of variable frequency drives (VFDs) on pumps and air-conditioning systems, use of inverter-type equipment, and operational optimization based on building occupancy and foot traffic. While formal emissions reduction targets are still under development, PHC continues to evaluate renewable energy opportunities and energy ratings as part of longer-term redevelopment and capital planning discussions.

PNB manages energy use primarily across corporate offices and branches, with lighting and air-conditioning as the main sources of consumption. Initiatives include the use of energy-efficient equipment and preventive maintenance of standby generator sets. The Bank also conducts annual greenhouse gas accounting and monitors generator usage, which remains limited to emergency or standby operations. PNB aligns its climate-related commitments with those of the Parent Company and continues to integrate energy efficiency and sustainability considerations into internal operations and risk assessments.

Asia Brewery applies a structured energy management approach across its beverage and packaging plants nationwide. Energy-intensive processes include glass manufacturing, refrigeration, air compression, boilers, and production equipment. The company has implemented an Energy Management System aligned with ISO 50001, supported by site-level audits, metering, and continuous improvement initiatives such as LED conversions, high-efficiency motors, VFD installations, process optimization, and equipment upgrades. Asia Brewery has also invested in renewable energy, with solar photovoltaic projects in Cabuyao, Pampanga, and El Salvador contributing to reduced reliance on fossil fuels. Emissions are monitored through DENR-EMB-accredited third-party testing, with energy reduction targets set at a minimum of 5% per site against prior-year performance indicators. Eton's energy management efforts focus on operational controls and targeted efficiency improvements across priority assets. Initiatives include preventive maintenance and optimization of building systems (including HVAC operations where applicable), energy-efficient lighting upgrades, and closer monitoring of consumption patterns to identify improvement opportunities. Where feasible, Eton evaluates phased options for cleaner energy sourcing and operational enhancements, balancing cost, site readiness, and tenant and resident requirements.

Tanduay manages energy consumption across all production facilities, where boilers used for distillation and bottle washing are the most significant energy users. Circular and efficiency-driven initiatives include the use of biogas generated from wastewater treatment, operation of a solar farm at Absolut Distillers, and ongoing studies on electrification of boilers and forklifts. Energy efficiency is further reinforced through preventive maintenance, plant-wide energy audits, and expanded energy metering. While formal greenhouse gas targets are still under development, the Company applies internal Energy Use Ratio targets to manage Scope 1 and Scope 2 energy intensity and ensure compliance with regulatory emission standards.

GRI 103-2, FB-AB-130a.1, FB-NB-130a.1

ENERGY CONSUMPTION	2025	2024	2023
Total energy consumption within the organization (GJ)	**2,045,996.25**	**2,045,506.60**	**1,565,725.92**
Total fuel consumption within the organization from non-renewable sources (GJ)	**1,183,478.41**	**1,174,471.80**	**887,913.26**
Luzon and Visayas (GJ)	1,072,723.86	1,069,466.78	842,275.78
Mindanao (GJ)	110,754.55	105,005.02	45,638.48

ELECTRICITY CONSUMPTION BREAKDOWN	2025	2024	2023
Total Electricity Consumption within the Organization from renewable energy (kWh)	**22,116,635.29*** **	**4,735,368.00****	**-**
Total Electricity Consumption within the Organization from non-renewable energy (kWh)	**217,471,654.10**	**237,218,743.10**	**188,281,292.83**
Luzon and Visayas (kWh)	197,604,753.20	215,625,481.74	166,734,201.03
Mindanao (kWh)	19,730,501.15	21,362,727.36	21,300,916.90
*International (kWh)**	136,399.75	230,534.00	246,175.00

**Scope is for PNB only. Restated electricity consumption (international) for comparison of 3 year data. The sudden decreases from 2024 to 2025 is due to the change in scope of reporting branches.*
***Scope is for ABI only.*
****Scope is for ABI and TDI only.*

FUEL CONSUMPTION BREAKDOWN	2025	2024	2023
Total Fuel Consumption (GJ)	**1,183,478.44**	**1,174,471.81**	**887,913.26**
Bunket Fuel (GJ)	507,399.46	526,442.75	367,785.36
Coal (GJ)	493,399.01	451,822.52	393,419.50
Low Sulfur Fuel Oil (LSFO) (GJ)	0.00	0.00	0.00
Diesel (GJ)	34,570.44	37,816.99	17,957.40
Gasoline (GJ)	11,892.37	13,928.61	1,409.37
Liquefied Petroleum Gas (GJ)	136,217.16	144,460.94	107,341.63

GRI 102-5, 102-6

EMISSIONS BREAKDOWN	2025	2024	2023
Generator Sets	30,240.05	26,566.71	27,677.11
Company-owned Vehicles	2,480.35	3,096.83	4,847.04
Third-party Vehicles	86.76	0.00	0.00
Others	47,356.94	45,435.78	28,304.12
Scope 1 (tCO_2e)	**80,164.10**	**75,099.32**	**60,828.27**
Luzon and Visayas (tCO_2e)	137,038.89	149,643.42	115,630.16
Mindanao (tCO_2e)	16,814.33	18,098.17	18,152.64
*International (tCO_2e)**	2.41	4.08	4.36
Scope 2 (tCO_2e)	**153,855.63**	**167,745.67**	**133,787.16**
Total Carbon Footprint (tCO_2e)	**234,019.73**	**242,845.99**	**194,615.43**

**Scope is for PNB only. Electricity consumption (international) for comparison of 3 year data. The sudden decreases from 2024 to 2025 is due to the change in scope of reporting branches.*

The tables above present the Group's energy consumption and emissions data for 2023 to 2025. Total energy consumption remained relatively stable between 2024 and 2025 at approximately 2,045,996 GJ, following a significant increase from 2023 levels of 1,565,726 GJ. Non-renewable fuel consumption held steady year-on-year, with bunker fuel and coal as the two largest fuel types, together accounting for approximately 85% of total fuel use in 2025. Electricity consumption from non-renewable sources declined from 237.2 million kWh in 2024 to 217.5 million kWh in 2025, while renewable electricity expanded notably to 22.1 million kWh, up from 4.7 million kWh in 2024, driven by solar energy initiatives at Asia Brewery and Tanduay.

On emissions, the Group's total carbon footprint declined from 242,846 tCO_2e in 2024 to 234,020 tCO_2e in 2025, reversing the upward trend from 2023. The reduction was primarily driven by a decrease in Scope 2 emissions, which fell from 167,746 tCO_2e to 153,856 tCO_2e, consistent with the drop in non-renewable electricity consumption. Scope 1 emissions increased modestly from 75,099 tCO_2e to 80,164 tCO_2e, largely attributable to higher generator set usage and the inclusion of third-party vehicle emissions in the reporting scope for 2025. Company-owned vehicle emissions continued their downward trend, declining for the third consecutive year.



Feature Story

Powering Progress: Asia Brewery’s Multi-Site Shift to Clean and Efficient Energy

Asia Brewery advanced its decarbonization agenda in 2025 through a coordinated portfolio of renewable-energy and efficiency projects across its manufacturing network. Two large-scale solar installations anchor this transition: the Solar PV Pampanga Project (1.253 MWp DC / 960 kW AC) serving the ABI Bottled Water and IPI Pampanga Plant, and the Solar PV El Salvador, CDO Project (2.051 MWp DC / 1.6 MW AC) at the El Salvador facility. Upon commercial operations in November 2025, these systems are expected to generate a combined 5,163 MWh annually, cutting an estimated 2,699 tons of CO2e each year while strengthening energy resilience at critical production sites. Beyond renewables, Asia Brewery pursued targeted efficiency upgrades to reduce electricity and fuel intensity. At Cabuyao, the shift to high-efficiency desiccant air dryers in central utilities is delivering measurable gains: 15% lower electricity costs, improved air quality, and year-to-date savings of 390,313 kWh, equivalent to 270.6 tons of CO2e avoided. Complementary compressed-air optimization at Package World’s carton operations, via VFD retrofitting, adds further reductions, alongside the rehabilitation of steam condensate recovery units that reuse hot condensate to improve boiler performance.

Feature Story

Designing Efficiency, Securing Resilience: Eton’s Integrated Energy and Water Stewardship

Eton continues to strengthen the environmental performance of its portfolio by embedding efficiency and resilience into day-to-day property operations. In line with Department of Energy (DOE) requirements, the company sustained the implementation of its Energy Management Program, focusing on systematic monitoring of energy consumption, deployment of conservation measures, and the achievement of Energy Use Intensity (EUI) reduction targets across priority assets. These efforts directly benefit tenants and residents through more stable operations and controlled utility costs, while providing LT Group and investors with clearer visibility on energy risks, performance trends, and long-term asset efficiency. Complementing its energy initiatives, Eton advance resource resilience through targeted investments in environmental infrastructure. A key focus in 2025 was the continued upgrading of Sewage Treatment Plants (STPs) to meet DENR standards, alongside the evaluation and rollout of treated greywater reuse for non-potable applications. This integrated approach reduces water-related risks, supports regulatory compliance, and enhances operational sustainability in high-occupancy properties.



Water **Management**

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

Water is recognized as a critical resource across the Group's diversified operations. Water management practices focus on monitoring consumption, improving efficiency, maintaining water quality, and mitigating operational and environmental risks, with approaches tailored to the nature of each business.

GRI 303-3, 303-4, 303-5, FB-AB-140a.1, FB-NB-140a.1

WATER CONSUMPTION	2025	2024	2023
Groundwater (ML)	*6,563.24*	*6,038.00*	*5,107.95*
Third-party water (ML)	*1,779.33*	*1,652.25*	*948.04*
Total Water Withdrawal (ML)	**8,342.57**	**7,690.25**	**6,055.99**
Surface Water (ML)	*1,833.53*	*1,853.00*	*2,177.14*
Groundwater (ML)	*541.49**	*85.00*	*116.95*
Seawater (ML)	*640.08*	*616.00*	*891.79*
Third-party water (ML)	*1,157.98*	*1,165.12*	*600.23*
Total Water Discharge (ML)	**4,173.08**	**3,719.12**	**3,786.11**
Total Water Consumed (ML)	**3,272.29**	**3,375.76**	**2,189.25**

**The increase in groundwater use can be attributed to TDI used only groundwater in 2025, whereas in 2024 they used more surfacewater than groundwater.*

The tables above present the Group's water withdrawal, discharge, and consumption data for 2023 to 2025. Total water withdrawal increased from 7,690 ML in 2024 to 8,343 ML in 2025, driven by higher groundwater and third-party water use across operations. Total water discharge also rose to 4,173 ML, while total water consumed declined slightly from 3,376 ML in 2024 to 3,272 ML in 2025, suggesting improved water use efficiency despite higher withdrawal volumes. Groundwater remains the largest source of withdrawal, accounting for approximately 79% of total intake in 2025, while surface water discharge decreased marginally year-on-year.

PNB Holdings manages water consumption primarily from restroom operations and landscape irrigation in corporate facilities. Initiatives include scheduled cleaning and washdowns, regulated system pressure through pneumatic upgrades, and controlled landscape watering schedules. PHC targets a minimum 10% reduction in water consumption across applicable facilities and monitors effluent quality in compliance with LLDA requirements. An on-site sewage treatment plant (STP) at the PNB Financial Center treats wastewater for reuse in landscape irrigation, reducing freshwater demand.

Eton's water use is driven primarily by tenant and resident demand. Management initiatives include daily monitoring, leak detection, infrastructure maintenance, and the reuse of gray water from rehabilitated sewage treatment plants. EPPI complies with DENR AO 2021-19 and coordinates closely with local government units and water concessionaires to ensure proper discharge standards. Investments in STP upgrades and gray-water reuse systems form part of both short- and long-term strategies to mitigate water supply risks and support efficient property operations. At PNB's offices at the PNB Financial Center, the largest volume of water consumption is attributable to the cooling tower supporting the centralized air-conditioning system. To mitigate supply risk, the building is supported by two water storage tanks capable of sustaining operations for up to two days, with water levels monitored hourly. Water is sourced from Maynilad and used for air-conditioning operations, sanitation, and drinking stations, with wastewater treated through the on-site STP prior to discharge. As a tenant, PNB coordinates closely with the building owner on water management initiatives while implementing internal measures such as leak prevention and efficient restroom maintenance. Responsibility for wastewater discharge standards and water recycling systems rests with the property manager, with PNB maintaining alignment to support responsible water stewardship.

Asia Brewery manages significant water demand arising from bottling, bottle washing, and glass manufacturing processes, where water serves as a core production input for beverage formulation, returnable glass bottle cleaning, and furnace cooling. Water performance is tracked through site-level KPIs, with a three-year target to reduce water use by 5%, supported by water-use management, preventive maintenance, and compliance with the Philippine Clean Water Act and related DENR regulations. Tanduay treats water as an essential input across distillation and bottling processes, with the highest consumption occurring during fermentation, alcohol-dilution, and bottle washing. To improve data accuracy and efficiency, Tanduay is expanding sub-metering and plans to install additional water meters in line with regulatory requirements. Water reuse initiatives, including reusing rinse water in bottle washing and optimizing softener systems, are expected to yield savings of approximately 83 million liters. The Company operates wastewater treatment facilities in compliance with DENR General Effluent Standards and continues to enhance wastewater quality through system upgrades, increased testing frequency, and automation. Longer-term strategies include rainwater harvesting, deep well rehabilitation, and the development of a formal water management policy.

Waste **Management**

GRI 3-3, 306-1, 306-2

Waste and materials management practices across the Group continue to evolve, balancing regulatory compliance, operational efficiency, and sustainability considerations. LTG remains focused on strengthening data quality, supplier engagement, and circular initiatives to reduce waste generation and improve resource stewardship over the long term.

PNB Holdings oversees waste management primarily through accredited third-party hauling vendors operating existing Materials Recovery Facilities. Waste segregation and disposal are managed at the building level, supported by bulk procurement, inventory management, and improvements in mechanical, electrical, plumbing, and fire (MEPF) systems to extend asset life and reduce material waste. For future developments, PHC is integrating lean construction practices, modular construction methods, and sustainability certifications, while prioritizing energy-efficient materials, retrofitting of existing buildings, and adaptive reuse strategies to minimize demolition waste and resource intensity.

PNB generates waste mainly from office operations, renovations, and the replacement of equipment and furnishings. Waste management is coordinated with building owners and accredited contractors, while internal initiatives focus on waste segregation, reuse and repair of furniture, fixtures, and equipment, and reduced paper use through digital communications. Oversight is supported by designated Pollution Control Officers, regular compliance reporting, and monitoring of asset lifecycles to improve material efficiency and manage environmental risks.

Asia Brewery applies structured waste management programs across production, maintenance, and wastewater treatment activities. Initiatives include waste segregation, recycling of used oil, solvents, glass cullets, and plastic crates, and partnerships with scrap buyers for material recovery. Material consumption is monitored through ERP systems, while packaging impacts are reduced through lightweighting, returnable glass bottle systems, and the use of recycled inputs. These practices support continuous reduction of waste generation and improved material yields with out compromising product quality.

Eton manages waste generated from daily commercial and residential activities through solid waste programs, accredited haulers, and regular compliance reporting. Material efficiency is supported through digital property management systems, reuse of recovered materials for minor repairs, and paperless workflows. Waste risks are monitored through internal reporting and risk compliance tracking.

Tanduay applies a comprehensive waste and materials strategy centered on the 3Rs: Reduce, Reuse, Recycle. Key initiatives include extensive retrieval and reuse of second-hand bottles, back-to-supplier schemes for containers, and strict tracking of hazardous waste through certified treatment and disposal processes. Material consumption is monitored through SAP S/4HANA, supported by FIFO inventory controls to reduce spoilage and dead stock. Circular practices such as biogas generation from distillery effluent and the conversion of byproducts into agricultural inputs further reduce waste and environmental impact while enhancing operational resilience.



GRI 2-4, 306-3, 306-4, 306-5

WASTE BY COMPOSITION IN METRIC TONS (mt)	2025	2024	2023
Total hazardous waste	*156.76*	*250.29**	*2,326.83*
Total non-hazardous waste	*7,620.16*	*5,478.34*	*4,191.68*
Total waste generated	**7,776.93**	**5,976.72**	**4,461.86**

**Restated 2024 hazardous waste data following the identification of a misplaced decimal point int ETON's data*

WASTE DIVERTED FROM DISPOSAL BY RECOVERY OPERATION IN METRIC TONS (mt)	2025	2024	2023
Preparation for reuse	*0.00*	*14.08*	*0.00*
Recycling	*17.96*	*10.35*	*5.03*
Others	*0.08*	*12.59*	*43*
Total hazardous waste	**18.04**	**37.02**	**48.03**
Preparation for reuse	*0.00*	*1,513.36*	*5.00*
Recycling	*751.71*	*15.94*	*2.30*
Others	*2,404.88*	*0.00*	*1,070.35*
Total non-hazardous waste	**3,156.59**	**1,529.30**	**1,077.65**

WASTE DIRECTED TO DISPOSAL-BY-DISPOSAL OPERATION (mt)	2025	2024	2023
Incineration	*0.00*	*7.83*	*0.00*
Landfilling	*127.99*	*119.38**	*179.10*
Others	*0.00*	*63.66*	*1,006.57*
Total hazardous waste	**127.99**	**190.87**	**1,185.67**
Incineration	*0.00*	*0.00*	*0.20*
Landfilling	*4,682.49*	*3,719.07*	*3,198.97*
Others	*243.39*	*80.58*	*230.00*
Total non-hazardous waste	**4,925.88**	**3,799.65**	**3,429.17**

**Restated 2024 hazardous waste data following the identification of a misplaced decimal point in ETON's data*

The tables above present the Group's waste generation and disposal data for 2023 to 2025. Total waste generated increased from 5,977 mt in 2024 to 7,777 mt in 2025, driven primarily by higher non-hazardous waste volumes, which rose to 7,620 mt. Hazardous waste, however, declined significantly for the second consecutive year, from 2,327 mt in 2023 to 250 mt in 2024 and further to 157 mt in 2025, reflecting improved hazardous materials management across operations. On recovery, non-hazardous waste directed to recycling grew substantially from 16 mt in 2024 to 752 mt in 2025, while hazardous waste sent to disposal decreased in absolute terms. Landfilling remains the primary disposal route for non-hazardous waste, accounting for 4,682 mt in 2025, with the Group continuing to explore recovery and diversion alternatives to reduce landfill dependence over time.

Materials

Managing material use responsibly is treated across the Group as an operational discipline rather than a stand-alone sustainability activity. The focus is on using materials efficiently over their full lifecycle — from procurement and use through maintenance, reuse, and eventual disposal — while balancing cost, quality, safety, and environmental considerations. As the Group works toward more integrated resource management, material efficiency increasingly forms part of how each business sustains long-term performance and reduces its environmental footprint.

PNB Holdings manages materials largely through asset stewardship. Existing buildings are maintained, retrofitted, and refurbished to extend useful life and avoid premature replacement of structural and MEPF systems. Material use is guided by bulk purchasing, inventory controls, and selective upgrades that improve efficiency without increasing waste. For new developments, material decisions increasingly consider constructability, durability, and long-term operating performance, with the gradual introduction of modular construction methods and green building practices where feasible.

PNB's material consumption is concentrated in office fit-outs, equipment, and day-to-day supplies. The Bank manages this through asset lifecycle monitoring, preventive maintenance, and repair or redeployment of furniture, fixtures, and IT equipment to extend us ability. The shift toward digital workflows and electronic communication has significantly reduced paper and consumables, helping control both costs and material intensity without affecting service delivery.

Asia Brewery monitors material inputs through ERP-based systems linked to production bills of materials, enabling tight control of yields and losses. Recycled inputs such as glass cullets and reprocessed plastics are integrated where technically suitable, while packaging strategies, including returnable glass bottles and lightweighting, help reduce reliance on virgin materials. These initiatives are implemented alongside quality controls to ensure product integrity is maintained.

Tanduay's materials management is closely linked to circularity and process efficiency. Core raw materials and packaging are tracked in real time using SAP S/4HANA, supported by FIFO inventory practices to minimize spoilage. The Company maximizes the use of second-hand bottles, secondary agricultural inputs, and supplier take-back schemes to reduce waste generation at source. Through integrating materials management with energy recovery and byproduct utilization, Tanduay reduces material losses while preserving product quality and operational reliability

Eton leverages the MyEPMC platform and property-level reporting to strengthen tracking of operational materials and maintenance-related usage, supporting better visibility and identification of efficiency opportunities. Recovered materials from tenant turnovers and routine property works are selectively reused for minor repairs and maintenance. Supported by its building and inventory management functions, Eton monitors material flows, manages environmental impacts at the property level, and maintains alignment with its broader sustainability and compliance objectives.



Adapting to **Climate Change**

GRI 3-3, 102-1, 102-2

Managing climate-related risks and opportunities is an integral part of how the Group sustains long-term resilience and drives meaningful progress across its businesses. From energy cost volatility and regulatory shifts to extreme weather and the transition toward low-carbon operations, the Group recognizes that how it responds to climate change today shapes its capacity to perform responsibly over the long term.

Governance

Climate-related matters are overseen at both the parent and subsidiary levels. At LTG, sustainability and environmental performance are embedded within governance and risk oversight structures. Subsidiaries manage climate-related actions through their respective boards, executive committees, and sustainability or governance committees. Management teams oversee execution, while results are escalated through sustainability, governance, or risk committees for review. Subsidiaries are responsible for setting and implementing greenhouse gas (GHG) reduction targets aligned with their operational profiles.

Strategy

The Group recognizes climate change as both a risk and an opportunity, particularly through energy cost volatility, regulatory changes, operational disruptions, and the transition to low-carbon technologies. Opportunities include energy efficiency, renewable energy adoption, and operational cost savings.

Given the diversity of operations, climate strategies are decentralized. Manufacturing and property businesses focus on energy efficiency and renewable energy, while financial services integrate climate considerations into operations, asset management, and financed emissions. The parent company coordinates disclosures but does not impose uniform targets due to operational diversity. Subsidiaries are at varying stages of transition planning: PNB has formalized near-term reduction targets and mitigation plans; Asia Brewery and Tanduay focus on energy-intensity reductions and renewable energy scaling; Eton integrates energy and renewable considerations into property investments and is progressing toward Net Zero Carbon Alliance engagement.

Risk Management

Climate-related risks are identified through existing enterprise risk management and environmental compliance processes, covering physical risks such as supply disruption and extreme weather, and transition risks such as energy price volatility and regulatory compliance. These are managed alongside operational, regulatory, and financial risks through internal controls, audits, compliance checks, and third-party assessments including emissions testing and energy audits.

PNB has completed a Scope 3 assessment covering material categories, primarily the bank's value chain and financed emissions, aligned with GHG Protocol and PCAF methodologies. Other subsidiaries are at earlier stages, with supplier accreditation and environmental screening serving as initial controls while Scope 3 frameworks are under development.

Metrics and Targets

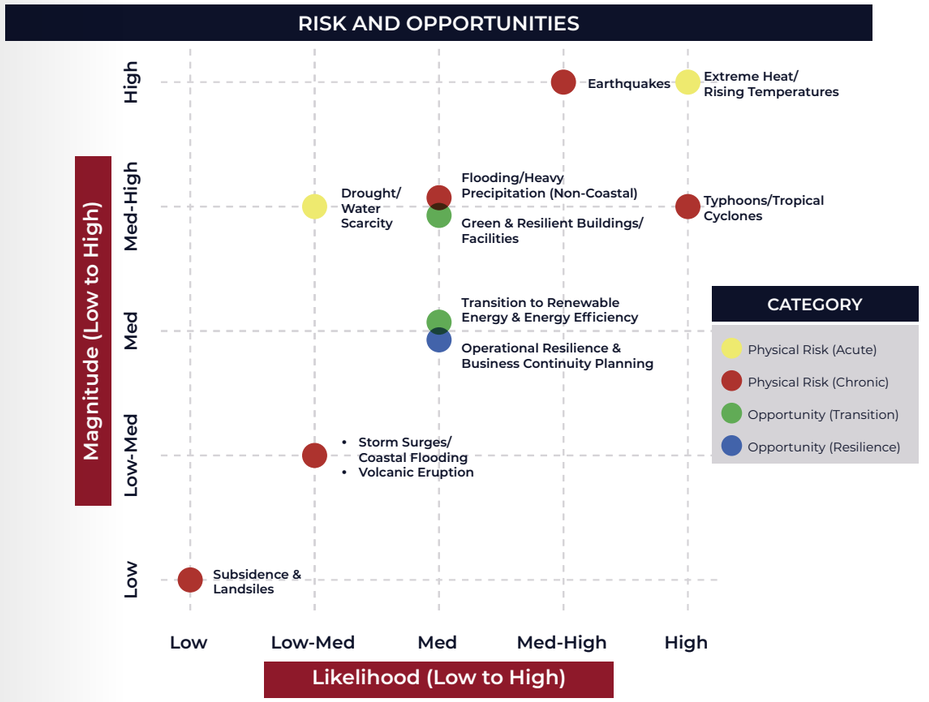
The Group uses external consultants and third-party service providers to support emissions measurement. PNB applies GHG Protocol, PCAF, DOE, and UNFCCC methodologies. Other subsidiaries rely on internal KPIs, third-party emissions testing, and developing calculation tools, with plans to formalize methodologies over time. Scope 1 and 2 emissions are measured across subsidiaries where material. Scope 3 emissions have been quantified by PNB; other entities are prioritizing Scope 1 and 2 accuracy as a foundation for future Scope 3 expansion.

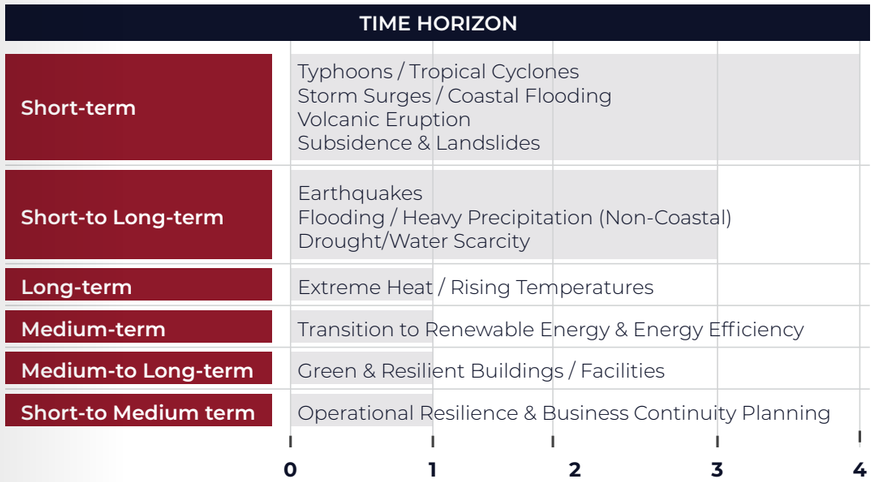
Targets vary by subsidiary: PNB adopted a 1.5% GHG reduction target from a 2025 baseline (per capita) related to electricity and water; Asia Brewery targets 5% energy reduction; Tanduay targets a 10% reduction from 2024 levels across Scope 1 and 2; and Eton is strengthening its targets through renewable energy sourcing. LTG does not set group-wide targets given its immaterial direct emissions. Progress is monitored through energy-use ratios, emissions inventories, audits, and internal KPIs, supported by actions including LED retrofits, equipment upgrades, renewable energy investments, digitalization, and preventive maintenance.

Climate-related Risks and Opportunities

IFRS S1.32(a),(b), IFRS S2.13(a)(b), IFRS S1.30(a)(b)(c), IFRS S1.33(a)

Climate change presents a range of physical and transition-related risks and opportunities that may affect the Group's operations, assets, supply chains, and long-term value creation. As a diversified conglomerate spanning banking, real estate, manufacturing, and consumer businesses, the Group is exposed to climate-related impacts that vary in nature, magnitude, and time horizon. The assessment below consolidates material climate-related risks and opportunities across the Group, considering both direct and indirect impacts on operations and financial performance. These risks and opportunities have been evaluated based on their likelihood and potential impact, and are used to inform strategic planning, operational resilience measures, and ongoing efforts to strengthen climate adaptation and mitigation across the organization.





RISK / OPPORTUNITY	CATEGORY	DESCRIPTION	DIRECT & INDIRECT IMPACTS	POTENTIAL IMPACT
Typhoons / Tropical Cyclones	Physical Risk (Acute)	Increased frequency and intensity of typhoons affecting operations, assets, and people across the Philippines	**DIRECT:** Damage to buildings, plants, equipment; employee safety risks. **INDIRECT:** Business Interruption, logistics disruption, increased insurance and recovery costs.	Asset damage, operational downtime, financial losses
Storm Surges / Coastal Flooding	Physical Risk (Acute)	Abnormal sea-level rise associated with severe storms impacting coastal or low-lying sites	**DIRECT:** Flooding of facilities and infrastructure, **INDIRECT:** Supply chain delays, temporary shutdowns.	Physical damage and service disruption
Earthquakes	Physical Risk (Acute)	Seismic activity affecting structural integrity of build-ings and plants	**DIRECT:** Structural damage, injury risks. **INDIRECT:** Prolonged business interruption, higher retrofit and compliance costs.	Severe asset damage and long recovery periods
Flooding / Heavy Precipitation (Non-Coastal)	Physical Risk (Acute)	Extreme rainfall events leading to inland flooding	**DIRECT:** Asset and inventory damage. **INDIRECT:** Operational downtime, distribution failures.	Financial and Operational Losses
Drought / Security	Physical Risk (Chronic)	Prolonged dry periods affecting water availability for operations and supply chains	**DIRECT:** Asset and inventory damage. **INDIRECT:** Operational downtime, distribution failures.	Increased operating costs, production constraints
Extreme Heat / Rising Temperatures	Physical Risk (Chronic)	Rising average temperatures and heatwaves	**DIRECT:** Equipment stress, cooling demand. **INDIRECT:** Higher energy costs, reduced workforce productivity.	Cost escalation and efficiency losses
Volcanic Eruption	Physical Risk (Acute)	Ashfall and emissions affecting air quality and operations	**DIRECT:** Health risks, asset contamination. **INDIRECT:** Temporary shutdowns, logistics disruption.	Business Interruption

RISK / OPPORTUNITY	CATEGORY	DESCRIPTION	DIRECT & INDIRECT IMPACTS	POTENTIAL IMPACT
Subsidence & Landslides	Physical Risk (Acute)	Ground instability affecting site integrity	**DIRECT:** Structural damage. **INDIRECT:** Access disruption, safety concerns.	Localized asset damage
Transition to Renewable Energy & Energy Efficiency	Opportunity (Transition)	Shift toward renewable energy and energy-efficient technologies	**DIRECT:** Capital expenditure. **INDIRECT:** Lower energy costs, reduced Scope 1 & 2 emissions.	Cost savings, emissions reduction
Green & Resilient Buildings / Facilities	Opportunity (Transition)	Demand for climate-resilient, energy-efficient properties and facilities	**DIRECT:** Higher upfront investment. **INDIRECT:** Improved asset value, tenant preference, regulatory readiness.	Revenue protection and asset appreciation
Operational Resilience & Business Continuity Planning	Opportunity (Resilience)	Strengthening preparedness for climate shocks	**DIRECT:** Investment in systems and redundancy. **INDIRECT:** Reduced downtime, faster recovery.	Lower disruption losses

Risk Heat Map Matrix

This section presents a consolidated, group-wide assessment of climate-related risks and opportunities, synthesizing exposures across the Group's banking, real estate, manufacturing, and beverage operations. In line with TCFD and IFRS S2 principles, the assessment considers both the likelihood and potential magnitude of impact of material climate hazards over short-, medium-, and long-term horizons, capturing direct physical impacts as well as indirect operational, financial, and supply-chain effects.

