C O V E R S H E E T
for
SEC FORM 17-A

SEC Registration Number

P	W	-	0	0	0	0	0	3	4	3

C O M P A N Y N A M E

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

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

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

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

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

Company's Email Address	Company's Telephone Number	Mobile Number
info@ltg.com.ph	**(632) 8808-1266**	**+639566750228**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
377	**May 3**	**December 31**

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*
2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SEC FORM 17-A

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 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. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

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

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

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

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

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

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

    Yes [✓] No [ ]

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

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

12. Check whether the registrant:

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

Yes [✓] No [ ]

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

Yes [✓] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:
₱24,905,077,222 as of December 31, 2023.

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders; **2023 Audited Consolidated Financial Statements of LT Group, Inc. and Subsidiaries**

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

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

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Corporate History

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

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

As of December 31, 2023 and 2022, LTG was 74.36%-owned by its ultimate parent company, Tangent, which was also incorporated in the Philippines.

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

The Company has interests in the following businesses:

- **Distilled Spirits**—the Company conducts its distilled spirits business through its 100%-owned subsidiary TDI. TDI is the second-largest distilled spirits producer in the Philippines according to Nielsen Philippines, with an approximate 32.8% share of the Philippine spirits market in 2023.

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

- **Tobacco**—the Company conducts its tobacco business through its 99.6% ownership in Fortune Tobacco Corporation (FTC), which in turn owns 49.6% of PMFTC. PMFTC is the leading tobacco manufacturer and distributor in the Philippines with an estimated 55.2% market share in the year 2023.

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

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

Description of Subsidiaries

Distilled Spirits

Tanduay Distillers, Inc. (TDI)

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

The following companies are majority owned by TDI:

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

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

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

Beverage

Asia Brewery, Incorporated (ABI)

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

The following companies are 100%-owned by ABI:

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

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

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

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

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

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

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

Tobacco

Fortune Tobacco Corporation (FTC)

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

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

Banking

Philippine National Bank (PNB)

PNB was incorporated in the Philippines on July 22, 1916. PNB is the country’s first universal bank and the fourth largest private local commercial bank in terms of assets as of December 31, 2023. PNB has celebrated its Centennial Year of serving the Filipino people in July 2016. For 100 years, PNB stands proud as an institution of stability and security for many Filipinos. With its century of banking history and experience, PNB is poised to move forward to becoming a more dynamic, innovative and service-focused bank, providing service excellence to Filipinos all over the world. PNB provides a full range of banking and other financial services to diversified customer bases including government entities, large corporate, middle market, SME and retail customers, with PNB having the distinction of being one of the only five authorized Government depository banks in the Philippines. The current PNB is a result of the merger between PNB and Allied Banking Corp., which was completed on February 9, 2013.

The following companies are owned by PNB:

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

[(a)] *Ceased operations on June 30, 2012 and license status became dormant thereafter*
[(b)] *Owned through PNB IIC*
[(c)] *Owned through PNB RCI*
[(d)] *Owned through PNB RHCL*
[(e)] *Owned through PMLFC*
[(f)] *Owned through ABCHKL*
[(g)] *Controlled through the Parent Company's combined voting rights of 70.56% which arises from its direct ownership of 27.78%, and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement*

Bank Holding Companies

On February 11, 2013, LTG's Board of Directors (BOD) approved the acquisition of indirect ownership in the merged PNB through the investment in the 27 holding companies which have collective ownership interest in PNB of 59.83% (collectively referred to as "Bank Holding Companies"). LTG's acquisition was effected by way of subscription to the increase in authorized capital shares of 22 Bank Holding Companies direct buy-out of shares of 5 Bank Holding Companies. As of December 31, 2023, LTG has majority ownership over the Bank Holding Companies which translates to an indirect 56.47% ownership of PNB.

The following are the 27 bank holding companies:

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

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

Property Development

Saturn Holdings, Inc. (Saturn)

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

Paramount Landequities, Inc. (Paramount)

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

Eton Properties Philippines, Inc. (ETON)

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

The following companies are 100%-owned by ETON:

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

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

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

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

Products

Distilled Spirits

Rum Products

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

Gin Products

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

Vodka Products

1. Cossack Vodka Red

Whiskey Products

1. Embassy Whiskey

Cocktails

1. Tanduay Cocktails
2. Barman

Medicinal Wine

1. Vino Agila

Bioethanol

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

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

Solar Power

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

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

Beverage
Energy Drinks
1. Cobra

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

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

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

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

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

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

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

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

Combustible Cigarettes (CC)
1. Marlboro
2. Fortune
3. Chesterfield
4. Jackpot
5. More
6. Philip Morris
7. Hope
8. Champion

Heat not Burn (HnB)

1. Terea
2. Heets
3. Blends

Nicotine Pouches

1. Zyn

Banking

PNB provides a full range of banking and financial services to corporations, small and medium markets, retail customers and various government units and agencies. PNB's principal commercial banking activities include the following:

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

Property Development

Completed Developments:

High-rise

1. Eton Baypark Manila
2. Eton Parkview Greenbelt
3. Eton Emerald Lofts
4. Eton Residences Greenbelt
5. One Archers Place
6. Belton Place
7. 8 Adriatico
8. Eton Tower Makati
9. WestEnd Square
10. Blakes Tower

Mid-rise

1. The Manors at North Belton Communities

Residential Subdivisions

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

Commercial

1. Centris Walk
2. Centris Walk Extension
3. Centris Steel Parking Buildings
4. Centris Station

5. Green Podium
6. Eton Square Ortigas
7. Eton City Square

BPO Office

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

Mixed Use

1. WestEnd Square

Events Venue

1. Elements at Centris

Serviced Residences

1. Mini Suites at Eton Tower Makati

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

<u>Distilled Spirits</u>

Liquor Products

As of December 31, 2023, TDI serves more than 225,000 points of sale throughout the Philippines through fifteen (15) exclusive distributors, who in turn may work with a large number of sub-distributors. TDI has generally maintained good business relationships with its distributors since 1988. TDI's distributors operated 40 sales offices and 60 warehouses located throughout the Philippines. TDI through TBI, employs in-house sales staffs who provide marketing and general administrative support to TDI's distributors. TDI's products are transported from the production facilities to distributors' warehouses by third party transportation companies for the account of the distributors.

Bioethanol and distillery by-products

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

<u>Beverage</u>

ABI markets, sells and distributes its products throughout the Philippines through 13 exclusive major distributors. ABI's exclusive distributors have a network of 39 sales offices, 13 warehouses, 2 depots and 69 sub-distributors**.** This extensive network assures product availability to ABI consumers and also provides ABI expeditious nationwide placement of new products. ABI's products are transported to distributors' warehouses by third party transportation companies, with the costs for the account of such distributors.

<u>Tobacco</u>

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

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

<u>Banking</u>

PNB, through its Head Office and 631 domestic branches/offices, 1,680 ATMs nationwide and 73 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to corporations, small and medium markets, retail customers, various government units and agencies. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking, digital banking and other related financial services.

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

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

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

Consumer Finance Sector
As part of the Bank's ongoing efforts to provide excellent delivery of services to its customers, streamline operations and optimize cost structure to ensure operational efficiency as well as harness the maximum potential of the consumer loan business, the Consumer Finance Sector (CFS) was created in November 2023, consolidating the Cards and Payments Solutions Group (CPSG) and the Retail Lending Group (RLG) together with selected Retail Lending Operations Department functions.

CFS provides a range of tailored products to meet the evolving needs of the Bank's diverse retail and corporate client base such as: Credit, Debit, Prepaid Cards and installment loans under the major network of credit card organization (Mastercard, Visa and UnionPay); Auto Loan; Real Estate Loan; Contract-to-sell facility; and Personal Loan.

