

COVER SHEET

SEC Registration Number

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Company Name

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Principal Office (No./Street/Barangay/City/Town/Province)

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Form Type

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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

info@ltg.com.ph

Company's Telephone Number/s

8808-1266

Mobile Number

N/A

No. of Stockholders

374

Annual Meeting Month/Day

May/3

Fiscal Year Month/Day

December/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jose Gabriel D. Olives

Email Address

josegabriel.olives@ltg.com.ph

Telephone Number/s

8808-1266

Mobile Number

N/A

Contact Person's Address

11 th Floor Unit 3 Bench Tower, 30 th St. Corner Rizal Drive Crescent Park West 5 Bonifacio Global City, Taguig City
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Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SRC AND
SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the quarterly period ended September 30, 2023
2. SEC Identification Number PW-343
3. BIR Tax Identification No. 121-145-650-000
4. Exact name of registrant as specified in its charter LT GROUP, INC.
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of registrant's principal office Postal Code
11th Floor Unit 3 Bench Tower, 30th St. Corner Rizal drive
Crescent Park West 5 Bonifacio Global City Taguig City 1634
8. Registrant's telephone number, including area code (632) 8808-1266
9. Former name, former address, and former fiscal year, if changed since last report.
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common shares, ₱1.00 par value	10,821,388,889
11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes [☒] No [☐]
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed pursuant to Section 17 of the Securities Regulation Code (SRC) and Section 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)
Yes [☒] No [☐]
 - (b) has been subject to such filing requirements for the past 90 days
Yes [☒] No [☐]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited interim condensed financial statements of LT Group, Inc. (the Company) and its subsidiaries as of and for the period ended September 30, 2023 (with comparative figures as of December 31, 2022 and for the period ended September 30, 2022) are filed as part of this form 17-Q as Annex "A".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by Part IV, Paragraph a (2) (B) of SRC 12 is attached hereto as Annex "B"

PART II – OTHER INFORMATION

Not Applicable – There are no disclosures not made under SEC form 17-C

SIGNATURES

Pursuant to the requirements of the Securities and Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer/Registrant : LT GROUP, INC.

Signature and Title : 
JOSE GABRIEL D. OLIVES
Chief Financial Officer

Signature and Title : 
NESTOR C. MENDONES
Deputy Chief Financial Officer

Date : November 10, 2023



LT GROUP, INC.

SEC FORM 17-Q

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Annex “A”

LT GROUP, INC. AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements
As at September 30, 2023 and December 31, 2022
And for the Nine Months Ended September 30, 2023 and 2022

LT Group, Inc. and Subsidiaries

Interim Consolidated Financial Statements

As at September 30, 2023 and December 31, 2022

and for the nine months ended September 30, 2023 and 2022

LT GROUP, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P214,306,286	P224,745,923
Financial assets at fair value through profit or loss (FVTPL) [Notes 5 and 19]	16,574,897	7,379,126
Financial assets at fair value through other comprehensive income (FVTOCI) (Note 6)	103,551,774	86,852,606
Financial assets at amortized cost	28,327,505	31,511,748
Loans and receivables (Note 7)	265,500,776	205,494,119
Inventories (Note 8)	14,948,707	15,010,773
Due from related parties (Note 20)	3,038,775	3,556,476
Other current assets (Note 9)	12,668,428	13,497,126
Total Current Assets	658,917,148	588,047,897
Noncurrent Assets		
Loans and receivables-net of current portion (Note 7)	368,130,841	409,434,007
Financial assets at FVTOCI (Note 6)	29,873,430	50,761,530
Financial assets at amortized cost	103,181,637	78,956,212
Investment in associates and joint ventures (Note 10)	19,315,469	21,589,874
Property, plant and equipment (Note 11):		
At appraised values	58,094,304	58,504,993
At cost	11,982,247	12,268,828
Investment properties (Note 11)	37,590,722	37,045,004
Deferred income tax assets (Note 27)	7,302,846	6,524,012
Other noncurrent assets (Note 12)	5,135,095	4,985,212
Total Noncurrent Assets	640,606,591	680,069,672
TOTAL ASSETS	P1,299,523,739	P1,268,117,569

LIABILITIES AND EQUITY

Current Liabilities		
Deposit liabilities (Note 13)	P872,198,021	P831,605,372
Financial liabilities at FVTPL (Notes 14 and 19)	646,657	1,039,776
Bills and acceptances payable (Note 15)	13,342,673	8,798,056
Accounts payable and accrued expenses (Note 16)	23,936,658	21,854,536
Short-term debts (Note 17)	4,490,000	4,490,000
Current portion of long-term debts (Note 17)	44,132,573	20,399,948
Income tax payable	1,486,379	1,839,835
Due to related parties (Note 20)	50,000	50,000
Other current liabilities (Note 18)	10,293,409	10,375,775
Total Current Liabilities (Carried Forward)	970,576,370	900,453,298

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Total Current Liabilities (Brought Forward)	₱970,576,370	₱900,453,298
Noncurrent Liabilities		
Deposit liabilities - net of current portion (Note 13)	11,693,993	20,796,801
Bills and acceptances payable (Note 15)	1,137,124	6,182,317
Long-term debts - net of current portion (Note 17)	6,483,935	46,312,355
Net retirement benefits liabilities (Note 21)	838,601	796,500
Deferred income tax liabilities (Note 27)	8,357,964	8,450,442
Other noncurrent liabilities (Note 18)	6,118,969	8,464,180
Total Noncurrent Liabilities	34,630,586	91,002,595
Total Liabilities	1,005,206,956	991,455,893
Equity		
Attributable to equity holders of the Company (Notes 1 and 28):		
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	12,237,047	11,935,325
Other equity reserves	(5,440,878)	(5,529,303)
Retained earnings	155,769,495	145,723,736
Shares of the Company held by subsidiaries	(12,519)	(12,519)
	209,280,765	198,844,859
Non-controlling interests (Notes 1 and 28)	85,036,018	77,816,817
Total Equity	294,316,783	276,661,676
TOTAL LIABILITIES AND EQUITY	₱1,299,523,739	₱1,268,117,569

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

	Nine Months Ended September 30		For the Quarter Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
REVENUE (Note 22)				
Banking	₱48,967,603	₱36,309,400	₱16,922,070	₱12,764,052
Beverage	12,168,432	11,646,620	4,062,962	4,049,553
Distilled spirits	21,393,174	21,894,518	8,692,505	8,302,732
Property development	1,803,011	1,491,382	656,670	464,949
	84,332,220	71,341,920	30,334,207	25,581,286
COST OF SALES AND SERVICES (Note 22)	39,984,596	35,600,210	15,101,366	12,962,533
GROSS INCOME	44,347,624	35,741,710	15,232,841	12,618,753
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 10)	9,445,887	12,285,225	3,230,996	4,316,614
	53,793,511	48,026,935	18,463,837	16,935,367
OPERATING EXPENSES				
Selling expenses (Note 23)	1,758,009	1,675,904	660,436	601,594
General and administrative expenses (Note 24)	28,267,342	24,666,080	10,653,192	11,770,550
	30,025,351	26,341,984	11,313,628	12,372,144
OPERATING INCOME	23,768,160	21,684,951	7,150,209	4,563,223
OTHER INCOME (CHARGES)				
Finance costs (Note 25)	(471,185)	(307,823)	(155,209)	(91,485)
Finance income (Note 25)	49,686	137,997	36,607	54,334
Foreign exchange gains - net	1,190,386	1,349,388	287,825	483,541
Others - net (Note 26)	4,999,739	6,797,618	1,182,031	478,138
	5,768,626	7,977,180	1,351,254	924,528
INCOME BEFORE INCOME TAX	29,536,786	29,662,131	8,501,463	5,487,751
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)				
Current	4,990,668	4,122,701	1,587,426	1,378,823
Deferred	(873,049)	(124,938)	(1,072,064)	(1,120,952)
	4,117,619	3,997,763	515,362	257,871
NET INCOME	₱25,419,167	25,664,368	₱7,986,101	₱5,229,880
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Company	₱19,246,754	₱20,411,146	₱6,245,989	₱5,010,309
Non-controlling interests	6,172,413	5,253,222	1,740,112	219,571
	₱25,419,167	₱25,664,368	₱7,986,101	₱5,229,880
Basic/Diluted Earnings Per Share (Note 29)	₱1.78	₱1.89	₱0.58	₱0.46

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Nine Months Ended September 30		For the Quarter Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
NET INCOME	₱25,419,167	₱25,664,368	₱7,986,101	₱5,229,880
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>				
Accumulated translation adjustment	(158,373)	831,380	198,906	365,190
Net changes in fair value of AFS financial assets, net of deferred income tax effect	2,878,211	(4,808,542)	132,435	(997,303)
	2,719,838	(3,977,162)	331,341	(632,113)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>				
Re-measurement gains (losses) on defined benefit plans, net of deferred income tax effect	(1,138,002)	525,943	—	—
	(1,138,002)	525,943	—	—
OTHER COMPREHENSIVE INCOME (LOSS) - Net of income tax effect	1,581,836	(3,451,219)	331,341	(632,113)
TOTAL COMPREHENSIVE INCOME	₱27,001,003	₱22,213,149	₱8,317,442	₱4,597,767
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Company	₱20,175,157	₱17,990,186	₱6,400,668	₱4,449,387
Non-controlling interests	6,825,846	4,222,963	1,916,774	148,380
	₱27,001,003	₱22,213,149	₱8,317,442	₱4,597,767

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Thousands)**

	Attributable to Equity Holders of the Company (Notes 1 and 28)										Non-controlling Interests (Notes 1 and 28)	Total
	Capital Stock	Capital in Excess of Par	Deposit for Future Stock Subscription	Preferred shares of Subsidiaries Issued to Parent Company	Other Equity Reserves	Reserves of Disposal Group Classified as Held for Sale	Other Comprehensive Income (Loss), Net of Deferred Income Tax Effect	Retained Earnings	Shares of the Company Held by Subsidiaries	Total		
BALANCES AT DECEMBER 31, 2021	₱10,821,389	₱35,906,231	₱-	₱-	(₱5,951,881)	₱-	₱14,410,914	₱134,905,274	(₱12,519)	₱190,071,408	₱73,465,271	₱263,536,679
Net income for the period	-	-	-	-	-	-	-	20,411,146	-	20,411,146	5,253,222	25,664,368
Other comprehensive loss	-	-	-	-	-	-	(2,420,960)	-	-	(2,420,960)	(1,030,259)	(3,451,219)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	(2,420,960)	20,411,146	-	17,990,186	4,222,963	22,213,149
Dividends declared	-	-	-	-	-	-	-	(9,739,251)	-	(9,739,251)	-	(9,739,251)
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	-	-	-	-	-	-	(754,687)	754,687	-	-	-	-
BALANCES AT SEPTEMBER 30, 2022	₱10,821,389	₱35,906,231	₱-	₱-	(₱5,951,881)	₱-	₱11,235,267	₱146,331,856	(₱12,519)	₱198,322,343	₱77,688,234	₱276,010,577
BALANCES AT DECEMBER 31, 2022	₱10,821,389	₱35,906,231	₱-	₱-	(₱5,529,303)	₱-	₱11,935,325	₱145,723,736	(₱12,519)	₱198,844,859	₱77,816,817	₱276,661,676
Net income for the period	-	-	-	-	-	-	-	19,246,754	-	19,246,754	6,172,413	25,419,167
Other comprehensive income	-	-	-	-	88,425	-	839,978	-	-	928,403	653,433	1,581,836
Total comprehensive income for the period	-	-	-	-	88,425	-	839,978	19,246,754	-	20,175,157	6,825,846	27,001,003
Dividends declared	-	-	-	-	-	-	-	(9,739,251)	-	(9,739,251)	-	(9,739,251)
Other equity reserve	-	-	-	-	-	-	-	-	-	-	373,499	373,499
Increase in noncontrolling interest without loss of control	-	-	-	-	-	-	-	-	-	-	19,856	19,856
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	-	-	-	-	-	-	(538,256)	538,256	-	-	-	-
BALANCES AT SEPTEMBER 30, 2023	₱10,821,389	₱35,906,231	₱-	₱-	(₱5,440,878)	₱-	₱12,237,047	₱155,769,495	(₱12,519)	₱209,280,765	₱85,036,018	₱294,316,783