The resulting risk heat map provides a clear visualization of priority climate risks facing the Group, supports consistent risk prioritization across business units, and informs strategic decisions on mitigation, adaptation, and capital allocation as climate conditions continue to evolve.

IMPACT↓ LIKELIHOOD→	LOW LIKELIHOOD	MEDIUM LIKELIHOOD	HIGH IMPACT LIKELIHOOD
HIGH IMPACT	· Tsunami (selected sites) · Volcanic eruption (localized)	· Drought (manufacturing & beverages) · Extreme heat / temperature rise · Earthquake (real estate & banking assets)	· Typhoon / Extreme wind events
MEDIUM IMPACT	· Tornado · Subsidence / landslides (localized)	· Flooding / heavy precipitation · Storm surge (coastal assets) · Energy cost volatility	· Operational disruption from typhoons
LOW IMPACT	· Minor seismic events · Isolated weather disturbances	· Short-term water stress (non-manufacturing)	

Risk Concentration Summary

HIGHEST RISK ZONE (HIGH LIKELIHOOD / HIGH IMPACT)

- **Typhoons and extreme wind events**
  These pose the most material risk to the Group due to their frequency in the Philippines and their potential to disrupt operations, damage assets, and increase recovery and insurance costs.

ELEVATED RISK ZONE (MEDIUM LIKELIHOOD / HIGH IMPACT)

- **Drought and water stress** (particularly for beverage and distillery operations)
- **Extreme heat and rising temperatures,** driving higher energy demand and productivity loss
- **Earthquakes,** given exposure of real estate, banking infrastructure, and manufacturing sites

MODERATE RISK ZONE (MEDIUM LIKELIHOOD / MEDIUM IMPACT)

- **Flooding and heavy precipitation**
- **Storm surges** affecting coastal and low-lying assets
- **Energy price volatility,** creating both risk and efficiency opportunities

LOWER RISK ZONE (LOW LIKELIHOOD / LOW TO MEDIUM IMPACT)

- **Tornadoes, tsunamis, volcanic eruptions,** and localized geophysical events.
  These are monitored through existing emergency preparedness and asset resilience measures.

Adaptation and Mitigation Strategies

The Group's approach to climate action distinguishes between mitigation, which focuses on reducing greenhouse gas emissions and carbon intensity, and adaptation, which strengthens resilience against the physical and transitional impacts of climate change.

Mitigation efforts across subsidiaries are anchored in operational efficiency and energy transition measures tailored to sector-specific realities. These include the systematic replacement of energy-intensive equipment, optimization of production and building systems, expansion of renewable energy sourcing through on-site solar installations and green power procurement, and the use of internal performance indicators such as energy use ratios and energy intensity metrics to drive continuous improvement. In carbon-intensive operations, efficiency upgrades and process optimization are prioritized as near-term levers while formal, science-based targets and externally aligned inventories are progressively developed.

Adaptation strategies focus on safeguarding business continuity and asset resilience in the face of physical climate risks, including extreme weather events, resource constraints, and infrastructure disruptions.

Subsidiaries integrate climate| considerations into maintenance planning, capital expenditure decisions, and site-level risk assessments.

Measures include strengthening energy and water security through redundancy and diversification, maintaining inventory buffers for critical inputs, upgrading infrastructure to withstand climate stressors, and enhancing monitoring systems for early detection of operational vulnerabilities. Together, these strategies enable the Group to reduce its environmental footprint while maintaining the flexibility and resilience needed to meet evolving climate risks and regulatory expectations.

Biodiversity

GRI 3-3, 101-2

The Group recognizes the importance of biodiversity conservation and manages potential environmental risks arising from its diverse operations across banking, real estate, manufacturing, and beverage production. At the parent company level, LTG's direct operations are currently assessed as having no material direct or indirect impacts on biodiversity. Biodiversity-related risks and opportunities are nonetheless monitored at both management and Board levels as part of the Group's broader environmental and sustainability oversight.

No significant negative biodiversity impacts were recorded during the reporting period, and environmental considerations are embedded into governance and risk review processes to ensure ongoing vigilance as operations and regulatory expectations evolve.

Across subsidiaries, biodiversity considerations are addressed proportionate to operational exposure. PNB and PHC have assessed biodiversity as not material to their activities given the nature and locations of their operations. Asia Brewery's production facilities are situated in designated industrial zones and have not been identified as affecting sensitive biodiversity areas. Environmental management in these sites focuses on strict compliance with applicable engineering, building, and environmental standards, including wastewater and air-emissions monitoring, to prevent indirect impacts on surrounding ecosystems. While no formal biodiversity programs are currently in place, environmental performance is reviewed as part of operational management and future planning. Eton Properties and Tanduay represent the Group's most direct interfaces with environmental receptors. Eton integrates biodiversity considerations through regulatory compliance covering permits for wastewater discharge, air emissions, and solid waste management, as well as through its partnership with the ASEAN Centre for Biodiversity (ACB), which supports awareness and conservation-related initiatives. Tanduay manages biodiversity risks associated with wastewater discharge and air emissions through rigorous DENR-mandated monitoring and treatment systems, with zero significant biodiversity impacts recorded during the year. Tanduay also supports biodiversity conservation through community-based activities, including tree planting, river clean-ups, and fish fingerling distribution.

As the Group deepens its commitment to responsible operations, biodiversity considerations are expected to take on greater prominence in environmental planning, site assessments, and stakeholder engagement — reflecting the understanding that lasting progress requires a healthy and resilient natural environment.

ZERO

SIGNIFICANT NEGATIVE IMPACTS IN BIODIVERSITY ACROSS ALL SUBSIDIARIES

OVER 2,408

TREES AND SEEDINGS WERE PLANTED TO PROMOTE REFORESTATION.

STRICT COMPLIANCE WITH ALL REGULATORY REQUIREMENTS AND ONGOING ADHERENCE TO COMPREHENSIVE SOLID WASTE MANAGEMENT PROGRAMS.

1,609 HECTARES

WERE REFORESTED UNDER THE DR. LUCIO C. TAN LEGACY FOREST PROJECT

QUARTERLY TESTING OF SURFACE AND GROUNDWATER QUALITY

100%

ADHERENCE TO DENR EFFLUENT AND AIR QUALITY STANDARDS

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 Operations**



Across its customer-facing businesses, LT Group, Inc. creates value not only through the financial returns its products and services generate, but through the trust, safety, and innovation embedded in how they reach the market. From banking and beverages to spirits, real estate, and tobacco, each subsidiary operates within distinct regulatory environments and serves different consumer needs, yet all share a common standard: delivering products and services that meet rigorous quality, safety, and ethical benchmarks while adapting to evolving customer expectations and technological demands.

This commitment is supported by structured governance mechanisms, from food safety management systems and data privacy frameworks to responsible marketing policies and digital transformation roadmaps, that ensure customer-centricity is operationalized rather than aspirational. In 2025, the Group recorded zero incidents of non-compliance relating to customer health and safety, maintained certifications across ISO, HACCP, and data privacy standards, and advanced digitization initiatives spanning supply chain automation, cloud migration, and AI-enabled productivity tools. These outcomes reflect the Group's deliberate approach to integrating quality, responsibility, and innovation into the way it serves customers and protects stakeholders.

The sections that follow detail these dimensions: customer satisfaction, health and safety, responsible marketing and labeling, data privacy and security, and innovation and digitization as interconnected priorities that sustain momentum for meaningful progress across the Group's product and service portfolio.

Zero
HEALTH & SAFETY
NON-COMPLIANCE INCIDENTS

Zero
FOOD SAFETY OR
REGULATORY COMPLAINTS (ABI)

ISO **27001,**
ISO, AND HACCP
CERTIFICATIONS MAINTAINED

Full SAP **S/4HANA**
CLOUD MIGRATION (PHC)

AI-Powered
COPILOT LAB PILOT
DEPLOYED (PNB)

Zero
MAJOR CYBERSECURITY
INCIDENTS

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 of exclusive distributors, Asia Brewery ensures its products reach nationwide mass consumers efficiently. Today, the company is recognized for its strong market presence in both non-alcoholic and alco-mix beverage segments, boasting a diverse product portfolio of over 100 product variations. Key brands include Absolute, Summit, Cobra Energy Drink, Nestea, Beer na Beer, Tanduay Ice, Vitamilk with newly released products, Leon Extra Strong Beer and Cobra Rise. This strategic commitment to variety and quality has solidified Asia Brewery's reputation as a trusted beverage provider.

ASIA BREWERY INCORPORATED

Distilled Spirits

TRADE MARK 1854

TANDUAY Distillers, Inc.

Tanduay Distillers Inc. is a leading distilled spirits 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. Tanduay was established in 1854 and acquired by the Lucio Tan Group in 1988. Tanduay manufactures a variety of 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 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.

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, manufactures five of the top 10 cigarette brands in the Philippines, cementing its position as a key industry player.

FORTUNE Tobacco Corporation

Property Development

ETON

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.

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.

PNB HOLDINGS CORPORATION

Banking

PNB

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 635 branches and offices and 67 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.

Customer **Satisfaction**

GRI 3-3

For its customer-facing businesses, LTG prioritizes delivering value through quality products, ethical business practices, and customer-centric innovation. Customer satisfaction and retention are embedded as key performance indicators within business strategies across relevant subsidiaries, reinforcing the Group's focus on sustaining long-term customer relationships and brand equity.

Customer sentiment is monitored through structured and consistent mechanisms, including Net Promoter Scores (NPS), customer feedback channels, and targeted engagement programs. These inputs are actively reviewed and integrated into operational and strategic decision-making, enabling timely identification of service gaps, product improvement opportunities, and evolving customer preferences. Across subsidiaries, open communication is maintained through multiple channels, such as customer service hotlines, surveys, and digital plat forms, ensuring that customer concerns are addressed promptly and transparently.

Customer Health and Safety

Protecting customer health and safety remains a priority across the Group's diversified businesses. Each subsidiary applies controls and safeguards appropriate to its products and services, guided by regulatory requirements, internal quality standards, and customer feedback. The Group continues to strengthen preventive measures, response mechanisms, and inclusive practices to ensure that customer well-being is protected across manufacturing, property, and financial services operations.

ZERO Incidents

of Non-compliance
relating to Customer Health & Safety

In 2025, we recorded zero incidents of non-compliance relating to Customer Health & Safety. In the spirits business, Tanduay implements a comprehensive Food Safety Program to ensure that all products are safe for human consumption. While a formal health statement currently applies primarily to select export products, strict supplier quality controls are enforced for all operations, including certification testing of raw and packaging materials to confirm food-grade compliance and tolerable chemical risk levels. Customer concerns during the year were largely related to product packaging. All issues were addressed through the Consumer Response Program under the Quality Management System, ensuring timely resolution of product- and customer-related complaints and compliance with regulations and certifications (ISO and HACCP) governing alcoholic beverages and distilled spirits.

For property development and management, Eton prioritizes customer health and safety through compliance with regulatory requirements and internal guidelines. Particular attention is given to vulnerable groups, including senior citizens and individuals with medical conditions, through appropriate accommodations and flexible arrangements where applicable. Customer concerns typically relate to processing timelines, documentation requirements, and preferences for contactless or online transactions. These are addressed through coordination across departments, adherence to established protocols, and continued availability of remote and digital service channels, supporting both safety and convenience.

In beverage manufacturing, Asia Brewery operates under a Food Safety and Quality Policy focused on product safety, quality excellence, and continuous improvement. The company maintains a Food Safety and Quality Management System compliant with international and local standards, supported by a Hazard Analysis and Critical Control Point (HACCP) framework. During the reporting period, there were no food safety or regulatory complaints, reflecting the effectiveness of preventive controls, documented procedures, and workforce competency development in safeguarding consumer health.

In the banking sector, PNB addresses customer health and safety through inclusive branch design, security measures, and consumer protection initiatives. Branches are required to provide facilities for persons with disabilities (PWDs), while security risks are mitigated through adequate safeguards and operational monitoring. Customer concerns during the year included long queues, facility downtime, and increasing incidents of fraud and scams. These issues are addressed through branch-level controls, timely reporting and resolution of system or equipment issues, customer guidance on secure use of banking channels, and regular advisories on fraud prevention.

GRI 416-2

CUSTOMER HEALTH AND SAFETY	2025	2024
Total no. of incidents of non-compliance with regulations resulting in a fine or penalty	0	0
Total no. of incidents of non-compliance with regulations resulting in a warning	0	0
Total no. of incidents of non-compliance with voluntary codes	0	0
Total no. of substantiated complaints	0	66*
Total no. of complaints addressed	0	66*

**2024 complaints for ABI only*

Across all subsidiaries, no incidents of non-compliance with regulations or voluntary codes concerning the health and safety impacts of products and services were recorded during the reporting period, affirming the effectiveness of the Group's preventive controls and quality management systems.

Marketing and Labeling

Marketing and labeling across LTG are guided by principles of accuracy, responsibility, and regulatory compliance, with a growing emphasis on sustainability, consumer protection, and brand integrity. The Group recognizes that responsible marketing practices play a crucial role in shaping customer trust and long-term brand value, and ensures that communications are aligned with applicable laws, industry standards, and internal governance frameworks.

ZERO Incidents

of Non-compliance
relating to Marketing and Labeling

PNB strengthened governance over marketing activities through the approval and development of operations manuals covering marketing intelligence and analytics, marketing services, online marketing, and mainstream communications. These frameworks support the execution of coordinated digital and traditional campaigns across multiple channels, including branch-level initiatives. Marketing strategies increasingly incorporate sustainability themes, rein forcing PNB's positioning as a dependable financial institution while enhancing brand differentiation and regulatory readiness. At the same time, the Bank actively manages risks related to cost implications, customer awareness, and regulatory change through education campaigns, stakeholder partnerships, and structured feedback mechanisms.

Asia Brewery applies strict controls to ensure responsible marketing and accurate product labeling. All advertising materials undergo mandatory review and clearance by the Ad Standards Council, and compliance with Food and Drug Administration requirements is maintained across all product categories. Additional safeguards apply to alcoholic products, including age-appropriate advertising restrictions and responsible marketing practices. Environmental considerations are reflected in labeling through disposal and recycling symbols, while broader marketing initiatives support reusable packaging systems and consumer awareness on sustainability through engagement with NGOs, local government units, and industry partners.

Eton manages marketing and communications under defined brand guidelines and a Code of Ethics that require compliance with relevant regulatory bodies. A mix of digital platforms, community engagement, events, and sales collaterals is used to communicate product features, sustainability attributes, and safe usage information. Marketing content increasingly promotes resource efficiency and responsible use of properties, supported by clear labeling, transparent disclosures, and accessible customer support.

Tanduay aligns marketing and labeling practices with regulatory requirements for alcoholic beverages and internal brand standards. Responsible consumption messaging is consistently integrated into promotional materials, supported by initiatives such as bottle return programs and selective use of renewable energy in sales operations.

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	2025
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 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 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 2025 as per ABI and TDI*

The data confirms that the Group's marketing and labeling practices remained fully compliant with applicable regulations and voluntary codes during the reporting period, with no recorded incidents of non-compliance across all subsidiaries.



Driving Digital Adoption Through Customer- Focused Innovation

In 2025, PNB advanced digital adoption through customer-focused initiatives designed to encourage regular use of mobile banking and expand access to electronic payments. The Happy Habits Promo, which ran from February 3 to May 4, 2025, motivated both active and previously inactive PNB Digital users to increase transaction frequency. The campaign drove strong year-on-year growth in peer-to-peer, person-to-merchant, person-to-business InstaPay, and cardless withdrawal transactions, exceeding promo targets.

A total of 220 users were rewarded through tiered cash prizes, reinforcing positive digital banking behaviors. Complementing this effort, PNB launched the InstaPay Fee Reduction Promo from July 2025 to January 2026, reducing fees to ₱10.00 for transactions of ₱500.00 and below. The initiative aligns with the Bangko Sentral ng Pilipinas' call for affordable digital transaction pricing and directly supports price-sensitive customers, including unbanked an underbanked segments.

Beyond 18 Anniversary Campaign at Eton

Eton marked its 18th anniversary with the "Beyond 18" campaign, a milestone initiative that reflects the company's evolution and forward-looking ambition. Anchored on the theme "Beyond Limits, Beyond Today, Beyond Innovation," the campaign celebrates nearly two decades of growth while reinforcing Eton's commitment to purposeful development, adaptability, and long-term value creation in the Philippine real estate sector. It highlights how the company has progressed beyond its early foundations to become a diversified property developer with residential, commercial, and mixed-use developments. More than a retrospective, the Beyond 18 Anniversary Campaign positions Eton for the future by strengthening its brand narrative around innovation, resilience, and relevance. The campaign underscores Eton's focus on creating communities that respond to changing lifestyles, advancing sustainable and efficient design, and delivering developments that remain responsive to market needs.



Feature Story

Enabling Responsible Consumption Through Product Innovation

We continue to promote responsible consumption across its beverage portfolio by combining clear consumer communication with product innovation. Through prominent “Drink Responsibly” messaging, transparent labeling, and compliance with regulatory standards, the Group supports informed decision-making and moderation, particularly for alcoholic beverages. Both Asia Brewery and Tanduay integrate responsible drinking reminders across marketing materials and point-of-sale communications, reinforcing age-appropriate consumption and consumer awareness. At the same time, the Group is responding to evolving consumer preferences by expanding access to healthier and more flexible choices. Asia Brewery and Tanduay are exploring opportunities to introduce low- and no-alcohol alternatives, alongside beverage options with reduced or no sugar, to complement existing product lines. These initiatives reflect a long-term commitment to providing greater choice, supporting wellness-oriented lifestyles, and encouraging moderation without compromising quality or enjoyment.



Data Privacy and **Security**

GRI 3-3, FN-CB-230a.2

Safeguarding personal data and maintaining robust cybersecurity controls are integral to the Group's governance and risk management practices. Across subsidiaries, data privacy and information security measures are designed to protect stakeholder information, ensure regulatory compliance, and mitigate operational and reputational risks arising from cyber threats. Controls are proportionate to the nature and volume of data processed, with continuous monitoring and periodic risk assessments to address evolving threats.

At the holding and real estate level, PNB Holdings and Eton handle relatively low volumes of personal data and apply appropriate safeguards to protect both physical and digital information. Identified exposure areas primarily relate to human resources, finance, and IT infrastructure. Both entities emphasize consent-based data collection, restricted access to sensitive information, employee training, and the deployment of cybersecurity tools to mitigate phishing, malware, and unauthorized access risks. No data breaches or substantiated complaints were reported during the period, and ongoing efforts focus on privacy awareness and continuous enhancement of security controls.

In the banking business, PNB maintains a comprehensive information security and data privacy framework, supported by an approved Information Security Management System (ISMS), a Manual of Information Security Guidelines, and a detailed Data Privacy Manual. These frameworks are aligned with ISO 27001 standards and the Data Privacy Act of 2012, and are supported by structured risk assessment processes, including Privacy Impact Assessments and third-party information security reviews. From January 1 to December 2025, six substantiated data privacy complaints were recorded through the Enhanced Customer Relationship Management system. Two complaints were filed but there were no major cyber/information security incidents reported.

For beverage manufacturing, Asia Brewery and Tanduay apply data privacy controls commensurate with their operations, covering employee data, supplier and customer information, and proprietary business data.

Asia Brewery reported no substantiated complaints or data breaches in 2025, with access to sensitive information restricted to authorized personnel and supported by risk assessments, access controls, and data backup protocols.

Tanduay maintains proactive compliance monitoring led by a designated Data Protection Officer, mandatory Privacy Impact Assessments for new or modified processes, encryption of personal data transmitted externally, and clear incident response and notification procedures aligned with regulatory requirements. Consent-based direct marketing practices and strict data sharing controls further strengthen protection across third-party engagements.

GRI 418-1, FN-CB-230a.1

CUSTOMER PRIVACY	2025	2024	2023
Number of substantiated complaints on customer privacy	6	0	1
Number of complaints addressed	6	0	1
Number of customers, users, and account holders whose information is used for secondary purposes	0	0	0
Number of data breaches, including leaks, thefts, and losses of customer data	2	0	0
Percentage of data breaches in which personality identified information (PII) was subject to a data breach	100%	0	0
Number of data breaches, including leaks, thefts, and losses of customer data	558	0	0

**For PNB customer privacy complaints only*

Overall, the Group recorded a limited number of substantiated data privacy complaints concentrated in the banking segment, with no major cybersecurity incidents across any subsidiary. These results reflect the continued effectiveness of the Group's layered approach to data governance, cybersecurity investment, and regulatory compliance.

Feature Story

Strengthening Cyber Resilience Through Proactive Security Investments at Asia Brewery and Eton

Asia Brewery has strengthened its cybersecurity posture through targeted initiatives aimed at protecting critical systems and safeguarding stakeholder data. The company engaged an independent third-party firm to conduct a comprehensive Vulnerability Assessment and Penetration Testing (VAPT) across key systems, enabling the identification and remediation of potential security gaps. To further enhance resilience, Asia Brewery subscribed to Managed Security Operations Center (SOC) and Managed Detection and Response (MDR) services, providing 24/7 threat monitoring, advanced detection, and rapid incident response. These efforts were complemented by the deployment of a Next-Generation Firewall (NGFW) with intrusion prevention, application control, and threat intelligence capabilities, reinforcing secure connectivity and operational reliability across all business units.

On the other hand, Eton continues to strengthen its data privacy governance through the active oversight of its Data Privacy Program and dedicated Data Privacy Act (DPA) team. The team oversees compliance with the Data Privacy Act, including the implementation of privacy notices, consent management processes, and the timely handling of data subject requests. Working closely with IT, Human Resources, and customer-facing units, the Data Privacy team ensures coordinated responses to privacy related inquiries and potential incidents, reinforcing accountability and consistent application of data protection practices across the organization.



Innovation and Digitization

The Group's efforts to strengthen operational efficiency, resilience, and long-term competitiveness are supported by sustained investment in innovation and digitization. Across subsidiaries, 2025 initiatives focused on modernizing core systems, enhancing cybersecurity, improving data-driven decision-making, and enabling more agile and scalable operations, while maintaining alignment with governance, risk, and sustainability priorities.

PNB Holdings completed a series of foundational digital initiatives, including the full migration of finance and materials management to SAP S/4HANA Cloud, enabling real-time reporting, improved analytics, and streamlined financial operations. Cyber resilience and IT efficiency were strengthened through cloud-based Microsoft 365 backups, web application firewall deployment, DNS filtering, remote IT monitoring tools, and enhanced endpoint management. Collaboration and productivity were further supported by cloud-based telephony, an IT helpdesk system, and the rollout of AI-powered tools such as automated meeting transcription and cybersecurity awareness training, all fully implemented during the year.

100%
Completion rate across all digitization projects at PNB Holdings

PNB piloted advanced digital productivity tools through its Copilot Lab Program, demonstrating measurable efficiency gains across key support and governance functions. The initiative improved knowledge retrieval, customer service responsiveness, and automation of time-intensive tasks, reinforcing the Bank's focus on operational excellence and innovation at scale.

₱519.68 M
Total digital and innovation investments at PNB in 2025

₱2.95 B
Total IT-related CAPEX Budget

The pilot results indicate that AI-enabled tools delivered quantifiable improvements in productivity and service quality, supporting the case for broader deployment across the Bank's operations. Asia Brewery advanced digitization across supply chain, finance, human resources, and IT infrastructure. Key initiatives included centralized identity and access management, automated integration of distributor purchase orders, digitized workflows for import payments and cash advances, cloud migration of file storage systems, and the deployment of in-house learning and collaboration platforms.

Several initiatives reached full implementation in 2025, while others remain in advanced development stages, supporting improved efficiency, data accuracy, and governance. In parallel, investments in endpoint security, asset management, and digital HR systems continue to strengthen operational discipline.

13
Digital and innovation projects for 2025 at Asia Brewery

Eton advanced the digitalization of property management and marketing operations in 2025. The continued rollout of the MyEPMC platform supported stronger coordination and reporting for property management processes. The Digital Marketing & Creatives Hub (DMC Hub) was implemented as a centralized repository of approved marketing and creative materials for Sales, Leasing, and other internal stakeholders, improving version control, turnaround time, and consistency. In parallel, ICT progressed the migration of Eton's environment to cloud-based Microsoft Azure to strengthen availability, security, and scalability of core systems.

100%
Completion of DMC Hub deployment and Microsoft Azure cloud migration

Tanduay invested in infrastructure upgrades to support digitized manufacturing and supply chain operations. Initiatives included a comprehensive network refresh, enhanced physical access controls, inter-plant communication systems, upgraded CCTV coverage, strengthened data privacy oversight through an outsourced Data Protection Officer, and expanded cybersecurity awareness and remote-access protection.

100%
Completion rate across all digitization projects at Tanduay

Across the Group, digitization initiatives in 2025 advanced from planning and pilot stages toward full implementation, reflecting a maturing digital foundation that supports operational efficiency, governance, and the Group's capacity to drive new possibilities through technology-enabled growth.

Feature Stories

Boosting Workplace Innovation Through AI Enablement at PNB

PNB marked an important milestone in its digital transformation journey with the Microsoft 365 Copilot Lab Graduation Ceremony held on October 17. The event recognized participants from key support and enablement units, including Operations, Customer Experience, Enterprise Risk Management, Human Resources, Financial Management, the Office of the Corporate Secretary, and innovation and IT teams, for successfully completing the Copilot Lab Program. Graduates shared practical use cases and insights from applying AI-powered tools to real workflows, demonstrating how Copilot can improve productivity, streamline reporting, and enhance decision support. The graduation signaled the Bank's readiness to scale Copilot adoption more broadly across the organization.

The Bank further invested in capability development through a two-day Microsoft 365 Copilot Foundational Training, conducted in partnership with Microsoft Philippines and Shellsoft Technology Corporation. The training combined hands-on exercises and interactive sessions to equip participants with practical skills for integrating Copilot into daily work.

Banking Reimagined: How PNB Is Building a Digital-First Future

PNB accelerated its transformation into a digitally enabled, customer centric bank through major investments in technology, talent, and infrastructure. The launch of the APEX Academy equipped over 1,000 employees with capabilities in AI-driven banking, data protection, and agile operations, while the integration of Microsoft 365 Copilot improved productivity and decision-making across the organization. Digital services expanded significantly through upgrades to PNB Digital, including mobile account opening, enhanced payments functionality, and stronger platform reliability, complemented by improvements to core banking and ATM systems. At the same time, the Bank balanced digital growth with physical expansion, opening new branches and deploying mobile banking units to ensure accessibility for underserved communities, underscoring its strategy of combining innovation with inclusive service delivery.

Finance as a Force for Inclusive Growth

PNB continued to play a meaningful role in economic development by expanding support for corporate, SME, and institutional clients while strengthening its advisory and financing capabilities. Organizational restructuring within institutional and commercial banking broadened market reach and deepened relationships across emerging and middle-market segments.

Trust banking operations delivered strong client acquisition and investment performance, while digital innovations such as simplified onboarding for retirement accounts improved financial inclusion nationwide. These gains were complemented by industry recognition, including being named Best Bank for Investment Research in the Philippines for the fifth consecutive year by Euromoney at the 2025 Private Banking Awards, alongside citations as a Top Investment House by The Asset (2024-2025), reinforcing the Bank's growing stature in investment research, asset management, and capital market participation as it advances economic progress.

Sustainability Moves from Commitment to Execution

Sustainability initiatives gained further traction as PNB advanced environmental and social risk management, strengthened sustainability governance, and enhanced reporting transparency. The Bank improved emissions measurement across operations and investments, refined methodologies for resource efficiency monitoring, and expanded climate risk assessments covering both physical and transition risks. Stakeholder engagement deepened through materiality assessments and sustainability summits, while thematic workshops prepared business units for compliance with emerging sustainability reporting standards. Independent assurance of proceeds from PNB's USD 300 million Sustainability Bond issuance, alongside the successful ₱15.7 billion dual-tranche ASEAN Sustainability Bond offering, reinforced the Bank's commitment to financing projects that support renewable energy and climate resilience, demonstrating how financial performance and sustainability objectives increasingly move in tandem.

Smarter Resource Use and Material Optimization in Production at Tanduay

Tanduay strengthened resource efficiency in 2025, bottle inputs are largely sourced through retrieval (second-hand bottles), accounting for 54.33% in 2025. Material consumption is tracked through direct measurement using the Company's SAP S/4HANA ERP system, enabling real-time monitoring of production and inventory flows with high accuracy and reduced manual error. Inventory is managed on a FIFO basis to minimize spoilage and dead stock, supported by storage facilities designed to meet safety and environmental requirements. Where direct metering is not yet fully automated for minor consumables, conservative estimates based on historical average daily usage are applied to maintain data integrity.

The Company also advanced its energy transition by prioritizing renewable bio-energy and circular feedstocks. Distillation operations are partially powered by biogas generated from on-site digesters, displacing fossil fuel use and providing a stable, internally sourced energy supply, with plans to install solar panels across sites. Tanduay sources molasses, a byproduct of sugar production, as its primary raw material and applies a waste-to-value approach by converting distillery effluent into liquid fertilizer for farmers while capturing methane for energy generation.

Advancing Digital Banking and Customer Engagement at PNB

The Bank continues to strengthen its digital banking capabilities in 2025 by accelerating initiatives that expand user adoption, improve service quality, and enhance customer experience. Guided by a multi-year digital strategy aligned with the Bank's enterprise vision, mission, and regulatory environment, PNB remains focused on delivering a secure, reliable, and convenient digital banking experience. The strategy is endorsed by the Board Strategy and Policy Committee (BSPC) and overseen by the Board IT Governance Committee (BITGC), ensuring strong governance, strategic alignment, and accountability in execution.