CFS continuously invests in technological advancements to provide digital platforms and user-friendly interfaces enhancing the overall customer experience. It is also responsible for exploring opportunities for forging strategic partnerships to enhance product offerings and widen market reach.

Institutional Banking Sector
The Institutional Banking Sector (IBS) is the primary lending arm responsible for establishment, expansion, and overall management of the Bank's relationships with corporate clients. The Corporate Banking Group (CBG) supports IBS' large corporate clients, while the Commercial Banking Group oversees relationships with middle market and SME customers located in Metro Manila and provincial areas. CBG offers a comprehensive suite of well-crafted products and services designed to meet complex requirements of its clients.

In 2023, IBS reorganized its Commercial Banking Group (COMMBG) into Metro Manila COMMBG, Luzon COMMBG, and VisMin COMMBG to deepen relationships with commercial clients and capitalize on growth opportunities with middle market and SME customers in priority industries.

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

The Sector's Structuring and Execution Division (SED) plays a pivotal role as an agile division capable of undertaking special projects and functions. Cognizant of the latest regulatory requirements and sustainable financing goals, the division promotes synergy across business units by providing timely business reviews, industry studies, and portfolio analysis.

Global Banking and Markets Sector

The Global Banking and Markets Sector (GBMS) is primarily tasked with the management of the Bank's liquidity and funding needs, as well as the execution of financial market transactions involving investments, trading of fixed income, foreign exchange, derivatives and hedging solutions for clients. GBMS also capitalizes on opportunities in capital markets as the economy continues to recover. Furthermore, it is entrusted to strategically deploy excess funds in low-risk high-quality investment outlets, effectively manage returns and duration and ensure the ease of converting these investments into higher-yielding assets as the market normalizes. Likewise, GBMS provides a wide range of banking products and services to corporates, governments, financial institutions, and individuals. Its functions include developing the Bank's wealth management proposition by providing corporate and high-net-worth individuals access to the financial markets. In addition, GBMS builds partnerships with banks and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives. Moreover, GBMS ensures the availability of alternative funding sources for the Bank through trade advance facilities of foreign banks and multilateral or government funding sources.

Trust Banking Group

The Trust Banking Group (TBG) offers a wide range of investment funds which include money market, fixed income, multi-asset, local equity funds and global feeder funds. These funds are suited to meet every customer's financial standing, investment goal, risk appetite and investment horizon. These funds are managed by a team of professional fund managers who have a wealth of training and experience under their belts.

As one of the pioneers in the trust banking business, PNB has a wide clientele base of retail, corporate and institutional clients who benefit from its wide array of trust banking products and services, large distribution network, professional expertise, and sound investment strategies. TBG is considered as one of the strongest trust entities in the industry on Fiduciary services such as Escrow, Facility Agency, Trust Under Indenture and Transfer Agency. Its personal trust products and services include Personal Management Trust, and Investment Management Account. TBG's corporate trust products and services include Corporate Fund Management and Employee Benefit Trust.

Digital Innovations Group

The Digital Innovations Group (DIG) is tasked to drive the consumer digital strategy of PNB, working with business lines and subsidiaries, support groups and Information Technology Group (ITG) to provide innovative digital experiences and services for retail consumers. DIG provides end-to-end digital business and product ideation and development, covering market scoping and assessment, ideation of business models, customer experience design, and coordination with marketing and business groups to promote the acquisition of digital customers and usage of digital offerings. DIG is likewise tasked to execute, deliver and implement digital products and services, as well as manage and provide post-launch support to the Bank's digital platforms, in coordination with ITG and external solutions providers.

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

Status of any publicly announced new product or services

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

Beverage
In 2023, ABI, through APFI, launched its ready-to-drink dairy line produced locally for the Philippine market. The product line includes Pascual® Chocolate Milk Drik and Pascual® Greek-Style Yogurt Drink in plain, mango and strawberry variants specially designed as a healthy, nutritious and affordable drink for young adults. The products come in 250ml glass bottle in line with the Company's sustainability campaign.

During the year, ABI also entered into an exclusive distribution agreement for the distribution of C-vitt, a non-carbonated Vitamin C drink containing 700mg of Vitamin C designed to boost our immune system. The product was originally launched in Japan and has since become the Number 1 Vitamin C drink in Indonesia and Thailand.

Banking
In 2023 and 2022, PNB introduced the following new products, among others, for its customers:

a. **Digital Foreign Exchange (D-FX)**
A web-based application offered to clients who want to buy or sell foreign exchange. The D-FX is expected to increase productivity and improve process efficiency which will result to better client coverage.

b. **Value-Adding Services**

UITF Online - Allows customers to invest and effectively manage their UITF portfolio. Available UITF services in PNB Digital includes subscription, redemption, updating customer's settlement account and risk profile.

Viewing of Credit Card PIN – Enables PNB Credit Cardholders to safely view their Credit Card PIN when doing POS payments or making ATM cash advances.

Viewing Credit Card Installment and Unposted Transactions – An enhancement to Credit Card transaction history facility that enables viewing of incoming or pre-authorized transactions as well as viewing of transactions enrolled to installment payment program.

Instapay Multi-proxy Service – Enables customers to receive funds by sharing their registered email or mobile number to their sender without the need for them to share their PNB account numbers.

c. **Save and Soar Promo**
Open to all New-to-Bank and Existing-to-Bank individual accountholders who are not employees or related up to second degree of consanguinity or affinity to any employees of Bank, without existing past due retail loan/s with PNB at the time of enrollment and who are willing to maintain an incremental Year-To-Date Average Daily Balance (YTD-ADB) for a period of six (6) months from the date of enrollment. Eligible Account holders enrolled in the promo shall receive Mabuhay Miles Points that can be converted into PAL Mabuhay Miles, free one year ATMSafe Plus

Insurance coverage for one nominated PNB Peso Checking or Savings Account (CASA) or one (1) Electronic Raffle entry for a chance to win two (2) round trip business class flights to New York, USA which shall be awarded in the form of Peso equivalent PAL electronic Gift Card (PAL e-Gift Card).

Tobacco

In 2023, the following were the product innovations and upgrades:

Combustible Cigarettes (CC):

1. Marlboro Crafted Ice (New Product Launch)
2. Marlboro Crafted Inserts (Limited Pack Edition)
3. Chesterfield Original Remix (New Product Launch)
4. Chesterfield Festive Packs (Limited Pack Edition)
5. Fortune Golden Ticket (Limited Pack Edition)

Heat not Burn (HnB):

1. IQOS Originals One – Device (New Product Launch)
2. BLENDS Round Classics - Consumables (New Product Launch)
3. IQOS Iluma - Device (New Product Launch)
4. Terea - Consumables (New Product Launch)

Nicotine Pouches:

1. Zyn - Consumables (New Product Launch)

Competitive business condition/position in the industry

Distilled Spirits

Liquor Products

The Philippine liquor market increased by 8.79% in 2023 based on the retail audit of Nielsen with Vismin outgrowing the other regions with its +14.58% growth. With its strong performance in the Vismin region, TDI gained 2.2 ppts to end the year with 32.8% national market share. TDI posted a strong performance in Visayas and Mindanao, with an increases in volume of sales by 21.36% and 10.82%, respectively.

Bio-Ethanol Fuel

There are presently fifteen registered local bioethanol producers in the country with a total registered capacity of 455 million liters (ML) per year. In 2023, only 13 bioethanol producers with a combined capacity of 426 ML were operational as against the country's total ethanol requirement of around 660ML. Due to the shortage in local bioethanol supply, oil companies were being allowed to import bioethanol to cover the deficiency. The intent of the law, however, is that all locally produced ethanol must be consumed first before any importation is allowed. Presently, the Department of Energy controls the importation of ethanol through the Notice of Value of Bioethanol Importation Allowed (NAVBI). The increase in ethanol production created a huge demand for locally produced molasses resulting in higher prices.