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱29,536,786	₱29,662,131
Adjustments for:		
Equity in net earnings of associates (Note 10)	(9,445,888)	(12,348,316)
Provision for impairment, credit and other losses (Note 24)	5,151,795	723,365
Depreciation and amortization (Note 22, 23 and 24)	4,899,001	4,884,453
Gain on disposal of other assets (Note 26)	(3,725,974)	(5,487,603)
Unrealized foreign exchange gain on bonds, bills and acceptances payable	545,282	7,987,279
Finance costs (Note 25)	471,185	307,823
Mark-to-mark loss (gain) on financial assets at FVTPL (Note 26)	(142,184)	897,690
Finance income (Note 25)	(49,686)	(137,997)
Movements in accrued retirement benefits (Note 21)	42,101	344,208
Dividend income (Note 26)	(16,567)	(6,305)
Share in losses of joint venture	—	63,091
Operating income before changes in working capital	27,265,851	26,889,819
Decrease (increase) in:		
Receivables	(27,752,930)	(12,500,144)
Financial assets at FVTPL	(9,047,946)	(10,348,301)
Inventories	62,066	(1,446,214)
Other assets	12,127	(1,527,412)
Increase (decrease) in:		
Deposit liabilities	31,489,841	(33,784,764)
Other liabilities	(2,726,982)	(394,502)
Accounts payable and accrued expenses	2,082,122	3,445,544
Financial liabilities at FVTPL	(393,119)	2,827,690
Cash generated (used) in operations	20,991,030	(26,838,284)
Dividends received	12,704,273	14,347,671
Income taxes paid, including creditable withholding and final taxes	(5,232,473)	(3,648,036)
Interest paid	(471,185)	(307,823)
Interest received	49,686	137,997
Contributions to retirement plan	(4,436)	(3,941)
Net cash generated from (used in) operating activities	28,036,895	(16,312,416)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Financial assets at FVTOCI (Note 6)	(371,141,274)	(501,584,155)
Financial assets at amortized cost	(70,425,104)	(118,678,196)
Property, plant and equipment (Note 11)	(2,414,991)	(1,908,865)
Software	(478,361)	(705,211)
Investment properties (Note 11)	(84,252)	(40,780)
Investment in joint venture and associates (Note 10)	(983,981)	(1,250,000)
Proceeds from sale of:		
Financial assets at FVTOCI (Note 6)	379,524,933	544,053,108
Financial assets at amortized cost	49,587,624	81,916,333
Other assets (Note 12)	4,846,583	5,121,446
Advances extended to affiliates	—	(600,000)
Net cash generated from (used in) investing activities	(11,568,823)	6,323,680
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Bills and acceptances payable	103,889,064	165,945,302
Long-term debt	—	—
Short-term debt	—	1,440,000
Payments of:		
Bills and acceptances payable	(104,486,848)	(201,260,317)
Bonds payable	(16,560,000)	—
Long-term debt	(10,675)	—
Short-term debt	—	(890,000)
Dividends paid	(9,739,250)	(9,739,251)
Payment to an affiliate	—	(15,325)
Net cash used in financing activities	(26,907,709)	(44,519,591)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,439,637)	(54,508,327)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	224,745,923	265,139,174
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (Note 4)	₱214,306,286	₱210,630,847

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **(Amounts in Thousands, Except for Par Value Per Share and Basic/Diluted Earnings per Share)**

1. 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 25, 1937 to engage in the trading business. On November 17, 1947, the Company's shares of stock were listed on 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 Tanduary 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 Dr. 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 3 to the interim condensed consolidated financial statements.

As of September 30, 2023, and December 31, 2022, 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.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for financial assets and liabilities at FVTPL, financial assets at FTVOCI, land and land improvements, plant buildings and building improvements, and machineries and equipment that have been measured at fair value. The interim condensed consolidated financial statements are presented in Philippine peso (Peso), the functional currency of LTG. All values are rounded to the nearest thousand Peso, except when otherwise indicated.

The interim condensed consolidated financial statements of LTG have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's December 31, 2022 annual consolidated financial statements.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRSs) requires management to make estimates and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the interim condensed consolidated financial statements. Actual results could differ from such estimates.

Basis of Consolidation

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

	Percentage of Ownership						Country of Incorporation
	September 30, 2023		December 31, 2022		September 30, 2022		
	Direct	Indirect	Direct	Indirect	Direct	Indirect	
Distilled Spirits							
TDI and subsidiaries	100.0	-	100.0	-	100.0	-	Philippines
Absolut Distillers, Inc. (ADI)	-	96.0	-	96.0	-	96.0	Philippines
Asian Alcohol Corporation (AAC)	-	95.0	-	95.0	-	95.0	Philippines
Tanduay Brands International, Inc. (TBI)	-	100.0	-	100.0	-	100.0	Philippines
Beverages							
Asia Brewery, Inc. (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	-	99.9	-	99.9	-	99.9	Singapore
Asia Pacific Beverages Myanmar Company Limited	-	90.0	-	90.0	-	90.0	Myanmar
Tobacco							
Shareholdings, Inc. (Shareholdings)	97.7	-	97.7	-	97.7	-	Philippines
Fortune Tobacco Corporation (FTC)	82.7	16.9	82.7	16.9	82.7	16.9	Philippines
Property Development							
Saturn Holdings, Inc.	100.0	-	100.0	-	100.0	-	Philippines
Paramount Landequities, Inc. (PLI) and Subsidiaries	100.0	-	100.0	-	100.0	-	Philippines
Eton Properties Philippines, Inc. (Eton)	-	99.6	-	99.6	-	99.6	Philippines
Belton Communities, Inc. (BCI)	-	99.6	-	99.6	-	99.6	Philippines
Eton City, Inc. (ECI)	-	99.6	-	99.6	-	99.6	Philippines
FirstHomes, Inc. (FHI)	-	99.6	-	99.6	-	99.6	Philippines
Eton Properties Management Corporation (EPMC)	-	99.6	-	99.6	-	99.6	Philippines
Banking							
Bank Holding Companies ⁽¹⁾	80-100	-	80-100	-	80-100	-	Various
Philippine National Bank (PNB) and Subsidiaries ⁽²⁾	-	56.5	-	56.5	-	56.5	Philippines
PNB Capital and Investment Corporation (PNB Capital)	-	56.5	-	56.5	-	56.5	Philippines
PNB Securities, Inc. (PNB Securities)	-	56.5	-	56.5	-	56.5	Philippines
PNB Forex, Inc.	-	56.5	-	56.5	-	56.5	Philippines
PNB General Insurers, Inc. (PNB Gen)	-	-	-	56.5	-	56.5	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. (PNBRCI)	-	56.5	-	56.5	-	56.5	USA
PNB RCI Holding Co. Ltd.	-	56.5	-	56.5	-	56.5	USA
PNB Remittance Co. (Canada)	-	56.5	-	56.5	-	56.5	Canada
PNB Europe PLC	-	56.5	-	56.5	-	56.5	United Kingdom
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	-	56.5	-	56.5	-	56.5	Hong Kong
Japan-PNB Leasing and Finance Corporation (Japan-PNB Leasing)	-	50.8	-	50.8	-	50.8	Philippines
Japan - PNB Equipment Rentals Corporation	-	50.8	-	50.8	-	50.8	Philippines
PNB Savings Bank	-	56.5	-	56.5	-	56.5	Philippines
Allied Bank Philippines (UK) Plc (ABUK)	-	56.5	-	56.5	-	56.5	United Kingdom
Allied Commercial Bank (ACB)	-	55.9	-	55.9	-	50.8	Republic of China
Allianz-PNB Life Insurance, Inc. (APLI) (formerly PNB LII)	-	24.8	-	24.8	-	24.8	Philippines

	Percentage of Ownership						Country of Incorporation
	September 30, 2023		December 31, 2022		September 30, 2022		
	Direct	Indirect	Direct	Indirect	Direct	Indirect	
Allied Leasing and Finance Corporation (ALFC)	-	32.3	-	32.3	-	32.3	Philippines
Allied Banking Corporation (Hongkong) Limited (ABCHKL)	-	28.8	-	28.8	-	28.8	Hong Kong
ACR Nominees Limited	-	28.8	-	28.8	-	28.8	Hong Kong
Oceanic Holdings (BVI) Ltd. (OHBVI)	-	15.7	-	15.7	-	15.7	USA
Other Investments							
PNB Holdings Corporation (PNB Holdings) ⁽³⁾	-	56.5	-	56.5	-	56.5	Philippines
Mabuhay Digital Technologies, Inc.	100.0	-	-	100.0	-	-	Philippines
Mabuhay Digital Philippines, Inc.	100.0	-	-	100.0	-	-	Philippines
Asia's Emerging Dragon Corp.	60.0	40.0	60.0	40.0	-	-	Philippines

⁽¹⁾ As of September 30, 2023 and December 31, 2022, the Bank Holding Companies consist of 27 entities with an 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.

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

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

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 reassesses 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 represent the portion of profit or loss and the net assets not held by the Group. Transactions with non-controlling interests are accounted for as equity transactions. Non-controlling interests shares in losses even if the losses exceed the non-controlling equity interests in the subsidiary.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For 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 unit's carrying amount, 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 the 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 in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 1, 2023. The Group has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective. Unless otherwise indicated, the adoption of these amendments to existing standards did not have an impact on the consolidated financial statements of the Group.

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

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

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

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

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

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

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, 2024

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

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

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

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

	Deferral Period
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023

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

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

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

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

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

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

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

The amendments clarify:

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

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

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

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from

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

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

The adoption will not materially affect the Group.

Deferred effectivity

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

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

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

The Group continues to assess the impact of the above new and amended accounting standards and Interpretations effective subsequent to 2023 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.

3. 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 a 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 consolidated subsidiaries.
- Distilled Spirits, which are involved in manufacturing, compounding, bottling, importing, buying and selling rum, spirit beverages, and liquor products. The Group conducts its distilled spirits business through TDI and its consolidated subsidiaries.
- Beverage, which is engaged in brewing and soft drinks and bottled water manufacturing in the Philippines. It also operates other plants, which include 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 consolidated subsidiaries.