	2025	2024	2023
ATMs	1,585	1,572	1,535
CAMs	145	143	145
Corporate Cams (CCAMs)	102	63	29
POS Terminals	6,953	6,152	7,876

Digital initiatives are prioritized through a dedicated Projects Prioritization Committee to ensure alignment with business objectives, while implementation is monitored through steering committees and the Technology Committee. PNB continues to comply with Bangko Sentral ng Pilipinas (BSP) regulations, including the Digital Payments Transformation Roadmap under the National Retail Payment System (NRPS), and actively supports platforms such as InstaPay, PESONet, and the Open Finance Framework. Process automation initiatives, including digital bank forms and electronic statements of account (e-SOA), have further improved operational efficiency, supported sustainability objectives, and enhanced customer convenience.

Building on strong momentum in prior years, PNB Digital continued to grow in 2025, supported by enhancements in security, expanded transaction capabilities, and access to a wider range of financial products and services. Targeted customer engagement initiatives, including promotional campaigns and digital education efforts, helped increase transaction activity and platform usage. The Bank also leveraged digital communication channels, such as social media, email, SMS, and in-app messaging to strengthen awareness, engagement, and adoption.

	2025	2024	2023
Enrolled Users	1,824,005	1,449,058	1,105,231

**Mobile Banking Application*

Welfare of Employees **and Communities**



The strength of LT Group, Inc.'s performance is inseparable from the strength of its people and the communities in which it operates. Across banking, beverages, spirits, real estate, and tobacco, a combined workforce of 13,063 employees drives the operational, commercial, and strategic outcomes that sustain the Group's long-term competitiveness. Investing in their safety, development, and well-being is not only a governance and compliance imperative, it is one of the most direct ways the Group builds the resilience and capability needed to sustain momentum for meaningful progress.

In 2025, the Group deepened this investment through structured occupational health and safety programs, expanded mental health support, strengthened labor–management dialogue, and targeted learning and development initiatives that delivered 425,157 training hours across 3,111 programs. These efforts were complemented by competitive benefits, inclusive workplace practices, and the advancement of a Group-level Diversity, Equality, and Inclusion Policy. The Group's commitment to its people was recognized externally through its inclusion in the 2025 Forbes Best Employers List, ranking 421st worldwide and 5th locally — a significant improvement from its position the prior year.

Beyond its workforce, the Group continued to channel community investment through Tan Yan Kee Foundation, Inc., directing ₱77.81 million toward education, healthcare, environmental stewardship, livelihood development, and disaster response. The sections that follow detail how the Group's approach to employee welfare, labor relations, skills development, and community engagement translates people-centered values into lasting outcomes for employees, communities, and the enterprise as a whole.

13,063
EMPLOYEES

1,325
NEW HIRES

3,111
TRAINING PROGRAMS DELIVERED

425,157
TOTAL TRAINING HOURS

#421
FORBES BEST EMPLOYERS (5TH IN PH)

₱77.81M
COMMUNITY INVESTMENT

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

Zero

Recorded incidents of Fatalities in the workplace

A safe and healthy workforce is foundational to driving new possibilities across the Group. LT Group, Inc. and its operating companies manage occupational health and safety (OHS) through documented policies and facility-level programs designed to protect employees and on-site workers, ensure regulatory compliance, and sustain safe operations.

OHS coverage generally extends to regular employees as well as contractors and service providers, supported by established safety governance bodies (e.g., OSH/EHS committees), recurring training, and defined procedures for hazard identification, incident reporting, and corrective action.

12,509

Employees Covered by the OHS System in 2025

PNB Holdings Corporation

PNB Holdings maintains a formal Occupational Safety and Health Policy Statement and OSH Program covering employees and third-party service providers. Employee well-being is supported through annual physical examinations, a structured wellness program, flexible work arrangements, and engagement activities (e.g., Family Day, team-building). Psychological support is delivered via periodic mental health programs (e.g., mindfulness-focused sessions), supplemented by climate surveys and "kamustahan" feedback mechanisms used to surface stress and well-being concerns.

Safety governance is implemented through a dedicated PHC OSH Committee that meets monthly, and joint OSH committees with tenants that meet quarterly, with responsibilities spanning accident prevention planning, inspections, incident review, training oversight, and contingency planning. Risk identification and assessment are embedded through workplace inspections, incident investigations, and Job Hazard Analysis (JHA) supported by defined controls (elimination to PPE). Reporting channels are available through supervisors, OSH committee members, HR, and Safety and Security teams. Occupational health services include pre-employment and annual medical exams, immunizations, mental health programs, and safety officer coverage; non-occupational healthcare access is provided via HMO enrollment for regular employees, alongside DOLE-mandated workplace pr grams (e.g., TB/HIV policies where applicable). Training coverage includes general safety, emergency response, and role-specific competencies (e.g., first aid/CPR, drills), with effectiveness evaluated through assessments, observation, feedback, and performance data.



Philippine National Bank

PNB maintains comprehensive OHS-related policies aligned with the OSH Act, DOLE regulations, and the Safe Spaces Act, supported by Safety Officers and First Aiders and governed by an Occupational Safety, Health and Family Welfare (OSHFW) Program/Committee that meets monthly. Health and well-being initiatives integrate physical and mental health services — including annual physical examinations (APE), teleconsultation access, a 24/7 mental health hotline via KonsultaMD, and psychosocial support facilitation — alongside structured wellness learning (e.g., Tuesday Health Series) and periodic wellness fairs that combine webinars and medical consultations. Stress and psychosocial risks are monitored through employee dialogue and surveys (e.g., engagement surveys and internal customer satisfaction tools). Hazard identification and risk assessment are formalized through the Risk Assessment Matrix and/or Hazard Identification and Risk Assessment Control Act as specified in the OSHFW Manual, with annual manual review and updates to reflect operational changes. Incident reporting is channeled through designated Safety Officers, with investigations conducted in coordination with the Corporate Security Group, Administration Group, and relevant business units. The Bank also implements branch-level competency requirements (e.g., a minimum of one employee per branch for Safety Officer 1 and a minimum of one additional employee to undergo Basic Life Support CPR training), conducts evacuation drills, and undergoes both internal and external audits (e.g., periodic DOLE inspections and annual internal audit reviews).



Asia Brewery, Inc.

Asia Brewery implements a documented OSH program submitted to DOLE and a broader EHS policy covering employees, properties, and the environment. Governance is supported by an EHS Committee that meets monthly and is authorized to make safety decisions within OSH guidelines. The program includes occupational health initiatives for communicable diseases (e.g., TB, Hepatitis B, HIV), drug-free workplace measures, and mental health provisions (policy, Speak Up channels, wellness and engagement activities). Stress indicators are monitored through absenteeism and turnover trends, performance discussions, team-building and "kumustahan" sessions, and behavioral seminars, with workload support delivered through individualized plans such as targeted training. Hazard identification and risk controls are executed through audits and patrols, worker safety reports, procedural reviews, and HIRAC, with cross-functional audits used to validate assessment quality. Incident investigations follow established procedures and root cause analysis documentation, while a preventative safety culture is reinforced through near-miss reporting, 5S+1 audits, and Gemba walks. Medical services are available via HMO coverage and on-site clinic resources (nurses/physicians), supported by vaccination programs, health screenings, and wellness facilities and activities. Training spans first aid, fire safety, hazardous materials handling, equipment safety, and government-accredited programs, delivered at frequencies matched to compliance and risk needs.



Eton Properties Philippines, Inc.

Eton maintains a documented OSH Program submitted to DOLE, compliant with RA 11058 and DOLE DO 198-18, applicable to all workers regardless of employment status. Mental health support is reinforced through "Eton Kamustahan" check-ins facilitated by HR and site leaders, alongside access to HMO support and referral pathways where applicable. OSH governance is managed by an OSH Committee that meets quarterly (and as needed), responsible for policy formulation, compliance oversight, investigations, and monitoring corrective actions; the committee recommends actions while management approves regulatory and policy decisions through HR. Hazard identification is performed via regular inspections, semi-annual audits, and annual risk assessments, with results reviewed through OSH committee processes and translated into corrective actions across sites. Reporting is enabled through OSH orientations, mandatory OSH training, and direct escalation to property managers, safety officers, or HR. Internal audits are conducted twice per year by Safety and Security through inspections, documentation checks, and compliance reviews.



Tanduay Distillers, Inc.

Tanduay operates a formal, documented Occupational Safety and Health Program implemented across facilities and covering regular staff, contractors, and third-party service providers. Joint management-worker governance is established through site-level EHS Committees that meet at least} monthly (or more frequently when needed) and are authorized to decide on programs and controls subject to chair approval by top management. Hazard identification and assessment are managed through department-level HIRAC, with layered review by department heads, plant safety officers, and facility leadership, and structured follow-through through quarterly HIRAC reviews and post-implementation effectiveness checks. Mental health support includes on-site psychologist consultations, while stress monitoring integrates employee surveys, satisfaction tools, and operational indicators (absenteeism, grievances, productivity), including structured instruments (e.g., TAWS-16) where applied.Incident reporting is supported through visible emergency hotlines, and investigations follow standardized safety department protocols. Occupational and non-occupational health services are delivered through on-site clinics (nurse/retainer physician coverage) complemented by HMO access, with disease prevention programs (TB, Hepatitis B, HIV) and workplace welfare policies (e.g., smoke-free, lactation). Training is company-funded and conducted during paid working hours, spanning fire safety, hazardous materials handling, first aid, laboratory safety, and regular emergency drills; training needs are assessed through annual skills gap identification, and effectiveness is evaluated through a formal training effectiveness process.



Work-related injuries

GRI 403-9

In 2025, the Group logged Verify fatality count against final data before publishing; the Work-related Injuries table reports one fatality under "Number of fatalities as a result of work-related injury," while the rate of fatalities is 0 and the highlighted key metric states zero recorded incidents of fatalities in the workplace - client to resolve discrepancy prior to publication recordable work-related injuries across 29,690,344 hours worked, with 25,857,619 safe man-hours achieved. No high-potential work-related incidents were identified during the year, and 120 close calls were documented and addressed, reflecting the Group's proactive approach to hazard prevention and incident learning.

INDICATORS	2025
Number of fatalities as a result of work-related injury	1
Rate of fatalities as a result of work-related injury	**0**
Number of high-consequence work-related injuries (excluding fatalities)	2
Rate of high-consequence work-related injuries (excluding fatalities)	**0**
Number of recordable work-related injuries	12
Rate of recordable work-related injuries	**0**
Number of hours worked	29,690,344
Safe man hours	25,857,619
Number of high-potential work-related incidents identified	0
Number of close calls identified	120

Work-related ill-health

INDICATORS	Employees	Work-related hazards	Approach in identifying hazard
Number of fatalities as a result of work-related ill-health	0	0	0
Number of fatalities as a result of work-related ill-health	0	0	0

Safeguarding Mental Health at the Workplace

Mental health is treated as an integral component of employee well-being, extending beyond conventional occupational health and safety requirements. The Group promotes a work environment that supports psychological safety, reduces stigma, and encourages open dialogue on mental health concerns. Initiatives include structured wellness programs, mental health awareness activities, access to counseling or professional support, and regular engagement mechanisms that allow employees to seek help without fear of discrimination or reprisal.

While PNB, Tanduay, and Eton currently monitor participation and utilization rates for mental health and well-being programs, all subsidiaries are committed to providing appropriate psychological support aligned with their operational context. These efforts reinforce the Group's broader people strategy by recognizing mental well-being as essential to employee resilience, productivity, and long-term organizational sustainability — and as a meaningful dimension of the momentum the Group sustains in caring for the people who drive it forward.

INDICATORS	2025
Employees Attending from Mental Health Support Programs and Seminars	2,126
Employees Benefiting from Workload Adjustments	470
Employees Participating in Return-to-Work Programs	470

Note: Numerical scope is for LTG, PNB, Tanduay, and Eton only.

In 2025, across LTG, PNB, Tanduay, and Eton, 2,126 employees attended mental health support programs and seminars, 470 employees benefited from workload adjustments, and 470 employees participated in return-to-work programs. These figures reflect the Group's commitment to building workplaces where employee well-being is actively supported, not merely monitored.



Feature Story

Points of You: A Journey to Mindfulness — Cultivating Presence and Well-Being at PNB Holdings

PNB Holdings continues to strengthen its commitment to employee wellbeing through Points of You: A Journey to Mindfulness, a pioneering wellness initiative under the PHC Academy, the company's flagship learning and development platform. Anchored on the Academy's Solicitude pillar,the program reflects PHC's holistic approach to employee development, recognizing that professional growth is closely linked to mental, emotional, and psychological well-being. Designed around the Gestalt Psychology principle of the "Here and Now," the initiative encourages employees to develop present-moment awareness, emotional authenticity, and deeper self-understanding as tools for navigating stress and workplace pressures.

The program brought together PHC employees from various departments in a shared learning experience that emphasized reflection, dialogue, and mindful engagement. Through guided sessions and structured activities, participants were equipped with practical strategies to manage anxiety, improve emotional regulation, and foster personal integration—skills that support both individual resilience and healthier workplace interactions.

Labor Relations and Skills

GRI 2-25

Forbes WORLD'S BEST EMPLOYERS POWERED BY statista 2025

People are at the center of LT Group's momentum for meaningful progress. To ensure employees remain engaged, supported, and well-equipped to contribute to the Group's long-term success, the Group continues to strengthen its approach to diversity, equality, and inclusion (DEI), employee engagement, labor–management relations, learning and development, career and performance management, and employee benefits. In 2025, these efforts were further advanced through targeted programs and refinements that reinforce constructive labor relations, promote inclusive workplaces, and support continuous skills development, enabling employees to adapt to evolving business needs while sustaining a motivated and resilient workforce.

Reflecting these efforts, LTG was recognized in the 2025 Forbes' Best Employers List, ranking #421 worldwide and 5th locally — a significant improvement from its +600 ranking the previous year.

Diversity, Equality, and Inclusion

GRI 2-7, 3-3, 102-3, 406-1

In 2025, the parent company advanced its people strategy by drafting a Group-level Diversity, Equality, and Inclusion (DEI) Policy, establishing a common framework to promote fair treatment, equal opportunity, and respect across subsidiaries. The policy articulates principles on non-discrimination, merit-based employment, and inclusive workplace practices, while allowing subsidiaries to tailor implementation based on operational context and workforce composition. Governance and monitoring are embedded through existing HR, compliance, and ethics mechanisms, reinforcing accountability without duplicating controls.

Zero

Cases of Reported Discrimination in 2025

At the subsidiary level, practices reflect differing stages of DEI maturity. PNB Holdings and Asia Brewery emphasize competency-based hiring and strict adherence to recruitment and placement procedures, with no reported discrimination-related controversies. PNB has a more formalized approach, supported by policies on diversity and inclusion, gender equality, anti-sexual harassment, and whistleblowing, alongside accessible reporting channels and protections against retaliation; while no numerical gender targets are set, gender mix is regularly reported to management.

For Eton, workplace conduct and non-discrimination concerns are addressed through existing governance mechanisms, including a Committee on Decorum and Investigation (CODI), alongside competency-based hiring and adherence to recruitment policies. Eton advises a balanced gender ratio, with active inclusion practices and no reported cases of discrimination. Tanduay currently relies on merit-based hiring and cultural respect initiatives, with plans to strengthen formal DEI governance over time. Across the Group, no material discrimination controversies were recorded during the reporting period, and all entities remain committed to maintaining respectful, inclusive workplaces aligned with evolving regulatory and stakeholder expectations.

13,063

Total Group-wide Employees

DEI commitments are reflected in the composition of the Group's workforce. In 2025, the Group employed 13,063 employees, representing a broad mix of genders, ethnic and cultural backgrounds, communities, religions, age groups, and professional experiences across its subsidiaries and locations. This diversity mirrors the markets and communities in which the Group operates and supports a workplace environment shaped by varied perspectives and lived experiences.

1:1

Male-to-female ratio

The table below shows the Group's 2025 workforce composition by subsidiary, broken down by gender. Of the 13,063 total employees, PNB accounts for the largest share at 8,858, with a predominantly female workforce (67%). Asia Brewery follows at 2,920 employees, where male employees represent 77% of|-headcount, consistent with the manufacturing nature of its operations. Across the Group, the overall male-to-female ratio stands at 1:1, underscoring the Group's balanced representation at the aggregate level even as individual subsidiaries reflect their respective industry profiles.

2025	Quantiity (M)	Percentage (M)	Quantity (F)	Percentage (F)	2025 Total
Asia Brewery	2,250	77%	670	23%	**2,920**
Eton	158	42%	217	58%	**375**
LTG	11	41%	16	59%	**27**
PNB	2,948	33%	5,910	67%	**8,858**
Tanduay	678	83%	138	17%	**816**
PHC	41	61%	26	39%	**67**
				Total number of employees	**13,063**

Employee Engagement

The Group's overall human capital strategy is anchored on employee engagement, with sustained emphasis on creating a positive, inclusive, and enabling workplace experience across all stages of the employee lifecycle. Rather than concentrating on headcount movements, engagement efforts centered on strengthening employer value propositions, enhancing employee experience, and ensuring that each subsidiary remains an attractive and competitive workplace within its respective industry. Tailored, subsidiary-level initiatives continued to reflect the distinct operational contexts of banking, manufacturing, property development, and holding company functions.

Subsidiaries pursued differentiated engagement approaches aligned with their workforce profiles and business needs. Asia Brewery sustained its strong digital presence to reinforce employer visibility and accessibility, while continuously improving recruitment and onboarding experience through technology-enabled processes. PNB focused on deepening early-career engagement by maintaining strong linkages with academic institutions, supporting internships, and participating in career talks and job fairs to build long-term talent pipelines. Eton strengthened its employer brand by highlighting employee engagement, workplace culture, and internal activities through professional and social media platforms, alongside academe partnerships. Tanduay emphasized career development and internal mobility as part of its employee value proposition, while PHC reinforced inclusive and skills-based recruitment practices aligned with its DEI principles.

Complementing these engagement initiatives, the Group continued to invest in employee development and internal capability-building in 2025. Leadership development, cross-training, and role-readiness programs were implemented across subsidiaries to support continuity and long-term workforce sustainability. Succession planning initiatives progressed at varying stages of maturity, with several companies actively identifying critical roles and developing internal successors, while others focused on strengthening foundational systems and transition processes.

New Hires and Turnovers

Talent acquisition and retention remained a key human capital priority in 2025, amid a competitive labor market and evolving workforce expectations. Across the Group, companies faced challenges in sourcing and securing qualified candidates, particularly for critical, technical, and specialized roles. Competition for talent intensified as candidates increasingly compared opportunities across industries, including fintech, BPO, e-commerce, and overseas employment, while also placing greater value on flexible work arrangements, career progression, and overall employee experience. In several cases, job offer acceptance rates emerged as a constraint, reflecting broader market dynamics rather than organizational-specific issues.

To address these challenges, subsidiaries strengthened employer branding, streamlined recruitment processes, and leveraged digital platforms to expand candidate reach. Initiatives included virtual recruitment and screening, enhanced candidate experience, partnerships with academic institutions, and the development of talent pools for future hiring needs. Across the Group, recruitment practices are guided by merit-based and non-discriminatory principles, consistent with applicable labor laws, ensuring equal opportunity regardless of gender, back ground, or personal characteristics. While the parent company and several subsidiaries do not yet set formal numerical diversity targets, demographic data and hiring trends are regularly reviewed by management to inform workforce planning.

Employee retention was supported by a combination of competitive benefits, wellness programs, and opportunities for skills development. While some subsidiaries experienced increased attrition pressures as markets reopened and alternative work arrangements became more prevalent, overall turnover remained manageable. To ensure business continuity, the Group continues to advance succession planning initiatives, including the identification of potential leaders, leadership development programs, and promotion deliberation processes.

New Hires
GRI 401-1, 102-3

Gender	Male			Female			2025
Age	< 30 y.o.	30-50 y.o.	>50 y.o.	< 30 y.o.	30-50 y.o.	>50 y.o.	Total
Asia Brewery	105	75	4	66	19	0	269
Eton	18	15	1	34	13	0	81
LTG	0	1	0	2	1	0	4
PNB	153	102	10	413	151	29	858
Tanduay	29	21	0	25	5	0	80
PHC	7	14	1	4	7	0	33
						Total New Hires	1,325
						New Hire Rate	10.14%

Turnovers
GRI 401-1, 102-3

Gender	Male			Female			2025
Age	< 30 y.o.	30-50 y.o.	>50 y.o.	< 30 y.o.	30-50 y.o.	>50 y.o.	Total
Asia Brewery	82	100	21	38	26	5	272
Eton	4	17	4	19	21	1	66
LTG	0	1	0	0	1	0	2
PNB	75	117	91	158	196	179	816
Tanduay	11	9	3	9	3	4	39
PHC	1	1	0	2	2	0	6
						Total Turnovers	1,201
						Turnover Rate	9.19%

In 2025, the Group recorded 1,325 new hires at a new hire rate of 10.14%, and 1,201 separations at a turnover rate of 9.19%. PNB accounted for the largest share of both new hires (858) and turnovers (816), consistent with its size as the Group's largest employer. Hiring was concentrated among employees under 30, reflecting continued investment in early-career talent pipelines across subsidiaries.

Labor-management relations

GRI 2-30

Labor-management relations across the Group continued to be anchored on transparency, dialogue, and respect for workers' rights, with approaches tailored to the structure and context of each subsidiary.

Unionized entities (Asia Brewery, PNB, and Tanduay) maintained continued adherence to Collective Bargaining Agreements (CBAs) and applicable labor regulations. Monthly Labor Management Committee (LMC) meetings served a the primary venue for discussing workplace concerns, operational updates, and employee welfare matters. These regular engagements helped prevent disputes, address issues early, and sustain industrial peace.

For non-unionized entities (LTG Parent Company and Eton), employee engagement is facilitated through direct communication channels such as departmental meetings, town halls, and employee feedback tools. Management maintains open-door and consultative practices to ensure employee concerns are raised and addressed in a timely manner. Freedom of association and fair labor practices are respected regardless of union status.

Employee participation in workplace decision-making is further supported through company-specific initiatives. Asia Brewery encourages involvement through toolbox meetings, safety briefings, and employee-focused activities that allow feedback on daily operations. PNB incorporates union and employee inputs in selected policy discussions and includes employee representatives in committees such as the Occupational Safety, Health, and Family Welfare Committee. PHC aligns employee and organizational goals through town halls, performance alignment sessions, and KPI-setting processes. Tanduay reinforces collaboration by cascading departmental objectives and KRAs and involving employees in operational planning discussions.

Clear grievance mechanisms remain in place across the Group to protect employees from retaliation and ensure fair resolution of concerns. Asia Brewery utilizes formal grievance machinery, LMC processes, and its Committee on Decorum and Investigation (CODI). PNB applies an Alternative Dispute Resolution (ADR) mechanism and union-mediated grievance handling. Eton relies on its Whistleblower Policy to provide confidential and protected reporting channels. PHC implements structured grievance procedures and engages external consultants to periodically review and mitigate human capital risks.

4,762
Employees under a Collective Bargaining Agreement in 2025

These varied but aligned approaches reflect the Group's commitment in 2025 to constructive labor–management relations, employee voice, and a respectful, rights-based workplace culture. In 2025, 4,762 employees across the Group were covered by Collective Bargaining Agreements.

Benefits

The Group continues to strengthen its employee value proposition by offering benefits that balance regulatory compliance with practical support for employee well-being, retention, and productivity. While benefit structures vary by subsidiary based on operational context and workforce needs, common priorities include healthcare access, leave benefits, financial security, and targeted flexibility arrangements.

Remote or work-from-home options remain generally situational, primarily activated during inclement weather or business continuity events, while expanded HMO coverage, dependent care, and wellness initiatives serve as core pillars across companies.

GRI 401-2

Benefits	2025	
	number of women who availed	number of men who availed
SSS	1,646	2,657
Philhealth	625	830
Pag-IBIG	1,349	2,303
Parental Leave	495	802
Vacation Leave	6,077	5,410
Sick Leave	5,426	3,962
Medical Benefits (aside from Philhealth)	367	890
Housing assistance (aside from Pag-IBIG)	6	2
Retirement fund (aside from SSS)	277	164
Further Education Support)	0	0
Telecommuting	899	662
Flexible working hours	1,027	744

The benefits table above summarizes availed benefits across the Group by gender in 2025. Vacation leave and sick leave were the most widely utilized, with 6,077 women and 5,410 men availing of vacation leave, and 5,426 women and 3,962 men availing of sick leave. Flexible working hours and telecommuting were also meaningfully accessed, with 1,771 combined avails for flexible hours and 1,561 for telecommuting, reflecting the Group's continued support for work-life balance within operational constraints.

Parental Leave

GRI 401-3

2025	Male	Female
Total number of employees that were entitled to parental leave	806	527
Total number of employees that took parental leave in 2025	88	344
Total number of employees that returned to work in 2025 after parental leave ended	84	318
Return to work rate	**95.45%**	**92.44%**
Among those who availed the parental leave in 2024 how many of them returned and are still with the company in 2025	93	319
Total number of employees that took parental leave in 2024	98	342
Retention rate	**94.90%**	**93.27%**

In 2025, 432 employees availed of parental leave (88 male, 344 female) out of 1,333 entitled employees. Return-to-work rates were strong, at 95.45% for male employees and 92.44% for female employees. Among employees who took parental leave in 2024, retention rates remained high at 94.90% for males and 93.27% for females, reflecting the Group's supportive approach to parental transitions.

Solo Parental Leave

GRI 401-3

2025	Male	Female
Total number of employees that were entitled to parental leave	692	314
Total number of employees that took parental leave in 2025	14	168
Total number of employees that returned to work in 2025 after parental leave ended	14	163
Return to work rate	**100%**	**97.02%**
Among those who availed the parental leave in 2024 how many of them returned and are still with the company in 2025	12	167
Total number of employees that took parental leave in 2024	12	169
Retention rate	**100%**	**98.82%**

For solo parental leave, 182 employees availed of the benefit in 2025 (14 male, 168 female) from an entitled pool of 1,006. Return-to-work rates were 100% for male employees and 97.02% for female employees. Retention rates for those who took solo parental leave in 2024 stood at 100% for males and 98.82% for females, demonstrating strong organizational support for solo parents returning to the workforce.

Beyond statutory requirements, several subsidiaries enhanced benefits to respond to workforce expectations and retention pressures. Improvements included increased HMO coverage limits, additional leave types (e.g., volunteer or birthday leave), life insurance, retirement and longevity programs, wellness activities, and allowances addressing transportation, communication, and daily living needs. Employee feedback and engagement surveys continue to inform refinements, with satisfaction levels ranging from average to high, particularly where benefits are perceived as competitive and responsive to evolving work and life demands.

Company	Work Flexibility	Leave Benefits	Healthcare & Dependent Care	Long-Term / Financial Benefits	Wellness & Beyond Compliance
Parent Company (LTG)	· Flexible work arrangement subject to job suitability · Work Equipment Support	Employee Leave Programs	HMO Coverage	Retirement program; training and leadership development opportunities; government mandated benefits (SSS, Philhealth, Pag-IBIG)	· Wellness Programs · Health Information Sessions
PNB Holdings	· Flexible work arrangements subject to job suitability · Work Equipment Support	Employee Leave Programs	HMO Coverage	N/A	· Employee Support Allowances · Welfare Support Programs
PNB	· Flexible work arrangements subject to job suitability · Work Equipment Support	Employee Leave Programs	HMO Coverage	Longevity Pay; Regular Retirement program	· Wellness Days · Mental Health Support · Physical & Social Wellness Programs

Company	Work Flexibility	Leave Benefits	Healthcare & Dependent Care	Long-Term / Financial Benefits	Wellness & Beyond Compliance
Asia Brewery	· Flexible work arrangements subject to job suitability · Work Equipment Support	Employee Leave Programs	HMO Coverage	Retirement program (closed to new members)	· Wellness Days · Vaccination Programs · Health Lectures
Eton	· Work Equipment Support	Employee Leave Programs	HMO Coverage	Life insurance	· Employee Support Allowances · Welfare Support Programs · Physical & Social Wellness Programs
Tanduay	· Flexible work arrangements subject to job suitability · Work Equipment Support	Employee Leave Programs	HMO Coverage	Retirement program, life insurance, attendance incentives, and Group Life Insurance	· Employee Support Allowances · Welfare Support Programs · Physical & Social Wellness Programs

Training and Development

LTG views training and development as a strategic lever for strengthening operational performance, building leadership capability, and preparing employees for evolving business and technological demands — and as a direct investment in the people driving the Group's momentum forward. Learning interventions are designed to support both current role effectiveness and longer-term career progression, while balancing operational realities across diverse business units.

425,157

Total Training Hours in 2025

At the Parent Company level, training initiatives are structured around an employee's career stage, ensuring that development opportunities remain relevant and progressive. Departments are empowered to initiate training based on operational needs, subject to management approval, while immediate managers play a key role in identifying development requirements. Performance evaluation remains output-based, with structured policies for performance management, rewards, and recognition currently being formalized. Where applicable, strong performance may be recognized through promotion or performance-based incentives, with a Group-wide Rewards and Recognition framework under development.

3,111

Number of internal and external trainings conducted

Subsidiaries likewise implement training and development programs tailored to their operational contexts.

PNB Holdings focuses on productivity enhancement, leadership development, and mental health, using an Individual Performance Scorecard weighted between performance targets (60%) and behavioral competencies (40%), with merit increases and bi-annual promotion cycles recognizing strong performance. PNB prioritizes continuous upskilling to improve efficiency, reduce operational errors, and support process improvement, and targets future readiness through AI-related training under the AI Proficiency and Excellence Academy (APEX) learning series, including ethical and practical applications.

Asia Brewery strengthens workforce capability through competency-based training aligned with operational and compliance needs, and has invested in upgraded training facilities, digitalized learning systems, and centralized training records; performance is evaluated through the People Development and Appraisal System (PDAS), balancing KPI achievement and values-based behavior.

Eton emphasizes essential soft skills and technical capability development to enhance productivity, compliance, and succession readiness, with recognition through promotions and merit increases. Tanduay aligns training with operational efficiency, quality standards, and continuous improvement goals, and has strengthened training delivery discipline through clearer scheduling, ac countability mechanisms, and integration into management KPIs.