Beverage

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

- Energy drinks - ABI competes with Pepsico's *Sting* energy drink, *Red Bull, Monster, Extra Joss, Lipovitan* and others;
- Bottled water - ABI's main competitors are Philippine Spring Water Resources' *Nature's Spring* and Coca-Cola's *Wilkins*, among others; and
- Soymilk - ABI competes with *Vitasoy, Soyfresh and Soy Secretz;*

- Beer – ABI competes mainly with *San Miguel Beer*, *San Mig Light*, *Red Horse Beer*, *San Miguel Premium All-Malt Beer* and *Gold Eagle Beer*, all of which are brands of the San Miguel Corporation; and
- Alcopop - ABI's main competitors include *Smirnoff* and *Lemon-Dou*.

Tobacco

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

Banking

In the Philippines, the Bank faces competition in all its principal areas of business, from both Philippine (private and government-owned) and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) 7721 in 1994 and R.A. 10641 in 2014, as well as the mergers and consolidations in the banking industry. As of December 31, 2023, based on data from the Bangko Sentral ng Pilipinas (BSP), there are 45 universal and commercial banks, of which 16 are private domestic banks, 3 are government banks and 26 are branches or subsidiaries of foreign banks. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Lucio Tan Group of Companies and builds on relationships with the Bank's other key customers.

The Bank also faces competition in its operations overseas. In particular, the Bank's stronghold in the remittance business in 17 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks. As of December 31, 2023, the Bank has a distribution network of 631 domestic branches and offices and 1,680 ATMs nationwide. The Bank is one of the largest local private commercial banks in the Philippines in terms of consolidated total assets, net loans and receivables, capital and deposits as well as with regard to branch network. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

Property Development

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

Raw Materials and Principal Suppliers

Distilled Spirits

- **Alcohol**

  TDI uses ethyl alcohol, which is distilled from sugarcane molasses. In 2023, TDI imported most of its alcohol requirements due to high cost of locally produced alcohol.

  Alcohol is delivered directly to the plant by tankers. The quality of alcohol is checked prior to acceptance. In 2023, alcohol accounted for 39% of product cost while excise tax accounted for 47% of the total costs. The tax is paid upon withdrawal of the full goods from the production sites.

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

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

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

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

- **Bottles**
  TDI's liquor products are packaged in glass bottles. Glass bottles account for approximately 11% of cost of goods sold for TDI's products. The cost is managed in part by recycling the bottles. TDI maintains a network of secondhand bottle dealers across the nation that retrieve the bottles from the market and sell them back to TDI. The cost of the secondhand bottles including the cost of cleaning is 50% lower than the cost of purchasing new bottles.

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

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

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

Beverage

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

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

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

Tobacco

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

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

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

Banking

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

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

Dependence on one or two major customers

Distilled Spirits

Liquor Products
TDI markets, sells, and distributes its products throughout the Philippines. In the year ended December 31, 2023, sales volume in the Visayas and Mindanao regions accounted for approximately 49% and 50% of TDI's gross sales volume, respectively. TDI attributes its leading position in the distilled spirits industry to strong brand equity, utilization of diverse marketing channels and an established distribution network.

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

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

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

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

Banking
PNB offers a wide range of financial services in the Philippines. It also has foreign operations in countries that host the largest population of Filipinos outside the Philippines through engagements in remittance and lending services in selected jurisdictions in Asia & Oceania, North America, Europe, and the Middle East. The Bank's financial well-being is not dependent on only one or two major customers with its existing multi-segmented client base as well as the non-Filipino market catered to by its overseas business.

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

Transactions with and/or dependence on related parties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Year	Names and/or Devices
2008	a. Eton City b. Eton corporate name and device c. The Eton Residences Greenbelt d. Eton Baypark Manila e. Eton Centris f. Move-in Ready labels

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

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

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

Need for any government approval of principal products

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

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

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

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

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

Effect of existing or probable governmental regulations on the business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RA 11900 also brought the minimum age for sale and purchase of VNNPS and NTPs from 21 years old to 18 years old, to be at parity with the minimum age for sale of combistible cigarettes.

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

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

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

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

On December 5, 2022, the Department of Trade and Industry issued Department Administrative Order No. 22-16 titled Implementing Rules and Regulations of RA 11900.

Banking
The Philippine banking industry is highly regulated by the BSP. The Bank, through its Regulatory Compliance Risk Division under the Global Compliance Group, ensures adoption and adherence to regulatory pronouncements and rulings.

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

Research and development activities

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

Costs and effects of compliance with environmental laws

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

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

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

Wastewater Treatment Plants

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

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

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

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

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

PMFTC has continuously allocated significant investments in EHS improvements and upgrades in its Batangas factory, and Marikina facilities. Rigorous monitoring and reporting systems are put in place in parallel to training to all employees, resulting in maintaining the certification by Bureau Vertias of the Batangas and Marikina factories as compliant in accordance with ISO 9001 (Quality), ISO 45001 (Environment) AND ISO 45001 (Occupational Safety & Health).

<u>Banking</u>
PNB ensures that all its domestic and overseas offices and branches have the necessary business, labor, and environmental permits. The Bank also ensures that its personnel are updated on all applicable laws, rules,

regulations, and policies that govern its business and operations through the regular release of environmental, social, and governance (ESG) bulletins via emails and trainings.
Mechanisms are also in place to monitor the Bank's compliance with socio-economic and environmental laws, rules, regulations, and policies.

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

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

Human Resources and Labor Matters
LTG had 25 regular monthly employees as of December 31, 2023. The total workforce of the Group inclusive was as follows:

Distilled Spirits	1,587
Beverage	4,015
Tobacco	53
Banking	8,327
Property development	314
Total	14,296

Distilled Spirits
TDI has 1,305 employees as of December 31, 2023. With the exception of the Cagayan De Oro Plant, all regular daily employees of the TDI plants are unionized. TDI-Cabuyao's regular daily employees has a Collective Bargaining Agreement (CBA) with the NAGKAKAISANG LAKAS MANGGAGAWA NG TDI-FSM, which is effective up to 2023. TDI Negros' regular daily employees assigned in its bottling operations has a CBA with the Labor Union of Tanduay Employees (LUTE) effective up to 2023.

AAC has 25 employees with no existing Union.

As of December 31, 2023, ADI has 257 employees. ADI's registered labor union is Absolut Distillers, Inc. Employees Union-Olalia-KMU. Current CBA is effective up to 2024.

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

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

Beverage
As of December 31, 2023, approximately out of the 4,015 (including contractual employees) ABI and its subsidiaries directly employed 2,985 people, of which about 77% were employed in manufacturing and logistics, 18% had general and administrative functions, 3% were in sales and distribution, and 2% were in marketing.

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

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

2024. The CBA for ABI's El Salvador plant is effective until February 15, 2025. IPI also concluded its CBA negotiations for its employees in Cabuyao. The CBA shall be effective until January 31, 2027.
ABI believes that its relations with both its unionized and non-unionized employees are good. ABI has not experienced any work stoppages due to industrial disputes since 1999.

Tobacco
FTC had 53 regular monthly employees as of December 31, 2023. Effective January 1, 2012, FTC ceased to have daily (regular or casual) employees because of the business combination of FTC and PMPMI effective on February 25, 2010.

Banking
As of December 31, 2023, the Bank has a total of 8,327 employees, comprised of 4,509 officers (155 Vice President and up and 4,354 Senior Assistant Vice President to Assistant Manager) and 3,818 rank and file employees. The Bank continues to pursue selective and purposive hiring strictly based on business requirements. The Bank has embarked on a number of initiatives to improve operational efficiency.
The Bank's regular rank and file employees are represented by a Union. Total union membership is 3,179 out of 3,818 rank and file employees or 83% of the total rank and file population. The Bank has a Collective Bargaining Agreement which was renewed for a three-year period from July 1, 2022 to June 30, 2025.