- 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.
- 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 consolidated subsidiaries.
- Others, consist of various holding companies (LTG, Paramount, Saturn, Shareholdings, TBI and Bank Holding Companies) that provide financing for working capital and capital expenditure requirements of the operating businesses of the Group.

The BOD reviews the operating results of the business units to make decisions on resource allocation and assesses performance. Segment revenue and segment expenses are measured in accordance with PFRSs. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statements of income. Finance costs (including interest expense) and income taxes are managed per business segment.

The Group's assets are located mainly in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. The Group's banking segment operates in key cities in the USA, Canada, Western Europe, Middle East and Asia. The distribution of assets and revenues of the banking segment outside the Philippines constitute 1.6% and 1.21% as of September 30, 2023, respectively, and 1.7% and 1.22% as of December 31, 2022 of the Group's consolidated assets and revenues, respectively.

Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies. TDI's investment property is adjusted at the consolidated level to carry it at cost in accordance with the Group's policy. Certain assets and liabilities of PNB are also adjusted at the consolidated level of LTG to reflect the original carrying values before the merger of PNB and ABC.

Segment assets are resources owned and segment liabilities are obligations incurred by each of the operating segments excluding intersegment balances which are eliminated.

Segment revenue and expenses are those directly attributable to the segment except that intersegment revenue and expense are eliminated only at the consolidated level. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The components of capital expenditures reported to the CODM are the acquisitions of property, plant and equipment during the period.

The Group's distilled spirits segment derives liquor revenue from two major distributors, which averaged 99% of the segment's total liquor revenue on September 30, 2023 and December 31, 2022. The other segments of the Group have no significant customer, which contributes 10% or more of their segment revenues.

The following tables present the information about the Group's operating segments:

For the nine months ended September 30, 2023:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
	(In Thousands)						
Segment revenue:							
External customers	₱48,967,603	₱21,393,174	₱12,168,433	₱–	₱1,539,532	₱263,478	₱84,332,220
Inter-segment	28,919	53,149	621,202	–	–	(703,270)	–
	48,996,522	21,446,323	12,789,635	–	1,539,532	(439,792)	84,332,220
Cost of sales and services	11,525,379	18,728,438	9,887,742	–	776,610	(933,573)	39,984,596
Gross profit	37,471,143	2,717,885	2,901,893	–	762,922	493,781	44,347,624
Equity in net earnings of associates and joint ventures	251,466	–	34,548	8,756,897	–	402,976	9,445,887
	37,722,609	2,717,885	2,936,441	8,756,897	762,922	896,757	53,793,511
Selling expenses	–	698,022	1,055,379	–	4,608	–	1,758,009
General and administrative expenses	26,548,171	486,299	1,014,805	126,578	569,104	(477,615)	28,267,342
Operating income	11,174,438	1,533,564	866,257	8,630,319	189,210	1,374,372	23,768,160
Finance costs	–	(21,805)	(259,260)	–	(238,025)	47,905	(471,185)
Finance income	–	1,109	7,539	529,983	10,346	(499,291)	49,686
Foreign exchange gains (losses) - net	1,187,486	907	–	–	4	1,989	1,190,386
Other income – net	4,382,928	(6,220)	19,559	3,821	514,062	85,589	4,999,739
Income before income tax	16,744,852	1,507,555	634,095	9,164,123	475,597	1,010,564	29,536,786
Provision for income tax	3,221,578	356,627	184,647	100,263	128,832	125,672	4,117,619
Segment profit	₱13,523,274	₱1,150,928	₱449,448	₱9,063,860	₱346,765	₱884,892	₱25,419,167
Depreciation and amortization expense	₱2,994,954	₱543,137	₱1,461,628	₱22,234	₱341,693	(₱464,645)	₱4,899,001
Segment profit attributable to:							
Equity holders of the Company	7,646,144	1,145,804	449,448	9,025,606	345,447	634,305	19,246,754
Non-controlling interests	5,877,130	5,124	–	38,254	1,318	250,587	6,172,413

Other financial information of the operating segments as of September 30, 2023 is as follows:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
	(In Thousands)						
Assets:							
Current assets	₱608,167,622	₱18,789,314	₱21,271,241	₱17,227,412	₱8,419,012	(₱14,957,453)	₱658,917,148
Noncurrent assets	567,103,725	9,394,716	14,990,209	7,703,758	22,109,749	19,304,434	640,606,591
	₱1,175,271,347	₱28,184,030	₱36,261,450	₱24,931,170	₱30,528,761	₱4,346,981	₱1,299,523,739
Liabilities:							
Current liabilities	₱973,249,777	₱3,990,185	₱9,407,023	₱297,016	₱7,232,589	(₱23,600,220)	₱970,576,370
Noncurrent liabilities	22,968,877	818,410	1,203,354	94,993	3,361,697	6,183,255	34,630,586
	₱996,218,654	₱4,808,595	₱10,610,377	₱392,009	₱10,594,286	(₱17,416,965)	₱1,005,206,956
Investments in associates and joint ventures	₱3,097,441	₱—	₱206,289	₱4,324,017	₱—	₱11,687,722	₱19,315,469
Equity attributable to:							
Equity holders of the Company	175,483,459	23,200,759	25,612,736	24,539,161	19,934,475	(59,489,821)	209,280,769
Non-controlling interests	3,569,234	174,676	38,337	—	—	81,253,771	85,036,018
Short-term debts	—	—	4,490,000	—	—	—	4,490,000
Long-term debts	46,263,054	398,145	753,953	—	3,285,331	(83,975)	50,616,508

For the nine months ended September 30, 2022:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
	(In Thousands)						
Segment revenue:							
External customers	₱36,309,400	₱21,894,518	₱11,646,620	₱–	₱1,302,522	₱188,860	₱71,341,920
Inter-segment	129,457	38,113	786,930	–	–	(954,500)	–
	36,438,857	21,932,631	12,433,550	–	1,302,522	(765,640)	71,341,920
Cost of sales and services	6,378,296	19,629,181	9,750,176	–	395,178	(552,621)	35,600,210
Gross profit	30,060,561	2,303,450	2,683,374	–	907,344	(213,019)	35,741,710
Equity in net earnings (loss) of associates and joint ventures	(63,091)	–	50,358	12,053,314	–	244,644	12,285,225
	29,997,470	2,303,450	2,733,732	12,053,314	907,344	31,625	48,026,935
Selling expenses	–	680,503	989,301	–	6,100	–	1,675,904
General and administrative expenses	22,820,660	578,306	1,056,269	157,509	567,690	(514,354)	24,666,080
Operating income	7,176,810	1,044,641	688,162	11,895,805	333,554	545,979	21,684,951
Finance costs	–	(67,547)	(140,461)	–	(236,933)	137,118	(307,823)
Finance income	–	23,186	7,727	158,887	8,227	(60,030)	137,997
Foreign exchange gains – net	1,240,646	85,288	–	–	5,310	18,144	1,349,388
Other income (charges) – net	6,403,432	(22,974)	70,405	4,488	337,129	5,138	6,797,618
Income before income tax	14,820,888	1,062,594	625,833	12,059,180	447,287	646,349	29,662,131
Provision for income tax	3,334,245	202,862	197,560	15,514	112,136	135,446	3,997,763
Segment profit	₱11,486,643	₱859,732	₱428,273	₱12,043,666	₱335,151	₱510,903	₱25,664,368
Depreciation and amortization expense	₱3,060,704	₱547,629	₱1,445,464	₱30,318	₱312,537	(₱512,199)	₱4,884,453
Segment profit attributable to:							
Equity holders of the Company	6,461,938	854,573	427,090	11,992,961	333,877	340,707	20,411,146
Non-controlling interests	5,024,705	5,159	1,183	50,705	1,274	170,196	5,253,222

Other financial information of the operating segments as of December 31, 2022 is as follows:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
	<i>(In Thousands)</i>						
Assets:							
Current assets	₱537,671,669	₱19,159,272	₱20,826,361	₱14,991,417	₱8,647,442	(₱13,248,264)	588,047,897
Noncurrent assets	602,847,076	9,331,703	15,432,784	11,591,207	22,352,276	18,514,626	680,069,672
	<u>₱1,140,518,745</u>	<u>₱28,490,975</u>	<u>₱36,259,145</u>	<u>₱26,582,624</u>	<u>₱30,999,718</u>	<u>₱5,266,362</u>	<u>1,268,117,569</u>
Liabilities:							
Current liabilities	₱898,204,863	₱5,116,546	₱10,076,295	₱303,526	₱7,790,574	(₱21,038,506)	₱900,453,298
Noncurrent liabilities	79,405,266	831,002	944,553	95,001	3,599,967	6,126,806	91,002,595
	<u>₱977,610,129</u>	<u>₱5,947,548</u>	<u>₱11,020,848</u>	<u>₱398,527</u>	<u>₱11,390,541</u>	<u>(₱14,911,700)</u>	<u>₱991,455,893</u>
Investments in associates and joint ventures	₱2,688,764	₱-	₱164,971	₱8,227,070	₱-	₱10,509,069	₱21,589,874
Equity attributable to:							
Equity holders of the Company	159,359,238	22,335,893	25,186,993	26,184,097	19,609,177	(53,830,539)	198,844,859
Non-controlling interests	3,549,378	207,534	51,304	-	-	74,008,601	77,816,817
Short-term debts	-	-	4,490,000	-	-	-	4,490,000
Long-term debts	62,075,488	434,237	549,526	-	4,926,148	(1,273,096)	66,712,303

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	(In Thousands)	
Cash and other cash items	₱15,742,283	₱23,220,417
Cash equivalents:		
Due from <i>Bangko Sentral ng Pilipinas</i>	83,679,175	94,701,360
Securities held under agreements to resell	57,794,019	64,523,862
Interbank loans receivable	33,350,991	16,290,101
Due from other banks	23,739,818	26,010,183
	₱214,306,286	₱224,745,923

- 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.
- 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.
- Interest earned on cash and other cash items and cash equivalents are presented under "Finance income" and "Banking revenue", respectively (see Note 22 and 25).