GRI 404-1

Male	Total Training Hours	Total Number of employees trained	Average hours of training
Office	1,820	45	160
Managers	21,403	878	298
Supervisors	60,345	1,485	204
Rank and File	74,662	2,551	124
Female	**Total Training Hours**	**Total Number of employees trained**	**Average hours of training**
Office	1,357	48	171
Managers	29,451	1,164	351
Supervisors	109,689	2,346	192
Rank and File	126,431	3,364	179
Total	**425,157**	**11,881**	**1,679**

In 2025, the Group delivered 425,157 total training hours across 11,881 employees through 3,111 internal and external training sessions. Female supervisors logged the highest training hours at 109,689, followed by female rank-and-file employees at 126,431. Across all levels and genders, average training hours per employee totaled 1,679, reflecting the Group's commitment to sustained, broad-based capability development.

Career and Performance Reviews

GRI 404-3

Performance management systems are designed to be structured, role-appropriate, and evidence-based, ensuring that expectations are clearly defined and outcomes are consistently assessed. This serves as a core mechanism for aligning individual contributions with organizational objectives, supporting fair decision-making on advancement, and reinforcing accountability across the Group. In 2025, 100% of employees across the Group received regular career and performance reviews.

100%

Employees receiving regular career and performance reviews

Performance review and appraisal processes are de signed to ensure fairness, accountability, and alignment between individual contributions and organizational objectives. Each company applies structured evaluation tools that assess both results and behaviors, allowing performance discussions to be grounded in measurable outputs, role-specific responsibilities, and demonstrated competencies. Regular review cycles, whether annual or semi-annual, provide employees with clear feedback on strengths, areas for improvement, and expectations, while supporting transparency in performance-related decisions. The outcomes of these appraisals inform key people-management actions, including merit increases, promotions, recognition, and development planning.

The table in the next page details the performance and appraisal initiatives in place across each subsidiary.

Company	Initiative/Program	Description
Parent Company (LTG)	Output-Based Performance Review	Performance assessments focus on achievement of agreed deliverables and responsibilities, supporting objective evaluation of role effectiveness and readiness for advancement.
	Managerial Performance Assessment	Immediate managers assess employee performance based on observable results and documented outputs, informing decisions on progression and recognition.
PNB Holdings	Individual Performance Scorecard	Structured scorecard combining performance targets and behavioral competencies, with ratings guiding merit increases and promotion eligibility.
	Performance-Based Recognition	Outstanding contributions may be rated beyond standard thresholds to recognize high-impact performance.
PNB	Regular Performance Evaluation System	Semi-annual reviews for rank-and-file employees and annual evaluations for officers to assess results, competencies, and role effectiveness.
	Meritocracy-Based Advancement	Performance outcomes inform promotions, salary adjustments, and recognition programs.
	Performance Documentation	Managers maintain documented performance evidence to support fair and transparent evaluations.

Company	Initiative/Program	Description
Asia Brewery	People Development and Appraisal System (PDAS)	Integrated evaluation combining KPI based results assessment and values driven behavioral review (LITID).
	Leadership Performance Review	Leader evaluations include assessment of coaching effectiveness and people development responsibilities.
	Performance Recognition Programs	Appraisal outcomes linked to incentive schemes, service awards, and recognition for process improvements.
Eton	Performance Appraisal Review Tool	Multi-parameter assessment covering performance factors, competencies, special assignments, potential, and overall performance.
	Merit Increase and Promotion Review	Appraisal results serve as basis for promotions and merit increases.
Tanduay	Annual Performance Appraisal	Performance evaluation combining individual KPIs and behavioral dimensions.
	Coaching and Performance Journaling	Managers document performance feedback using the STAR (Situation–Task–Action–Result) model to support evidence-based appraisal.
	Performance-Based Incentives	Appraisal results directly influence incentives, recognition, and career progression decisions.

Community Relations **and Development**

GRI 3-3, 2-22, 203-2, 413-1

Meaningful progress extends beyond the Group's operations and into the communities where it does business. Community investments continue to be guided by the Group's alignment with the UN SDGs. Rather than addressing all goals uniformly, the Group concentrates its resources on 10 priority areas where its businesses, capabilities, and partnerships can deliver the most relevant and sustained social and environmental outcomes.

In 2025, a total of Php 77.81 million was earmarked to support these community initiatives. The allocation and implementation of this funding are discussed in detail in the **Community Engagement Initiatives** for 2025 section, outlining how resources were deployed to address priority community needs.



Advancing Community Impact Through the Tan Yan Kee Foundation

The Group's community engagement initiatives are anchored on Tan Yan Kee Foundation, Inc. (TYKFI), which serves as its primary platform for planning, implementing, and coordinating social development programs. As the Group's dedicated corporate social responsibility arm, the Foundation translates strategic priorities into targeted interventions that respond to pressing community needs while ensuring consistency, accountability, and long-term impact across initiatives.

Through the Foundation, the Group channels its resources toward clearly defined focus areas, including education, healthcare access, environmental stewardship, livelihood development, and disaster response. Flagship programs such as the Dr. Lucio C. Tan Legacy Forest Project, Small Water Impounding Project, agriculture-based scholarship initiatives, and the HOPE Caravan Assistance Program reflect a deliberate approach to community development that emphasizes sustainability, inclusivity, and capacity-building rather than short-term relief.



Partnerships and Collaboration

TYKFI works with a broad array of partner institutions from both the public and private sectors to fulfill its mission of community development, inclusive education, health services, and social welfare. These partnerships amplify the Foundation's reach and effectiveness by leveraging shared expertise, resources, and networks in key areas of social impact.

Group Policy on Community Engagement and Social Investment

As a Group, LTG works closely with its subsidiaries to design, implement, and monitor initiatives that respond to genuine community needs while supporting long-term development outcomes. Community programs are developed with consideration for local context, stakeholder priorities, and potential social impact, ensuring that engagements go beyond short-term assistance and contribute to sustained community resilience.

In 2025, this policy continues to guide subsidiaries in aligning their community initiatives with the Group's sustainability priorities, ethical standards, and shared value objectives. Programs are coordinated to avoid duplication, strengthen impact, and ensure responsible use of resources, while allowing flexibility for subsidiaries to address sector-specific and location-based needs. The decrease in the number of reported community engagement activities reflects a strategic shift toward concentrating resources on fewer but higher-impact programs. Rather than implementing numerous small-scale initiatives, the Group allocated larger budgets and deeper support to priority programs with broader reach and longer-term community benefits. This approach allows initiatives to deliver more sustainable outcomes while improving program effectiveness and the monitoring of social impact.

	2025	2024	2023
Total number of operations with implemented local community engagement, impact assessments and/or development programs	**22**	**13**	**166**
Total number of operations	**22**	**13**	**197**
Percentage of operations with implemental local community engagement, impact assessments and/or development programs	**100%**	**100%**	**91%**

In 2025, all 22 of the Group's operations with implemented local community engagement, impact assessments, and/or development programs achieved 100% coverage — consistent with 2024 and up from 91% in 2023. While the total number of reporting operations declined from 197 in 2023 to 22 in 2025, this reflects the strategic con solidation of initiatives described above, with resources directed toward programs where the Group can deliver deeper and more measurable community impact.

Employee Participation and Volunteer Engagement

Employee participation plays a defined role in the Group's community engagement efforts. Volunteer activities are designed not as ad hoc initiatives, but as structured opportunities that allow employees to contribute their time and skills to causes aligned with the Group's social priorities and local community needs.

Across subsidiaries, participation is supported through practical enablers and clear incentives. PNB introduced Volunteer Leave as a new leave type, allowing employees to engage in CSR and community initiatives during paid work hours and promoting broader employee participation in social impact activities. PHC provides paid time off for volunteering, while PNB and other entities support employee involvement through logistical assistance such as meals, activity materials, and volunteer kits. Internal communication channels are used to coordinate activities, document outcomes, and acknowledge contributions, ensuring visibility and consistency across the organization. This approach enables sustained employee engagement while reinforcing accountability and shared ownership of the Group's community initiatives.

Community Engagement Initiatives for 2025

Community investments for the reporting year were delivered through focused programs that address priority social and environmental needs, strengthening access to education, supporting agricultural productivity and food security, advancing health and emergency response, and investing in long-term ecosystem protection. Implemented through the Tan Yan Kee Foundation and reinforced by subsidiary-led initiatives, these activities combine direct assistance, capacity-building, and place-based partnerships to produce measurable benefits for communities and stakeholders.



01 | Agriculture & Food Security

Program / Activity	Location	Summary / Key Outputs
Fertilizer Distribution (Masaganang Palayan Project)	Brgy. Comon, Aritao, Nueva Vizcaya	Supported **20 farmers**; **35 hectares** cultivated using **561 kg hybrid rice seeds** and **95 sacks of fertilizers**; harvest reached **239,720 kg palay** (avg. **6.85 MT/ha**).
Inauguration of Small Water Impounding Projects (DA-BSWM partnership)	Pangasinan, La Union, Nueva Ecija	Inaugurated **3 irrigation facilities**: Manaol Diversion Dam (up to **300 ha**), Marcos Diversion Dam (**85 ha**), Puncan SWIP (**40 ha**), improving yearround water access and yields.
Turnover of Puncan Small Water Impounding Project to SWISA	Small Water Impounding Project to SWISA Fortune Farm, Carranglan, Nueva Ecija	Turned over facility to farmers' association; DA-BSWM orientation to support long-term sustainability; rice distribution to attendees.
Dr. Lucio C. Tan Legacy Agroforestry (Fortune Farm produce)	Small Water Impounding} Project to SWISA Fortune Farm, Carranglan, Nueva Ecija	Delivered **17.0 tons** of farm-fresh produce for the year (9.9 tons H1; **>7 tons** H2), supporting food affordability and farmer livelihoods.
Palawan Mango Orchard (Agrilivelihood)	Puerto Princesa, Palawan	Sustained pulp weevil-free harvests; 2025 harvest batches: **4,634 kg** (March), **2,486 kg** (July), 2,547 kg (September); orchard ecosystem expanded to **368 mango trees** plus diversified crops.
Food Security Rice Support Initiative	Metro Manila	Launched **two rice support initiatives** to ease household food expenses via subsidized/affordable rice access.
Rice Seeds Distribution	Brgy. Comon, Aritao, Nueva Vizcaya	Distributed rice seeds and gift packs to farmer beneficiaries; recognized partner support to strengthen farmer inputs and continuity.
Donation to Aritao LGU (Panagsisibuyas Festival support)	Aritao, Nueva Vizcaya	Donated water bottles for community festival; reinforced support for local agricultural communities and cohesion.

02 | Education, Youth Development, and Learning Support

Program / Activity	Location	Summary / Key Outputs
Donation for School Beneficiary (STA 70th Foundation Day)	Aritao, Nueva Vizcaya	Donated **smart TV** and **20 grocery packs** as raffle prizes; proceeds support TLE building renovation to improve learning spaces.
TYKFI–STA Scholarship Program: Conferment, Moving Up, Graduation Rites	Aritao, Nueva Vizcaya	SY 2024–2025 outcomes: **11 Grade 12 graduates** (8 with honors incl. 1 high honors), **10 Grade 10 completers**, and **27 scholars** recognized for awards.
TYKFI–STA New Grade 7 Scholars	Aritao, Nueva Vizcaya	SY 2025–2026 intake: **18 new scholars**; continued support for **21 existing scholars** (farmers' children program).
TYKFI–ICA Scholars (new partnership)	Bone South, Aritao, Nueva Vizcaya	Welcomed **3 new scholars** through Immaculate Conception Academy partnership; selection via evaluation process.
10-Day ImmersionProgram for Agriculture (youth learning)	Fortune Farm, Carranglan, Nueva Ecija	**10 Grade 12** TYKFI–STA scholars underwent immersion (Feb 20–Mar 1), combining classroom sessions and hands-on sustainable agriculture practice.
College Scholarship for Agriculture & Forestry Students (orientation + support)	NVSU, Bayombong, Nueva Vizcaya	Welcomed **7 new scholars** (SY 2025–2026); rice packs distributed; supported students in forestry/ agriculture-related degrees (noted: 7 new and 21 continuing scholars enrolled at NVSU).
Rice Donation for School Children ("Tulong Eskwela")	Ilocos Norte	Donated **400 sacks of 5kg** premium whole grain rice supporting marginalized schoolchildren and families.
School Supplies and Rice Distribution	Ilocos Sur	Supported **475 pupils** with school supplies, backpacks, hygiene items, and 10-kg rice per beneficiary.
TYKES School Supplies and Rice Distribution	Sta. Fe, Nueva Vizcaya	Distributed school supplies; students and faculty received **10-kg rice sacks**; continuing support for TYKES since 2012.
Macdu School Supplies and Rice Distribution	Kayapa, Nueva Vizcaya	Distributed school bags and supplies to **247 student beneficiaries**; students and faculty received 10-kg rice sacks.
Laptop Bags Donation to TYKES Educators	Sta. Fe, Nueva Vizcaya	Donated laptop bags to teachers ahead of National Teachers' Day to support teaching needs.
Gift Watches for Cum Laude Scholar Graduates	Sta. Fe, Nueva Vizcaya	Recognized alumni graduates (Cum Laude) as part of long-term education pathway support.
School Bags Distribution to Night High School Students	Alangalang, Leyte	Supported working learners in Night High School; program history noted (~2,000 learners supported since 2011).
Teacher Trainings (FUSE)	Manila	Trained **682 educators**; ran **4** capacity-building workshops; produced **160** instructional videos; held **4** general assemblies for **143** participants.
"Panimula Kit" for TUPAD beneficiaries under TESDA with DOLE	Manila	Trained and assessed **29** TUPAD beneficiaries under TESDA's "Tatag sa Pagtupad ng Pangarap Kasama ang TESDA" organized by Interbev with cash "Panimula Kit".
Brigada Eskwela	Cabuyao	Annual Maintenance Program for Cabuyao Central Elementary School: "SAMA-SAMA para sa Bayang Bumabasa" with Interbev
Digital Learning Support	Nueva Ecija	PNB donated **70** refurbished desktop units and **20** laptops to Sta. Teresita's Academy of Aritao, Inc., enhancing students' access to technology-enabled learning.



03 | Health, Medical Support & Blood Donation

Program / Activity	Location	Summary / Key Outputs
Asia Brewery Medical Scholars Alumni Night	Tan Yan Kee Corporate Center, Manila	Inaugural alumni homecoming (Feb 7) with **38 alumni and program officers**, supporting the medical specialty scholarship network.
Gifts of Support for PGH Patients, Families, and Medical Staff	Manila	Distributed **1,300 gift packs** through hospital chaplaincy collaboration and partner support.
LifeSaver Blood Donation Drive – PNB Makati Center	Makati	Blood donation drive hosted with Philippine Red Cross with **100+ successful blood donors**; engaged PHC employees, tenants, security, and maintenance personnel.
LifeSaver Blood Donation Drive – PNB Financial Center	Manila	Expanded blood donation drive to the PNB Financial Center community; **124 successful blood donors**.
Bloodletting Activity	ABI Cabuyao	Blood donation drive hosted with Philippine Red Cross with **79 donors**.
Tanduay's Bloodletting Activity, in partnership with the Department of Health - Philippine Blood Center	Quiapo, Cabuyao, Negros, El Salvador	Bloodletting Activity, in partnership with the Department of Health - Philippine Blood Center. A total of **192 employees** across all sites (Quiapo: 20, Cabuyao: 59, Negros: 22, and El Salvador: 91) donated blood for the year 2025.

04 | Environment, Climate, and Biodiversity

Program / Activity	Location	Summary / Key Outputs
DENR 10-year 930- ha Turnover and Awarding Ceremony (watershed restoration)	San Fernando, Pampanga / Nueva Ecija site	Recognition of restoration of **930 hectares**; aboveground biomass **49,539 tons**; carbon stocks **22,292.55 tons**; improved biodiversity and canopy development.
Dr. Lucio C. Tan Legacy Forest Project (930-ha watershed rehabilitation)	Carranglan, Nueva Ecija	Rehabilitation launched in 2014; **~1 million seedlings** planted across **645 ha**; biodiversity assessments (2017, 2023) showed improved plant diversity and return of indicator species; long-term monitoring systems established.
Reforestation and ecological restoration (56-ha site)	Carranglan, Nueva Ecija	Planted **181 seedlings** incl. native/ endangered species; cassava planting for agroforestry livelihoods; year-round maintenance and patrol.
Tanay Legacy Forest Project groundwork and tree planting	Tanay, Rizal	Formalized ownership over **34.12 ha**; mapping/surveys and initial carbon assessments; planted **700 Narra**, **275 Balitbitan**, **30 Golden Shower seedlings**.
PNB Tree Planting	Tanay, Rizal	58 volunteers planted **1,000 Narra trees** at legacy forest site; built on prior growth of **5,716 Falcata trees**. In partnership with Tan Yan Kee Foundation
Roots for Boracay (Mangrove Park)	Malay, Aklan	Planted **222 Bakawan seedlings** (+ LGU **250**); nursery maintained; boardwalk sections rehabilitated/ repainted with partner support; strengthened blue carbon and biodiversity co-benefits.
Balay Bakawan	Sta. Cruz, Ilocos Sur	Supported mangrove restoration/ maintenance to strengthen shoreline resilience and community livelihood support.
EcoStation Waste Recycling Program (PHC)	Property-wide	Tech-enabled recycling program with smart bins and rewards network; designed to improve waste segregation and recycling participation among PHC tenants and employees.
International Coastal Cleanup	Dolomite Beach	**62 Philnabankers** joined cleanup activity.
Tanduay Negros Plant - Tree Planting	Negros	TDI Negros Plant joins the Murcia Water District Tree Planting Activity to help plant the **1000 trees** for Environment Month 2025. 22 employees participated in this event.
Tanduay El Salvador Plant - Simultaneous Bamboo Growing Activity	Kulago Pagatpat Cagayan De Oro City	Simultaneous Bamboo Planting in Kulago Pagatpat Cagayan De Oro City. In celebration of World Bamboo Day, **16 employees** from the TDI El Salvador Plant participated in this tree planting event.
Tanduay Cabuyao Plant - Lake Seeding Activity	Cabuyao, Laguna	TDI Cabuyao released a total of **60,000 tilapia fingerlings** to Laguna Lake. They also participated in the Lake Seeding Activity as part of the celebration of the 62nd Fish Conservation Week.
International Coastal Cleanup - El Salvador City, Misamis Oriental	El Salvador, Misamis Oriental	The coastal cleanup at Poblacion El Salvador City, Misamis Oriental, resulted in the collection of a total of **210 kg of residual waste** and **70 kg of special waste**. 14 employees from the Tanduay-El Salvador Plant participated in the event.
Tanduay El Salvador Plant - Coastal Clean-Up Drive in Celebration of National Zero Waste Month and Adopt an Estero	El Salvador, Misamis Oriental	Coastal Clean-Up Drive in Celebration of National Zero Waste Month and Adopt an Estero (Bolo Bolo Creek). The employees of TDI El Salvador Plant collected 140 kg biodegradable, **83 kg recyclable**, and **185 kg residual waste**, with a total of **408 kg waste collected**.
Tanduay Cabuyao Plant - Coastal Clean-Up and Signing of Memorandum of Understanding	Cabuyao, Laguna	Coastal Clean-Up and Signing of Memorandum of Understanding aim to support LLDA's mission for solid waste recovery. The employees of TDI Cabuyao Plant collected 15 sacks of non-biodegradable waste and 10 sacks of biodegradable waste. **Total waste collected is 390 kg**.
International Coastal Cleanup - Manila	Dolomite Beach, Manila Bay	The coastal cleanup at Dolomite Beach in Manila Bay resulted in the collection of a **total of 191.21 kilograms of waste** from the shoreline. A total of 27 employees from the Tanduay Head Office participated in the event



05 | Disaster Response, Relief, and Humanitarian Support

Program / Activity	Location	Summary / Key Outputs
HOPE Caravan – Relief Assistance	Alangalang, Leyte	Distributed **5-kg rice sacks**; partner provided mobility aids (strollers, wheelchairs, canes).
HOPE Caravan – Relief Assistance	Aritao, Nueva Vizcaya	Distributed **10-kg rice sacks** to nearly **1,700 families** during a two-day relief operation with the LGU.
Rice Distribution	Tacloban and Leyte	Distributed **25-kg rice packs** to **269 beneficiaries** (partners/stakeholders, teachers, barangay/daycare students).
Gift Box and Rice Distribution for Ilocos Sur Student Beneficiaries	Sta. Cruz, Ilocos Sur	Distributed gift boxes and rice sacks to nearly **500 student beneficiaries**; paired with community event and school prizes.
Pagtutulungan ng Bayan – Typhoon Victims	Cebu and Leyte	Fundraising and relief goods provision via PNB branch channels.
Pagtutulungan ng Bayan – Earthquake Victims	Cebu	Fundraising and relief goods provision via PNB branches.
Project Solicitude Relief Mission – Typhoon Tino (PHC + ABI + PRC)	Cebu (Talisay, Mandaue)	Delivered bottled water (6-liter) to **3,000 evacuated families** and distributed alongside PRC-prepared relief packs.
Palaging Handa Campaign – InfoVid Series (PHC)	Digital / property stakeholders	Disaster preparedness infovid series rolled out across PHC platforms; aimed to strengthen practical readiness of PHC stakeholders for hazards (flooding, earthquakes, tsunamis, landslides, etc.).
Mobile Water Station Turnover to DSWD	Manila	In partnership with PMFTC
Donation Drive and Relief Operations	Manila, Bicol, Laguna, Batangas	Provided at least **66,000 liters** of Absolute Distilled with other LTG companies, foundations, charity organizations and partner wholesalers through marketing arms during natural disasters.
Disaster Relief to Cebu earthquake and typhoon victims	Cebu	The deployed Mobile Water Station which serviced **35 barangays and 6,677 households** in Cebu from October to November 2025, providing at least 67,000 liters of potable water.



06 | Community Development, Social Inclusion, Housing, and Cultural/Spiritual Support

Program / Activity	Location	Summary / Key Outputs
TYKFI–ETON Housing Project (Bahay Liwanag) Blessing & Turnover	Aritao, Nueva Vizcaya	Turned over **4 newly constructed homes** to former scholars; targeted beneficiaries facing housing insecurity.
Project Solicitude Gift Giving Initiative (PHC)	Porac, Pampanga	Served **200 Aeta community members**; in-kind support paired with community engagement and local sourcing/transport participation.
Donation of Classroom	Porac, Pampanga	Donated **₱1,200,000** to build a classroom for Aeta learners (Friends of HOPE, Inc.).
Employee Volunteerism – DSWD Repacking	Cebu	**63 volunteers** supported relief repacking operations.
Employee Volunteerism – Happyland Tondo	Tondo, Manila	**15 volunteers** donated Noche Buena packages to 100 fire-affected residents.
Employee Volunteerism – Tondo children's activity	Tondo, Manila	Supported Christmas activity for 60 children; donated 2 printers to partner organization/community.
TYKFI Community Christmas Party	Manila	Convened employees/partners/ CSR Council for cohesion and coordination among implementers.
TYKFI Community Christmas Party at Fortune Farm	Carranglan, Nueva Ecija	Community event for scholars and families; included alumni pinning and partner-supported activities.
Gift-giving among TYKFI partners and stakeholders	Manila, Ilocos Sur, Nueva Ecija	Distribution of gift packs and rice sacks to partners/stakeholders as solidarity and relationship maintenance.
Tanduay Head Office - Turnover of Barangay Outpost	Brgy. 386, Manila	Tanduay constructed the new Barangay Outpost in Brgy. 386 because the existing outpost lacks electrical wiring, and the structure is inadequate.
A Season of Giving: Tanduay Head Office Outreach Program to Bahay Aruga	San Marcelino St. Ermita, Manila	Bahay Aruga is an organization that serves as a Free Halfway House for Pediatric Cancer Patients and their families, providing them comfort and support during treatment. Under the leadership of top management, employees from various departments donated items such as rice sacks, milk, diapers, paint-by-numbers kits, toys, a speaker with a microphone, and Tanduay merchandise (including backpacks and towels). A group of 17 employees, along with Tanduay's Vice President of Administration and the Executive Vice President, visited Bahay Aruga to deliver these donations and held a short program to entertain and give support to the patients.



07 | Culture, Heritage, and Cross-Cultural Exchange

Program / Activity	Location	Summary / Key Outputs
Xiamen Summer Camp – Orientation & Send-Off	Manila	21st season; **300+ students** traveled for May 4–June 14 study tour; orientation/ send-off provided travel bags and essentials.
Xiamen Summer Camp – Culminating Presentation	Manila	Culmination event with participant show; awarded cash prizes to **18** TikTok competition winners; program has supported nearly **16,000 youth** to date.
Chinese Cultural Center Groundbreaking (PCERC Language & Culture Center)	(PCERC)	Supported construction through ₱50 million donation; strengthens Chinese language and culture education platform.
Tan Yan Kee Library Cultural Classes	Binondo, Manila	**92 students** joined classes/workshops; readership tracked; collection expanded by **1,336 volumes** (holdings **~46,230**).



08 | Governance, Partnerships, and Program Stewardship

Program / Activity	Location	Summary / Key Outputs
CSR Council Meeting	Manila	Convened CSR Council to align advocacies; resource speaker provided guidance on carbon credit accounting for tree-planting initiatives.
TYKFI–FLP Legal Scholarship Awards Ceremony	Manila	Awarded **₱250,000** each to **20 scholars**; AY 2024–2025 outcomes include **11 graduates** (8 cum laude).





FINANCIAL STATEMENT

The consolidated financial statements of LT Group, Inc. for the year ended December 31, 2025 were prepared in accordance with Philippine Financial Reporting Standards (PFRS) and submitted to the Securities and Exchange Commission and the Philippine Stock Exchange on February 27, 2026. The statements present the financial position, results of operations, and cash flows of the Company and its subsidiaries.

The financial statements reflect the performance of the Group's core business segments, including banking, tobacco, beverages, real estate, and other investments. They provide information on revenues, expenses, assets, liabilities, and equity, allowing investors to assess operating performance and overall financial condition. Management is responsible for the preparation of the financial statements, including the application of appropriate accounting policies, the use of reasonable estimates, and the maintenance of internal controls over financial reporting.

The consolidated financial statements were audited by the Company's independent external auditor, SGV & Co., in accordance with Philippine Standards on Auditing. The auditor issued an unqualified opinion, confirming that the financial statements are presented fairly, in all material respects, in accordance with PFRS.

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, 2025, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signed under oath by the following:

Lucio C. Tan
Chairman and
Chief Executive Officer

Lucio C. Tan III
President

Jose Gabriel D. Olives
Chief Financial Officer

LT Group, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2025 and 2024
and Years Ended December 31, 2025, 2024 and 2023

and

Independent Auditor's Report

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SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
LT Group, Inc.

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, 2025 and 2024, 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, 2025, 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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audit 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 Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of financial statements of public interest entities 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, 2025 and the provision for credit losses in 2025 amounted to ₱38.9 billion and ₱1.6 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.

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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, 2025, the Group's share in the net income of PMFTC amounted to ₱10.61 billion and accounts for 25% 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, 2025. 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, 2025 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, 2025, 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, 2025 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.

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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.