The Management of the Bank considers its relations with its employees and the Union as harmonious and mutually beneficial. Industrial peace is continuously being enjoyed by both Management and the organized Union.

Property Development
The Company had 314 and 247 employees at the close of the calendar year December 31, 2023 and 2022, respectively. The breakdown of the Company employees as of December 31, 2023, according to type are as follows:

Executive	15
Managers	86
Officers	64
Supervisors	48
Rank and File	101
Total	314

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

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

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

Distilled Spirits

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

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

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

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

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

TDI addresses this risk by regularly monitoring its molasses and alcohol requirements. At the start of each annual sugar milling season, TDI normally negotiates with major sugar millers for the purchase in advance of the mill's molasses output at agreed upon prices and terms. It also imports ethyl alcohol in the event that the local supply is not sufficient or if prices are not favorable. Furthermore, TDI's parent company owns a 30.9% stake in Victorias Milling Company, Inc. (VMC) as of December 31, 2023. VMC is the largest sugar producer in the Philippines and currently one of TDI's major supplier of molasses.

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

Credit Risk
TDI relies on 15 exclusive distributors for the sale of its liquor products. Any disruption or deterioration in the creditworthiness of these distributors may adversely affect their ability to satisfy their obligations to TDI.

The operations and financial condition of distributors are monitored daily and directly supervised by TDI's sales and marketing group. Credit dealings with these distributors for the past twenty years have been generally satisfactory and TDI does not expect any deterioration in credit worthiness. The 15 distributors also have a wide range of retail outlets and there is no significant concentration of risk with any counterparty.

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

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

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

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

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

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

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

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

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

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

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

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

Beverage

Market / Competitor Risk

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

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

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

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

Raw Material Supply Risk

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

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

Regulatory Risk

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

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

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

Tobacco

The tobacco or cigarette industry generally has the following risks:

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

The competitive environment and PMFTC's competitive position can be significantly influenced by erosion of consumer confidence, competitors' introduction of lower-priced products or innovative products, as well as product regulation that diminishes the ability to differentiate tobacco products.

To address the risk, PMFTC employs improvement in product development and distribution channels that will further strengthen its leadership position in the Philippine cigarette market. In addition, PMFTC will continue to focus on consumer research to assess adult consumer insight, trends, behavior, and preferences in order to develop marketing campaigns that improve customer engagement.

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

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

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

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

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

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

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

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

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

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

PNB's ROC is mandated to set risk appetite; approve frameworks, policies, plans, programs, awareness testing exercises and processes for managing risk; and accept risks beyond the approval discretion provided to Management.

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

ROC membership is composed of at least nine (9) members of the Board of Directors, the majority of whom are Independent Directors including the Chairperson. The Chairperson shall not be the Chairperson of the Board of Directors, or any other Board Committee.

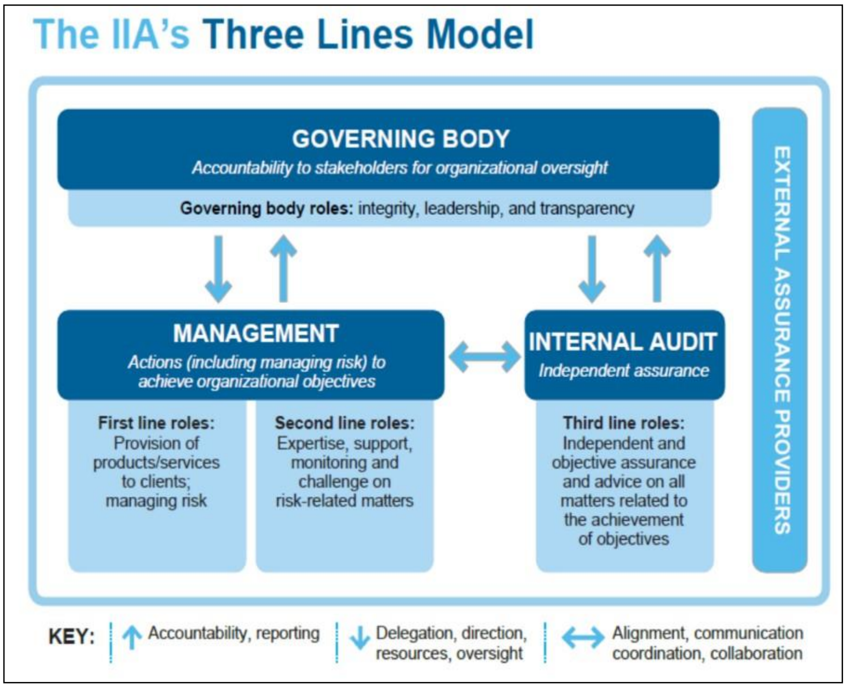
The members shall possess a range of expertise as well as adequate knowledge of the Bank's risk exposures. They must also meet the membership requirements of the Securities and Exchange Commission (SEC), the BSP, and other applicable laws, rules, and regulations.

Approved by the Board of Directors in 2020, the MRC was created as a forum ensuring that the Bank's Enterprise Risk Management Framework (ERMF) is operationalized, and that Senior Management has an enterprise-level view of all material risks and that risk-mitigating actions are properly determined and effectively executed.

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

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

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



Governance requires the implementation of appropriate structures and processes that enable accountability to stakeholders, action by management to manage risk and assurance by an internal audit function. Through the Board of Directors, the governing body ensures there is an effective governance structure in place where the Bank's objectives and activities are aligned with the interests of its stakeholders. It also delegates responsibility to management, with the necessary resources, in achieving the Bank's objectives while ensuring that legal, regulatory, and ethical requirements are met.

The "three lines model" for risk management is accepted as global best practice. At PNB, this model is embedded in the ERMF and is duly enforced by the Board.

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

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

3. The third line role is the internal audit function which provides independent and objective assurance and advise on the adequacy and effectiveness of the Bank's control, governance and risk management processes. It reports its findings to Management and the BACC to promote and facilitate continuous improvement. Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through accountability to the governing body, unfettered access to people, resources and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

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

RMG is independent from the business lines and monitors the following risk areas:

- Business Continuity Management;
- Credit Risk;
- Market, Liquidity and Interest Rate Risk;
- Model Risk;
- Operational Risk,
- Trust Risk, and
- Vendor Risk Monitoring.

Implementation of the processes and procedures that support the policies for risk management applicable to PNB is monitored. These policies clearly establish the types of risks to be managed, define the risk organizational structure, and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits, and compliance testing to measure the effectiveness and suitability of the risk management structure. In addition, the ERMF recognizes model validation as an integral component of model governance which ensures that risks relative to use of models are identified, cascaded to concerned parties, escalated to oversight committees, and deliberated for appropriate management actions. Model validation is the Management's resource to better understand the models, its purpose and limitations and ultimately manage expectations, actions, and decisions made based on the output of the model.

RMG performs as the Secretariat of the ROC which meets monthly to discuss the most recent risk profile of the Bank according to the material risks defined in the Bank's ICAAP document. Further, RMG engages with all levels of the Bank's business and support groups, including domestic and overseas branches and offices, including subsidiaries. This ensures that risk management and monitoring are embedded at origination.