5. Financial Assets at FVTPL

Financial assets at fair value through profit or loss consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	(In Thousands)	
Government securities	₱14,506,505	₱4,371,670
Private debt securities	1,592,946	1,610,682
Derivative assets (Note 19)	440,317	1,361,951
Unit investment trust fund	32,311	31,925
Equity securities	2,818	2,898
	₱16,574,897	₱7,379,126

6. Financial Assets at FVTOCI

Financial Assets at FVTOCI consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Government securities	₱116,208,145	₱118,396,055
Other debt securities	12,185,782	15,430,870
Equity securities:		
Unquoted	2,991,709	1,709,152
Quoted	2,039,568	2,078,059
	133,425,204	137,614,136
Noncurrent portion	(29,873,430)	(50,761,530)
	₱103,551,774	₱86,852,606

7. Loans and Receivables

Loans and receivables consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Finance receivables	₱655,995,849	₱632,837,081
Trade receivables	19,606,366	19,078,556
Other receivables	3,844,089	4,467,755
	679,446,304	656,383,392
Allowance for credit losses	(45,814,687)	(41,455,266)
	633,631,617	614,928,126
Noncurrent portion	(368,130,841)	(409,434,007)
	₱265,500,776	₱205,494,119

Finance Receivables

Finance receivables pertain to receivables of the banking segment which consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Receivables from customers:		
Loans and discounts	₱607,636,578	₱579,956,975
Credit card receivables	15,170,385	14,382,681
Customers' liabilities on acceptances, letters of credit and trust receipts	12,769,104	17,651,337

(Forward)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Bills purchased	2,186,346	1,236,798
Leased contract receivable	354,511	873,878
	638,116,924	614,101,669
Other receivables:		
Accrued interest receivable	8,719,922	7,071,980
Accounts receivable	5,969,794	5,620,135
Sales contract receivables	3,648,444	6,240,309
Miscellaneous	364,548	559,098
	18,702,708	19,491,522
	656,819,632	633,593,191
Unearned interest and other deferred income	(823,783)	(756,110)
	655,995,849	632,837,081
Allowance for credit losses	(45,289,140)	(40,941,534)
	610,706,709	591,895,547
Noncurrent portion	(368,090,543)	(409,345,493)
	₱242,616,166	₱182,550,054

Trade receivables

Trade receivables consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Consumer goods	₱18,584,987	₱17,978,654
Contract receivables	538,040	708,173
Lease receivables	483,339	391,729
	19,606,366	19,078,556
Allowance for credit losses	(488,763)	(476,950)
	19,117,603	18,601,606
Noncurrent portion of contract receivables	(40,298)	(88,514)
	₱19,077,305	₱18,513,092

8. Inventories

Inventories consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	(In Thousands)	
At Cost:		
Consumer goods:		
Beverage	₱3,910,744	₱4,292,228
Alcohol	2,693,558	3,650,581
	6,604,302	7,942,809
Real estate inventories:		
Subdivision land under development	3,883,234	3,666,508
Condominium and residential units for sale	471,171	430,865
Land held for future development	—	217,542
	4,354,405	4,314,915
Fuel, materials and supplies	1,316,282	1,134,268
	12,274,989	13,391,992
At NRV -Materials and supplies	2,673,718	1,618,781
	₱14,948,707	₱15,010,773

9. Other Current Assets

Other current assets consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	(In Thousands)	
Advances to suppliers	₱3,095,471	₱2,282,424
Assets of disposal group classified as held for sale	1,947,625	2,464,603
Input VAT	1,843,063	1,667,311
Prepaid expenses	1,807,534	2,460,720
Creditable withholding taxes (CWT)	1,805,899	1,694,430
Deferred charges	961,800	1,477,762
Stationeries, office supplies and stamps	403,935	398,770
Excise tax	293,324	262,686
Miscellaneous cash and other cash items	39,791	71,457
Others	469,986	716,963
	₱12,668,428	₱13,497,126

10. 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, VMC and APLII. The Group also has a 50% interest in ABI Pascual Holdings Private Limited (ABI Pascual Holdings) and Ayala-Eton Development Corporation (AEDC) which are jointly controlled entities.

	Ownership		Amount	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
	(In Thousands)			
<i>Associates:</i>				
PMFTC	49.6%	49.6%	₱3,365,855	₱7,313,230
VMC	30.9%	30.9%	4,059,667	3,774,931
APLII	44.0%	44.0%	3,097,441	2,688,764
<i>Joint Ventures:</i>				
AEPDC	50.0%	50.0%	8,586,217	7,647,978
ABI Pascual	50.0%	50.0%	206,289	164,971
			₱20,356,026	₱21,589,874

Investment in PMFTC

On February 25, 2010, FTC and Philip Morris Philippines Manufacturing, Inc. (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 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 the 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 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 PMPMI and confirmed the execution of the Termination Agreement.

Investment in VMC

On December 21, 2007, the Company acquired 170.1 million shares representing 10.67% ownership in the shares of stock of VMC for ₱85.1 million presented as AFS investments as of December 31, 2013.

On various dates in April and May 2014, LTG acquired shares of stock of VMC amounting to ₱413.6 million, which increased its ownership interest to 17.5%, and convertible notes amounting to ₱359.3 million, which would increase LTG's interest to 23.5% upon conversion. In 2014, a portion of the convertible notes amounting to ₱117.8 million was converted to shares of stock of VMC resulting in an increase in LTG's ownership interest to 20.2% as of December 31, 2014. The cost-based approach was applied in accounting for the step acquisition of VMC as an associate. Accordingly, LTG reclassified the original cost of its AFS investments to investment in an associate and derecognized the net changes in fair value of AFS investments amounting to ₱238.2 million. The difference of ₱334.8 million between the sum of the consideration for the 17.5% ownership interest amounting to ₱498.7 million and the share in fair value of net assets of VMC at the date the investment became an associate amounting to ₱833.5 million was recognized as part of the equity in net earnings of VMC in 2014.

In 2015, a portion of the convertible notes amounting to ₱124.1 million was converted to shares of stock of VMC resulting to an increase in LTG's ownership interest to 22.5% as of December 31, 2015. The difference of ₱17.6 million between the sum of the consideration for the additional 2.3% ownership interest amounting to ₱124.1 million and the share in fair value of net assets of VMC at the date of the conversion amounting to ₱141.7 million was recognized as part of the equity in net earnings of VMC in 2015.

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 September 30, 2023 and December 31, 2022.

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 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 the date of sale (see Note 18). Amortization amounting to ₱36.5 million was recognized in 2016. 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 a 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.

Investment in AEPDC

On January 21, 2016, the Company entered into an agreement with Ayala Land Inc. (ALI) to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portion of Pasig City and Quezon City. On April 15, 2016, the Company infused ₱20.0 million to the joint project with ALI.

On July 5, 2017, the Company subscribed to additional 25,200,000 common shares and 226,800,000 preferred shares from AEPDC’s increase in authorized capital stock for a consideration totaling ₱252.0 million. Unpaid subscription in shares of stock of AEPDC included as part of the “Subscription payable” account amounted to ₱30.5 million as of December 31, 2017.

On November 20, 2017, the Company made an additional capital infusion amounting to ₱400.5 million for the joint venture’s initial purchase of land.

In 2018, the Company made additional capital infusion totaling ₱1.5 billion for the joint venture’s project planning and development and direct operating expenses.

On July 16 and November 19, 2019, the Company infused additional capital totaling ₱1,195.0 million for subscription of remaining unsubscribed shares and for increase in authorized capital stock.

In 2020 and 2021, the Company infused additional capital totaling ₱833.0 million and ₱1,083.5 million, respectively for the joint venture's capital expenditure on construction projects and working capital. In 2023 and 2022, an additional investment of ₱820.0 million and ₱2.1 billion, respectively was made.

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 started operations in September 2013.

The Group determined that its advances to ABI Pascual Foods represent 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.

11. Additions to Property, Plant and Equipment and Investment Properties

Additions to property, plant and equipment amounted to ₱3.6 billion while retirement and disposals amounted to ₱743.0 million for the period ended September 30, 2023.

Additions to investment properties amounted to ₱2.7 billion while retirement and disposals amounted to ₱1.7 billion for the period ended September 30, 2023.

12. Other Noncurrent Assets

Other noncurrent assets consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Software costs	₱1,749,959	₱2,144,378
Prepaid excise taxes	771,713	771,713
Deferred charges	662,341	1,477,860
Advances to suppliers	571,868	182,529
Creditable withholding taxes	451,719	451,537
Chattel properties – net	328,334	211,619
Net retirement plan assets (Note 21)	266,345	265,850
Distribution network access	229,401	229,401
Refundable and security deposits	208,539	176,690
Goodwill	163,735	163,735
Deferred input VAT	104,273	116,814
Others – net	1,251,557	219,997
	6,759,784	6,412,123
Allowance for probable losses	(1,624,689)	(1,426,911)
	₱5,135,095	₱4,985,212

13. Deposit Liabilities

Deposit liabilities consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Savings	₱520,519,699	₱501,114,987
Demand	214,771,297	220,043,866
Time	148,601,018	131,243,320
	883,892,014	852,402,173
Noncurrent portion	(11,693,993)	(20,796,801)
Current portion	₱872,198,021	₱831,605,372

14. Financial Liabilities at FVTPL

Financial liabilities at FVTPL consist of derivatives liabilities amounting to ₱646.7 million and ₱1.0 billion as of September 30, 2023 and December 31, 2022, respectively.

15. Bills and Acceptances Payable

Bills and acceptance payable consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Bills payable to:		
Foreign banks	₱9,625,976	₱6,665,834
BSP and local banks	395	1,036,491
	9,626,371	7,702,325
Acceptances outstanding	4,853,426	7,278,048
	14,479,797	14,980,373
Less noncurrent portion	(1,137,124)	(6,182,317)
Current portion	₱13,342,673	₱8,798,056

16. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Trade payables	₱7,492,889	₱7,439,068
Nontrade payables	1,232,854	742,774
Accrued expenses:		
Purchase of materials, supplies and others	5,374,962	6,494,354
Interest	2,147,079	999,856
Advertising and promotional expenses	1,756,888	956,657
Taxes and licenses	1,332,344	1,339,777
Other benefits - monetary leave credits	835,044	289,033
Project development costs	669,594	675,051
PDIC insurance premiums	564,748	803,612
Information technology-related expenses	530,328	256,339
Rent and utilities payable	523,112	300,030
Retention payable	513,133	600,908
Output value added tax	714,919	411,123
Due to government agencies	209,506	407,580
Other payables	39,258	138,374
	₱23,881,768	₱21,854,536

17. Short-term and Long-term Debts

Short-term Debts

As of September 30, 2023, and December 31, 2022, outstanding unsecured short-term debts amounted to ₱4.5 billion. The loans are subject to annual interest rates ranging from 3.2% to 7.0% in 2023 and 2022, 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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Bonds payable	₱42,377,846	₱58,439,097
Lease liabilities	5,435,273	5,017,860
Unsecured term loan	2,803,389	3,255,346
	50,616,508	66,712,303
Current portion	(44,132,573)	(20,399,948)
Noncurrent portion	₱6,483,935	₱46,312,355

PNB's Bonds Payable

The fixed-rate medium-term senior notes are drawdowns from PNB's Medium Term Note Programme (the MTN Programme), which was established on April 13, 2018 with an initial nominal size of US\$1.0 billion. On June 14, 2019, PNB increased the size of its MTN Programme to US\$2.0 billion. Both issued fixed-rate medium-term senior notes are listed in the Singapore Exchange Securities Trading Limited.

The fixed-rate bonds represent PNB's maiden issuance of Philippine peso-denominated bonds in Philippine Dealing & Exchange Corp.

As of December 31, 2022 and 2021, the unamortized transaction cost of bonds payable amounted to ₱92.8 million and ₱168.7 million. Amortization of transaction costs amounting to ₱75.9 million and ₱83.5 million was charged to 'Interest expenses - bonds payable' in the consolidated statement of income.

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. Interest costs from subordinated debts are included in the "Cost of banking services".

Compliance with debt covenants

As of September 30, 2023, and December 31, 2022, the Group has complied with the financial and non-financial covenants of its long-term debts.