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

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

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

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

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 72557-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10765125, January 2, 2026, Makati City

February 24, 2026

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LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱221,048,843**	₱223,583,790
Financial assets at fair value through profit or loss (FVTPL) [Notes 6 and 21]	**34,652,714**	17,956,162
Financial assets at fair value through other comprehensive income (FVTOCI) [Notes 7 and 17]	**85,216,910**	125,189,186
Financial assets at amortized cost (Notes 7 and 17)	**9,062,675**	19,097,106
Loans and receivables - net (Note 8)	**370,117,621**	312,406,599
Inventories (Note 9)	**14,427,761**	13,328,520
Due from related parties (Note 22)	**1,418,498**	1,889,364
Other current assets (Note 10)	**12,601,951**	12,658,175
Total Current Assets	**748,546,973**	726,108,902
Noncurrent Assets		
Financial assets at FVTOCI (Notes 7 and 17)	**90,866,234**	66,179,663
Financial assets at amortized cost (Notes 7 and 17)	**118,913,311**	94,776,887
Loans and receivables - net of current portion (Note 8)	**395,188,341**	349,063,956
Investments in associates and joint ventures (Note 11)	**19,185,743**	18,382,496
Property, plant and equipment (Note 12):		
At appraised values	**58,923,401**	57,248,391
At cost	**10,890,345**	11,671,107
Investment properties (Note 13)	**39,200,697**	38,979,404
Deferred income tax assets - net (Note 29)	**7,716,173**	7,448,142
Other noncurrent assets (Notes 14, 23 and 37)	**4,467,045**	4,470,911
Total Noncurrent Assets	**745,351,290**	648,220,957
TOTAL ASSETS	**₱1,493,898,263**	₱1,374,329,859
LIABILITIES AND EQUITY		
Current Liabilities		
Deposit liabilities (Note 15)	**₱1,021,100,020**	₱940,057,144
Financial liabilities at FVTPL (Notes 16 and 21)	**285,562**	924,053
Bills and acceptances payable (Note 17)	**10,742,748**	20,208,451
Accounts payable and accrued expenses (Note 18)	**21,787,947**	20,655,439
Short-term debts (Note 19)	**3,700,000**	3,700,000
Current portion of long-term debts (Note 19)	**1,672,443**	1,926,643
Income tax payable	**375,373**	333,355
Due to related parties (Note 22)	**50,000**	64,001
Other current liabilities (Notes 20 and 37)	**8,428,939**	11,372,824
Total Current Liabilities (Carried Forward)	**1,068,143,032**	999,241,910

	December 31	
	2025	2024
Total Current Liabilities (Brought Forward)	**₱1,068,143,032**	₱999,241,910
Noncurrent Liabilities		
Deposit liabilities - net of current portion (Note 15)	**10,179,561**	5,290,562
Long-term debts - net of current portion (Note 19)	**38,552,987**	23,622,689
Net retirement benefits liability (Note 23)	**764,935**	710,000
Deferred income tax liabilities - net (Note 29)	**8,840,708**	8,475,269
Other noncurrent liabilities (Note 20)	**6,673,577**	6,777,227
Total Noncurrent Liabilities	**65,011,768**	44,875,747
Total Liabilities	**1,133,154,800**	1,044,117,657
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	**14,285,346**	13,327,515
Other equity reserves	**(2,954,800)**	(4,188,092)
Retained earnings	**193,029,365**	175,231,056
Shares of stock of the Company held by subsidiaries	**(12,519)**	(12,519)
	251,075,012	231,085,580
Non-controlling interests (Notes 1, 7, 12 and 30)	**109,668,451**	99,126,622
Total Equity	**360,743,463**	330,212,202
TOTAL LIABILITIES AND EQUITY	**₱1,493,898,263**	₱1,374,329,859

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		
	2025	2024	2023
REVENUE (Note 24)			
Banking	**₱79,069,186**	₱75,068,040	₱66,550,969
Distilled spirits	**33,930,360**	33,773,423	29,884,821
Beverage	**16,847,684**	17,193,576	16,414,006
Property development	**2,931,195**	2,930,483	2,449,140
	132,778,425	128,965,522	115,298,936
COST OF GOODS SOLD AND SERVICES (Note 24)	**61,008,669**	62,729,762	55,537,664
GROSS INCOME	**71,769,756**	66,235,760	59,761,272
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 11)	**9,991,814**	8,866,605	11,924,732
	81,761,570	75,102,365	71,686,004
OPERATING EXPENSES			
Selling expenses (Note 25)	**2,623,866**	2,641,879	2,516,285
General and administrative expenses (Note 26)	**36,012,292**	36,811,271	36,886,503
	38,636,158	39,453,150	39,402,788
OPERATING INCOME	**43,125,412**	35,649,215	32,283,216
OTHER INCOME (CHARGES)			
Foreign exchange gains - net	**1,455,446**	1,453,699	1,289,740
Finance costs (Note 27)	**(528,206)**	(607,760)	(691,456)
Finance income (Note 27)	**527,872**	251,569	84,958
Others - net (Note 28)	**6,560,040**	8,410,776	6,267,239
	8,015,152	9,508,284	6,950,481
INCOME BEFORE INCOME TAX	**51,140,564**	45,157,499	39,233,697
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**8,108,533**	7,336,125	5,665,437
Deferred	**725,552**	(686,358)	(447,620)
	8,834,085	6,649,767	5,217,817
NET INCOME	**₱42,306,479**	₱38,507,732	₱34,015,880

	Years Ended December 31		
	2025	2024	2023
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	**₱30,975,731**	₱28,920,989	₱25,421,454
Non-controlling interests	**11,330,748**	9,586,743	8,594,426
	₱42,306,479	₱38,507,732	₱34,015,880
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Company (Note 31)	**₱2.86**	₱2.67	₱2.35

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2025	2024	2023
NET INCOME	**₱42,306,479**	₱38,507,732	₱34,015,880
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Translation adjustments	**1,167,953**	312,089	(475,513)
Net changes in fair value of financial assets at FVTOCI, net of tax (Note 7)	**658,280**	3,464,603	2,505,660
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**1,826,233**	3,776,692	2,030,147
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Share in aggregate gains (losses) on life insurance policies	**(1,601,484)**	1,812,308	(111,850)
Net changes in fair value of financial assets at FVTOCI (Note 7)	**(69,415)**	(1,248,987)	2,378,381
Income tax effect	**17,354**	312,247	(594,595)
	(52,061)	(936,740)	1,783,786
Remeasurement losses on defined benefit plans (Note 23)	**(479,720)**	(430,285)	(2,655,046)
Income tax effect	**119,930**	107,571	663,762
	(359,790)	(322,714)	(1,991,284)
Share in remeasurement gains (losses) on defined benefit plans of associates	**(749,564)**	(786,405)	396,615
Net revaluation increase (decrease) on property, plant and equipment (Note 12)	**1,069,028**	122,686	(68,512)
Income tax effect	**(267,257)**	(30,671)	17,128
	801,771	92,015	(51,384)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	**(1,961,128)**	(141,536)	25,883
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(134,895)**	3,635,156	2,056,030
TOTAL COMPREHENSIVE INCOME	**₱42,171,584**	₱42,142,888	₱36,071,910
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	**₱33,516,168**	₱32,098,624	₱26,654,500
Non-controlling interests	**8,655,416**	10,044,264	9,417,410
	₱42,171,584	₱42,142,888	₱36,071,910

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(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)	Net 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
BALANCES AT JANUARY 1, 2023	**₱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**
Net income for the year	–	–	–	–	–	–	–	–	–	–	25,421,454	–	25,421,454
Other comprehensive income (loss)	–	–	–	(338,490)	2,444,953	(1,198,045)	–	396,615	1,296,208	(63,162)	–	–	1,233,046
Total comprehensive income (loss) for the year	–	–	–	(338,490)	2,444,953	(1,198,045)	–	396,615	1,296,208	(63,162)	25,421,454	–	26,654,500
Cash dividends declared (Note 30)	–	–	–	–	–	–	–	–	–	–	(12,985,667)	–	(12,985,667)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal (Note 12)	–	–	–	–	–	–	–	–	–	–	–	–	–
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**
Net income for the year	–	–	–	–	–	–	–	–	–	–	28,920,989	–	28,920,989
Other comprehensive income (loss)	–	–	–	156,175	1,715,789	575,195	112,508	(786,405)	1,773,262	1,404,373	–	–	3,177,635
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
Cash dividends declared (Note 30)	–	–	–	–	–	–	–	–	–	–	(13,526,736)	–	(13,526,736)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–
Realization of gain relating to financial assets at FVTOCI (Note 7)	–	–	–	–	(505,351)	–	–	–	(505,351)	–	505,351	–	–
Increase in noncontrolling interest without change in control	–	–	–	–	–	–	–	–	–	–	–	–	–
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**

(Forward)

	Non-controlling Interests (Notes 2, 7, 12 and 30)	Total
BALANCES AT JANUARY 1, 2023	**₱77,816,817**	**₱276,661,676**
Net income for the year	8,594,926	34,015,880
Other comprehensive income (loss)	822,984	2,056,030
Total comprehensive income (loss) for the year	9,417,410	36,071,910
Cash dividends declared (Note 30)	–	(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)	–	–
BALANCES AT DECEMBER 31, 2023	**87,722,128**	**300,235,820**
Net income for the year	9,586,743	38,507,732
Other comprehensive income (loss)	457,521	3,635,156
Total comprehensive income (loss) for the year	10,044,264	42,142,888
Cash dividends declared (Note 30)	–	(13,526,736)
Other equity reserve	106,816	106,816
Realization of gain relating to financial assets at FVTOCI (Note 7)	–	–
Increase in noncontrolling interest without change in 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)	–	–
BALANCES AT DECEMBER 31, 2024	**99,126,622**	**330,212,202**

	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, 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**
Net income for the year	–	–	–	–	–	–	–	–	–	–	30,975,732	–	30,975,732	11,330,748	42,306,480
Other comprehensive income (loss)	–	–	–	709,001	223,801	300,549	823,357	(749,564)	1,307,144	1,233,292	–	–	2,540,436	(2,675,332)	(134,896)
Total comprehensive income (loss) for the year	–	–	–	709,001	223,801	300,549	823,357	(749,564)	1,307,144	1,233,292	30,975,732	–	33,516,168	8,655,416	42,171,584
Cash dividends declared (Note 30)	–	–	–	–	–	–	–	–	–	–	(13,526,736)	–	(13,526,736)	–	(13,526,736)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	754,201	754,201
Increase in noncontrolling interest without change in control	–	–	–	–	–	–	–	–	–	–	–	–	–	1,132,212	1,132,212
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal (Note 12)	–	–	–	–	–	–	(349,313)	–	(349,313)	–	349,313	–	–	–	–
BALANCES AT DECEMBER 31, 2025	**₱10,821,389**	**₱35,906,231**	**₱–**	**₱1,813,753**	**₱1,670,645**	**₱458,861**	**₱11,178,608**	**(₱836,521)**	**₱14,285,346**	**(₱2,954,800)**	**₱193,029,365**	**(₱12,519)**	**₱251,075,012**	**₱109,668,451**	**₱360,743,463**

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱51,140,564**	₱45,157,499	₱39,233,697
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 11)	**(9,991,814)**	(8,866,605)	(11,924,732)
Depreciation and amortization (Notes 12, 13 and 14)	**6,410,414**	6,438,271	6,495,530
Provision for credit losses (Notes 8 and 26)	**1,598,267**	3,868,111	5,923,054
Movements in accrued retirement benefits (Note 23)	**(1,196,127)**	(1,510,888)	(2,056,686)
Finance costs (Note 27)	**528,206**	607,760	691,456
Finance income (Note 27)	**(527,872)**	(251,569)	(84,958)
Dividend income (Note 28)	**(35,455)**	(65,933)	(81,165)
Operating income before changes in working capital	**47,926,183**	45,376,646	38,196,196
Decrease (increase) in:			
Receivables	**(105,380,981)**	(25,781,174)	(30,775,247)
Financial assets at FVTPL	**(16,696,552)**	(7,405,567)	(3,171,469)
Inventories	**(1,099,241)**	380,597	1,301,656
Other current assets	**(131,259)**	(279,983)	1,118,934
Increase (decrease) in:			
Deposit liabilities	**88,676,707**	47,698,302	56,719,665
Other current and noncurrent liabilities	**(1,879,582)**	263,285	(4,287,594)
Financial liabilities at FVTPL	**(638,491)**	368,242	(483,965)
Accounts payable and accrued expenses	**149,063**	(2,335,489)	2,521,273
Cash generated from operations	**10,925,847**	58,284,859	61,139,449
Income taxes paid, including creditable withholding and final taxes	**(7,879,032)**	(5,464,441)	(5,872,620)
Interest received	**475,179**	379,593	179,761
Interest paid	**(302,878)**	(904,736)	(752,258)
Dividends received (Notes 11, 22 and 28)	**35,455**	65,933	81,165
Net cash from operating activities	**3,254,571**	52,361,208	54,775,497

(Forward)

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Financial assets at FVTOCI (Note 7)	**(₱580,339,387)**	(₱804,940,569)	(₱562,081,002)
Financial assets at amortized cost	**(31,549,240)**	(24,384,450)	(76,810,828)
Investment properties (Note 13)	**(5,017,224)**	(129,719)	(6,877,944)
Property, plant and equipment (Note 12)	**(3,569,300)**	(3,374,655)	(4,393,052)
Software (Note 14)	**(1,003,810)**	(946,940)	(1,224,566)
Proceeds from sale of:			
Financial assets at FVTOCI (Note 7)	**596,213,957**	759,833,262	559,938,659
Financial assets at amortized cost	**17,447,247**	33,710,884	64,078,361
Other assets (Notes 12 and 13)	**5,882,084**	796,605	749,996
Dividends received from joint venture and associates (Note 11)	**10,708,645**	13,640,829	16,748,650
Additional investment in joint venture and associates	**(3,121,562)**	(2,340,665)	(2,349,641)
Advances received from affiliates	**470,866**	449,359	1,217,753
Net cash from (used in) investing activities	**6,122,276**	(27,686,059)	(11,003,614)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Bill and acceptance payable (Note 17)	**327,939,661**	209,254,316	136,027,137
Long-term debts (Note 19)	**16,783,614**	–	–
Short-term debts (Note 19)	–	–	590,000
Payments of:			
Bill and acceptance payable (Note 17)	**(335,518,951)**	(207,848,238)	(130,357,006)
Dividends (Note 30)	**(13,526,736)**	(13,526,736)	(12,985,667)
Principal portion of lease liabilities	**(1,510,025)**	(1,127,583)	(1,314,516)
Long-term debts (Note 19)	**(1,479,357)**	(22,834,099)	(15,886,773)
Short-term debts (Note 19)	–	(580,000)	(800,000)
Settlement of LTNCDs (Note 15)	**(4,600,000)**	(8,220,000)	–
Net cash used in financing activities	**(11,911,794)**	(44,882,340)	(24,726,825)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,534,947)**	(20,207,191)	19,045,058
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**223,583,790**	243,790,981	224,745,923
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱221,048,843**	₱223,583,790	₱243,790,981

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, 2025 and 2024, 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, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 were authorized for issue by the Board of Directors (BOD) on February 24, 2026.

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						
	2025		2024		2023		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	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	75.5	24.1	–	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)

(Continued)

	Percentage of Ownership						
	2025		2024		2023		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; Sold in 2024*

(2) *As of December 31, 2025, 2024 and 2023, 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.

Noncurrent Assets and Disposal Group Held for Sale and Discontinued Operations

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. 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 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 Group adopted the amendments beginning January 1, 2025.

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, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*

  The amendments add illustrative examples to several PFRS Accounting Standards intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders' concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements.

  The examples address topics such as materiality judgements, significant judgements and estimates, and aggregation and disaggregation.

  The illustrative examples are not an integral part of PFRS Accounting Standards and, as such, do not have an effective date or transition requirements. However, an entity is expected to be entitled to sufficient time to implement any changes to align the information disclosed in its financial statements with the illustrative examples. Determining how much time is sufficient is a matter of

judgement that depends on an entity's particular facts and circumstances. Nonetheless, an entity would be expected to implement any changes on a timely basis.

The expected adoption will not materially affect the Group.

- 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.

- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*

  The amendments only apply to contracts that reference nature-dependent electricity such as contracts to buy or sell nature-dependent electricity, as well as financial instruments that reference such electricity. This amendment cannot be applied by analogy to other contracts, items or transactions.
  The amendments clarify the application of the 'own-use' requirements for in-scope contracts, amend the designation requirements for a hedge item in a cash flow hedging relationship for in-scope contracts and include new disclosure requirements.

  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 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 FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. Thereafter, on February 14, 2025, the FSRSC approved the amendment to PFRS 17 that further defers the date of initial application by an additional two (2) years, to annual periods beginning on or after January 1, 2027. This will provide more time for the insurance industry to fully prepare and assess the impact of adopting the said standard.

The adoption of PFRS 17 will have an impact on the Group's financial statements through the application of the equity method of accounting for its investment in the associate that issues insurance contracts.

- 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 Group is currently assessing the impact the standard will have on the primary financial statements and notes to the financial statements.

- 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.

  In 2025, PFRS 19 was amended to provide reduced disclosure requirements for new or amended PFRS Accounting Standards adopted by the FSRSC from the issuances of the IASB between February 2021 and May 2024.

  The application of the standard is optional for eligible entities.

  The expected adoption will not materially affect the Group.

- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

  The amendments introduce translation requirements for entities translating their financial statements, or the results and financial position of a foreign operation, from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy.

  The expected adoption will not materially affect the Group.

Deferred effectivity

- Amendments to PFRS 10 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 FSRSC 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.

Reclassification of Financial Instruments
Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

Derecognition of Financial Assets and Liabilities
Financial assets
The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under '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.

Book value of property, plant and equipment at appraised values are disclosed in 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 2025 and 2024, 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, 2025 and 2024 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 0.8% and 2.3% as of December 31, 2025, respectively, and 1.3% and 3.1% as of December 31, 2024 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 89%, 95% and 89% of the segment's total liquor revenue in 2025, 2024 and 2023, 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, 2025:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Segment revenue:							
External customers	₱79,069,186	₱33,930,360	₱16,847,684	₱–	₱1,985,223	₱945,972	₱132,778,425
Inter-segment	–	71,701	1,083,968	–	669,925	(1,825,594)	–
	79,069,186	34,002,061	17,931,652	–	2,655,148	(879,622)	132,778,425
Cost of goods sold and services	18,834,342	28,119,545	13,561,703	–	1,934,622	(1,441,543)	61,008,669
Gross profit	60,234,844	5,882,516	4,369,949	–	720,526	561,921	71,769,756
Equity in net earnings of associates and joint ventures	496,001	–	79,838	8,733,439	–	682,536	9,991,814
	60,730,845	5,882,516	4,449,787	8,733,439	720,526	1,244,457	81,761,570
Selling expenses	–	991,916	1,532,028	–	99,922	–	2,623,866
General and administrative expenses	33,046,065	1,022,888	1,488,088	184,451	690,025	(419,225)	36,012,292
Operating income (loss)	27,684,780	3,867,712	1,429,671	8,548,988	(69,421)	1,663,682	43,125,412
Foreign exchange gains - net	1,153,652	4,733	668	289,286	1,763	5,344	1,455,446
Finance costs	–	(26,783)	(321,690)	–	(177,293)	(2,440)	(528,206)
Finance income	–	229,142	6,495	707,146	108,949	(523,860)	527,872
Others - net	3,394,546	33,213	83,552	1,908,485	1,217,348	(77,104)	6,560,040
Income before income tax	32,232,978	4,108,017	1,198,696	11,453,905	1,081,346	1,065,622	51,140,564
Provision for income tax	6,891,217	986,014	321,324	167,651	316,676	151,203	8,834,085
Segment profit	₱25,341,761	₱3,122,003	₱877,372	₱11,286,254	₱764,670	₱914,419	₱42,306,479
Segment profit attributable to:							
Equity holders of the Company	₱25,255,161	₱3,105,363	₱868,871	₱11,286,254	₱776,374	(₱10,316,292)	₱30,975,731
Non-controlling interests	86,600	16,640	8,501	–	(11,704)	11,230,711	11,330,748
Depreciation and amortization expense	3,450,564	835,004	2,047,826	32,006	528,441	(483,427)	6,410,414

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 costs	–	(42,504)	(302,473)	–	(282,272)	19,489	(607,760)
Finance income	–	130,613	38,503	840,360	27,227	(785,134)	251,569
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

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 costs	–	(40,791)	(364,211)	–	(346,262)	59,808	(691,456)
Finance income	–	15,069	6,892	804,704	18,388	(760,095)	84,958
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

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2025	2024
		(In Thousands)
Cash and other cash items	**₱24,414,818**	₱22,004,267
Cash equivalents:		
Securities held under agreements to resell	**72,903,359**	103,480,119
Due from BSP (Note 15)	**68,529,550**	55,128,316
Interbank loans receivables*	**30,369,881**	22,787,194
Due from other banks	**24,831,235**	20,183,894
	₱221,048,843	₱223,583,790

**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. Securities held under agreements to resell bear interest ranging from 3.9% to 6.1% and from 4.4% to 6.9% in 2025 and 2024, respectively.

The fair value of the treasury bills pledged under these agreements as of December 31, 2025 and 2024 amounted to ₱74.38 billion and ₱104.9 billion, respectively, for the Group (Note 33).

c. 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:

	2025	2024
		(In Thousands)
Demand deposit	**₱45,439,550**	₱44,628,316
Overnight deposit facility (ODF)	**18,090,000**	10,500,000
Term deposit facility (TDF)	**5,000,000**	–
	₱68,529,550	₱55,128,316

ODFs and TDFs bear annual interest rates range from:

	2025	2024	2023
ODF	**4.0% - 5.3%**	5.3% - 6.0%	5.0% - 6.0%
TDF	**4.5% - 6.0%**	6.0%-6.65%	6.3% - 6.8%

d. Interbank loans receivables bear annual interest ranging from 5.1% to 6.0% and 5.9% to 6.6% in 2025 and 2024, respectively, for peso-denominated interbank loans receivables and from 0.0% to 4.9% and from 0.0% to 5.6% in 2025 and 2024, respectively, for foreign currency-denominated interbank loans receivables.

e. Interest earned on cash and other cash items and cash equivalents are presented under "Banking revenue" and "Finance income", respectively (see Notes 24 and 27).

6. Financial Assets at FVTPL

Financial assets at FVTPL consist of:

	2025	2024
	(In Thousands)	
Government securities	**₱33,672,894**	₱16,181,821
Derivative assets (Notes 21 and 33)	**796,814**	1,087,107
Private debt securities	**180,071**	649,191
Unit investment trust fund (UITF)	**–**	35,177
Equity securities	**2,935**	2,866
	₱34,652,714	₱17,956,162

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

	2025	2024
Government securities	**2.6% - 8.6%**	0.6% - 8.6%
Private debt securities	**0.7% - 9.0%**	4.9% - 6.9%

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

Financial Assets at FVTOCI
This account consists of:

	2025	2024
	(In Thousands)	
Government securities (Note 17)	**₱148,980,601**	₱168,293,510
Private debt securities	**20,226,649**	15,609,027
Equity securities:		
Quoted	**3,858,366**	4,403,952
Unquoted	**3,017,528**	3,062,360
	176,083,144	191,368,849
Noncurrent portion	**(90,866,234)**	(66,179,663)
	₱85,216,910	₱125,189,186

a. For the years ended December 31, 2025, 2024 and 2023, the nominal interest rates of government securities range from 0.6% to 14.9%, 0.6% to 14.9% and 0.2% to 19.1%, respectively.

b. For the years ended December 31, 2025, 2024 and 2023, the nominal interest rates of private debt securities range from 1.4% - 14.0%, 0.5% to 6.9%, and 0.5% to 6.4%, respectively.

c. As of December 31, 2025 and 2024, 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 nil and ₱12.0 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, 2025 and 2024, the ECL on debt securities at FVTOCI (included in 'Net unrealized gain (loss) on financial assets at FVTOCI') amounted to ₱71.1 million and ₱68.1 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:

	2025	2024
Government securities	**₱115,858,148**	₱96,817,380
Private debt securities	**12,271,950**	17,204,083
	128,130,098	114,021,463
Less allowance for expected credit losses	**(154,112)**	(147,470)
	127,975,986	113,873,993
Noncurrent portion	**(118,913,311)**	(94,776,887)
	₱9,062,675	₱19,097,106

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

	2025	2024	2023
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%	1.0% - 8.3%

In 2025 and 2024, 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, 2025 and 2024, 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 ₱1.3 billion and ₱2.4 billion, respectively (see Note 37).

As of December 31, 2025 and 2024, the Group set aside government securities booked under 'Investment securities at amortized cost' with total carrying value of ₱573.8 million and ₱363 million, respectively, 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:

	2025	2024
	(In Thousands)	
Finance receivables (Notes 22)	**₱778,996,827**	₱681,024,766
Trade receivables	**22,186,884**	21,313,300
Other receivables	**3,380,909**	3,687,936
	804,564,620	706,026,002
Allowance for credit losses	**(39,258,658)**	(44,555,447)
	765,305,962	661,470,555
Noncurrent portion	**(395,188,341)**	(349,063,956)
	₱370,117,621	₱312,406,599

Finance Receivables

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

	2025	2024
	(In Thousands)	
Receivables from customers:		
Loans and discounts	**₱724,449,194**	₱629,547,599
Bills purchased (Note 20)	**21,426,761**	3,846,432
Customers' liabilities on acceptances, letters of credit and trust receipts	**15,857,701**	15,303,476
Credit card receivables	**1,800,857**	18,063,885
	763,534,513	666,761,392
Other receivables:		
Accrued interest receivable	**10,057,035**	8,959,032
Accounts receivable	**3,893,501**	4,106,411
Sales contract receivables	**1,879,112**	1,589,298
Miscellaneous	**542,726**	454,554
	16,372,374	15,109,295
	779,906,887	681,870,687
Unearned and other deferred income	**(910,060)**	(845,921)
	778,996,827	681,024,766
Allowance for credit losses	**(38,921,066)**	(44,205,142)
	740,075,761	636,819,624
Noncurrent portion	**(395,188,341)**	(349,052,823)
	₱344,887,420	₱287,766,801

a. Interest income on loans and receivables amounted to ₱45.8 billion, ₱43.8 billion and ₱40.8 billion in 2025, 2024 and 2023, respectively (see Note 24).

As of December 31, 2025, 2024 and 2023, 72.2%, 72.6% 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 1.1% to 9.0% in 2025, 2024 and 2023 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2025, 2024 and 2023 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 5.0% to 12.0% in 2025 and 2024 and from 5.0% to 20.2% in 2023.

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

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	**774,193**	–	–	**774,193**	807,286	–	–	807,286
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**545,986**	**511,499**	**1,057,485**	–	704,905	397,431	1,102,336
Transfers to Stage 1	**470,825**	**(470,825)**	–	–	25,920	(25,799)	(121)	–
Transfers to Stage 2	**(109,603)**	**160,916**	**(51,313)**	–	(70,148)	839,542	(769,394)	–
Transfers to Stage 3	**(489)**	**(301,547)**	**302,036**	–	(280,840)	(346,220)	627,060	–
Accounts charged off	–	–	**(5,221,860)**	**(5,221,860)**	–	–	(686,290)	(686,290)
Loan settlement through dacion and assignment (Note 33)	–	–	–	–	–	–	–	–
Effect of collections, foreclosures, and changes in assumptions	**(1,173,846)**	**(316,327)**	**1,126,886**	**(363,287)**	(10,376)	(907,908)	1,777,596	859,312
Ending Balance	**2,207,109**	**2,777,751**	**23,622,580**	**28,607,440**	2,246,029	3,159,548	26,955,332	32,360,909
LGU								
Beginning Balance	**287**	**5,378**	**58,044**	**63,709**	391	6,684	63,216	70,291
Transfers to Stage 2	–	–	–	–	–	575	(575)	–
Effect of collections, foreclosures, and changes in assumptions	**(84)**	**(2,213)**		**(2,297)**	(104)	(1,881)	(4,597)	(6,582)
Ending Balance	**203**	**3,165**	**58,044**	**61,412**	287	5,378	58,044	63,709
Credit Cards								
Beginning Balance	**589,648**	**108,264**	**840,994**	**1,538,906**	508,446	109,883	696,782	1,315,111
Newly originated assets which remained in Stage 1 at yearend	**177,683**	–	–	**177,683**	78,851	–	–	78,851
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**36,763**	**47,607**	**84,370**	–	11,526	17,272	28,798
Transfers to Stage 1	**43,834**	**(30,614)**	**(13,220)**	–	49,370	(37,696)	(11,674)	–
Transfers to Stage 2	**(18,254)**	**20,426**	**(2,172)**	–	(16,596)	18,469	(1,873)	–
Transfers to Stage 3	**(20,383)**	**(5,332)**	**25,715**	–	(33,449)	(19,173)	52,622	–
Accounts charged off	–	–	**(1,672,820)**	**(1,672,820)**	–	–	(799,638)	(799,638)
Effect of collections, foreclosures, and changes in assumptions	**(49,646)**	**27,791**	**992,555**	**970,700**	3,026	25,255	887,503	915,784
Ending Balance	**722,882**	**157,298**	**218,659**	**1,098,839**	589,648	108,264	840,994	1,538,906
Retail SMEs								
Beginning Balance	**278,965**	**20,070**	**740,255**	**1,039,290**	188,665	10,116	788,816	987,597
Newly originated assets which remained in Stage 1 at yearend	**193,231**	–	–	**193,231**	114,737	–	–	114,737
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**4,588**	**127,261**	**131,849**	–	13,621	12,785	26,406
Transfers to Stage 1	**2,714**	**(2,714)**	–	–	946	(946)	–	–
Transfers to Stage 2	**(32)**	**1,912**	**(1,880)**	–	(115)	430	(315)	–
Transfers to Stage 3	**(856)**	–	**856**	–	(26,339)	(6,257)	32,596	–
Accounts charged off	–	–	**(38,329)**	**(38,329)**	–	–	(115,370)	(115,370)
Effect of collections, foreclosures, and changes in assumptions	**32,966**	**46,038**	**(191,397)**	**(112,393)**	1,071	3,106	21,743	25,920
Ending Balance	**506,988**	**69,894**	**636,766**	**1,213,648**	278,965	20,070	740,255	1,039,290
Housing Loans								
Beginning Balance	**96,394**	**58,793**	**3,199,179**	**3,354,366**	525,896	47,197	3,955,221	4,528,314
Newly originated assets which remained in Stage 1 at yearend	**30,367**	–	–	**30,367**	50,745	–	–	50,745
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**4,229**	**9,907**	**14,136**	–	2,016	13,444	15,460
Transfers to Stage 1	**291,724**	**(20,953)**	**(270,771)**	–	50,769	(3,234)	(47,535)	–
Transfers to Stage 2	**(7,123)**	**31,255**	**(24,132)**	–	(39,521)	53,677	(14,156)	–
Transfers to Stage 3	**(10,377)**	**(89,587)**	**99,964**	–	(60,880)	(25,729)	86,609	–
Effect of collections, foreclosures, and changes in assumptions	**(214,065)**	**199,441**	**83,498**	**68,874**	(430,615)	(15,134)	(794,404)	(1,240,153)
Ending Balance	**186,920**	**183,178**	**3,097,645**	**3,467,743**	96,394	58,793	3,199,179	3,354,366

(Forward)

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	**₱22,547**	**₱1,178**	**₱717,076**	**₱740,801**	₱25,693	₱686	₱1,078,920	₱1,105,299
Newly originated assets which remained in Stage 1 at yearend	**1,636**	–	–	**1,636**	5,154	–	–	5,154
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**621**	**2,318**	**2,939**	–	695	2,708	3,403
Transfers to Stage 1	**1,290**	**(103)**	**(1,187)**	–	188	(20)	(168)	–
Transfers to Stage 2	**(352)**	**352**	–	–	(459)	479	(20)	–
Transfers to Stage 3	**(265)**	**(732)**	**997**	–	(8,167)	(2,091)	10,258	–
Accounts charged off	–	–	**(321,617)**	**(321,617)**	–	–	(32,938)	(32,938)
Effect of collections, foreclosures, and changes in assumptions	**(21,042)**	**587**	**(123,282)**	**(143,737)**	138	1,429	(341,684)	(340,117)
Ending Balance	**3,814**	**1,903**	**274,305**	**280,022**	22,547	1,178	717,076	740,801
Other Loans								
Beginning Balance	**31,853**	**104,247**	**910,139**	**1,046,239**	71,794	264,708	928,528	1,265,030
Newly originated assets which remained in Stage 1 at yearend	**6,076**	–	–	**6,076**	4,194	–	–	4,194
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**360**	**27,415**	**27,775**	–	–	23	23
Transfers to Stage 1	**14,977**	**(1,527)**	**(13,450)**	–	3,029	(85)	(2,944)	–
Transfers to Stage 2	**(927)**	**5,067**	**(4,140)**	–	(1,894)	5,594	(3,700)	–
Transfers to Stage 3	**(1,085)**	**(236)**	**1,321**	–	(2,523)	(44,240)	46,763	–
Accounts charged off	–	–	**(89,186)**	**(89,186)**	–	–	(19,654)	(19,654)
Effect of collections, foreclosures, and changes in assumptions	**(13,190)**	**(74,467)**	**(405,877)**	**(493,534)**	(42,747)	(121,730)	(38,877)	(203,354)
Ending Balance	**37,704**	**33,444**	**426,222**	**497,370**	31,853	104,247	910,139	1,046,239
Other Receivables								
Beginning Balance	**180,614**	**39,163**	**3,841,145**	**4,060,922**	131,275	37,316	4,850,163	5,018,754
Newly originated assets which remained in Stage 1 at yearend	**16,953**	–	–	**16,953**	4,970	–	–	4,970
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**6,629**	**289,398**	**296,027**	–	2,971	5,511	8,482
Transfers to Stage 1	**2,420**	**(1,154)**	**(1,266)**	–	320	(268)	(52)	–
Transfers to Stage 2	**(257)**	**2,143**	**(1,886)**	–	(346)	2,209	(1,863)	–
Transfers to Stage 3	**(56,398)**	**(6,684)**	**63,082**	–	3,426	(3,615)	189	–
Accounts charged off	–	–	**(138,199)**	**(138,199)**	(876)	–	(1,270,544)	(1,271,420)
Effect of collections, foreclosures, and changes in assumptions	**(6,245)**	**(12,891)**	**(521,975)**	**(541,111)**	41,845	550	257,741	300,136
Ending Balance	**137,087**	**27,206**	**3,530,299**	**3,694,592**	180,614	39,163	3,841,145	4,060,922
Total Loans and Receivables								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	**1,200,139**	–	–	**1,200,139**	1,065,937	–	–	1,065,937
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**599,176**	**1,015,405**	**1,614,581**	–	735,734	449,174	1,184,908
Transfers to Stage 1	**827,784**	**(527,890)**	**(299,894)**	–	130,542	(68,048)	(62,494)	–
Transfers to Stage 2	**(136,548)**	**222,071**	**(85,523)**	–	(129,079)	920,975	(791,896)	–
Transfers to Stage 3	**(89,853)**	**(404,118)**	**493,971**	–	(408,772)	(447,325)	856,097	–
Accounts charged off	–	–	**(7,482,011)**	**(7,482,011)**	(876)	–	(2,924,434)	(2,925,310)
Loan settlement through dacion and assignment (Note 33)	–	–	–	–	–	–	–	–
Effect of collections, foreclosures, and changes in assumptions	**(1,445,152)**	**(132,041)**	**960,408**	**(616,785)**	(437,762)	(1,016,313)	1,765,021	310,946
Ending Balance	**₱3,802,707**	**₱3,253,839**	**₱31,864,520**	**₱38,921,066**	₱3,446,337	₱3,496,641	₱37,262,164	₱44,205,142

Trade Receivables

Trade receivables consist of:

	2025	2024
	(In Thousands)	
Consumer goods	**₱21,271,324**	₱20,455,543
Contract receivables	**528,517**	734,239
Lease receivables	**387,043**	123,518
	22,186,884	21,313,300
Allowance for credit losses	**(317,571)**	(330,284)
	21,869,313	20,983,016
Noncurrent portion of contract receivables	**–**	(11,133)
	₱21,869,313	₱20,971,883

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, 2025			
	Finance Receivables	Trade Receivables	Other Receivables	Total
	(In Thousands)			
Balance at beginning of year	**₱44,205,142**	**₱330,284**	**₱20,021**	**₱44,555,447**
Provisions during the year (Note 26)	**1,598,267**	–	–	**1,598,267**
Accounts charged off, transfers and others	**(6,882,343)**	**(12,713)**	–	**(6,895,056)**
Balance at end of year	**₱38,921,066**	**₱317,571**	**₱20,021**	**₱39,258,658**

	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

9. Inventories

	2025	2024
		(In Thousands)
At Cost:		
Consumer goods:		
Beverage	**₱4,331,310**	₱4,482,368
Alcohol	**3,620,583**	3,181,038
	7,951,893	7,663,406
Real estate inventories:		
Condominium and residential units for sale	**2,536,251**	465,564
Subdivision land under development	**1,347,239**	2,659,231
Land held for future development	**758,958**	758,958
	4,642,448	3,883,753
Fuel, materials and supplies	**1,227,820**	1,263,192
	13,822,161	12,810,351
At NRV - Materials and supplies	**605,600**	518,169
	₱14,427,761	₱13,328,520

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

	2025	2024
	(In Thousands)	
Finished goods	**₱3,154,734**	₱1,578,833
Work in process	**1,575,805**	1,384,805
Raw materials	**5,054,774**	6,481,129
	₱9,785,313	₱9,444,767

Cost of consumer goods inventories recognized as expenses under cost of goods sold amounted to ₱16.8 billion, ₱18.3 billion and ₱17.3 billion in 2025, 2024 and 2023, respectively (see Note 24).