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the business units and presented to the ROC for endorsement for final BOD Approval.
In line with the integration of the BSP required ICAAP and risk management processes, PNB currently monitors 11 Material Risks (3 for Pillar 1 and 8 for Pillar 2). These material risks are as follows:

<u>Pillar 1 Risks</u>:

1. Credit Risk (includes Counterparty and Country Risks);
2. Market Risk; and
3. Operational Risk.

<u>Pillar 2 Risks</u>:

1. Credit Concentration Risk;
2. Interest Rate Risk in Banking Book (IRRBB);
3. Liquidity Risk;
4. Reputational Risk;
5. Strategic Business Risk;
6. Information Security/ Cyber Security / Data Privacy Risk;
7. Information Technology Risk; and
8. Human Resource Risk

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

Risk Categories and Definitions

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

- Identifying all inherent risks by each business unit;
- Prioritizing the most significant risks based on the business impact;
- Quantifying the potential losses of each of these significant risks;
- Providing various risk mitigation and control measures to manage these identified risks; and

- Consolidating risk assessment results and potential losses for capital computation.

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

The Bank broadly classify and defines risks into the following categories and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2023 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract. Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a bank's capital, total assets, or overall risk level, to threaten a financial institution's health or ability to maintain its core operations. It is inherent in a bank's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. (BSP MORB Sec 301.6, Series of 2009; BCBS)	Loan Portfolio Analysis Credit Dashboards Credit Review Credit Model Validation	Trend Analysis (Portfolio / Past Due and NPL Levels Monitoring of Compliance to Regulatory and Internal Limits Stress Testing Rapid Portfolio Review Monitoring of Credit Risk Migration Movement of Portfolio Concentrations and Demographics Review Large Exposure Report Country Limits Monitoring Adequacy of Loan Loss Reserves Review Post Credit Review
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market. (BSP Cir. No. 544, Series of 2006)	Value at Risk (VaR) Utilization Results of Marking to Market Risks Sensitivity/ Duration Report Exposure to Derivative/ Structured Products	VaR Limits Stop Loss Limits Management Triggers Duration Report ROP Exposure Limit Limit to Structured Products Exception Report on Traders' Limit Exception Report on Rate Tolerance Stress Testing BSP Uniform Stress Testing

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from a financial institution's (FI) inability to meet its obligations when they come due. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the Bank's ability to liquidate assets quickly and with minimal loss in value. (BSP Cir. No. 510/545).	Funding Liquidity Plan Liquidity Ratios Large Fund Providers Maximum Cumulative Outflow (MCO) Liquid Gap Analysis	MCO Limits Liquid Assets Monitoring Stress testing Large Fund Provider Analysis Funding Liquidity/ Contingency Planning
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting FI activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Circ 1044, Series of 2019)	Interest Rate Gap Analysis Earnings at Risk (EaR) Measurement Cashflow based Economic Value of Equity	EAR Limits Balance Sheet Profiling Interest Repricing Gap Analysis Cashflow based Economic Value of Equity (EVE) Stress testing BSP Uniform Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the FI and across the different entities in a banking group or conglomerate where the financial institution belongs. (BSP Circular 900, dated 18 January 2016)	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment	Internal Control Board Approved Operating Policies and Procedures Manuals Board Approved Product Manuals Loss Events Report (LER) Risk and Control Self-Assessment (RCSA) Key Risk Indicators (KRI) Fraud Management Program Business Continuity Management (BCM) Statistical Analysis
Included in the Operational Risks:			
Reputational Risk	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects the Bank's	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk)	Account Closures Report Consolidated Complaints Report Mystery Caller/Shopper

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the Bank to litigation, financial loss, or a decline in its customer base. In extreme cases, the Bank loses its reputation and may suffer a run on deposits. (BSP Cir. No. 510, dated 03 Feb 2006). Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in the Bank's Policy on ICAAP, as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services. Consumer Protection Risk is defined as failure of the bank to deliver its mandate to provide appropriate service and protection to its financial consumers.	Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment Major Factors considered: Products Technology People Policies and Processes Stakeholders (including customer and regulators)	Evaluation/ Risk Mitigation of negative media coverage Public Relations Campaign Profiling on the mobile and internet banking users Review of Stock Price performance Fraud Management Program Social Media Management Framework Social Media Risk Management Use of Social Media metrics Media monitoring tool Screening and Recruitment Process of Personnel Internal Audit Risk Based Work Program Compliance Testing and Review
Strategic Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. (BSP Cir. No. 510, dated 03 Feb 2006).		Regular ALCO Financial Updates Seminars and Economic briefings Banking industry reports and industry research studies Research Division's economic reports and forecasting and equities reports Management Profitability Reports Compliance Updates on new, revised regulations Retail Bank / Corporate Bank / Retail Lending weekly updates on performance/ volume levels Annual Strategic Planning Exercise
Information Security/ Cyber Security Risk	Information Security (Infosec) risk is the risk to organizational operations (including mission, functions, image, and reputation), organizational assets, and individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or		Incident Reporting Management Information Security Policy Formulation Risk Assessment Information Security Management System Implementation

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). This covers data or information being processed, in storage or in transit. Cyber Risk is the risk associated with financial loss, disruption or damage to the reputation of an organization from failure, unauthorized or erroneous use of its information systems. (NIST IR 7298 Revision 2, Glossary of Key Information Security Terms, Page Numbers 98 & 100)		Continuous InfoSec / cyber risk awareness campaigns Network Security Protection Limits on Access Privileges Scanning of outbound and inbound digital traffic
Data Privacy Risk	Data Privacy Risks are those that could lead to the unauthorized collection, use, disclosure or access of personal data. It includes risks that the confidentiality, integrity and availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the privacy principles (transparency, legitimacy and proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to noncompliance issue and financial losses. (Data Privacy Act of 2012 or RA 10173).		Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). Enterprise–wide Implementation of the Information Security Management Systems Education / InfoSec Awareness is also constantly conducted Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements Institutionalization of data protection culture within the group through regular awareness programs Data Privacy Management System Conduct of Privacy Impact Assessment (PIA) as required by DPA of 2012

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Information Technology Risk	Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP Circular 808) It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank. It consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. (ISACA Risk IT Framework).	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk)	Risk Awareness Campaigns IT Risk Assessments Formal Project Management Program adoption Vulnerability Assessment and Penetration Testing Maintenance and upgrades of disaster recovery sites Business Users / IT joint engagement for problem resolution Technology Operations Management Policies & Guidelines IT Risk Monitoring IT Risk Assessment Project Risk Assessment
Human Resource Risk	Human Resource Risk covers the Bank's risk of financial loss due to the inadequate training, inexperience or illegal activities of risk-taking behavior of personnel. This risk is closely related to operations risk and its internal control aspects. It highlights the human side of risk-taking and the role and adequacy of code of conduct, personnel policies, training and development programs, ability to recruit and retain employees through adequate compensation and benefits and ability to sustain adequate workforce through succession planning.	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk)	Institutionalize policies covering Talent Acquisition/Retention and Career Management; Remuneration Management; Performance Appraisal System covering the following main tools: Sourcing and Screening of Candidates General Qualification Requirements for Applicants Screening and Pre-employment Assessment Exams Selection Interviews Candidate Matching – ensuring "job fit" through person/position review Competitive compensation and employee benefits; Compliance with Labor Law on payment of benefits and salaries Institutionalize the Bank's Performance Appraisal System (e.g., targets versus achievements) Provide training and/or issue guidelines to ensure that the process is done objectively.

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

The Bank's Capital Adequacy Ratio as of December 31, 2023 stood at 17.7% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2023 amounted to ₱802.506 billion, composed of ₱678.114 billion (Credit Risk Weighted Assets – CRWA), ₱42.037 billion (Market Risk Weighted Assets – MRWA) and ₱82.355billion (Operations Risk Weighted Assets – ORWA).