18. Other Liabilities

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Bills purchased - contra (Note 8)	₱1,796,348	₱877,767
Due to Treasurer of the Philippines	1,476,373	891,709
Dormant credits	1,183,368	1,558,713
Managers' checks and demand drafts outstanding	1,139,049	1,548,448
Deferred revenue (Note 12)	1,086,723	1,155,171
Payable to landowners	1,061,191	1,061,191
Provisions	944,236	1,376,289
Customers' deposits	916,012	945,825
Tenants' rental deposits	815,423	663,907
Due to other banks	632,880	276,770
Interoffice floats	630,922	537,628
Margin deposits and cash letters of credit	397,184	224,033
Miscellaneous tax securities	292,587	211,642
Withholding taxes payable	265,890	310,530
Advance rentals	198,822	136,644
Payment order payable	179,000	220,949
Deposit on lease contracts	29,095	75,129
Others	3,367,275	6,767,610
	16,412,378	18,839,955
Presented as noncurrent	(6,118,969)	(8,464,180)
Presented as current	₱10,293,409	₱10,375,775

19. Derivative Financial Instruments

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱322,175	₱473,520
Changes in fair value	(522,621)	(147,028)
Settlements	(5,894)	(4,317)
	(₱206,340)	₱322,175

The changes in fair value of the derivatives are included in "Trading and investments securities gains - net" presented as part of "Banking revenues" in the consolidated statements of income (see Note 22).

20. Related Party Transactions

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:

		Nine Months Ended September 30	
		2023	2022
		(Unaudited)	(Unaudited)
		<i>(In Thousands)</i>	
Associates	Dividend income	₱12,704,273	₱14,347,671
	Purchases of inventories	(10,375)	(6,589)
	Sales	19,628	22,680
Entities Under Common Control	Banking revenue - interest on loans and receivables	573,822	727,108
	Sales of consumer products	23,952	14,048
	Freight and handling	(8,328)	(9,316)
	Cost of banking services - interest on deposit liabilities	(70,084)	(313,886)
	Cost of sales and services	(18,545)	(218,850)
	Management and professional fee	(166,968)	(209,250)
	Rent expense	(17,095)	(17,095)

The consolidated balance sheets include the following asset (liability) account balances with related parties:

		Outstanding Balance	
		September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Financial Statement Account	Terms and Conditions	(In Thousands)	
		₱-	₱-
Parent Company	Due to related parties		
	Due from related parties		
	On-demand; non-interest bearing		
	Maturity terms ranging from 90 days to 3 years; 2.5% interest per annum	1,614,000	2,109,000
Associate	Other receivables – dividends	-	-
	Trade receivables	2,414	121,253
	Nontrade receivables	4,252	8,747
	Account payable and other liabilities	(16)	(366,912)
	Finance Receivables		
	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.20% to 9.70% with maturity terms ranging from 90 days to 12 years and payment terms ranging from monthly to quarterly payments	41,319,910	41,077,025
	Trade receivables	427	23,812
	Other receivables	2,450	47,904
Entities Under Common Control	Due from related parties	1,424,775	1,447,476
	Advances to suppliers	12,501	43,269
	Deposit liabilities		
	With annual rates ranging from 0.10% to 1.50% and maturity ranging from 30 days to one year	38,858,461	40,352,466
	Account payable and other liabilities	39,896	478,265
	Due to related parties	(50,000)	(50,000)

As of September 30, 2023, and December 31, 2022, 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.

21. Retirement Benefits

Details of the Group's net retirement plan assets and liabilities are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	(In Thousands)	
Net retirement plan assets:		
FTC	₱259,793	₱259,793
LTG	6,552	6,057
	₱266,345	₱265,850
Net retirement benefits liabilities:		
PNB and subsidiaries	₱356,040	₱378,850
ABI and subsidiaries	327,330	203,859
Eton and subsidiaries	66,907	158,174
ADI	49,693	47,869
TDI	35,824	4,941
TBI	2,807	2,807
	₱838,601	₱796,500

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 September 30, 2023 and December 31, 2022 for the Group includes investments in the PNB shares of stock with fair value amounting to ₱156.2 million classified as financial assets at FVTPL. No limitations and restrictions are provided and voting rights over these shares are exercised by a trust officer or any of its designated alternate officer of TBG.

As of September 30, 2023 and December 31, 2022, 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.

22. Revenue and Cost of Sales and Services

Revenue consists of:

	Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	(In Thousands)	
Banking revenue	₱48,967,603	₱36,309,400
Sale of consumer goods	33,561,606	33,541,138
Rental income	1,789,034	1,491,382
Real estate sales	13,977	-
	₱84,332,220	₱71,341,920

Sale of consumer goods consists of:

	Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	(In Thousands)	
Gross sales	₱35,256,732	₱35,551,218
Less: sales returns, discounts and allowances	1,695,126	2,010,080
	₱33,561,606	₱33,541,138

Banking revenue consists of:

	Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	(In Thousands)	
Interest income on:		
Loans and receivables	₱30,049,508	₱24,700,404
Trading and investment securities	9,318,593	5,827,501
Interbank loans receivable	2,359,333	555,996
Deposits with banks and others	1,919,406	1,078,842
	43,646,840	32,162,743
Service fees and commission income	5,183,834	4,414,936
Trading and securities gains (losses)	136,929	(268,279)
	₱48,967,603	₱36,309,400

Cost of sales and services consists of:

	Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Cost of consumer goods sold:		
Materials used and changes in inventories	₱12,996,151	₱12,107,578
Taxes and licenses	9,363,201	9,631,635
Depreciation and amortization	1,377,060	1,362,684
Personnel costs	1,036,520	1,085,923
Fuel and power	872,246	1,414,686
Communication, light and water	660,814	644,753
Freight and handling	522,974	1,014,176
Repairs and maintenance	497,167	495,423
Outside services	240,838	387,747
Others	374,857	409,709
	27,941,828	28,554,314
Cost of banking services	10,942,768	6,299,620
Cost of rental income	1,093,222	746,276
Cost of real estate sales	6,778	-
Cost of sales and services	₱39,984,596	₱35,600,210

Other expenses include insurance, occupancy fees and representation which are not significant as to amounts.

Cost of banking services consist of:

	Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Interest expense on:		
Deposit liabilities	₱8,435,457	₱3,555,547
Bonds payable	1,299,856	1,553,751
Bills payable and other borrowings	317,791	326,946
Services fees and commission expense	889,664	863,376
	₱10,942,768	₱6,299,620

23. Selling Expenses

	Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
	(In Thousands)	
Advertising and promotions	₱681,583	₱742,829
Depreciation and amortization	484,192	455,849
Royalties	111,278	80,153
Personnel costs	100,327	105,993
Management, consulting and professional fees	86,190	78,246
Freight and handling	80,349	68,910
Materials and consumables	16,402	18,821
Communication, light and water	12,006	13,631
Others	185,682	111,472
	₱1,758,009	₱1,675,904

Others include occupancy fees, fuel and oil, insurance, donations, membership, commissions and subscription dues, which are individually not significant as to amounts.

24. General and Administrative Expenses

	Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
	(In Thousands)	
Personnel costs	₱8,721,176	₱9,284,664
Provision for impairment, credit and other losses	5,151,795	723,365
Taxes and licenses	4,020,933	4,150,408
Depreciation and amortization	2,640,595	2,703,005
Insurance	1,529,445	1,502,010
Outside services	1,485,373	1,388,299
Occupancy	702,337	738,181
Information technology	693,431	821,063
Management, consulting and professional fees	670,122	714,875
Marketing expenses	655,136	763,407
Travel and transportation	322,836	330,266
Assets acquired	305,111	155,865
Litigation expenses	202,918	94,313
Communication, light and water	183,039	195,061
Materials and consumables	181,615	185,344
Repairs and maintenance	103,528	127,310
Freight and handling	92,046	114,673
Entertainment and representation	60,052	106,025
Fuel and oil	17,316	20,438
Others	528,538	547,508
	₱28,267,342	₱24,666,080

25. Finance Costs and Finance Income

Details of finance costs and finance income (other than the banking segment) are as follows:

	Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
	(In Thousands)	
Finance costs (Note 17):		
Short-term debts	₱259,260	₱140,461
Unsecured term loan and notes payable	211,925	167,362
	₱471,185	₱307,823
Finance income:		
Cash and other cash items (Note 4)	₱47,528	₱136,497
Interest-bearing receivables (Note 7)	2,158	1,500
	₱49,686	₱137,997

26. Other Income (Charges) - net

	Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
	(In Thousands)	
Net gains on sale or exchange of assets	₱3,725,974	₱5,487,603
Rental income	228,671	227,756
Recoveries	174,095	153,400
Income from assets acquired	59,406	75,078
Dividend income	57,820	47,636
Processing and referral fees	2,711	2,768
Others	751,062	803,377
	₱4,999,739	₱6,797,618

27. Income Taxes

Income taxes include the corporate income tax, discussed below, and final taxes paid which represent 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%. RA No. 9294 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 10.00% income tax.

Provision for current income tax consists of:

	Nine Months Ended September 30	
	2023	2022
	Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
RCIT/MCIT	₱2,752,459	₱2,872,962
Final tax	2,238,209	1,249,739
Provision for current income tax	₱4,990,668	₱4,122,701

28. Equity

Capital Stock

Authorized and issued capital stock of the Company are as follows:

Authorized capital stock at ₱1 par value	25,000,000,000
At the beginning and end of the period	shares
Issued capital stock at ₱1 par value:	
At the beginning and end of the period	₱10,821,388,889

29. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share were calculated as follows:

	Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Net income attributable to equity holders of the Company	₱19,246,754	₱20,411,146
Divided by weighted-average number of shares	10,821,389	10,821,389
Basic/diluted EPS for net income attributable to equity holders of the Company	₱1.78	₱1.89

30. 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 Strategies

The Group's banking 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 Group's banking segment continuing profitability.

The Group monitors its processes associated with the following overall risk categories:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk

Further, the Group is also cognizant of the need to address various other risks through the primary divisions presented above. The following are also taken into consideration as part of the overall Enterprise Risk Management (ERM) Framework:

- Interest Rate Risk in Banking Book (IRRBB)
- Strategic Business Risk
- Reputational Risk
- Credit Concentration Risk
- Cyber Security Risk

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 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 the banking segment's Executive Committee. Credit risk assessment of individual borrower is performed by the business sector and remedial sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the banking segment in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the Capital Adequacy Ratio (CAR) report;
- Monitoring of breaches in regulatory and internal limits;
- Credit risk management dashboard;
- Diversification;
- Internal risk rating system for corporate accounts;
- Credit scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify the following:
 - a. portfolio growth
 - b. movement of loan portfolio (cash releases and cash collection for the month)
 - c. loss rate
 - d. recovery rate
 - e. trend of nonperforming loans (NPLs)
 - f. concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The banking segment collects data on risk rating of loan borrowers with an asset size of ₱15.0 million and above as initial requirement in the banking segment's model for internal Probability of Default (PD) and Loss Given Default (LGD).

Credit-related commitments

The exposures represent guarantees, standby letters of credit (LCs) issued by the banking segment and documentary/commercial LCs which are written undertakings by the banking segment.