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

	2025	2024
	(In Thousands)	
Balance at beginning of year	**₱3,883,753**	₱3,758,159
Construction/development costs incurred/reversals	**–**	(208,997)
Sales and others	**758,695**	334,591
Balance at end of year	**₱4,642,448**	₱3,883,753

c. Allowance for inventory obsolescence on materials and supplies amounted to ₱457.5 million and ₱439.3 million as of December 31, 2025 and 2024, respectively.

10. Other Current Assets

	2025	2024
	(In Thousands)	
Deferred charges	**₱4,696,068**	₱3,084,167
Creditable withholding taxes (CWT)	**1,554,688**	1,742,171
Prepaid expenses	**1,445,679**	1,128,680
Advances to suppliers	**1,402,877**	2,474,150
Input VAT	**1,197,189**	1,654,832
Stationeries, office supplies and stamps on hand	**800,059**	488,557
Miscellaneous cash and other cash items	**531,000**	432,026
Excise tax	**292,337**	423,094
Others	**682,054**	1,230,498
	₱12,601,951	₱12,658,175

a. 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.

b. Prepaid expenses include prepaid importation charges amounting to ₱93.1 million and ₱65.5 million as of December 31, 2025 and 2024, respectively. Prepaid importation charges pertain to the purchases of raw materials by the distilled spirits.

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

d. Excise tax pertains to advance tax payments to the Bureau of Internal Revenue (BIR) on sale of alcoholic beverages.

e. 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	
	2025	2024	**2025**	2024
			(In Thousands)	
Associates:				
PMFTC	**49.6%**	49.6%	**₱–**	₱–
VMC	**30.9%**	30.9%	**4,818,280**	4,565,339
APLII	**44.0%**	44.0%	**3,588,781**	3,446,613
Joint Ventures:				
AEPDC	**50.0%**	50.0%	**10,425,837**	10,097,537
ABI Pascual Holdings	**50.0%**	50.0%	**352,845**	273,007
			₱19,185,743	₱18,382,496

Equity in net earnings consists of:

	2025	2024	2023
		(In Thousands)	
PMFTC	**₱8,733,438**	₱7,567,261	₱11,065,618
Others	**1,258,376**	1,299,344	859,114
	₱9,991,814	₱8,866,605	₱11,924,732

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

	2025	2024
		(In Thousands)
Acquisition cost	**₱13,483,541**	₱13,483,541
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**(14,296,963)**	(12,671,955)
Equity in net earnings	**8,733,438**	7,567,261
Cash dividends (Note 22)	**(10,606,961)**	(13,539,145)
Cash dividends received in excess of carrying amount of investment (Note 28)	**1,862,983**	4,346,876
Balance at end of year	**(14,307,503)**	(14,296,963)
Accumulated share in other comprehensive income	**823,962**	813,422
	₱–	₱–

In 2025 and 2024, the Group received dividends in excess of the share in the equity in net earnings of PMFTC amounting to ₱1.9 billion and ₱4.3 billion, respectively, 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, 2025 and 2024 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2025	2024
	(In Thousands)	
Current assets	**₱35,615,381**	₱32,835,052
Noncurrent assets	**31,164,479**	32,191,387
Current liabilities	**19,776,018**	20,554,058
Noncurrent liabilities	**3,775,534**	4,314,954
Equity	**43,228,308**	40,157,427
Equity interest of the Parent Company	**49.60%**	49.60%
Share in net assets of the acquiree	**21,441,241**	19,918,084
Fair value adjustments, adjustments relating to differences in accounting policies and others	**(21,441,241)**	(19,918,084)
Carrying value of investment	**₱–**	₱–

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

	2025	2024	2023
		(In Thousands)	
Revenue	**₱147,155,183**	₱133,035,061	₱145,412,540
Costs and expenses	**(123,968,488)**	(113,061,672)	(115,995,393)
Income before income tax	**23,186,695**	19,973,389	29,417,147
Provision for income tax	**(5,781,904)**	(4,983,529)	(7,373,888)
Net income	**17,404,791**	14,989,860	22,043,259
Other comprehensive income (loss)	**21,250**	(25,906)	15,441
Total comprehensive income	**₱17,426,041**	₱14,963,954	₱22,058,700
Group's share of total comprehensive income for the year	**₱8,733,439**	₱7,567,261	₱11,065,618

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

	2025	2024
		(In Thousands)
Acquisition cost	**₱1,459,768**	₱1,459,768
Accumulated equity in net earnings:		
Balance at beginning of year	**2,996,513**	2,606,088
Equity in net earnings	**354,236**	492,109
Cash dividends (Note 22)	**(101,684)**	(101,684)
Balance at end of year	**3,249,065**	2,996,513
Share in remeasurement gain on defined benefit plans	**50,987**	50,598
Balance of convertible notes	**58,460**	58,460
	₱4,818,280	₱4,565,339

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, 2025 and 2024 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2025	2024
	(In Thousands)	
Current assets	**₱5,864,950**	₱5,389,875
Noncurrent assets	**9,523,115**	9,014,658
Current liabilities	**1,228,268**	1,227,708
Noncurrent liabilities	**763,712**	806,045
Equity	**13,396,085**	12,370,780
Equity interest of the Parent Company	**30.90%**	30.90%
Share in net assets of the acquiree	**4,139,390**	3,822,571
Fair value adjustments and others	**678,890**	742,768
Carrying value of investment	**₱4,818,280**	₱4,565,339

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

	2025	2024	2023
		(In Thousands)	
Revenue	**₱13,039,689**	₱11,377,071	₱15,546,991
Costs and expenses	**(11,700,549)**	(9,652,082)	(13,823,398)
Income before income tax	**1,339,140**	1,724,989	1,723,593
Provision for (benefit from) income tax	**13,669**	(176,518)	(152,921)
Net income	**1,352,809**	1,548,471	1,570,672
Other comprehensive income (loss)	**1,258**	(29,252)	201,919
Total comprehensive income	**₱1,354,067**	₱1,519,219	₱1,772,591
Group's share of total comprehensive income for the year	**₱418,407**	₱469,439	₱547,731

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, 2025 and 2024 follows:

	2025	2024
		(In thousands)
Current assets	**₱3,200,646**	₱3,045,524
Noncurrent assets	**166,637,077**	135,662,332
Current liabilities	**2,267,430**	2,136,824
Noncurrent liabilities	**163,026,309**	132,365,045
Equity	**4,543,984**	4,205,987
Equity interest of the Parent Company	**44%**	44%
Share in net assets of the acquiree	**1,999,353**	1,850,634
Fair value adjustments and others	**1,589,428**	1,595,979
Carrying value of investment	**₱3,588,781**	₱3,446,613

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

	2025	2024	2023
	(In Thousands)		
Revenue	**₱6,968,490**	₱7,900,955	₱6,867,294
Costs and expenses	**(5,870,563)**	(6,919,372)	(6,257,991)
Net income	**1,097,927**	981,583	609,303
Other comprehensive loss	**(494,747)**	(470,126)	(357,591)
Total comprehensive income	**₱603,180**	₱511,457	₱251,712
Group's share of total comprehensive income for the year	**₱265,399**	₱225,041	₱110,753

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	**2025**	2024
		(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:

	2025	2024
		(In Thousands)
Acquisition cost:	**₱9,306,500**	₱9,306,500
Accumulated equity in net earnings:		
Balance at beginning of year	**791,037**	463,541
Share in net income of a joint venture	**328,300**	327,496
Balance at end of year	**1,119,337**	791,037
Ending balance	**₱10,425,837**	₱10,097,537

Summarized financial information of AEPDC as of December 31, 2025 and 2024 follows:

	2025	2024
		(In Thousands)
Current assets, including cash and cash equivalents (2025: ₱208,294; 2024: ₱152,745)	**₱26,991,158**	₱21,313,368
Noncurrent assets	**8,971,710**	12,363,750
Current liabilities	**10,134,461**	10,352,821
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Noncurrent liabilities	**5,241,930**	3,335,566
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**–**	–
Revenue	**4,477,945**	4,452,343
Depreciation and amortization	**–**	–
Interest income	**1,442**	4,612
Interest expense	**177,634**	76,550
Income before income tax	**876,650**	822,933
Provision for income tax	**(220,048)**	(167,941)
Total comprehensive income	**656,602**	654,992

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:

	2025	2024
		(In Thousands)
Current assets, including cash and cash equivalents (2025: ₱18,299; 2024: ₱81,945)	**₱834,471**	₱628,165
Noncurrent assets	**8,619**	3,309
Current liabilities	**137,398**	87,211
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Noncurrent liabilities	**12,079**	11,194
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**–**	–
Revenue	**1,066,960**	882,186
Depreciation and amortization	**831**	657
Interest income	**902**	2,178
Interest expense	**147**	153
Income before income tax	**211,544**	161,471
Provision for income tax	**(51,869)**	(41,003)
Other comprehensive income	**983**	276
Total comprehensive income	**160,658**	120,744

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:

	2025	2024	2023
		(In Thousands)	
Accumulated balances of material non-controlling interest	**₱3,925,884**	₱3,781,968	₱3,508,745
Net income (loss) allocated to material non-controlling interest	**86,600**	125,069	(13,437)
Total comprehensive income (loss) allocated to material non-controlling interest	**147,462**	276,769	(37,064)

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:

	2025	2024	2023
		(In Thousands)	
Revenue	**₱79,069,186**	₱75,068,040	₱66,579,888
Cost of services	**(18,834,342)**	(19,565,356)	(16,268,299)
General and administrative expenses	**(33,046,065)**	(33,497,791)	(34,330,259)
Foreign exchange gains - net	**1,153,652**	1,169,286	1,367,409
Other income - net	**3,890,547**	3,103,518	5,681,054
Income before income tax	**32,232,978**	26,277,697	23,029,793
Provision for income tax	**(6,891,217)**	(5,099,732)	(4,007,375)
Net income	**25,341,761**	21,177,965	19,022,418
Other comprehensive income (loss)	**2,523,755**	4,305,868	3,280,769
Total comprehensive income	**₱27,865,516**	₱25,483,833	₱22,303,187
Net income attributable to:			
Equity holders of the Parent Company	**₱25,255,161**	₱21,052,896	₱19,035,855
Non-controlling interests	**86,600**	125,069	(13,437)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**27,718,054**	25,207,064	22,340,251
Non-controlling interests	**147,462**	276,769	(37,064)
Dividends declared to non-controlling interests	**3,546**	3,546	3,569

Statements of Financial Position:

	2025	2024
		(In Thousands)
Current assets	**₱699,473,089**	₱677,548,246
Noncurrent assets	**670,968,064**	575,733,009
Current liabilities	**1,083,360,810**	1,010,012,336
Noncurrent liabilities	**52,882,975**	32,673,820
Equity attributable to:		
Equity holders of the Parent Company	**230,271,484**	206,813,131
Non-controlling interest	**3,925,884**	3,781,968

Statements of Cash Flows:

	2025	2024	2023
		(In Thousands)	
Operating	**₱1,726,829**	₱43,955,629	₱39,314,906
Investing	**(2,369,096)**	(28,070,353)	(6,986,603)
Financing	**(4,374,917)**	(35,049,174)	(12,937,150)
Net increase (decrease) in cash and cash equivalents	**(₱5,017,184)**	(₱19,163,898)	₱19,391,153

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	₱43,481,385	₱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

Right-of-Use Assets

December 31, 2025

	Bank Premises	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Total
Cost					
Balance at beginning of year	**₱5,925,697**	**₱1,364,450**	**₱160,659**	**₱48,842**	**₱7,499,648**
Additions/transfers	**811,650**	**–**	**133,966**	**–**	**945,616**
Transfers/others	**(772,017)**	**–**	**(157,290)**	**–**	**(929,307)**
Balance at end of year	**5,965,330**	**1,364,450**	**137,335**	**48,842**	**7,515,957**
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	**2,822,520**	**378,442**	**160,659**	**48,842**	**3,410,463**
Depreciation and amortization	**1,124,067**	**10,434**	**103,343**	**–**	**1,237,844**
Transfers/others	**(927,692)**	**–**	**(157,290)**	**–**	**(1,084,982)**
Balance at end of year	**3,018,895**	**388,876**	**106,712**	**48,842**	**3,563,325**
Net Book Value	**₱2,946,435**	**₱975,574**	**₱30,623**	**₱–**	**₱3,952,632**

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

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, 2025, 2024, and 2023 (see Note 34).

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

	2025	2024
		(In Thousands)
Revaluation increment on the property, plant and equipment, net of deferred income tax effect:		
Balance at beginning of year	**₱18,306,675**	₱18,573,980
Net revaluation increase	**801,771**	92,015
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	**(349,313)**	(359,320)
Balance at end of year	**₱18,759,133**	₱18,306,675
Attributable to:		
Equity holders of the Company	**₱11,178,608**	₱10,704,564
Non-controlling interests	**7,580,524**	7,602,111
	₱18,759,132	₱18,306,675

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:

	2025	2024
		(In Thousands)
Cost		
Land and land improvements	**₱9,922,132**	₱9,138,403
Plant buildings and improvements	**22,473,845**	21,486,858
Machineries and equipment	**37,268,026**	35,627,451
	69,664,003	66,252,712
Accumulated depreciation		
Land and land improvements	**(5,192,012)**	(4,827,352)
Plant buildings and improvements	**(23,661,157)**	(20,407,660)
Machineries and equipment	**(27,606,777)**	(22,420,408)
	(56,459,946)	(47,655,420)
	₱13,204,057	₱18,597,292

Depreciation

Depreciation of property, plant and equipment charged to operations is as follows:

	2025	2024	2023
		(In Thousands)	
Cost of goods sold and services, under "Cost of consumer goods sold" and "Cost of rental income" (Note 24)	**₱2,175,283**	₱2,056,908	₱2,007,399
Selling expenses (Note 25)	**664,228**	659,763	653,398
General and administrative expenses (Note 26)	**1,488,349**	1,770,227	1,898,148
	₱4,327,860	₱4,486,898	₱4,558,945

As of December 31, 2025 and 2024, 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 2025 and 2024, ₱0.9 billion and ₱1.1 billion, respectively, remained unpaid as of December 31, 2025 and 2024, which represent non-cash investing activities (see Note 35).

Certain property and equipment of the Group with carrying amount of ₱55.3 million and ₱79.9 million are temporarily idle as of December 31, 2025 and 2024, respectively.

Borrowing Costs
Borrowing costs capitalized as cost of property, plant and equipment in 2025 and 2024 amounted to nil.

13. Investment Properties

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

	December 31, 2025				
	Land	Buildings and Improvements	Residential Unit	Construction in Progress	Total
Cost					
Balance at beginning of year	**₱25,592,986**	**₱15,276,830**	**₱5,881,213**	**₱17,546**	**₱46,768,575**
Additions	**1,368,781**	**832,979**	**4,179,296**	**491,336**	**6,872,392**
Disposals/transfers/others	**(433,858)**	**(4,808,797)**	**(1,195,337)**	**(47,952)**	**(6,485,944)**
Balance at end of year	**26,527,909**	**11,301,012**	**8,865,172**	**460,930**	**47,155,023**
Accumulated Depreciation and Impairment Losses					
Balance at beginning of year	**2,501,903**	**5,123,556**	**163,712**	**–**	**7,789,171**
Depreciation	**–**	**762,226**	**106,186**	**–**	**868,412**
Disposals/transfers/reclassifications /others	**–**	**(861,659)**	**158,402**	**–**	**(703,257)**
Balance at end of year	**2,501,903**	**5,024,123**	**428,300**	**–**	**7,954,326**
Net Book Value	**₱24,026,006**	**₱6,276,889**	**₱8,436,872**	**₱460,930**	**₱39,200,697**

	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/reclassifications /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

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 ₱1.9 billion and ₱2.3 billion as of December 31, 2025 and 2024, 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, 2025 and 2024, 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 2026 and 2025, respectively.

Fair Values of Investment Properties
Below are the fair values of the investment properties as of December 31, 2025, 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	₱112.6 billion	December 31, 2025
Building and improvements	Market approach	29.2 billion	December 31, 2025
		₱141.8 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, 2025. 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 ₱2,199.8 million and ₱2,497.6 million in 2025, ₱2,429.5 million and ₱1,890.3 million in 2024, and ₱2,330.8 million and ₱1,823.6 million in 2023, 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:

	2025	2024	2023
		(In Thousands)	
Cost of rental income (Note 24)	**₱456,352**	₱396,345	₱356,058
General and administrative expenses (Note 26)	**412,060**	394,436	362,176
	₱868,412	₱790,781	₱718,234

14. Other Noncurrent Assets

Other noncurrent assets consist of:

	2025	2024
	(In Thousands)	
Deferred and other charges	**₱2,749,333**	₱2,602,464
Software costs	**1,107,992**	1,314,599
Prepaid excise taxes	**771,713**	771,713
Creditable withholding taxes	**363,895**	413,864
Net retirement plan assets (Note 23)	**293,580**	271,802
Advances to suppliers	**231,482**	130,720
Distribution network access	**229,401**	200,726
Goodwill	**163,735**	163,735
Refundable and security deposits	**129,103**	231,508
Deferred input VAT	**123,830**	116,145
Chattel properties - net	**108,982**	75,431
	6,273,046	6,292,707
Allowance for probable losses	**(1,806,001)**	(1,821,796)
	₱4,467,045	₱4,470,911

a. Movements in software costs are as follows:

	2025	2024
	(In Thousands)	
Balance at beginning of year	**₱1,314,599**	₱1,562,119
Additions	**1,003,810**	946,940
Amortization (Note 26)	**(1,214,142)**	(1,160,592)
Other adjustments	**3,725**	(33,868)
Balance at end of year	**₱1,107,992**	₱1,314,599

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, 2025 and 2024, 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 11.60% and 11.79% in 2025 and 2024, respectively. The growth rate used to extrapolate the cash flows of until beyond the five-year period is 6% as of December 31, 2025 and 2024. 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, 2025 and 2024, 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, 2025 and 2024, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱327.3 million and ₱511.5 million, respectively. As of December 31, 2025 and 2024, the total recoverable value of certain chattel mortgage properties of PNB that were impaired is at ₱299.8 million and ₱396.5 million, respectively.

g. 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.

h. Other assets mainly pertain to interoffice floats. The bank provided allowance for probable losses on floats which are long-outstanding.

i. Movements in the allowance for probable losses on noncurrent assets follow:

	2025	2024
		(In Thousands)
Balance at beginning of year	**₱1,821,796**	₱1,717,765
Provisions (reversals)	**(15,795)**	104,031
Balance at end of year	**₱1,806,001**	₱1,821,796

15. Deposit Liabilities

	2025	2024
		(In Thousands)
Demand	**₱242,739,640**	₱244,369,119
Savings	**528,233,759**	549,011,085
Time	**260,306,182**	151,967,502
	1,031,279,581	945,347,706
Presented as noncurrent liabilities	**(10,179,561)**	(5,290,562)
Presented as current liabilities	**₱1,021,100,020**	₱940,057,144

Of the total deposit liabilities of the Group, ₱28.0 billion and ₱26.8 billion are non-interest bearing as of December 31, 2025 and 2024, respectively. Annual interest rates of the remaining deposit liabilities follow:

	2025	2024
Foreign-currency denominated deposit liabilities	**0.0% - 5.2%**	0.0% to 5.5%
Peso-denominated deposit liabilities	**0.1% - 6.6%**	0.1% to 6.1%

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, 2025 and 2024, available reserves booked under "Due from BSP" amounted to ₱45.4 billion and ₱44.6 billion, respectively (see Note 5).

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

				Interest Repayment	**Carrying Value**	
Issue Date	**Maturity Date**	**Face Value**	**Coupon Rate**	**Terms**	**2025**	2024
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱–**	₱4,598,770

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 ₱14.8 billion, ₱15.4 billion, ₱12.1 billion in 2025, 2024 and 2023, respectively (see Note 24).

In 2025, 2024 and 2023, interest expense on LTNCDs of the Group includes amortization of transaction costs amounting to ₱1.2 million, ₱15.2 million, ₱23.5 million, respectively. Unamortized transaction costs of the LTNCDs amounted to nil and ₱1.3 million as of December 31, 2025 and 2024, respectively.

16. Financial Liabilities at FVTPL

Financial liabilities at fair value through profit or loss consist of derivatives liabilities amounting to ₱285.5 million and ₱924.1 million as of December 31, 2025 and 2024, respectively (see Notes 21 and 33).

17. Bills and Acceptances Payable

Bills and acceptances payable consist of:

	2025	2024
		(In Thousands)
Bills payable to:		
Foreign banks	**₱2,594,765**	₱11,828,038
BSP and local banks	**395**	2,324,404
	2,595,160	14,152,442
Acceptances outstanding	**8,147,588**	6,056,009
	₱10,742,748	₱20,208,451

Annual interest rates are shown below:

	2025	2024	2023
Peso-denominated	**4.5% - 5.9%**	5.8% - 6.6%	6.0% - 6.8%
Foreign currency-denominated	**1.3% - 4.6%**	0.0% - 5.6%	0.0% - 5.4%

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

	2025		2024	
	Carrying value	**Fair value**	Carrying value	Fair value
			(In Thousands)	
Financial assets at FVTOCI (Note 7)	**₱–**	**₱–**	₱12,011,450	₱11,859,179
Investment securities at amortized cost (Note 7)	**1,280,774**	**1,325,734**	2,392,401	2,397,775
	₱1,280,774	**₱1,325,734**	₱14,403,851	₱14,256,954

Interest expense on bills payable is included under "Cost of banking services" amounting to ₱0.6 billion in 2025, ₱0.5 billion in 2024, and ₱0.3 billion in 2023 (see Note 24).

18. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	2025	2024
	(In Thousands)	
Trade payables	**₱8,366,773**	₱6,784,067
Nontrade payables	**1,278,952**	757,286
Accrued expenses:		
Purchase of materials and supplies and others	**4,370,640**	5,225,651
Accrued interest	**2,371,922**	2,146,594
Taxes and licenses	**1,261,103**	1,203,413
PDIC insurance premiums	**1,105,702**	1,093,895
Advertising and promotional expenses	**1,072,885**	1,100,694
Information technology-related expenses	**402,015**	145,090
Rent and utilities payable	**116,320**	414,465
Other benefits - monetary value of leave credits	**113,871**	298,387
Output VAT	**689,144**	935,297
Due to government agencies	**355,637**	306,278
Retention payable	**175,839**	227,251
Professional Fees	**49,739**	–
Other payables	**57,405**	17,071
	₱21,787,947	₱20,655,439

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, 2025 and 2024, outstanding unsecured short-term debts amounted to ₱3.7 billion. The loans, which are subject to annual interest rates ranging from 5.6% to 6.95% in 2025 and 3.2% to 7.0% in 2024, 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

	2025	2024
	(In Thousands)	
Bonds payable	**₱33,278,399**	₱17,304,421
Lease liabilities (Notes 35 and 37)	**4,995,548**	5,433,871
Unsecured term loans	**1,951,483**	2,811,040
	40,225,430	25,549,332
Current portion	**(1,672,443)**	(1,926,643)
	₱38,552,987	₱23,622,689

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, 2025 and 2024, the unamortized transaction cost of bonds payable amounted to ₱58.5 million and ₱49.1 million. Amortization of transaction costs amounting to ₱9.1 million and ₱38.7 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, 2025 and 2024, other than the noncompliance of Eton as of December 31, 2024, the Group has complied with the financial and non-financial covenants of its long-term debts.

20. Other Liabilities

	2025	2024
	(In Thousands)	
Due to Treasurer of the Philippines	**₱1,683,320**	₱1,431,240
Dormant credits	**1,384,043**	1,630,120
Due to other banks	**1,296,555**	2,038,261
Managers' checks and demand drafts outstanding	**1,233,088**	1,383,750
Bills purchased - contra (Note 8)	**1,189,005**	3,196,612
Deferred revenue	**947,967**	952,667
Provisions (Note 37)	**707,133**	878,874
Miscellaneous tax securities	**669,137**	507,653
Customers' deposits	**541,844**	695,560
Interoffice floats	**537,628**	537,628
Withholding taxes payable	**444,515**	473,641
Tenants' rental deposits	**368,621**	469,487
Advance rentals	**342,224**	816,358
Payment order payable	**270,339**	180,883
Security deposit	**216,260**	190,391
Margin deposits and cash letters of credit	**82,225**	27,719
SSS, Medicare and EC payable	**74,537**	65,301
Deposit on lease contracts	**69,716**	72,975
Transmission liability	**49,455**	72,705
Deposit for key on safety deposit box	**15,276**	15,639
Others	**2,979,628**	2,512,587
	15,102,516	18,150,051
Noncurrent portion	**(6,673,577)**	(6,777,227)
	₱8,428,939	₱11,372,824

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 ₱541.8 million and ₱695.6 million as of December 31, 2025 and 2024, respectively.

Payables to Landowners
In various dates in 2014, Eton executed a ₱1.1 billion 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 ₱0.9 billion was repaid.

Interest expense related to payables to landowners is nil in 2025, ₱51.0 million in 2024 and ₱62.5 million in 2023 [see Notes 12, 13 and 27].