The Bank's total regulatory requirements for the four quarters for 2023 are as follows:

Consolidated	Weighted Exposures (As of End of Every Quarter of 2023)			
(Amounts in ₱ millions)	Mar 31	June 30	Sept 30	Dec 31
CRWA	642,591	651,275	686,231	678,114
MRWA	27,649	38,695	37,945	42,037
ORWA	82,355	82,355	82,355	82,355
Total Risk-Weighted Asset	752,595	772,325	806,531	802,506
Common Equity Tier 1 Ratio	15.60%	15.98%	15.70%	16.85%
Capital Conservation Buffer	9.60%	9.98%	9.70%	10.85%
Total Capital Adequacy Ratio	16.41%	16.79%	16.56%	17.70%

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements of the Bank as at December 31, 2023 (amounts in thousands):

Accounts	Balance in Financial Reporting Package	Accounting differences and other adjustments	Balance in Audited Financial Statements
Capital stock	₱61,030,594	₱–	₱61,030,594
Additional paid-in capital	32,106,560	–	32,106,560
Surplus reserves	4,648,865	29,065	4,677,930
Surplus	86,227,821	5,946,348	92,174,169
Net unrealized loss on available-for-sale investments	(1,910,046)	187,393	(1,722,653)
Remeasurement losses on retirement plan	(2,603,355)	(125,187)	(2,728,542)
Accumulated translation adjustment	2,002,510	(2,842)	1,999,668
Other equity reserves	390,517	–	390,517
Share in aggregate reserves on life insurance policies	24,246	–	24,246
TOTAL	₱181,917,712	₱6,034,777	₱187,952,489

Credit Risk-Weighted Assets as of December 31, 2023

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

In ₱ Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	21,099	–	21,099	21,098	1	–	–	–	–
Due from BSP	95,420	–	95,420	95,420	–	–	–	–	–
Due from Other Banks	23,226	–	23,226	–	10,954	10,060	–	2,212	–
Financial Asset at FVPL	–	–	–	–	–	–	–	–	–
Available for Sale	1,411	–	1,411	–	–	–	–	1,411	-
Held to Maturity (HTM)	125,231	8,593	116,639	86,452	4,451	17,361	–	8,375	–
Unquoted Debt Securities	–	–	–	–	–	–	–	–	–
Loans & Receivables	652,055	4,904	647,152	6	101,641	43,114	8,326	478,742	15,323
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	69,906	63,695	6,212	5,994	17	201	–	–	–
Sales Contracts Receivable	2,510	–	2,510	–	–	–	–	2,206	303
Real & Other Properties Acquired	9,466	–	9,466	–	–	–	–	–	9,466
Other Assets	22,260	–	22,260	1,995	–	–	–	20,265	–
Total On-Balance Sheet Asset	1,022,585	77,191	945,394	210,965	117,063	70,735	8,326	513,212	25,092
Total Risk Weighted Asset - On-Balance Sheet	–	–	–	–	23,413	47,704	6,245	513,212	37,638
Total Risk Weighted Asset - Off-Balance Sheet Asset	–	–	–	–	–	–	422	51,485	-
Counterparty Risk Weighted Asset in Banking Book	–	–	–	–	–	378	–	–	–
Counterparty Risk Weighted Asset in Trading Book	–	–	–	–	–	1,321	–	332	–

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

Market Risk-Weighted Assets as of December 31, 2023

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

Capital Requirements by Market Risk Type under the Standardized Approach

(Amounts in ₱ Millions)	Capital Charge (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	2,026.909	2,523.638	25,336.371
Specific Risk	813.690	1,017.113	10,171.126
General Market Risk	1,213.219	1,516.525	15,165.245
Equity Exposures	0.443	0.554	5.543
Foreign Exchange Exposures	1,335.594	1,669.493	16,694.926
Total	3,362.946	4,203.685	42,036.840

Notes:

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

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

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

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

Specific Risk

Specific Risk which reflects the type of issuer of the combined portfolio of financial assets designated at Fair Value through Profit or Loss (FVPL) and FVOCI is ₱813.690 million and is composed of securities with various tenors that are subjected to risk weight ranging from 0% to 8%. Three percent (3%) of these securities are issued by Republic of the Philippines (ROP) while 5% is attributable to debt securities rated AAA to BBB- issued by other entities. The remaining portfolio consists of all other debt securities that are issued by other entities. Three percent (3%) of this combined portfolio is composed of USD-denominated debt securities issued by the Philippines with applicable risk weight of 0.25% to 1.6%. On the other hand, the Bank's holding in peso denominated securities which are estimated at eighty-four percent (84%) of the portfolio have zero risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ millions)							
	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
PHP-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	129,790.370	–	–	–	–	129,790.370
	Short	–	–	–	–	–	–
FCY-denominated debt securities issued by the Philippine NG/BSP	Long	–	–	1,296.659	2,907.631	–	4,204.290
	Short	–	–	–	–	–	–
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long	–	1,982.027	2,852.698	234.648	–	5,069.373
	Short	–	–	–	–	–	–
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long	–	2,638.497	3,208.429	1,800.358	–	7,647.284
	Short	–	–	–	–	–	–
All other debt securities/derivatives that are below BBB- and unrated	Long					8,118.484	8,118.484
	Short	–	–	–	–	–	–
Subtotal	Long	129,790.370	4,620.524	7,357.786	4,942.637	8,118.484	154,829.801
	Short	–	–	–	–	–	–
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		–	11.551	73.578	79.082	649.479	813.690

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ millions)							
	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products		–	–	–	–	–	–
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps		–	–	–	–	–	–
Specific Risk Capital Charge for Debt Securities and Debt Derivatives		–	11.551	73.578	79.082	649.479	813.690

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is ₱873.667 million. In terms of weighted positions, the greater portion (39%) of the Bank's capital charge comes from the Over 1 years to 2 years bucket at ₱336.014 million as well as Over 4 year to 5 years bucket (23%) at ₱197.575 million or a combined capital charge of ₱533.589 million. The remaining weighted positions (38%) are distributed over the remaining buckets.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives Total Individual Positions		Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	112,359.807	38,487.706	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	62,605.786	4,011.212	0.20%	125.212	8.022
	Over 3M to 6M	Over 3M to 6M	388.797	3,459.810	0.40%	1.555	13.839
	Over 6M to 12M	Over 6M to 12M	384.491	1,115.851	0.70%	2.691	7.811
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	26,881.135	0.000	1.25%	336.014	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	2,457.507	0.000	1.75%	43.006	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	2,461.152	29.191	2.25%	55.376	0.657
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	7,184.535	0.000	2.75%	197.575	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	1,333.117	0.000	3.25%	43.326	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	2,424.738	0.000	3.75%	90.928	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	0.306	0.000	4.50%	0.014	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	0.862	0.000	5.25%	0.045	0.000
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000
		Over 20Y	0.000	0.000	12.50%	0.000	0.000
Total			218,482.234	47,103.769		895.742	30.329
Overall Net Open Position							865.413
Vertical Disallowance							1.293
Horizontal Disallowance							6.961
Total General Market Risk Capital Charge							873.667

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is ₱302.841 million. The exposure is concentrated under the Over 1 year to 2 years' time bucket with risk weight of 1.25% resulting in a capital charge of ₱72.933 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from ₱0.267 million to ₱63.7107 million.

Currency: USD							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives Total Individual Positions		Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	41,242.607	68,487.110	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	5,919.812	20,972.499	0.20%	11.840	41.945
	Over 3M to 6M	Over 3M to 6M	6,623.354	2,018.490	0.40%	26.493	8.074
	Over 6M to 12M	Over 6M to 12M	4,479.051	0.000	0.70%	31.353	0.000
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	5,834.643	0.000	1.25%	72.933	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	2,523.931	0.000	1.75%	44.169	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	1,256.400	0.000	2.25%	28.269	0.000
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	2,316.710	0.000	2.75%	63.710	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	190.999	0.000	3.25%	6.207	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	221.671	0.000	3.75%	8.313	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	993.573	0.000	4.50%	44.711	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	10.702	0.000	5.25%	0.562	0.000
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000
		Over 20Y	2.135	0.000	12.50%	0.267	0.000
Total			71,615.588	91,478.099		338.826	50.019
Overall Net Open Position							288.807
Vertical Disallowance							1.991
Horizontal Disallowance							12.042
Total General Market Risk Capital Charge							302.841

General Market Risk – Third Currencies

The Bank is likewise exposed to various third currencies contracts most of them are in less than 30 days, thus carries a 0% risk weight. The combined general market risk charge for contracts in Australian Dollar (AUD), Singaporean Dollar (SGD), Hong Kong Dollar (HKD), New Zealand Dollar (NZD), Euro (EUR), and Pound Sterling (GBP) is ₱36.712 million with risk weight of 0.20% to 0.70%.

PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical disallowance	Horizontal disallowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
AUD	1 month or less	0.000	0.000	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	0.000	0.20%	0.000	0.000				
TOTAL		0.000	0.000		0.000	0.000	0.000	–	–	0.000
SGD	1 month or less	0.000	313.024	0.00%	0.000	0.000				
TOTAL		0.000	313.024		0.000	0.000	0.000	–	–	0.000
JPY	Over 3 months to 6 months	5,045.003	0.000	0.40%	20.180	–				
	Over 6 months to 12 months	1,738.846	0.000	0.70%	12.172					
TOTAL		6,783.849	0.000		32.352	–	–	–	–	32.352
HKD	1 month or less	0.000	992.232	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	1,094.907	0.20%	0.000	2.190				
	Over 3M to 6M	0.000	542.496	0.40%	0.000	2.170				
TOTAL		0.000	2,629.636		0.000	4.360	4.360	–	–	4.360
KRW	1 month or less	0.000	0.000	0.00%	–	–				

PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)											
		Total Debt Securities & Debt Derivatives/Interest Rate Derivatives			Weighted Positions						
Currency	Time Bands	Long	Short	Risk Weight	Long	Short	Overall Net Open Position	Vertical disallowance	Horizontal disallowance within	Total General Market Risk Capital Charge
	Over 1M to 3M	0.000	0.000	0.20%	–					
TOTAL		0.000	0.000		–	–	–	–	–	–
NZD	1 month or less	0.000	14.020	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	0.000	0.20%	0.000	0.028				
TOTAL		0.000	14.020		–	0.028	–	–	–	–
EUR	1 month or less	0.000	202.144	0.00%	0.000	0.000				
TOTAL		0.000	202.144		0.000	0.000	–	–	–	–
GBP	1 month or less	–	98.711	0.00%	0.000	0.000				
TOTAL		0.000	98.711		0.000	0.134	–	–	–	–
CAD	1 month or less	0.000	33.484	0.00%	0.000	0.000				
TOTAL		0.000	33.484		0.000	0.139	–	–	–	–
	TOTAL THIRD CURRENCIES									36.712

Equity Exposures

The Bank's holdings are in the form of preferred stocks traded in the PSE, with an 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is ₱0.443 million or total risk-weighted equity exposures of ₱5.542 million.

Item	Nature of Item	Positions	Stock Markets Philippines
A.1	Common Stocks	Long	–
		Short	–
A.9	Others	Long	2.771
		Short	–
A.10	TOTAL	Long	2.771
		Short	–
B.	Gross (long plus short) positions (A.10)		2.771
C.	Risk Weights		8%
D.	Specific risk capital charges (B. times C.)		0.222
E.	Net long or short positions		2.771
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		0.222
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		0.443
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		0.554
J.	Total Risk-Weighted Equity Exposures (I. times 10)		5.542

Foreign Exchange Exposures

The Bank's exposure to FX Risk carries a capital charge of ₱16,694.93 million. This includes ₱15,697.40 million arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight while ₱997.53 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to Japanese Yen (JPY), Swiss Franc (CHF), Pound Sterling (GBP), EUR, CAD, AUD, Singapore Dollar (SGD) and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2023)						
	Closing Rate USD/₱:					55.370
Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates			
		1	2	3	4=1+2+3	5
Currency						
A.1 U.S. Dollar	USD	5.007	0.624		5.631	311.798
A.2 Japanese Yen	JPY	1.928	0.395		2.323	128.654
A.3 Swiss Franc	CHF	0.740	0.00		0.740	40.975
A.4 Pound Sterling	GBP	0.981	0.012		0.993	54.977
A.5 Euro	EUR	2.943	0.026		2.969	164.390
A.6 Canadian Dollar	CAD	0.226	0.00		0.226	12.504
A.7 Australian Dollar	AUD	0.160	0.00		0.160	8.887
A.8 Singapore Dollar	SGD	3.479	0.00		3.479	192.647
A.9 Foreign currencies not separately specified above						
Arab Emirates Dirham	AED	0.007	0.00		0.007	0.408
Bahrain Dinar	BHD	0.003	0.00		0.003	0.163
Brunei Dollar	BND	0.001	0.00		0.001	0.038
Yuan Renminbi	CNY	0.077	0.00		0.077	4.276
Hongkong Dollar	HKD	0.355	0.688		1.043	57.761
Korean Won	KRW	0.027	0.00		0.027	1.505
Malaysian Ringgit	MYR	0.00	0.00		0.00	0.00
Norwegian Krone	NOK	0.00	0.00		0.00	0.00
New Zealand Dollar	NZD	0.014	0.00		0.014	0.748
Saudi Riyal	SAR	0.312	0.00		0.312	17.297
Thai Baht	THB	0.006	0.00		0.006	0.320
Taiwan Dollar	TWD	0.003	0.00		0.003	0.184
Indo Rupiah	INR	0.00	0.00		0.00	0.00
A.10 Sum of net long positions						997.531
A.11 Sum of net short positions						0.00
B. Overall net open positions 1/						997.531
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						79.802
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						99.753
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising from NDF Transactions (E. times 10)						997.531
G. Incremental Risk-Weighted Foreign Exchange Exposures Arising from NDF Transactions (Part IV.3A, Item F.)						15,697.395
H. Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)						16,694.926

Operational Risk-Weighted Assets as of December 31, 2023

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

(Amounts in ₱ Millions) Consolidated as of December 31, 2023	Gross Income	Capital Requirement (15% x Gross Income)
2020 (Year 3)	43,151	6,473
2021 (Year 2)	41,386	6,208
2022 (Last Year)	47,232	7,085
Average for 3 Years		6,588
Adjusted Capital Charge		8,236
Total Operational Risk Weighted Asset		82,355

Property Development

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 2. Properties

Distilled Spirits

TDI and its subsidiaries own the following real estate properties:

Location	Area (sqm)	Present Use
Owned by TDI		
Quiapo, Manila	26,587	Office
Jaro Iloilo	34,662	Investment
La Paz, Iloilo	12,299	Investment
Talisay, Neg. Occ.	3,813	Bottle Storage
Davao City	3,000	Investment
Owned by AAC		
Pulupandan, Neg. Occ.	119,082	Distillation Plant
San Mateo, Rizal	11,401	Investment
Talisay, Batangas	139,299	Investment
Tanza, Cavite	53,156	Investment
Owned by ADI		
Ayala Ave., Makati City	89	Investment/Condo
Lian, Batangas	91,722	Distillation Plant

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

Location	Present Use	Area (sqm)	Monthly Rental	Lease Expiry Date
Leased by TDI				
Cabuyao, Laguna	Production Plant	170,887	2,155,881	2033
Pinamucan, Batangas	Land rental	18,522	367,500	2033
Calaca, Batangas	Tank rental		2,375,493	2033
Murcia, Neg. Occ.	Production Plant	51,448	972,615	2033
El Salvador, Mis. Or.	Production Plant	108,843	832,822	2033
Leased by ADI				
Lian, Batangas	Distillation Plant	56,553	161,358	2029
	Totals	**406,253**	**6,865,669**	