To mitigate this risk, the banking segment requires hard collaterals, as discussed under *Collateral and other credit enhancement*, 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 balance sheet.

Unit-linked financial assets

The banking segment issues unit-linked insurance policies. In the unit-linked business, the policyholder bears the investment risk in the assets held in the unit-linked funds as the policy benefits are directly linked to the values of the assets in the fund. Therefore, the banking segment has no material credit risk on unit-linked financial assets.

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 - cash, 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 foreclosed properties is handled by the Asset Management Sector which adheres to the general policy of disposing assets at the highest possible market value.

The banking segment's 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

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the balance sheet plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others.

Excessive 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 financial 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 is covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty

For loans and receivables, the banking segment sets an internal limit for group exposures which is equivalent to 100.00% of the single borrower's limit (SBL) for loan accounts with credit risk rating (CRR) 1 to CRR 5 or 50% of SBL if rated below CRR 5

For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Concentration by Industry

The internal limit of the banking segment based on the Philippine Standard Industry Classification (PSIC) sub-industry is 12% for priority industry, 8% for regular industry and 30% for power industry, versus total loan portfolio.

Credit quality per class of financial assets

The credit quality of financial assets used by the banking segment is assessed and managed using external and internal ratings. For receivable from customers classified as business loans, the credit quality is generally monitored using the 14-grade Credit Risk Rating (CRR) System which is integrated in the credit process particularly in loan pricing and allocation of valuation reserves. The model on risk ratings is assessed and updated regularly.

Validation of the individual internal risk rating is conducted by the Credit Management Division to maintain accurate and consistent risk ratings across the credit portfolio. The rating system has two parts, namely, the borrower's rating and the facility rating. It is supported by a variety of financial analytics, combined with an assessment of management and market information such as industry outlook and market competition to provide the main inputs for the measurement of credit or counterparty risk.

Loans and Receivables

The CRRs of the banking segment's receivables from customers (applied to loans with asset size of ₱15.0 million and above) are defined below:

- CRR 1 - Excellent
Loans receivables rated as excellent include borrowers which are significant in size, with long and successful history of operations, an industry leader, with ready access to all equity and debt markets and have proven their strong debt service capacity.

- **CRR 2 - Super Prime**
Loans receivables rated as super prime include borrowers whose ability to service all debt and meet financial obligations remains unquestioned.
- **CRR 3 - Prime**
Under normal economic conditions, borrowers in this rating have good access to the public market to raise funds and face no major uncertainties which could impair repayment.
- **CRR 4 - Very Good**
Loans receivables rated as very good include borrowers whose ability to service all debts and meet financial obligations remain unquestioned, but current adverse economic conditions or changing circumstances have minimal impact on payment of obligations.
- **CRR 5 - Good**
Loans receivables rated as good include borrowers with good operating history and solid management, but payment capacity could be vulnerable to adverse business, financial or economic conditions.

Standard

- **CRR 6 - Satisfactory**
These are loans receivables to borrowers whose ability to service all debt and meet financial obligations remains unquestioned, but with somewhat lesser capacity than in CRR 5 accounts.
- **CRR 7 - Average**
These are loans receivables to borrowers having the ability to repay the loan in the normal course of business activity, although may not be strong enough to sustain a major setback.
- **CRR 8 - Acceptable**
These are loans receivables to borrowers possessing the characteristics of borrowers rated as CRR7 with slightly lesser quality in financial strength, earnings, performance and/or outlook.

Sub-standard Grade

- **CRR 9 - Fair**
These are performing loans receivables from borrowers not qualified as CRRs 1-8. The borrower is able to withstand normal business cycles, although any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.
- **CRR 10 - Watchlist**
This rating includes borrower where the credit exposure is not at risk of loss at the moment, but the performance of the borrower has weakened and, unless present trends are reversed, could eventually lead to losses.
- **CRR 11 - Special Mention**
These are loans that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the banking segment.

- CRR 12 - Substandard
These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to PNB because of its unfavorable record or unsatisfactory characteristics.
- CRR 13 - Doubtful
These are loans or portions thereof which have the weaknesses inherent in those classified as CRR 12 with the added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable.
- CRR 14 - Loss
These are loans or portions thereof which are considered uncollectible or worthless.

The banking segment is using the Credit Scoring for evaluating borrowers with assets size below ₱15.0 million. Credit scoring details the financial capability of the borrower to pay for any future obligation.

GOCCs and LGUs are rated using the “means and purpose” test whereby borrowers have to pass the two major parameters, namely:

- “Means” test - the borrower must have resources or revenues of its own sufficient to service its debt obligations.
- “Purpose” test - the loan must be obtained for a purpose consistent with the borrower’s general business.

LGU loans are backed-up by assignment of Internal Revenue Allotment. Consumer loans are covered by mortgages in residential properties and vehicles financed and guarantees from Home Guaranty Corporation. Fringe benefit loans are repaid through automatic salary deductions and exposure is secured by mortgage on house or vehicles financed.

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 is judged to be of high quality and is 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.

Impairment assessment

The Group recognizes impairment or credit losses based on the results of specific (individual) and collective assessment of its credit exposures. A possible impairment has taken place when there is presence of known difficulties in the payment of obligation by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days). These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment or credit losses include:

a. Specific (individual) assessment

The Group assesses each individually significant credit exposure or advances for any objective evidence of impairment.

Among the items and factors considered by the Group when assessing and measuring specific impairment/credit allowances are:

- the going concern of the borrower's business;
- the ability of the borrower to repay its obligations during financial crises;
- the projected receipts or expected cash flows;
- the availability of other sources of financial support;
- the existing realizable value of collateral; and
- the timing of the expected cash flows.

The impairment or credit allowance, if any, are evaluated every quarter or as the need arises in view of favorable or unfavorable developments.

b. Collective assessment

Loans and advances that are not individually significant (e.g., credit cards, housing loans, car loans, development incentives loans, fringe benefit loans) and individually significant loans and advances where there is no apparent evidence of individual impairment are collectively assessed for impairment. A particular portfolio is reviewed every quarter to determine its corresponding appropriate allowances.

Impairment losses are estimated by taking into consideration the following information:

- historical losses of the portfolio;
- current adverse economic conditions that have direct impact on the portfolio;
- losses which are likely to occur but has not yet occurred; and
- expected receipts and recoveries once impaired.

See Notes 7 and 8 for more detailed information on the allowance for credit losses on loans and receivables and other financial assets.

Liquidity Risk and Funding Management

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.

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. PNB 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) models were validated by an external independent validator. Volatilities used in the parameter updated on a daily basis and are based on historical data for a rolling 261-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. Below are the objectives and limitations of the VaR methodology, VaR assumptions/parameters, backtesting, stress testing and VaR limits.

a. Objectives and limitations of the VaR methodology

The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future

price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated 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.

b. VaR assumptions/parameters

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.

c. Backtesting

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 VA 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 Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results. For the years 2022 and 2021, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99.00% confidence level. Nonetheless, closer monitoring and regular review of the model's parameters and assumptions are being conducted.

d. Stress Testing

To complement the VaR approximations, the baking segment conducts stress testing every quarter, the results of which are 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.

e. VaR Limits

Since VaR is an integral part of the banking segment's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the banking segment. VaR is computed on an undiversified basis; hence, the banking segment does not consider the correlation effects of the three trading portfolios.

Structural Market Risk of the Banking Segment

Non-trading Market Risk

Interest rate risk

The banking segment seeks to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses if 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 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 banking segment’s BOD sets a limit on the level of earnings at risk (EaR) exposure tolerable to the banking segment. Compliance to the EaR limit is monitored monthly by the RMG. This EaR computation is accomplished monthly, with a quarterly stress test.

As one of the long-term goals in the risk management process, the banking segment has also implemented the adoption of the economic value approach in measuring the impact of the interest rate risk in the banking books to complement the earnings at risk approach using the modified duration approach. Cognizant of this requirement, the Parent Company has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

Foreign currency risk

Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The banking segment takes on exposure to the 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 PNB’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 benefit or benefit of a third party, foreign currency deposit accounts with PNB and foreign currency-denominated borrowings appearing in the regular books of PNB.

Foreign currency deposits are generally used to fund PNB'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, PNB 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.

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 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 in 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 ongoing 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 of 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 several 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 83% of the total segment revenue.
- Beverage segment annual sales pertain mainly to 13 parties with sales to them comprising about 100% of the total beverage sales.
- Tobacco and property development segments are not exposed to concentration risk because it has diverse base of counterparties.

Credit quality per class of financial assets

"Standard grade" accounts consist of financial assets from trusted parties with good financial condition. "Substandard grade" accounts, on the other hand, are financial assets from other counterparties with relatively low defaults. The Group did not regard any financial asset as "high grade" given 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.

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 are not enough to meet its daily working capital requirements. To ensure the availability of short-term borrowings, the Group maintains credit lines on a continual basis.

The Group relies on budgeting and forecasting techniques to monitor cash flow concerns. The Group also keeps its liquidity risk to a minimum by prepaying, to the extent possible, interest-bearing debt using operating cash flows.

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.

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 September 30, 2023 and December 31, 2022, 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 intervals 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.

31. Fair Values of Financial Instruments

The Group has assets and liabilities that are measured at fair value on a recurring and non-recurring basis in the consolidated balance sheets after initial recognition. Recurring fair value measurements are those that another PFRSs requires or permits to be recognized in the consolidated balance sheets at the end of each reporting period. These include financial assets and liabilities at FVTPL and financial assets through other comprehensive income. Non-recurring fair value measurements are those that another PFRSs requires or permits to be recognized in the consolidated balance sheet 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 September 30, 2023, and December 31, 2022, the carrying values of the Group's financial assets and liabilities approximate their respective fair values, except for the following financial instruments:

	September 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(In Thousands)</i>				
Financial Assets:				
Financial assets at amortized cost	₱131,509,142	₱132,735,736	₱110,467,960	₱111,403,001
Loans and receivables:				
Receivables from customers	596,440,482	607,212,052	597,198,888	629,572,434
	₱727,949,624	₱739,947,788	₱707,666,848	₱740,975,435
Financial Liabilities:				
Financial liabilities at amortized cost:				
Deposit liabilities:				
Time deposits	₱135,802,887	₱135,802,887	₱112,113,308	₱112,113,308
LTNCD	12,798,131	12,632,914	19,130,012	18,922,562
Bills and acceptances payable	9,626,371	9,548,496	7,702,325	7,625,229
Long term debts:				
Bonds payable	42,377,846	41,163,829	58,439,097	56,833,468
Unsecured term loan	2,803,389	2,803,389	3,255,346	3,255,346
Other liabilities:				
Payable to landowners	1,061,191	1,061,191	1,061,191	1,061,191
Tenants' rental deposits	815,423	815,423	663,907	663,907
	₱205,285,238	₱203,828,129	₱202,365,186	₱200,475,011

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

Cash equivalents - Carrying amounts approximate fair values due to the relatively short-term maturity of these investments.