Deposits, Deferred Credits and Others
Other liabilities of the property development segment include tenants' rental deposits, advance rentals, payable to landowners 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 banking segment's liabilities which include insurance retention payable, goods receipt, contract liabilities, accounts payable, bills purchased - contra, remittance-related payables, overages, 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, 2025 and 2024 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	2025			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱547,833**	**₱72,119**	**USD1.00**	**4,046,488**
PHP	**327**	**10,427**	**0.02**	**2,634,256**
SGD	**308**	**–**	**0.78**	**7**
JPY	**276**	**–**	**0.01**	**200,000**
GBP	**52**	**–**	**1.35**	**635**
EUR	**43**	**1**	**1.18**	**3,550**
HKD	**2**	**–**	**0.13**	**1,000**
SELL:				
USD	**244,071**	**195,608**	**1.00**	**1,553,967**
HKD	**3,388**	**22**	**0.02**	**2,774,967**
JPY	**514**	**443**	**0.78**	**460,000**
SGD	**–**	**3,664**	**0.01**	**4,062**
GBP	**–**	**1,512**	**1.35**	**2,000**
AUD	**–**	**601**	**1.18**	**2,000**
CAD	**–**	**545**	**0.13**	**2,200**
PHP	**–**	**300**	**0.02**	**588,200**
EUR	**–**	**221**	**0.73**	**1,500**
NZD	**–**	**99**	**0.14**	**500**
	₱796,814	**₱285,562**		

**The notional amounts pertain to original currencies.*

	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.*

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

	2025	2024
		(In Thousands)
Balance at beginning of year		
Derivative assets	**₱1,087,107**	₱749,198
Derivative liabilities	**924,053**	555,811
	163,054	193,387
Changes in fair value		
Currency forwards and spots*	**377,865**	(74,512)
Interest rate swaps and warrants**	**16**	(1,115)
	377,881	(75,627)
Net availments (settlements)	**(29,683)**	45,294
Balance at end of year		
Derivative assets	**796,814**	1,087,107
Derivative liabilities	**285,562**	924,053
	₱511,252	₱163,054

** 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	Cosmic Holdings Corp.
Packageworld	Foremost Farms Inc.
Waterich	Grandspan Development Corp.
FTC	Harmonic Holdings Corp.
Shareholdings	Himmel Industries Inc.
Saturn	Lapu Lapu Packaging
Paramount and Subsidiaries	Maxell Holdings, Corp.
Eton	Negros Biochem Corporation
BCI	Philippine Airlines, Inc.
ECI	
EPMC	
FHI	
Bank Holding Companies:	

Parent Company, Subsidiaries, Associates and Joint Ventures

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.	
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	
PNB Holdings Corporation	
Mabuhay Digital Philippines, Inc.	
Mabuhay Digital Technologies, Inc.	
Asia's Emerging Dragon Corporation	

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	2025	2024	2023
			(In Thousands)	
Associates	Dividend income	**₱10,708,645**	₱13,640,829	₱16,748,650
	Purchases of inventories	**(286,587)**	(303,740)	(16,795)
	Service fee and commission income	**73,199**	73,199	431,287
	Leases	**–**	35,100	35,100
Entities Under Common Control	Banking revenue - interest on loans and receivables	**2,768,471**	1,621,730	1,997,271
	Rent income	**53,644**	69,560	97,556
	Interest income on loans and advances	**–**	–	9,834
	Sales of consumer products	**–**	1,968	2,085
	Other income	**58,749**	56,094	30,793
	Freight and handling	**(17,317)**	(11,816)	(11,435)
	Purchases of inventories	**(3,265)**	(2,607)	(161)
Entities Under Common Control	Management and professional fees	**(369,612)**	(528,000)	(503,100)
	Cost of banking services - interest expense on deposit liabilities	**(241,608)**	(1,678,513)	(1,644,192)
	Rent expense	**–**	(70,255)	(22,794)
	Cost of goods sold and services	**–**	(28,702)	(23,834)
Key Management	Short-term employee benefits	**(579,033)**	(527,036)	(526,038)
	Post-employment benefits	**(69,532)**	(60,916)	(53,041)

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

	Financial Statement Account	Terms and Conditions	Amount/Volume 2025	Amount/Volume 2024	Outstanding Balance 2025	Outstanding Balance 2024
				(In Thousands)		
Parent Company	Due from related parties	On demand; non-interest bearing	**(₱471,000)**	(₱418,000)	**₱25,000**	₱496,000
	Trade receivables	Maturity terms ranging from 90 days to 3 years; 2.5% interest per annum	**–**	–	**–**	–
	Nontrade receivables	- do -	**–**	(2,595)	**–**	–
	Account payable and other liabilities	- do -	**–**	2,060	**–**	–
Entities Under Common Control	Finance receivables	30 to 60 days terms; non-interest bearing	**2,768,471**	1,621,730	**59,563,219**	44,810,665
	Trade 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	**(1,117)**	1,968	**17,344**	18,461
	Other receivables	- do -	**112,393**	56,094	**417,783**	67,439
	Due from related parties	- do -	**134**	(31,359)	**1,393,498**	1,393,364
	Advances to suppliers	On demand; non-interest bearing	**(32,245)**	31,871	**12,501**	44,746
	Deposit liabilities	- do -				
	Account payable and other liabilities	With annual rates ranging from 0.10% to 1.50% and maturity ranging from 30 days to 365 days	**(40,049,103)**	(3,033,990)	**(89,416,556)**	(49,367,453)
	Due to related parties	30 to 90 days terms; non-interest bearing	**(108,289)**	2,607	**(315,975)**	(207,686)
		On demand; non-interest bearing	**14,001**	(14,001)	**(50,000)**	(64,001)

As of December 31, 2025 and 2024, 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. Total payments of the loan amounted to ₱6.3 billion as of December 31, 2025.

- In 2025 and 2024, the Group declared cash dividends to stockholders, of which ₱10.1 billion were paid to Tangent.

Transactions with Associates

- Dividend income from PMFTC amounted to ₱10.6 billion in 2025 and ₱13.5 billion in 2024 (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. As of December 31, 2025, the lease has already expired and no renewal was made by both parties.

- In 2025 and 2024, 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, 2025 and 2024, 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:

	2025	2024
	(In Thousands)	
Net retirement plan assets:		
FTC	**₱271,691**	₱256,370
LTG	**11,381**	7,794
TBI	**10,508**	7,638
	₱293,580	₱271,802
Net retirement benefits liabilities:		
ABI and subsidiaries	**₱582,163**	₱573,614
ADI	**63,917**	52,565
Eton and subsidiaries	**52,187**	37,716
TDI	**38,484**	31,002
PNB and subsidiaries	**24,335**	9,456
PHC	**3,849**	5,647
	₱764,935	₱710,000

Net retirement benefits liabilities:

	2025			2024			2023		
	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	**₱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
Change in status of retirement plan	**–**	**–**	**–**	–	1,370	1,370	–	–	–
Net retirement benefits cost in profit or loss:									
Current service cost	**842,212**	–	**842,212**	773,131	–	773,131	1,734,534	–	1,734,534
Net interest cost (benefit)	**652,091**	**(629,665)**	**22,426**	623,327	(573,618)	49,709	800,670	(610,270)	190,400
Past service cost	**294,767**		**294,767**	1,793	–	1,793	–	–	–
	1,789,070	**(629,665)**	**1,159,405**	1,398,251	(573,618)	824,633	2,535,204	(610,270)	1,924,934
Contributions	–	**(1,128,312)**	**(1,128,312)**	–	(897,566)	(897,566)	–	(1,289,113)	(1,289,113)
Benefits paid from plan assets	**(1,129,338)**	**1,129,338**	–	823,809	(823,841)	(32)	(901,628)	901,628	–
Benefits paid directly from book reserves	**(38)**	–	**(38)**	(7,588)	21,594	14,006	(44,042)	44,042	–
Settlement benefits paid directly by the Group	**3,496**	–	**3,496**	–	–	–	508	–	508
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:									
Financial assumptions	**(67,949)**	**1,328**	**(66,621)**	47,118	–	47,118	(493,328)	–	(493,328)
Demographic assumptions	**8,225**	–	**8,225**	–	–	–	616,579	(5,317)	611,262
Experience adjustments	**131,612**	**(52,832)**	**78,780**	(214,596)	(74,649)	(289,245)	179,199	(720,246)	(541,047)
	71,888	**(51,504)**	**20,384**	(167,478)	(74,649)	(242,127)	302,450	(725,563)	(423,113)
Ending balance	**₱13,635,754**	**(₱12,870,819)**	**₱764,935**	₱12,900,676	(₱12,190,676)	₱710,000	₱10,853,682	(₱9,843,966)	₱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:

	2025			2024			2023		
	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	**₱120,328**	**(₱392,130)**	**(₱271,802)**	₱79,516	(₱356,836)	(₱277,320)	₱106,151	(₱372,001)	(₱265,850)
Change in status of retirement plan	–	–	–	–	(143)	(143)	–	–	–
Net retirement benefits expense (income) in profit or loss:									
Current service cost	**14,912**	–	**14,912**	12,491	–	12,491	13,011	–	13,011
Net interest cost (benefit)	**9,809**	**(26,442)**	**(16,633)**	8,646	(25,467)	(16,821)	7,197	(23,734)	(16,537)
	24,721	**(26,442)**	**(1,721)**	21,137	(25,467)	(4,330)	20,208	(23,734)	(3,526)
Contributions	–	**(6,000)**	**(6,000)**	–	(18,899)	(18,899)	–	(9,149)	(9,149)
Benefits paid	**(6,915)**	**6,915**	–	(1,915)	1,915	–	(8,851)	8,851	–
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:									
Financial assumptions	**(5,826)**	**5,936**	**110**	(1,112)	–	(1,112)	(112)	20,174	20,062
Experience adjustments	**(15,423)**	–	**(15,423)**	22,702	–	22,702	(37,880)	12,269	(25,611)
Return of plan asset	–	**1,256**	**1,256**	–	7,300	7,300	–	6,754	6,754
	(21,249)	**7,192**	**(14,057)**	21,590	7,300	28,890	(37,992)	39,197	1,205
Ending balance	**₱116,885**	**(₱410,465)**	**(₱293,580)**	₱120,328	(₱392,130)	(₱271,802)	₱79,516	(₱356,836)	(₱277,320)

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

	2025	2024
	(In Thousands)	
Cash and cash equivalents	**₱3,455,668**	₱3,108,020
Receivables	**1,278,724**	822,800
Equity investments:		
Financial institutions	**576,192**	1,084,032
Other	**2,953,874**	2,896,960
Debt investments:		
Investment in private debt securities	**3,584,182**	3,051,707
Investments in government securities	**546,222**	686,393
Others	**886,422**	932,894
Fair value of plan assets	**₱13,281,284**	₱12,582,806

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

	2025	2024
Cash and cash equivalents	**26%**	25%
Receivables	**10%**	7%
Equity investments	**27%**	32%
Debt investments	**31%**	30%
Others	**6%**	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:

	2025	2024	2023
Discount rate	**6.00% - 6.50%**	6.05% - 7.11%	6.92% - 7.15%
Future salary increases	**5.00% - 10.00%**	5.00% - 10.00%	4.00% - 10.00%

As of December 31, 2025, the discount and future salary increase rates are 6.00% - 6.50% 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):

	2025		2024	
	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%**	**(₱620,913)**	+0.50%	(₱694,324)
	-0.50%	**704,778**	-0.50%	745,174
Future salary increases	**+1.00%**	**675,065**	+1.00%	864,970
	-1.00%	**(610,910)**	-1.00%	(798,892)

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):

	2025	2024
One year and less	**₱2,280,469**	₱2,115,372
More than one year up to five years	**5,975,342**	5,821,605
More than five years up to 10 years	**5,422,559**	5,052,214
More than 10 years up to 15 years	**6,669,062**	5,825,169
More than 15 years	**53,046,172**	89,402,376

The Group expects to contribute ₱571.56 million to the defined benefit pension plan in 2026. The average duration of the defined benefit obligations at the end of the reporting period is 12 and 7 years as of December 31, 2025 and 2024, 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, 2025 and 2024 for the Group includes investments in the PNB shares of stock with fair value amounting to ₱435.6 million and ₱227.7 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, 2025 and 2024, 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:

	2025	2024	2023
		(In Thousands)	
Banking revenue (Note 5)	**₱79,069,186**	₱75,068,040	₱66,550,969
Sale of consumer goods	**50,778,044**	50,966,999	46,298,827
Rental income (Note 13)	**2,199,845**	2,429,482	2,330,775
Real estate sales	**731,350**	501,001	118,365
	₱132,778,425	₱128,965,522	₱115,298,936

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):

2025:

	Goods/Services transferred at a point in time	**Services transferred over time**	**Revenues outside the scope of PFRS 15**	**Total**
Sale of consumer goods	**₱50,778,044**	**₱–**	**₱–**	**₱50,778,044**
Service fees and commission income	**7,532,179**	–	–	**7,532,179**
Real estate sales	**–**	**731,350**	–	**731,350**
Interest income	**–**	–	**69,680,054**	**69,680,054**
Rental income	**–**	–	**2,199,845**	**2,199,845**
Trading and securities gains - net	**–**	–	**1,856,953**	**1,856,953**
	₱58,310,223	**₱731,350**	**₱73,736,852**	**₱132,778,425**

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 losses - net	–	–	394,103	394,103
	₱52,890,083	₱118,365	₱62,290,488	₱115,298,936

Banking revenue consists of:

	2025	2024	2023
		(In Thousands)	
Interest income on:			
Loans and receivables (Note 8)	**₱45,845,171**	₱43,803,454	₱40,729,008
Trading and investment securities	**18,288,558**	17,373,719	12,860,064
Interbank loans receivable	**4,607,759**	4,644,161	3,368,565
Deposits with banks and others	**938,566**	1,637,256	2,607,973
	69,680,054	67,458,590	59,565,610
Service fees and commission income	**7,532,179**	6,961,870	6,591,256
Trading and securities gains (losses) - net	**1,856,953**	647,580	394,103
	₱79,069,186	₱75,068,040	₱66,550,969

Sale of consumer goods consists of:

	2025	2024	2023
		(In Thousands)	
Gross sales	**₱54,103,885**	₱54,248,602	₱48,692,069
Less sales returns, discounts and allowances	**(3,325,841)**	(3,281,603)	(2,393,242)
	₱50,778,044	₱50,966,999	₱46,298,827

Cost of goods sold and services consists of:

	2025	2024	2023
		(In Thousands)	
Cost of consumer goods sold:			
Materials used and changes in inventories (Note 9)	**₱16,805,916**	₱18,311,746	₱17,293,723
Taxes and licenses	**15,095,689**	14,784,597	13,414,629
Depreciation and amortization (Notes 12, 13 and 14)	**2,497,604**	1,890,312	1,823,560
Personnel costs	**1,690,554**	1,571,582	1,267,163
Fuel and power	**1,228,595**	1,267,396	936,516
Freight and handling	**1,202,186**	1,360,006	777,075
Communication, light and water	**864,698**	1,007,816	900,049
Repairs and maintenance	**638,702**	708,871	601,148
Outside services (Note 22)	**385,617**	333,772	353,314
Others	**1,425,277**	718,184	1,083,839
	41,834,839	41,954,282	38,451,016
Cost of banking services	**17,998,139**	18,560,675	15,386,569
Cost of rental income (Note 13)	**550,330**	1,780,430	1,644,152
Cost of real estate sales (Note 9)	**625,361**	434,375	55,927
Cost of goods sold and services	**₱61,008,669**	₱62,729,762	₱55,537,664

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

Cost of banking services consist of:

	2025	2024	2023
		(In Thousands)	
Interest expense on:			
Deposit liabilities (Note 15)	**₱14,781,958**	₱15,424,853	₱12,123,916
Bills payable and other borrowings (Notes 7 and 17)	**621,349**	450,938	335,847
Bonds payable	**894,095**	1,237,647	1,660,193
	16,297,402	17,113,438	14,119,956
Services fees and commission expense	**1,700,737**	1,447,237	1,266,613
	₱17,998,139	₱18,560,675	₱15,386,569

25. Selling Expenses

	2025	2024	2023
		(In Thousands)	
Advertising and promotions	**₱1,173,083**	₱1,095,612	₱1,095,612
Depreciation and amortization (Note 12)	**664,228**	659,763	659,763
Personnel costs	**170,304**	160,961	160,961

(Forward)

	2025	2024	2023
		(In Thousands)	
Royalties	**₱143,370**	₱155,731	₱150,299
Management, consulting and professional fees	**140,092**	190,538	190,538
Commissions	**114,359**	56,971	5,346
Travel and transportation	**54,028**	74,703	31,410
Membership fees and subscription	**21,388**	15,956	13,181
Occupancy	**20,802**	38,995	35,915
Communication, light and water	**20,355**	18,440	15,117
Outside services	**17,709**	16,175	12,354
Materials and consumables	**17,531**	21,525	33,585
Entertainment, amusement and recreation	**7,274**	5,922	4,360
Repairs and maintenance	**4,153**	3,117	2,608
Taxes and licenses	**3,830**	4,148	5,627
Fuel and oil	**3,262**	3,244	2,962
Insurance	**3,078**	2,869	5,048
Others	**45,020**	117,209	91,599
	₱2,623,866	₱2,641,879	₱2,516,285

26. General and Administrative Expenses

	2025	2024	2023
		(In Thousands)	
Personnel costs	**₱13,058,664**	₱11,793,721	₱11,377,863
Taxes and licenses	**6,185,474**	5,817,511	5,332,642
Depreciation and amortization (Notes 12, 13 and 14)	**3,114,550**	3,325,255	3,478,675
Outside services	**2,674,323**	2,352,585	2,153,673
Insurance	**2,072,986**	1,983,438	2,025,999
Provision for credit losses (Note 8)	**1,598,267**	3,868,111	5,923,054
Information technology	**1,302,322**	887,861	1,001,111
Occupancy	**1,160,141**	1,162,920	965,598
Management, consulting and professional fees (Note 22)	**1,111,159**	1,107,863	1,025,723
Marketing and promotional	**854,603**	1,487,066	843,794
Travel and transportation	**614,690**	574,805	423,594
Materials and consumables	**347,350**	328,924	259,688
Communication, light and water	**275,921**	231,951	240,547
Litigation and assets acquired expenses	**233,574**	492,334	662,610
Repairs and maintenance	**153,147**	153,483	154,286
Fuel and oil	**24,685**	26,822	25,858
Entertainment and representation	**21,793**	168,122	30,031
Others	**1,208,643**	1,048,499	961,757
	₱36,012,292	₱36,811,271	₱36,886,503

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:

	2025	2024	2023
		(In Thousands)	
Finance costs:			
Short-term debts (Note 19)	**₱321,690**	₱176,294	₱364,211
Unsecured term loan and notes payable (Note 20)	**206,516**	431,466	327,245
	₱528,206	₱607,760	₱691,456
Finance income:			
Cash and other cash items (Note 5)	**₱527,872**	₱251,569	₱84,958

28. Other Income (Charges)

	2025	2024	2023
		(In Thousands)	
Net gains on sale or exchange of assets	**₱2,304,537**	₱2,188,192	₱4,540,535
Dividend income in excess of the carrying amount of investment (Note 11)	**1,862,983**	4,346,876	–
Rental income and dues (Note 13)	**877,861**	412,790	1,011,999
Recoveries from charged off assets	**274,495**	170,001	215,834
Rooms and other operated departments	**171,554**	456,335	192,849
Income from assets acquired	**106,100**	148,891	74,074
Management fees	**60,454**	242,381	75,202
Dividend income	**35,455**	65,933	81,165
Others	**866,601**	379,377	75,581
	₱6,560,040	₱8,410,776	₱6,267,239

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 2025, 2024 and 2023 amounting to ₱1,564.9 million, ₱269.8 million, ₱3,048.6 million, respectively.

c. Others include income and expense items mainly include income from wire transfers, tellers' overages, and loan-related penalty payments received by the Group, and other income relating to loans, credit card and trade transactions.

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:

	2025		2024	
	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	**₱9,105,978**	**₱55,135**	₱9,893,939	₱265,474
Inventories	**10,745**	**109,255**	41,841	12,873
Property, plant and equipment	**–**	**78,084**	7,722	6,435
Accumulated depreciation on investment properties	**659,626**		546,490	–
Net retirement benefits liabilities	**658,279**	**81,873**	152,248	979,874
Unamortized past service cost	**513,547**	**6,846**	11,350	19,815
Accrued expenses	**448,354**	**5,937**	444,217	71,059
Reserves and others	**345,344**	**14,529**	207,267	173,886
Difference between right-of-use assets and lease liabilities	**140,460**	**53,223**	145,929	636,987
Advance rentals	**86,253**	**8,677**	–	103,848
Deferred rent income	**66,898**	**4,230**	114,373	50,621
Allowance for probable losses on excise taxes	**–**	**199,283**	–	40,154
Unrealized losses on:				
Sale of property to a subsidiary	**–**	**177**	79,411	2,117
Inventories on hand	**–**	**150**	–	1,795
Unrealized forex losses	**1,071**	**1,529**	–	18,301
	12,036,555	**618,928**	11,644,787	2,383,239
Deferred income tax liabilities on:				
Fair value gain on investment properties	**(2,305,520)**	**–**	(1,917,719)	–
Gain on re-measurement of a previously held interest	**(246,651)**	**–**	(246,651)	–
Unrealized foreign exchange gains	**(197,440)**	**(29,520)**	(555,002)	(3,829)

(Forward)

	2025		2024	
	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	**(₱117,306)**	**(₱28,428)**	(₱119,659)	(₱16,684)
Net retirement plan assets	**(73,643)**	**(3,691)**	(78,674)	(107,631)
Net changes in fair values of FVTPL financial assets	**–**	**(6,043,521)**	(70,700)	(5,973,172)
Gain on asset share swap	**–**	**(449,117)**	–	(443,110)
Borrowing cost capitalized to property, plant, and equipment	**–**	**(209,213)**	(118,193)	(697,699)
Difference between tax and book basis of accounting for real estate transactions	**–**	**(150,761)**	–	(250,658)
Deferred rental income	**–**	**(43,650)**	(54,129)	(244,494)
Unamortized debt cost	**–**	**(58)**	(3,606)	(4,262)
Others	**(297,679)**	**(708,105)**	(31,906)	(613,515)
	(3,238,239)	**(7,666,064)**	(3,196,239)	(8,355,054)
	8,798,316	**(7,047,136)**	8,448,548	(5,971,815)
Recognized directly in equity:				
Deferred income tax assets on:				
Remeasurement losses on retirement benefits	**16,457**	**–**	5,546	–
Deferred income tax liabilities on:				
Revaluation increment on property, plant and equipment	**(1,041,998)**	**(1,452,502)**	(961,156)	(1,679,192)
Remeasurement gains on defined benefit plans	**(52,651)**	**(295,014)**	(44,294)	(608,881)
Unrealized gains on changes in fair value of financial assets at FVTOCI	**(3,951)**	**(46,056)**	(502)	(215,381)
	(1,098,600)	**(1,793,572)**	(1,005,952)	(2,503,454)
	(1,082,143)	**(1,793,572)**	(1,000,406)	(2,503,454)
	₱7,716,173	**(₱8,840,708)**	₱7,448,142	(₱8,475,269)

[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:

	2025	2024
		(In Thousands)
Net deferred income tax assets:		
PNB and subsidiaries	**₱7,135,782**	₱7,246,077
Eton and subsidiaries	**416,111**	79,411
PHC	**78,053**	–
ABI and subsidiaries	**67,501**	32,622
TDI and subsidiaries	**18,726**	17,194
Bank holding companies	**–**	72,838
	₱7,716,173	₱7,448,142
Net deferred income tax liabilities:		
PNB and subsidiaries	**₱7,249,905**	₱7,263,772
Eton and subsidiaries	**523,675**	245,714
Paramount	**443,110**	443,110
TDI and subsidiaries	**339,404**	154,263
PHC	**113,255**	114,218

(Forward)

	2025	2024
		(In Thousands)
FTC	**₱90,915**	₱84,910
Bank holding companies	**54,251**	64,584
LTG	**18,320**	18,946
ABI and subsidiaries	**7,873**	85,752
	₱8,840,708	₱8,475,269

b. Provision for current income tax consists of:

	2025	2024	2023
		(In Thousands)	
Final tax	**₱4,406,954**	₱4,228,277	₱3,073,051
RCIT	**3,625,133**	3,066,724	2,561,791
MCIT	**76,446**	41,124	30,595
Provision for current income tax	**₱8,108,533**	₱7,336,125	₱5,665,437

c. As of December 31, 2025 and 2024, 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:

	2025	2024
		(In Thousands)
Allowance for credit losses	**₱5,070,360**	₱4,989,949
NOLCO	**3,122,981**	3,218,028
Unamortized past service cost	**2,105,706**	2,101,775
Unrealized foreign exchange loss	**278,114**	11,940
Net retirement benefits liability	**166,924**	25,178
Excess MCIT	**113,902**	96,347
Allowance for inventory obsolescence	**–**	10,294
Others	**710,668**	588,694

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

Year Incurred	December 31, 2024	Additions	Expired	December 31, 2025	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
2025	–	239,324	–	239,324	2028
	₱3,218,028	₱ 239,324	₱334,371	₱3,122,981	

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, 2024	Addition	Expired	December 31, 2025	Expiry Year
2022	₱120	₱–	₱120	₱–	2025
2023	26,841	–	–	26,841	2026
2024	69,386	–	–	69,386	2027
2025	–	796	–	796	2028
	₱96,347	₱ 796	₱120	₱97,023	

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:

	2025	2024	2023
		(In Thousands)	
Provision for income tax at statutory income tax rate	**₱12,785,141**	₱11,289,375	₱9,808,424
Adjustments resulting from:			
Nontaxable income	**(4,530,730)**	(4,689,955)	(4,797,970)
Equity in net earnings of associates and joint ventures	**(2,197,145)**	(2,216,651)	(2,981,183)
Non-deductible expenses	**2,133,448**	309,240	2,938,953
Income subjected to final tax	**(187,629)**	(91,256)	(176,430)
NOLCO and other deductible temporary differences for which no deferred income tax assets were recognized in current year	**71,071**	(35,789)	2,179,126
Others - net	**759,929**	2,084,803	(1,753,103)
Provision for income tax	**₱8,834,085**	₱6,649,767	₱5,217,817

'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 389 and 380 stockholders as of December 31, 2025 and 2024, 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
2025:				
March 14, 2025	March 31, 2025	April 11, 2025	₱0.30	**₱3,246,416,667**
June 16, 2025	July 1, 2025	July 15, 2025	0.30	**3,246,416,667**
August 22, 2025	September 9, 2025	September 26, 2025	0.30	**3,246,416,667**
November 17, 2025	December 2, 2025	December 16, 2025	0.35	**3,787,486,111**
				₱13,526,736,112

Date of declaration	Date of record	Date of payment	Dividend per share	In Absolute Amount
2024:				
February 23, 2024	March 11, 2024	March 22, 2024	₱0.30	₱3,246,416,667
May 17, 2024	June 3, 2024	June 14, 2024	0.30	3,246,416,667
August 16, 2024	September 4, 2024	September 13, 2024	0.30	3,246,416,667
November 15, 2024	December 2, 2024	December 9, 2024	0.35	3,787,486,111
				₱13,526,736,112
2023:				
February 17, 2023	March 6, 2023	March 16, 2023	₱0.30	₱3,246,416,667
May 15, 2023	May 30, 2023	June 9, 2023	0.30	3,246,416,667
August 15, 2023	September 4, 2023	September 12, 2023	0.30	3,246,416,667
November 17, 2023	December 5, 2023	December 14, 2023	0.30	3,246,416,667
				₱12,985,666,668

b. Retained earnings include undistributed earnings amounting to ₱142.7 billion, ₱127.4 billion, ₱112.3 billion as of December 31, 2025, 2024 and 2023, 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, 2025 amounted to ₱50.34 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, 2025 and 2024.

Other Equity Reserves
Other equity reserves as at December 31 consist of:

	2025	2024
		(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	**2,695,720**	1,462,428
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
	(₱2,954,800)	(₱4,188,092)

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, 2025 and 2024. 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:

	2025	2024	2023
		(In Thousands)	
Balance as of January 1	**₱99,126,622**	₱87,722,128	₱77,816,817
Net income attributable to non-controlling interests	**11,330,748**	9,586,743	8,594,426
Share in other comprehensive income, net of deferred income tax effect:			
Net change in aggregate reserves on life insurance policies	**(2,834,776)**	407,935	(48,688)
Disposal (acquisition) of shares of subsidiaries to (from) the Controlling Shareholders	**1,132,212**	1,253,414	(40,633)
Remeasurement gains (losses) on defined benefit plans (Notes 2 and 23)	**(660,339)**	(897,909)	(793,240)
Cumulative translation adjustments	**458,952**	155,914	(137,023)
Net changes in financial assets at FVTOCI (Note 7)	**382,418**	812,074	1,844,494
Revaluation increment on property plant and equipment	**(21,587)**	(20,493)	(42,559)
Other equity reserves	**754,201**	106,816	528,534
Balance as of December 31	**₱109,668,451**	₱99,126,622	₱87,722,128

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:

	2025	2024	2023
		(In Thousands)	
Net income attributable to equity holders of the Company	**₱30,975,731**	₱28,920,989	₱25,421,454
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	**₱2.86**	₱2.67	₱2.35

Net income from continuing operations is attributable to:

	2025	2024	2023
		(In Thousands)	
Equity holders of the Company	**₱30,975,731**	₱28,920,989	₱25,421,454
Non-controlling interests	**11,330,748**	9,586,743	8,594,426
	₱42,306,479	₱38,507,732	₱34,015,880

There are no potential common shares with dilutive effect on the basic earnings per share in 2025, 2024 and 2023.

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.

Credit Risk

For the banking segment, credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The banking segment manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial sector and credit management sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management, 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:

	2025			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
		(In Millions)		
Securities held under agreements to resell	**₱72,903**	**₱74,380**	**₱–**	**₱72,903**
Loans and receivables:				
Receivables from customers:				
Corporates	**655,876**	**184,427**	**544,723**	**111,153**
Local government units (LGU)	**1,152**	**–**	**1,152**	**–**
Credit Cards	**20,088**	**–**	**20,088**	**–**
Retail small and medium enterprises (SME)	**5,266**	**4,639**	**2,815**	**2,451**
Housing Loans	**28,162**	**35,220**	**10,809**	**17,353**
Auto Loans	**6,217**	**13,007**	**753**	**5,464**
Others	**10,994**	**7,962**	**6,555**	**4,439**
Other receivables	**12,263**	**–**	**12,263**	**–**
	₱812,921	**₱319,635**	**₱599,158**	**₱213,763**

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

	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	567,369	168,918	474,139	93,230
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	22,988	27,775	8,021	14,967
Auto Loans	5,580	8,986	1,286	4,294
Others	7,516	4,816	4,323	3,193
Other receivables	10,744	–	10,744	–
	₱740,300	₱317,818	₱519,458	₱220,842

**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:

	2025				
	Loans and receivables		Trading and investment securities	Other financial assets*	Total
	Amount	%			
	(In Millions)				
Philippines	**₱694,695**	**93.87**	**₱301,556**	**₱121,839**	**₱1,118,090**
Asia (excluding the Philippines)	**26,549**	**3.59**	**6,493**	**33,069**	**66,110**
USA and Canada	**16,775**	**2.26**	**15,610**	**10,775**	**43,160**
Other European Union Countries	**1,612**	**0.22**	**3,055**	**17,198**	**21,865**
United Kingdom	**63**	**0.01**	**159**	**14,122**	**14,344**
Middle East	**49**	**0.01**	**3,761**	**2**	**3,812**
Oceania	**275**	**0.04**	**–**	**180**	**455**
	₱740,018	**100.00**	**₱330,634**	**₱197,185**	**₱1,267,836**

**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'*

	2024				
	Loans and receivables		Trading and investment securities	Other financial assets*	Total
	Amount	%			
	(In Millions)				
Philippines	₱590,193	92.68	₱327,198	₱126,004	₱1,043,395
Asia (excluding the Philippines)	27,502	4.32	5,544	43,064	76,110
USA and Canada	17,025	2.67	1,343	6,943	25,311
Other European Union Countries	1,780	0.28	4,731	3,185	9,696
United Kingdom	98	0.01	164	22,766	23,028
Middle East	53	0.01	3,106	8	3,167
Oceania	169	0.03	–	57	226
	₱636,820	100.00	₱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'*

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.