Debt securities - Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are obtained from independent parties offering pricing services, estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities - fair values of quoted equity securities are based on quoted market prices. While fair values of unquoted equity securities are the same as the carrying value since the fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Loans and receivables - For loans with fixed interest rates, fair values are estimated by discounted cash flow methodology, using the Group's current market lending rates for similar types of loans. For loans with floating interest rates, with repricing frequencies every quarter, the Group assumes that the carrying amount approximates fair value.

Liabilities - Except for time deposit liabilities, subordinated debt, bonds payable, unsecured term loans, notes payable, payable to landowners, tenants' rental deposits and advance rentals, the carrying values approximate fair values due to either the presence of a demand feature or the relatively short-term maturities of these liabilities.

Derivative instruments - Fair values are estimated based on quoted market prices or acceptable valuation models.

Time deposit liabilities, bills payable with long-term maturity and subordinated debt including designated at FVTPL - Fair value is determined using the discounted cash flow methodology.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based on 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 that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

32. 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 shareholder's equity. The Group is also required to maintain debt-to-equity ratios to comply with certain loan agreements and covenants as of September 30, 2023 and December 31, 2022.

The Group's dividend declaration is dependent on the availability of earnings and operating requirements. The Group manages its capital structure and adjusts 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 changes were made in the objectives, policies or processes as of September 30, 2023 and December 31, 2022.

The Group considers its total equity reflected in the consolidated balance sheets 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 balance sheets.

The table below shows the leverage ratios of the Group:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands, except ratios)</i>	
Total liabilities	₱1,005,206,956	₱991,455,893
Total equity	294,316,783	276,661,676
Total liabilities and equity	₱1,299,523,739	₱1,268,117,569
Debt ratio	0.77:1	0.78:1
Debt-to-equity ratio	3.42:1	3.58:1

33. Commitments and Contingencies

There were no changes in the Group's commitments and contingencies from those disclosed in the December 31, 2022 annual consolidated financial statements.

34. Seasonality of Interim Operations

The sales of the beverage segment are affected by the weather, generally being higher in the hot, dry months from March through June and lower during the wetter monsoon months or July through October. Beverage products also tend to experience a period of higher sales around the Christmas and New Year holiday period in late December through early January. The beverage segment adjusts its production levels to reflect its historical experience of seasonal varieties. In addition, the Philippines is at risk from typhoons during the monsoon period. Typhoons usually result in substantially reduced sales in the affected area, and have, in the past, interrupted production at the beverage segment's plants in affected areas. While these factors lead to a natural seasonality in our sales, unreasonable weather could also significantly affect sales and profitability compared to previous comparable periods.

Demand for rum, spirit beverages and liquor products are not significantly influenced by seasons of the year. The increase in peso sales was due to an increase in selling price during the period. The seasonality does not significantly influence production and inventory levels are adjusted for these movements in demand. Seasonality does not impact the revenue or cost recognition policies of the Group.

This information is provided to allow for a proper appreciation of the results; however, management has concluded that this does not constitute "highly seasonal" as considered by PAS 34, *Interim Financial Reporting*.

There are no seasonal aspects that had a material effect on the financial position or condition and results of operations of the distilled spirits and tobacco segments.

35. Events After the Reporting Date

There are no subsequent events after the reporting date that will significantly affect the interim consolidated financial statements.

36. The Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows that are Unusual Because of their Nature, Size or Incidence

There are no unusual items that will significantly affect the assets, liabilities, equity, net income or cash flows.

37. The Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Period of the Current Year or Changes in Estimates of Amounts Reported in Prior Years, if those Changes Have a Material Effect in the Current Interim Period

There are no significant changes in estimated reported in prior interim periods of the current period or changes in estimated reported in prior years, which are considered to have a material effect on the interim consolidated financial statements.

LT GROUP, INC. AND SUBSIDIARIES
SELECTED EXPLANATORY NOTES

As at September 30, 2023 and December 31, 2022

And for the Nine Months Ended September 30, 2023 and 2022

(As required under Par. 7 (d) Selected Explanatory Notes Required Under SRC Rule 68, as Amended 2011)

- i.) The Company's interim consolidated financial reports are in compliance with Generally Accepted Accounting Principles. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

The Company's interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, under the Philippine Financial Reporting Standards (PFRSs).

- ii.) Explanatory comments about the seasonality or cyclicity of interim operations;

Beverage Segment is affected by seasonality of operations.

The sales of the beverage segment are affected by the weather, generally being higher in the hot, dry months from March through June and lower during the wetter monsoon months or July through October. Beverage products also tend to experience a period of higher sales around the Christmas and New Year holiday period in late December through early January. The beverage segment adjusts its production levels to reflect its historical experience of seasonal varieties. In addition, the Philippines is at risk from typhoons during the monsoon period. Typhoons usually result in substantially reduced sales in the affected area, and have, in the past, interrupted production at the beverage segment's plants in affected areas. While these factors lead to a natural seasonality in our sales, unreasonable weather could also significantly affect sales and profitability compared to previous comparable periods. This information is provided to allow for a proper appreciation of the results; however, management has concluded that this does not constitute "highly seasonal" as considered by PAS 34, *Interim Financial Reporting*. There are no seasonal aspects that had a material effect on the financial position or condition and results of operations of the distilled spirits, tobacco and banking segments.

- iii.) The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidents.

The material items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents are included in the Management discussion and analysis of the report.

- iv.) Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.

Not Applicable. There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

- v.) Issuances, repurchases, and repayments of debt and equity securities.

There were no issuances, repurchases and repayments of debt and equity securities.

- vi.) Dividends paid (aggregate or per share) separately for ordinary shares and other shares.

BOD Approval Date	Amount of Dividend Per Share		Record Date	Payment Date
	Regular	Special		
February. 17, 2023	₱0.15	₱0.15	March 6, 2023	March 16, 2023
May 15, 2023	-	0.30	May 30, 2023	June 13, 2023
August 15, 2023	-	0.30	September 4, 2023	September 13, 2023

- vii.) Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment.

Please refer to Note 3 – Segment Information, in the interim consolidated financial statements.

- viii.) Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

None.

- ix.) The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

None.

- x.) Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

None. The Company has no contingent liabilities or assets.

- xi.) Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.

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.

Annex “B”

LT GROUP, INC. AND SUBSIDIARIES

Management Discussion and Analysis of
Financial Condition and Results of Operations

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements are filed as part of this Form 17-Q

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

LT Group, Inc. (LTG) recorded a consolidated net income of ₱25.4 billion for 9M23, 1.0% lower than the ₱25.7 billion net income reported for 9M22.

The consolidated net income attributable to equity holders of LTG for 9M23 was ₱19.2 billion, 5.7% lower compared to 9M22. This was on account of the decline in the net income of the tobacco segment. The tobacco segment's net income for 9M23 was ₱9.1 billion, ₱3.0 billion or 24.7% lower than the ₱12.0 billion reported for 9M22 due to lower equitized earnings from PMFTC caused by the decline in sales volume. The banking segment's net income of ₱13.5 billion increased by 17.7% compared to the same period last year, mainly due to higher interest income, service fees income and trading gains. This resulted to LTG's share in net income from PNB of ₱7.6 billion in the current period, higher than the ₱6.5 billion in 2022. TDI's net income was ₱1.2 billion, higher than the ₱860 million in 9M22 due to higher margins from liquor and lower operating expenses. The beverage segment posted net income of ₱449 million in 9M23, which was higher compared to the ₱428 million in 9M22, mainly due to the improved overall gross profit margin. The net income of the property development segment was ₱347 million in 9M23, slightly higher than the ₱335 million in 9M22. Equity in net earnings from VMC amounted to ₱285 million in 9M23, higher than the ₱186 million in 9M22. The increase in the net income of VMC was caused by higher average selling prices and volumes of sugar and ethanol sold on account of sustained demand.

Consolidated revenues were ₱84.3 billion for the nine months ended September 30, 2023, 18.2% higher than the ₱71.3 billion in 2022 due to improved revenues from the banking, beverage and property development segments.

Cost of sales and services increased by 12.3% from ₱35.6 billion for the nine months ended September 30, 2022 to ₱40.0 billion in the current period of 2023, primarily due to higher interest cost of deposit liabilities by the banking segment.

Operating expenses amounted to ₱30.0 billion in 9M23, an increase of 14.0% compared to the ₱26.3 billion in 9M22. This was as a result of higher general and administrative expenses by 14.6%, increasing from ₱24.7 billion in 2022 to ₱28.3 billion in 2023. The increase is mainly due to higher provisions for impairment, credit and other losses by the banking segment in the current period compared to the same period last year. Selling expenses increased at ₱1.8 billion, a 4.9% increase year-on-year (y-o-y) on account of higher marketing related costs.

Other income decreased from ₱8.0 billion in 9M22 to ₱5.8 billion in 9M23, mainly due to lower gains from sale of ROPA by the banking segment.

SEGMENT OPERATIONS

Tobacco

The tobacco segment's net income was at ₱9.1 billion for the nine months ended September 30, 2023, 24.7% lower than 9M22's ₱12.0 billion largely due to the decrease in recognized equity in net earnings from PMFTC (FTC's 49.6% owned associate) on account of lower sales volume. The overall industry volume is being negatively impacted by the increasing incidence of illicit trade in the country.

Banking

The banking segment's net income was ₱13.5 billion in 9M23, higher than the ₱11.5 billion in 9M22.

Total interest income in the current period of ₱43.7 billion was higher by 35.3% compared to the same period last year mainly due to higher yields on loans, investment securities, deposits with banks and interbank receivables. Total interest expense increased by 92.3% or ₱3.2 billion due primarily to increase in interest cost of deposit liabilities offset by declines in interest expense from bills payable and other borrowings and bonds payable, as compared to the same period last year. This resulted to net interest income of ₱33.0 billion, 23.4% higher y-o-y as the net interest margin improved to 4.0% from 3.3%.

Net service fees and commission income increased by ₱742 million or 20.9% at ₱4.3 billion for the nine months ended September 30, 2023, mainly due to increases in loan, deposit, credit card and remittance-related, interchange fees, underwriting fees and trust fees, and partly offset by the decrease in bancassurance revenues.

Trading and investment securities and net foreign exchange gains were higher at ₱1.3 billion in 9M23 compared to 9M22's ₱972 million due to improvements in net gains on trading and foreign exchange.

Other income was lower at ₱4.6 billion for the nine months ended September 30, 2023 compared to ₱6.3 billion for the same period last year primarily due to lower gains on the sale of ROPA.

Operating expenses increased by 16.3% to ₱26.5 billion from ₱22.8 billion as the bank recorded additional provisions for impairment, credit and other losses amounting to ₱5.2 billion in the current period compared to ₱714 million in prior year.

Distilled Spirits

The distilled spirits segment posted a net income of ₱1.2 billion for 9M23, higher than the ₱860 million reported in the same period last year.

Net revenues decreased by 2.2% y-o-y to ₱21.4 billion in 9M23 mainly due to lower sales volume of liquor and bioethanol.

Cost of sales were at ₱18.7 billion for 9M23, 4.6% lower than 9M22 due to lower alcohol and other manufacturing costs due to lower volumes. Gross profit margin was at 12.7% in 9M23, higher than the 10.5% in 9M22 on account of improved margins in the liquor segment.

Operating expenses were lower at ₱1.2 billion in 9M23 compared to ₱1.3 billion in 9M22 as general and administrative expenses decreased due to lower management and professional fees, insurance and freight and handling fees.

Beverage

The beverage segment's net income was higher at ₱449 million for the nine months ended September 30, 2023 from ₱428 million in the same period last year.

Revenues of the beverage segment were at ₱12.8 billion in the current period, 2.9% higher than 9M22, as sales volume increased for bottled water, yogurt and Nestea. This resulted to gross profit margin improvement to 22.7% from 21.6% due primarily to sales mix.

Operating expenses increased to ₱2.1 billion due to higher selling expenses. Net other charges increased due to higher interest costs on short-term loans.

Property Development

The property development segment reported a net income of ₱347 million for the nine months of 2023, higher than the ₱335 million for the same period last year.

Leasing revenues for the current period accounted for ₱1.5 billion or 99% of revenues, representing a 17.1% increase over the same period in 2022, due to higher occupancy rates for retail and residential.

Operating expenses were flat at ₱574 million, y-o-y. Other income was higher y-o-y due to the increase in hotel income and common area maintenance fees and charges.

FINANCIAL CONDITION

The Company's consolidated Total Assets as of September 30, 2023 amounted to ₱1.30 trillion, 2.5% higher than the end-2022 balance of ₱1.27 trillion. Current Assets increased by 12.1% or ₱70.9 billion while Noncurrent Assets were lower by ₱39.5 billion or 5.8%.

The consolidated Current Assets increased by 8.5% from ₱588.0 billion as of December 31, 2022 to ₱658.9 billion. The current portion of Loans and Receivables increased to ₱265.5 billion due to higher loan releases in the current period as well as reclassifications from noncurrent to current portion. Financial Assets at Fair Value through Other Comprehensive Income FVTOCI increased due to acquisitions and higher fair values of investments. Cash and Cash Equivalents decreased from ₱224.7 billion as of end-2022 to ₱214.3 billion as of September 30, 2023, due primarily to payment of bonds and other liabilities, additional investments and loan releases by the banking segment. Financial Assets at Fair Value through Profit or Loss increased mainly due to acquisitions in the portfolio. The current portion of Financial Assets at amortized cost was lower due primarily to maturity of investments. Other current assets were lower ₱828.7 million on account of lower prepaid excise taxes and importation charges by the distilled spirits segment. Due from related parties decreased due primarily to collection of advances from Tangent.

The 5.8% decrease in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Loans and Receivables, Financial Assets at FVTOCI and Investment in Associates and Joint Ventures. The noncurrent portion of Loans and Receivables was lower due to net paydowns and reclassifications to current. Financial Assets at FVTOCI were lower

by ₱20.9 billion on account of the maturities of investments and reclassification to Financial Assets at Amortized Cost in the portfolio as of September 30, 2023. Financial Assets at Amortized Cost increased due to reclassifications from Financial Assets at FVTOCI and increase in the fair values of the remaining investments. Investment in associates and joint ventures account decreased due to dividends received from PMFTC that were higher than the accrued equitized earnings for the period. Deferred income tax assets (DTA) increased to ₱7.3 billion due primarily to the recognition of additional DTA on allowance for credit losses.

Consolidated Total Liabilities increased by 1.4% to ₱1.01 trillion as of September 30, 2023 from ₱991.5 billion as of December 31, 2022. This was on account of the increase in Total Current Liabilities by 7.8% from ₱900.5 billion on December 31, 2022 to ₱970.6 billion as of the end of the current period and the decline in Noncurrent Liabilities by 61.9% from ₱91.0 billion to ₱34.6 billion.

The current portion of Deposit Liabilities increased by ₱40.6 billion due primarily to additional deposits taken by the banking segment. The current portion of Long-term Debts and Bills and Acceptances Payable were higher driven by the reclassifications from noncurrent to current. This was mainly on account of the Bonds Payable amounting ₱43.3 billion that were reclassified from noncurrent to current liabilities by the banking segment. Accounts payable and accrued expenses and Other current liabilities were higher due to accrual of various expenses made in the current period. Financial liabilities at FVPL were lower mainly on account of the decrease in the negative fair value balance of stand-alone forwards as of September 30, 2023. Income tax payable declined by ₱353.5 million due to payments made in the current period.

The decrease in the Noncurrent Liabilities was on account of the bank's lower noncurrent portion of Long-term debts due to reclassification of Bonds Payable to current. Noncurrent portion of Deposit Liabilities was lower mainly due to decreased levels of demand deposits on account of withdrawals for the current period. Noncurrent portion of Bills and Acceptances payable decreased due to net settlements of short-term interbank borrowing and repurchase agreements during the period. Other noncurrent liabilities decreased by ₱2.3 billion on account of payments in the current period. Accrued retirement benefits increased to ₱838.6 million due primarily to additional accrual for the current period.

LTG's consolidated Total Equity improved by 6.4% to ₱294.3 billion as of September 30, 2023, on account of the net increase in the retained earnings brought about by the net income earned for the period ended September 30, 2023 of ₱19.3 billion less dividends declared amounting to ₱9.7 billion. Other comprehensive income increased due to the higher fair values of Financial Assets at FVTOCI. Non-controlling interests in net assets increased due primarily to the banking segment's minority share in net comprehensive income in the current period.

LTG's top five (5) key performance indicators are described as follows:

1.) Revenues

Revenues for the period ended September 30, 2023 amounted to ₱84.3 billion, 18.2% higher than ₱71.3 billion for the same period last year.

2.) Net Income

Consolidated Net Income for the nine months ended September 30, 2023 amounted to ₱25.4 billion, 1.0% lower than 9M22's ₱25.7 billion. Net income attributable to equity holders of LTG amounted to ₱19.2 billion in 9M23, 5.7% lower than 9M22's ₱20.4 billion.

3.) Current Ratio

Current ratio was 0.65:1 as of December 31, 2022 and 0.68:1 as of September 30, 2023.

4.) Debt to Equity Ratio

Debt-to-equity ratio decreased from 3.58:1 as of December 31, 2022 to 3.42:1 as of September 30, 2023.

5.) Earnings Per Share

LTG's earnings per share attributable to holders of the parent company for the nine months ended September 30, 2023 was ₱1.78, lower than 9M22's ₱1.89.

The manner by which the Company calculates the above indicator is as follows:

- Debt to equity ratio = Total Liabilities / Total Equity
- Current ratio = Current assets / Current Liabilities
- Earnings per share = Net Income attributable to holders of parent company / Common shares outstanding

Trends, Uncertainties or Contingencies That Will Affect Liquidity in the Next Twelve Months:

- (i) Interest rate fluctuations and higher foreign exchange rates may affect the different businesses of the Group. Aside from this, there are no other trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's increasing or decreasing liquidity in any material way. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Company does not have any liquidity problems.
- (ii) There are no events that will trigger direct or contingent financial obligation that is material to LTG, including any default or acceleration of an obligation.
- (iii) There are no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LTG with unconsolidated entities or other persons created during the reporting period.
- (iv) The Group has capital expenditures for the regular replacements and upkeep of its assets.
- (v) The Group recognizes that interest rate fluctuations and higher foreign exchange rates may affect the different businesses of the Group. Apart from this, there are no known other trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales, revenue or income from continuing operations.
- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

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

Results of our Horizontal (H) and Vertical analyses (V) showed the following material changes (+/-5% and above), negative movement in parenthesis:

1. Cash and cash equivalents – H, (5%)
2. Financial assets at FVTPL – H, 125%
3. Financial assets at FVTOCI -current – H, 19%
4. Financial assets at amortized cost - current – H, (10%)
5. Loans and receivables – current – H, 29%
6. Due from related parties – H, (15%)
7. Other current assets – H, (6%)
8. Loans and receivables – noncurrent – H, (10%)
9. Financial assets at FVTOCI - noncurrent – H, (41%)
10. Financial assets at amortized cost - noncurrent – H, 31%
11. Investment in associates and joint ventures – H, (11%)
12. Deferred income tax assets – H, 12%
13. Deposit liabilities – current – H, 5%
14. Financial liabilities at FVTPL – current – H, (38%)
15. Bills and acceptances payable - current – H, 52%
16. Accounts payable and accrued expenses – H, 10%
17. Income tax payable – H, (19%)
18. Current portion of long-term debts – H, 116%
19. Deposit liabilities - noncurrent – H, (44%)
20. Bills and acceptances payable – noncurrent – H, (82%)
21. Accrued retirement benefits – H, 5%
22. Other noncurrent liabilities – H, (28%)
23. Retained earnings – H, 7%
24. Noncontrolling interests – H, 9%
25. Banking revenue – V, 7%; H, 35%
26. Beverage revenue – H, 5%
27. Distilled spirits revenue – V, (5%)
28. Property development revenue – H, 21%
29. Cost of sales and services – H, 12%
30. Equity in net earnings of associates and joint ventures – V, (6%); H, (23%)
31. Selling expenses – H, 5%
32. General and administrative expenses – H, 15%
33. Finance costs – H, (53%)
34. Finance income – H, (64%)
35. Foreign exchange gains – net – H, (12%)
36. Others-net – H, (26%)
37. Provision for income tax – current – H, 21%
38. Provision for income tax – deferred – H, (599%)
39. Net income attributable to equity holders of the Company – V, (6%); H, (6%)
40. Net income attributable to non-controlling interests – H, 18%

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

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

LT GROUP, INC. and SUBSIDIARIES
Aging of Loans and Receivables
As of September 30, 2023 (Unaudited)
(In Php thousands)

The schedule of consolidated aging of loans and receivables as required by Philippine Stock Exchange (PSE) in its Circular letter No. 2164-99 dated August 23, 2001 is shown below (in thousands):

	September 30, 2023
Current Accounts	₱627,465,810
Past Due:	
Less than 30 days	8,414,776
31 to 90 days	5,685,520
91 to 180 days	9,585,109
More than 180 days	<u>29,118,872</u>
Loans and Receivables, gross	680,270,087
Less:	
Unearned and other deferred income	(823,783)
Allowance for credit losses	<u>(45,814,687)</u>
Loans and Receivables, net	<u><u>₱633,631,617</u></u>

LT GROUP, INC. and SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	9/30/2023	12/31/2022
Current ratio	Current Assets / Current Liabilities	0.68	0.65
Acid test ratio	(Current Assets – Inventories – Prepaid Expenses) / Current Liabilities	0.66	0.63
Solvency ratios (annualized)	(Net income after tax + Depreciation) / (Short term debt + Long-term Debt)	0.73	0.52
Debt-to-equity ratio	(Short term debt + Long-term Debt) / Equity attributable to equity holders of the Parent Company	0.26	0.36
Asset-to-equity ratio	Total Assets / Total Equity	4.42	4.58
		9/30/2023	9/30/2022
Interest rate coverage ratio	EBITDA / Interest expense	74.08	113.23
Return on equity (annualized)	Net income attributable to equity holders of the Company / Equity attributable to equity holders of the Parent Company	0.123	0.137
Return on asset (annualized)	Net income attributable to equity holders of the Parent Company / Total Assets	0.020	0.021
Net profit margin	Net income attributable to equity holders of the Parent Company / Revenues	0.23	0.29