	2025				
	Loans and receivables		Trading and investment securities	Other financial assets**	Total
	Amount	%			
	(In Millions)				
Government	**₱1,146**	**0.15**	**₱297,022**	**₱89,950**	**₱388,118**
Financial intermediaries	**98,451**	**13.30**	**4,049**	**106,689**	**209,189**
Electricity, gas and water	**150,513**	**20.34**	**13,752**	**–**	**164,265**
Wholesale and retail	**125,912**	**17.01**	**7,267**	**–**	**133,179**
Real estate, renting and business activities	**132,411**	**17.89**	**–**	**15**	**132,426**
Manufacturing	**65,906**	**8.91**	**2**	**–**	**65,908**
Construction	**39,600**	**5.35**	**–**	**–**	**39,600**
Transport, storage and communication	**31,330**	**4.23**	**–**	**7**	**31,337**
Agriculture, hunting and forestry	**5,107**	**0.69**	**–**	**–**	**5,107**
Public administration and defense	**1,704**	**0.23**	**–**	**–**	**1,704**
Others*	**87,938**	**11.90**	**8,543**	**532**	**97,013**
	₱740,018	**100.00**	**₱330,635**	**₱197,186**	**₱1,267,846**

* *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".*

	2024				
	Loans and receivables		Trading and investment securities	Other financial assets**	Total
	Amount	%			
	(In Millions)				
Government	₱1,656	0.26	₱281,477	₱58,013	₱341,146
Financial intermediaries	95,403	14.98	1,697	143,572	240,673
Electricity, gas and water	100,473	15.78	8,251	–	108,725
Wholesale and retail	110,725	17.39	16,310	–	127,035
Real estate, renting and business activities	105,532	16.57	236	14	105,781
Manufacturing	62,255	9.78	70	–	62,325
Construction	37,949	5.96	–	–	37,949
Transport, storage and communication	34,461	5.41	–	–	34,461
Agriculture, hunting and forestry	5,424	0.85	–	–	5,424
Public administration and defense	1,554	0.24	–	–	1,554
Others*	81,388	12.78	34,044	428	115,861
	₱636,820	100.00	₱342,085	₱202,027	₱1,180,934

* *Loans and receivables exclude residual value of the leased asset (Note 8).*
** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
*** *Other financial assets include the following financial assets: "Due from BSP", "Due from other banks", "Interbank loans receivable", "Securities held under agreements to resell" and other financial assets booked under "Other Assets".*

The internal limit of the banking segment based on the Philippine Standard Industry Classification sub-industry is 12% for priority industry, 8% for regular industry, 30% for power industry and 25% for activities of holding companies versus total loan portfolio.

Credit quality per class of financial assets

Loans and Receivables
The segmentation of the banking segment's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the banking segment's exposures can be categorized as either of the following:

- Non-Retail Portfolio - consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the banking segment's Non-Retail Portfolio segments are as follows: Sovereigns, Financial Institutions, Specialized Lending (e.g., Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs.
- Retail Portfolio - consists of exposures to individual person/s or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar credit risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

The credit quality of the Non-Retail Portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The banking segment's Parent Bank maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

The banking segment developed specific borrower rating models to capture specific and unique risk characteristics of each of the Non-Retail Portfolio segments. The BRR is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well. The banking segment uses a single scale with 26 risk grades for all its borrower risk rating models. The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the banking segment in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9-grades, i.e., FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g., CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the banking segment in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the banking segment's receivables from customers are defined below:

Credit quality	26-grade CRR system
High S&P Equivalent Global Rating: AAA to BBB-	*BRR 1 Excellent* Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. *BRR 2 Very Strong* Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. *BRR 3 Strong*

	Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low. *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:

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
		(In Millions)		
Subject to CRR				
Non-Retail - Corporate				
High	**₱280,719**	**₱1,025**	**₱–**	**₱281,744**
Standard	**307,209**	**719**	**–**	**307,928**
Substandard	**31,508**	**20,173**	**–**	**51,681**
Impaired	**–**	**–**	**32,208**	**32,208**
	619,436	**21,917**	**32,208**	**673,561**
Subject to Scoring and Unrated				
Non-Retail	**9,721**	**101**	**543**	**10,365**
Corporate	**8,571**	**87**	**485**	**9,143**
LGU	**1,150**	**14**	**58**	**1,222**
Retail	**57,541**	**1,860**	**6,850**	**66,251**
Auto Loans	**5,876**	**102**	**348**	**6,326**
Housing Loans	**26,028**	**887**	**5,149**	**32,064**
Retail SME	**5,546**	**180**	**709**	**6,435**
Credit Card	**20,091**	**691**	**644**	**21,426**
Others	**10,009**	**1,216**	**453**	**11,678**
	77,271	**3,177**	**7,846**	**88,294**
	₱696,707	**₱25,094**	**₱40,054**	**₱761,856**

	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

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

	2025				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
			(In Millions)		
Housing Loans	**₱616**	**₱118**	**₱145**	**₱4,618**	**₱5,497**
Auto Loans	**86**	**41**	**37**	**284**	**448**
Retail SME	**26**	**5**	**17**	**682**	**730**
Credit Card	**621**	**571**	**534**	**188**	**1,914**
LGU	**8**	**–**	**–**	**50**	**58**
Others	**136**	**93**	**8**	**344**	**581**
Total	**₱1,493**	**₱828**	**₱741**	**₱6,166**	**₱9,228**

	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

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.

	2025					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
	(In Millions)					
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱68,530	₱68,530
Due from other banks	5,384	15,835	311	21,530	3,307	24,837
Interbank loans receivables	1,966	22,171	4,000	28,137	2,243	30,380
Securities held under agreements to resell	–	19,462	23,825	43,287	29,664	72,951
Financial assets at FVOCI						
Government securities	12,075	3,173	130,042	145,289	3,231	148,52
Private debt securities	–	278	303	581	19,561	20,142
Investment securities at amortized cost						
Government securities	728	–	103,178	103,906	11,952	115,858
Private debt securities	1,296	1,516	1,001	3,812	7,803	11,616
Financial assets at amortized cost						
Loans and receivables - Others [2/]	–	–	–	–	16,228	16,228

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, 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)

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.

	December 31, 2025					
	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	₱20,869	₱–	₱–	₱–	₱–	₱20,869
Due from BSP and other banks	95,573	–	–	–	–	95,573
Interbank loans receivable	27,934	1,852	36	675	–	30,497
Securities held under agreements to resell	61,205	12,059	66	–	–	73,330
Financial assets at FVTPL:						
Government securities	11,341	706	643	644	30,348	43,682
Private debt securities	3	–	3	7	296	309
Equity securities	3	–	–	–	–	3
Derivative assets:						
Gross contractual receivable	77,892	18,014	5,555	276	1,030	102,767
Gross contractual payable	(77,486)	(17,852)	(5,437)	(269)	(927)	(101,971)
Financial assets at FVOCI:						
Government securities	54,664	1,394	1,998	2,727	117,742	178,525
Private debt securities	144	1,769	744	1,368	21,570	25,595
Equity securities	–	–	–	–	27,869	27,869
Investment securities at amortized cost						
Government securities	9	1,112	5,047	6,349	145,919	158,436
Private debt securities	5	102	2,281	1,705	11,850	15,943
Financial assets at amortized cost:						
Receivables from customers	290,549	47,743	11,276	13,478	577,051	940,097
Other receivables	13,250	1,476	529	90	883	16,228
Other assets	531	–	–	–	20	551
Total financial assets	₱576,486	₱68,375	₱22,741	₱27,050	₱933,651	₱1,628,303
Financial Liabilities						
Deposit liabilities:						
Demand	₱243,069	₱–	₱–	₱–	₱–	₱243,069
Savings *	412,455	–	–	–	–	412,455
Time and LTNCDs *	271,658	96,143	21,005	10,798	10,242	409,846
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	49,483	9,502	5,635	920	436	65,976
Gross contractual receivable	(49,335)	(9,423)	(5,594)	(913)	(428)	(65,693)
Bills and acceptances payable	2,362	6,424	1,670	258	–	10,714
Bonds payable	–	–	–	–	36,715	36,715
Accrued interest payable and accrued other expenses payable	3,742	115	184	41	2	4,084
Other liabilities	9,511	66	–	71	1,379	11,027
Total financial liabilities	₱942,945	₱102,827	₱22,900	₱11,175	₱48,346	₱1,128,193

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

	December 31, 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
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.*

BSP Reporting for Liquidity Positions and Leverage

To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the banking segment computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2025 and 2024, LCR reported to the BSP with certain adjustments is 259.98% and 254.47%, 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, 2025 and 2024, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2025	2024
Available stable funding	**₱1,033,503**	₱953,256
Required stable funding	**671,425**	596,764
NSFR	**153.93%**	159.74%

Market Risks

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the banking segment's trading and structural portfolios.

Trading Market Risk

Trading market risk exists in the banking segment as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The banking segment is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risk in the trading portfolio, the banking segment uses the Value-at-Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation methodology (with 99% confidence level) to measure the banking segment's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 400-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the banking segment's BOD. The VaR figures are back-tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are also reported to the ROC.

The 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**
December 29, 2025	**₱7.20**	**₱273.41**	**₱–**	**₱280.61**
Average Daily	**6.87**	**358.78**	**–**	**365.65**
Highest	**21.43**	**638.22**	**–**	**645.38**
Lowest	**1.12**	**106.89**	**–**	**114.15**

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
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

** FX VaR is the bankwide foreign exchange risk*

*** The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Non-trading Market Risk

Interest rate risk

The banking segment seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the banking segment to interest rate risk. PNB measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the banking segment an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Group BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the banking segment:

	2025					
	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	**₱53,615**	**₱6,360**	**₱2,063**	**₱3,283**	**₱28,040**	**₱93,361**
Interbank loans receivable and securities held under agreements to resell	**84,560**	**17,857**	**187**	**670**	**–**	**103,274**
Receivables from customers and other receivables - gross	**177,082**	**85,343**	**49,570**	**24,783**	**130,565**	**467,343**
Total financial assets	**₱315,257**	**₱109,560**	**₱51,820**	**₱28,736**	**₱158,605**	**₱663,978**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱130,613**	**₱64,175**	**₱28,393**	**₱54,270**	**₱280,707**	**₱558,158**
Time	**185,000**	**47,047**	**8,901**	**4,952**	**14,406**	**260,306**
Bonds payable					**33,279**	**33,279**
Bills and acceptances payable	**8,355**	**–**	**1,420**	**–**	**968**	**10,743**
Total financial liabilities	**₱323,968**	**₱111,222**	**₱38,714**	**₱59,222**	**₱329,360**	**₱862,486**
Repricing gap	**(₱8,711)**	**(₱1,662)**	**₱13,106**	**(₱30,486)**	**(₱170,755)**	**(₱198,508)**
Cumulative gap	**(8,711)**	**(10,373)**	**2,733**	**(27,753)**	**(198,508)**	

	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

	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	₱158,682	₱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.*

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:

	2025		2024	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱38,066)**	**(₱38,066)**	₱135,755	₱135,755
-50bps	**38,066**	**38,066**	(135,755)	(135,755)
+100bps	**(76,131)**	**(76,131)**	271,509	271,509
-100bps	**76,131**	**76,131**	(271,509)	(271,509)

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, 2025 and 2024, the maximum negative Delta EVE is at ₱15.8 billion or 10.0% and ₱10.5 billion or 7.85% 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, 2025			December 31, 2024		
	USD	**Others***	**Total**	USD	Others*	Total
			(In Millions)			
Assets						
COCI and due from BSP	**₱88**	**₱702**	**₱790**	₱118	₱823	₱941
Due from other banks	**13,338**	**7,142**	**20,480**	11,387	4,193	15,580
Interbank loans and securities held under agreements to resell	**2,023**	**5,725**	**7,748**	1,993	3,683	5,676
Loans and receivables	**19,961**	**12,690**	**32,651**	18,941	11,722	30,663
Financial Assets at FVTPL	**7**	**-**	**7**	1	–	1
Financial Assets at FVTOCI	**1,030**	**1,775**	**2,805**	975	1,580	2,555
Financial assets at amortized cost	**556**	**576**	**1,132**	382	622	1,004
Other assets	**14,657**	**958**	**15,615**	13,372	964	14,336
Total assets	**51,660**	**29,568**	**81,228**	47,169	23,587	70,756
Liabilities						
Deposit liabilities	**₱10,136**	**₱10,544**	**₱20,680**	₱8,741	₱8,643	₱17,384
Derivative liabilities		**3**	**3**	2	–	2
Bills and acceptances payable	**9,163**	**285**	**9,448**	8,222	79	8,301
Accrued taxes, interest and other expenses	**98**	**31**	**129**	41	2	43
Other liabilities	**2,196**	**2,680**	**4,876**	7,719	2,302	10,021
Total liabilities	**21,593**	**13,543**	**35,136**	24,725	11,026	35,751
Net Exposure	**₱30,067**	**₱16,025**	**₱46,092**	₱22,444	₱12,561	₱35,005

* *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 ₱58.79 to USD1.00 as of December 31, 2025 and ₱57.85 to USD1.00 as of December 31, 2024.

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, 2025 and 2024:

	2025		2024	
	Income Before Income Tax	**Equity**	Income Before Income Tax	Equity
		(In Millions)		
+1.00%	**₱290**	**(₱301)**	₱215	(₱225)
-1.00%	**(290)**	**301**	(215)	225

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, 2025:

			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	**₱221,048.8**	**₱1,418.5**	**₱9,583.4**	**₱2,060.0**	**₱3,310.6**	**₱1,982.2**	**₱4,247.7**	**₱21,183.90**
Expected credit loss			**₱1.25**	**₱21.44**	**₱23.17**	**₱9.91**	**₱424.77**	**₱480.54**

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

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)*:

	2025			2024		
	< 1 year	**1 to 5 years**	**Total**	< 1 year	1 to 5 years	Total
Financial assets:						
Cash and other cash items	**₱221,041**	**₱–**	**₱221,041**	₱223,584	₱–	₱223,584
Trade receivables	**22,187**	**–**	**22,187**	21,313	–	21,313
Other receivables	**3,381**	**–**	**3,381**	3,805	–	3,805
Due from related parties	**1,418**	**–**	**1,418**	1,889	–	1,889
Refundable deposits	**129**	**–**	**129**	232	–	232
Financial assets at FVTPL	**34,653**	**–**	**34,653**	17,956	–	17,956
	₱282,809	**₱–**	**₱282,809**	₱268,779	₱–	₱268,779
Financial liabilities:						
Short-term debts	**₱3,700**	**₱–**	**₱3,700**	₱3,700	₱–	₱3,700
Accounts payable and other liabilities*	**21,788**	**–**	**21,788**	19,414	–	19,414
Long-term debts	**1,672**	**39,606**	**41,278**	1,927	23,623	25,550
Due to related parties	**50**	**–**	**50**	64	–	64
Other liabilities	**7,887**	**6,674**	**14,561**	11,373	6,777	18,150
	₱35,097	**₱46,280**	**₱81,377**	₱36,478	₱30,400	₱66,878

**Excluding non-financial liabilities amounting to ₱12.7 million and ₱1.2 million as of December 31, 2025 and 2024, 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 2025, 2024 and 2023, 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 ₱130.9 million, ₱578.0 million, ₱320.0 million, respectively, if equity prices will increase by 10%. An equal change in the opposite direction would have decreased 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, 2025 and 2024, 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) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in the consolidated statement of financial position [a-b] [c]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments [d]	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 [d]	Net exposure [c-d] [e]
			(In Thousands)			
December 31, 2025:						
Derivative assets (Notes 6 and 21)	**₱102,767,311**	**₱101,970,497**	**₱796,814**	**₱204,001**	**₱–**	**₱592,813**
Securities sold under agreements to repurchase (Note 5)	**72,903,359**	**–**	**72,903,359**	**–**	**74,379,685**	**–**
	₱175,670,670	**₱101,970,497**	**₱73,700,173**	**₱204,001**	**₱74,379,685**	**₱592,813**
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

Financial liabilities

Financial assets recognized at end of reporting period by type	Gross carrying Amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in the consolidated statement of financial position [a-b] [c]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments [d]	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 [d]	Net exposure [c-d] [e]
			(In Thousands)			
December 31, 2025:						
Derivative liabilities (Notes 16 and 21)	**₱65,978,632**	**₱65,693,070**	**₱285,562**	**₱18,225**	**₱–**	**₱267,337**
Securities sold under agreements to repurchase (Note 17)*	**1,175,218**	**–**	**1,175,218**	**–**	**1,325,734**	**–**
Total	**₱67,153,850**	**₱65,693,070**	**₱1,460,780**	**₱18,225**	**₱1,325,734**	**₱267,337**
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

** 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 PFRS Accounting Standards 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 PFRS Accounting Standards 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:

	2025		2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	(In Thousands)			
Financial Assets:				
Financial assets at amortized cost	**₱127,975,987**	**₱128,512,691**	₱113,873,993	₱111,787,159
Loans and receivables:				
Receivables from customers	**749,623,690**	**800,602,418**	763,877,135	677,644,755
	₱877,599,677	**₱929,115,109**	₱877,751,128	₱789,431,914
Financial Liabilities:				
Financial liabilities at amortized cost:				
Deposit liabilities:				
Time deposits	**₱260,306,182**	**₱260,291,457**	₱151,967,502	₱147,368,732
Bills payables	**2,595,160**	**2,595,160**	14,152,442	14,073,175
Long-term debts:				
Unsecured term loan	**1,331,682**	**1,331,682**	2,811,040	2,811,040
Bonds payable	**33,898,199**	**34,052,881**	17,304,421	17,001,745
LTNCD	–	–	4,598,770	4,541,491
Other liabilities:				
Payable to landowners	–	–	192,400	192,400
Tenants' rental deposits	**368,621**	**368,621**	469,487	469,487
	₱298,499,844	**₱298,639,801**	₱191,496,062	₱186,458,070

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:

	2025				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total-**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱33,672,894**	**₱19,769,214**	**₱13,903,680**	**₱–**	**₱33,672,894**
Derivative assets	**796,814**	**–**	**796,814**	**–**	**796,814**
Private debt securities	**180,071**	**180,071**	**–**	**–**	**180,071**
Equity securities	**2,935**	**2,935**	**–**	**–**	**2,935**
Financial assets at FVTOCI:					
Government securities	**148,980,601**	**79,217,226**	**69,763,375**	**–**	**148,980,601**
Equity securities	**6,875,894**	**151,831**	**1,263,007**	**5,461,056**	**6,875,894**
Private debt securities	**20,226,649**	**10,363,895**	**9,862,754**	**–**	**20,226,649**
	₱210,735,858	**₱109,685,172**	**₱95,589,630**	**₱5,461,056**	**₱210,735,858**

(Forward)

	2025				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total-**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱285,562**	**₱–**	**₱285,562**	**₱–**	**₱285,562**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱127,975,987**	**₱73,270,962**	**₱55,241,729**	**₱–**	**₱128,512,691**
Receivables from customers**	**749,623,690**	**–**	**–**	**800,602,418**	**800,602,418**
	₱877,599,677	**₱73,270,962**	**₱55,241,729**	**₱800,602,418**	**₱929,115,109**
Nonfinancial Assets					
Investment property:					
Land***	**₱24,026,006**	**₱–**	**₱–**	**₱137,674,775**	**₱137,674,775**
Buildings and improvements***	**5,024,123**	**–**	**–**	**32,794,254**	**32,794,254**
	₱29,050,129	**₱–**	**₱–**	**₱170,469,029**	**₱170,469,029**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱260,306,182**	**₱–**	**₱–**	**₱260,291,457**	**₱260,291,457**
Bonds payable	**33,898,199**	**–**	**34,052,881**	**–**	**34,052,881**
Bills payable	**2,595,160**	**–**	**–**	**2,595,160**	**2,595,160**
	₱296,799,541	**₱–**	**₱34,052,881**	**₱262,886,617**	**₱296,939,498**

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

	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
Private debt securities	1,087,107	–	3,042	1,084,065	1,087,107
Derivative assets	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
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

(Forward)

	2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
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*

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, 2025 and 2024, 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 2025 and 2024 follow:

	2025			
	Beginning balance	**Net cash Flows**	**Others**	**Ending balance**
Bills and acceptances payable (Note 17)	**₱20,208,451**	**(₱7,579,290)**	**(₱1,886,413)**	**₱10,742,748**
Short-term debts (Note 19)	**3,700,000**	**–**	**–**	**3,700,000**
Bonds payable and unsecured loans (Note 19)	**20,115,461**	**15,304,257**	**(189,837)**	**35,229,881**
Lease liabilities (Notes 19 and 37)	**5,433,871**	**(1,510,025)**	**1,063,099**	**4,986,945**
	₱49,457,783	**₱6,214,942**	**(₱1,013,151)**	**₱54,659,574**

	2024			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱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

Others include the effects of foreign exchange revaluations, amortization of transaction costs, and accretion of interest.

Non-cash Transactions
The Group applied creditable withholding taxes against its income tax payable amounting to ₱0.2 billion, ₱2.0 billion, ₱1.2 billion in 2025, 2024 and 2023, respectively.

The Group acquired investment properties through foreclosure and rescission amounting to ₱1.9 billion, ₱2.1 billion, ₱3.0 billion in 2025, 2024 and 2023, respectively.

Non-cash Investing Activities
As of December 31, 2025 and 2024, unpaid additions to property, plant and equipment amounted to ₱0.9 billion and ₱1.1 billion, 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 2025 and 2024.

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 2025 and 2024.

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:

	2025	2024
	(In Thousands, except ratios)	
Total liabilities	**₱1,133,154,800**	₱1,044,117,657
Total equity	**360,743,463**	330,212,202
Total liabilities and equity	**₱1,493,898,263**	₱1,374,329,859
Debt ratio	**0.76:1**	0.76:1
Debt-to-equity ratio	**3.14:1**	3.16:1

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.

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 ₱317.4 million, ₱395.6 million, ₱264.1 million in 2025, 2024 and 2023, respectively, for the Group, of which ₱221.9 million, ₱291.7 million, ₱187.0 million in 2025, 2024 and 2023, respectively, pertain to the PNB. Rent expense in 2025 and 2024 pertains to expenses from short-term leases and leases of low-value assets.

As of December 31, 2025 and 2024, the Group has no contingent rent payable.

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

	2025	2024
	(In Thousands)	
Balance at beginning of year	**₱5,433,871**	₱5,408,720
Additions	**923,936**	1,084,117
Interest expense	**418,808**	268,916
Payments	**(1,774,207)**	(1,312,536)
Transfers	**(6,860)**	(15,346)
Balance at end of year	**₱4,995,548**	₱5,433,871

Future minimum lease liabilities under finance leases are as follows:

	2025	2024
	(In Thousands)	
Within one year	**₱1,353,835**	₱1,313,875
Beyond one year but not more than five years	**3,466,157**	3,791,198
More than five years	**1,141,475**	1,199,929
Total	**5,961,467**	6,305,002
Less amounts representing finance charges	**–**	–
Present value of minimum lease payments	**₱5,961,467**	₱6,305,002

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 ₱226.3 billion and ₱190.6 billion as of December 31, 2025 and 2024, respectively. In connection with the trust functions of PNB, government securities amounting to ₱2.5 billion and ₱1.9 billion (included under 'Financial assets at amortized cost') as of December 31, 2025 and 2024, 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 ₱38.0 million, ₱14.5 million, ₱29.9 million in 2025, 2024 and 2023, 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.

Content Index

LT Group, Inc. has reported in accordance with the GRI Standards, as well as the SASB and IFRS S1-S2 standards, for the period from 1 January 2025 to 31 December 2025.

STANDARD / OTHER SOURCE	DISCLOSURE	GRI	SASB	IFRS 1&2	OMISSION		
		LOCATION			REQUIREMENTS	REASON	EXPLANATION
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GRI 2: General Disclosures 2021	2-1 Organizational details	4					
	2-2 Entities included in the organization's sustainability reporting	3					
	2-3 Reporting period, frequency and contact point	3					
	2-4 Restatements of information	119					
	2-5 External assurance	2					
	2-6 Activities, value chain and other business relationships	8, 102, 129					
	2-7 Employees	148					
	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	71		IFRS S1.27(a)(i), IFRS S2.6(a)(i), IFRS S1.27(a)(iv).(v), IFRS S2.6(a)(iv).(v)			
	2-10 Nomination and selection of the highest governance body	45, 71					
	2-11 Chair of the highest governance body	71					
	2-12 Role of the highest governance body in overseeing the management of impacts	71					
	2-13 Delegation of responsibility for managing impacts	111					
	2-14 Role of the highest governance body in sustainability reporting	97					
	2-15 Conflicts of interest	97		IFRS S1.27(b)(i)(ii), IFRS S2.6(b)(i)(ii)			
	2-16 Communication of critical concerns	97					
	2-17 Collective knowledge of the highest governance body	45, 97					
	2-18 Evaluation of the performance of the highest governance body	45					
	2-19 Remuneration policies	95					
	2-20 Process to determine remuneration	95					
	2-21 Annual total compensation ratio				2-21-a to 2-21-c	Confidentiality constraints	Owing to the sensitivity of the information, the Company deems the salary of the highest paid individual as confidential. Nevertheless, compensation is based on performance.
	2-22 Statement on sustainable development strategy	13, 14-15, 16-17, 157					
	2-23 Policy commitments	40, 143					
	2-24 Embedding policy commitments	40, 143		IFRS S1.44, IFRS S2.25, IFRS S1.44 (a)(i)-(iv) (b), IFRS S2.25 (a)(i)-(iv) (b), IFRS S1.44 (c), IFRS S2.25(c)			
	2-25 Processes to remediate negative impacts	143, 147					
	2-26 Mechanisms for seeking advice and raising concerns	143					
	2-27 Compliance with laws and regulations	111					
	2-28 Membership associations	5					
	2-29 Approach to stakeholder engagement	105					
	2-30 Collective bargaining agreements	150					
Material Topics							
GRI 3: Material Topics 2021	3-1 Process to determine material topics	103					
	3-2 List of material topics	103					
Economic and Performance							
GRI 3: Material Topics 2021	3-3 Management of material topics	35, 40, 111, 157					
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	36					
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	157					
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	40					
	205-3 Confirmed incidents of corruption and actions taken	40					
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	111					
Environment							
GRI 3: Material Topics 2021	3-3 Management of material topics	113, 117-118, 125		IFRS S1.46(a)(b)			
GRI 103: Energy 2025	103-1 Energy policy and commitments	113					
	103-2 Energy consumption and self-generation within the organization	113	FB-AB-130a.1, FB-NB-130a.1				

STANDARD / OTHER SOURCE	DISCLOSURE	GRI	SASB	IFRS 1&2	OMISSION		
		LOCATION			REQUIREMENTS	REASON	EXPLANATION
GRI 103: Energy 2025	103-3 Upstream and downstream energy consumption	We do not yet track upstream & down-stream energy consump-tion					
	103-4 Energy intensity	113					
	103-5 Reduction in energy consumption	113					
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	117	FB-AB-140a.1,				
	303-2 Management of water discharge-related impacts	117	FB-NB-140a.1				
	303-3 Water withdrawal	117	FB-AB-140a.2,				
	303-4 Water discharge	117	FB-NB-140a.2				
	303-5 Water consumption	117					
GRI 101: Biodiversity 2024	101-2 Management of biodiversity impacts	125					
GRI 102: Climate Change 2025	102-1 Transition plan for climate change mitigation	121-125		"IFRS S1.32(a),(b), IFRS S2.13(a)(b), IFRS S1.30(a) (b)(c), IFRS S1.33(a)"			
	102-2 Climate change adaptation plan	121-125					
	102-3 Just transition	148-150					
	102-4 GHG emissions reduction targets and progress	113					
	102-5 Scope 1 GHG emissions	114		IFRS S2.29(a) (i),(ii), (iv)			
	102-6 Scope 2 GHG emissions	114					
	102-7 Scope 3 GHG emissions				102-7-a to 102-7-f	Information unavailable	LTG has not yet disclosed Scope 3 emissions due to data and system limitations but is currently evaluating methodologies for future reporting.
	102-8 GHG emissions intensity				102-8-a to 102-8-b	Information unavailable	LTG has not yet disclosed GHG emissions intensity due to data and system limitations but is currently evaluating methodologies for future reporting.
	102-9 GHG removals in the value chain				102-9-a to 102-9-d	Not Applicable	We do not report GHG removals in the value chain.
	102-10 Carbon credits				102-10-a to 102-10-e	Not Applicable	We do not yet engage in carbon credit transactions and therefore have no data to disclose for this indicator.
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	118					
	306-2 Management of significant waste-related impacts	118					
	306-3 Waste generated	119					
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	306-5 Waste directed to disposal	119					

STANDARD / OTHER SOURCE	DISCLOSURE	GRI	SASB	IFRS 1&2	OMISSION		
		LOCATION			REQUIREMENTS	REASON	EXPLANATION
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GRI 3: Material Topics 2021	3-3 Management of material topics	143, 148					
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	149-150					
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	151					
	401-3 Parental leave	151-152					
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	143					
	403-2 Hazard identification, risk assessment, and incident investigation	143					
	403-3 Occupational health services	143					
	403-4 Worker participation, consultation, and communication on occupational health and safety	143					
	403-5 Worker training on occupational health and safety	143					
	403-6 Promotion of worker health	143					
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	143					
	403-8 Workers covered by an occupational health and safety management system	100% Employees					
	403-9 Work-related injuries	146					
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	154					
	404-3 Percentage of employees receiving regular performance and career development reviews	100% Employees					
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	148					

STANDARD / OTHER SOURCE	DISCLOSURE	GRI	SASB	IFRS 1&2	OMISSION		
		LOCATION			REQUIREMENTS	REASON	EXPLANATION
Customers							
GRI 3: Material Topics 2021	3-3 Management of material topics	131, 136					
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	131					
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	132	FB-AB-270a.2, FB-AB-270a.3, FB-NB-270a.3, FB-NB-270a.4				
	417-2 Incidents of non-compliance concerning product and service information and labeling	132					
	417-3 Incidents of non-compliance concerning marketing communications	132					
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	136	FN-CB-230a.1, FN-CB-230a.2				
Society							
GRI 3: Material Topics 2021	3-3 Management of material topics	157					
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	157					

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