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

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

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

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

<u>Beverage</u>

ABI and its subsidiaries own the following real estate properties:

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

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

Location	Present Use	Area (sqm)	Monthly Rental	Lease Expiry Date
Leased by ABI				
Ayala Ave., Makati City	Head Office	1,677	1,849,113	August 2027
Cabuyao, Laguna	Production Plant	542,989	2,642,350	March 2025
Cabuyao, Laguna	Production Plant	59,006	224,776	December 2024
El Salvador, Mis. Or.	Production Plant	1,063,103	319,425	December 2027
El Salvador, Mis. Or.	Production Plant	25,030	224,776	December 2024
Leased by IPI				
San Fernando, Pampanga	Production Plant	85,000	844,260	December 2024
Leased by PWI				
Cabuyao, Laguna	Production Plant	82,600	715,459	December 2023
Leased by APBM				
Myanmar	Production Plant	9,318	US$29,783	December 2036
Myanmar	Warehouse	2,602	3,356	June 2024
Myanmar	Warehouse	2,007	3,516	November 2024
Myanmar	Staff House	387	1,229	Feb. 2024/ Aug. 2024

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

The plant and equipment are located at the following areas:

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

Tobacco

The following comprises properties of FTC:

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

Marikina Greenheights, Brgy. Nangka	225	Investment
Antipolo, Rizal	400	Investment
Bo. Mayamot, Antipolo, Rizal	311	Investment
Pasay City	2,222	Investment

FTC leases its office located in Brgy. Kapitolyo, Pasig with a montly rental of P2,000,000 and lease contract will expire on December 31, 2023.

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

Banking

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

The Bank leases the premises occupied by some of its branches. Lease contracts are generally for periods ranging from one year up to 30 years based on original tenor and are renewable upon mutual agreement of both parties under certain terms and conditions.

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

Property Development

The Company's investment properties consist of:

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

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

The Company also entered into various lease agreements as follows:

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

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

The Company's real estate properties consist of :

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

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

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

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

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

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

Item 3. Legal Proceedings

Distilled Spirits

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

Excise Tax Refund Claim

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

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

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

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

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

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

CTA Second Division. On November 16, 2020, a Motion for Reconsideration was filed by the legal counsel before the CTA En Banc which was also denied on March 22, 2021 for lack of merit. On July 29, 2021, TDI filed a Petition for Review on Certiorari at the Supreme Court.

On March 2, 2023, SC upheld the CTA decision denying the Company's claim for refund. The Company filed a Motion for Reconsideration to the SC on April 19, 2023 which was also denied on August 14, 2023. TDI and its legal counsel believe that any losses arising from these will not have a material effect on its financial statements.

Beverage

ABI maintains a legal department whose main function is to pursue collection cases and handle litigation arising from labor disputes. As of December 31, 2023, ABI does not have any significant legal proceedings either against it or in pursuit of another party besides those arising from the ordinary course of business.

Tobacco

Sandiganbayan case against Tan Companies

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

Banking

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

Property Development

The Company does not have any pending legal proceedings as of calendar year 2023.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

1. Market Information

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

STOCK PRICES

	CLOSE	**HIGH**	**LOW**
2021	Php	Php	Php
1st Quarter	13.50	15.50	12.50
2nd Quarter	12.90	14.10	12.70
3rd Quarter	10.10	13.00	8.50
4th Quarter	9.90	11.30	9.03
2022			
1st Quarter	8.90	10.26	8.55
2nd Quarter	8.10	9.11	8.00
3rd Quarter	8.26	9.58	8.10
4th Quarter	9.20	9.40	7.70
2023			
1st Quarter	9.90	10.56	9.19
2nd Quarter	9.51	10.62	9.35
3rd Quarter	9.00	9.87	8.84
4th Quarter	8.98	9.30	8.50
2024			
March 15, 2024*	10.30	10.30	9.80

*Latest practicable trading date before submission of report.

2. Holders

The number of shareholders of record as of December 31, 2023 was 377. Common shares outstanding as of December 31, 2023 were 10,821,388,889. The top 20 stockholders as of December 31, 2023 are as follows:

Stockholders' Name	No. of Common Shares Held	% to Total
Tangent Holdings Corp.	8,046,318,193	74.3557
PCD Nominee Corporation (Filipino)	1,334,949,372	12.3362
PCD Nominee Corporation (Non-Filipino)	676,220,704	6.2489
Dragon Castle Holdings Ltd.	198,535,900	1.8347
Hinner Resources Ltd.	157,195,600	1.4526
Advance Goal Ltd.	152,812,600	1.4121
Absolute Classic Ltd.	95,811,000	0.8854
Conqueror Vision Ltd.	81,913,000	0.7570
Conway Equities, Inc.	35,876,800	0.3315
Pan Asia Securities Corp.	24,481,600	0.2262
Goldlabel Equities Corp.	5,039,800	0.0466
All Seasons Realty Corp.	5,002,294	0.0462

Dragonstar Management Corp.	1,773,900	0.0164
Eyes of Ibad Agriventures OPC	1,000,000	0.0092
Kentron Holdings & Equities Corp.	569,800	0.0053
Henry Ong Chusuey or Anna Lissa Chusuey	464,000	0.0043
Gillian Cindy T. Te	300,000	0.0028
Atlas Agricultural & Mercantile & Dev.	299,475	0.0028
Honorio Poblador Jr.	295,230	0.0027
Donald J.D. Nye	272,250	0.0025

* LTG has no preferred shares.

3. Dividends

a.) Dividend declarations

BOD Approval Date	Amount of Dividend Per Share		Record Date	Payment Date
	Regular	Special		
March 17, 2021	₱ 0.15	₱0.09	March 31, 2021	April 12, 2021
June 11, 2021	-	0.24	June 25, 2021	July 7, 2021
November 19, 2021	-	0.60	December 6, 2021	December 13, 2021
March 16, 2022	0.15	0.15	March 30, 2022	April 8, 2022
May 17, 2022	0.30	-	May 31, 2022	June 13, 2022
August 17, 2022	0.30	-	September 2, 2022	September 13, 2022
November 18, 2022	0.50	-	December 6, 2022	December 14, 2022
February 17, 2023	0.15	0.15	March 6, 2023	March 16, 2023
May 15, 2023	-	0.30	May 30, 2023	June 9, 2023
August 15, 2023	-	0.30	September 4, 2023	September 12, 2023
November 17, 2023	-	0.30	December 5, 2023	December 15, 2023

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

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

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

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

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

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

RESULTS OF OPERATIONS

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the consolidated financial statements as at December 31, 2023, 2022 and 2021 included in this report.

2023 vs 2022

CONSOLIDATED RESULTS OF OPERATIONS

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

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

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

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

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

Operating expenses amounted to ₱39.4 billion in 2023, a slight decrease of 1.7% compared to the ₱40.1 billion in 2022. This was as a result of lower general and administrative expenses by 2.4%, decreasing from ₱37.8 billion in 2022 to ₱36.9 billion in 2023. The decline is mainly due to lower provisions for impairment, credit and other losses by the banking segment in the current period.

Selling expenses increased to ₱2.5 billion, or 10.2% higher year-on-year (y-o-y) on account of higher marketing related costs.

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

SEGMENT OPERATIONS

Tobacco

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

Banking

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

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

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

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

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

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

Distilled Spirits

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

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

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

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

Beverage

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

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

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

Property Development

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

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

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

<u>2022 vs 2021</u>

CONSOLIDATED RESULTS OF OPERATIONS

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

LT Group, Inc. (LTG) posted a consolidated net income of ₱30.7 billion for the period ended December 31, 2022, 47.0% higher than the ₱20.9 billion net income reported for 2021.

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

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

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

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

SEGMENT OPERATIONS

Tobacco

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

Banking

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

Total interest income in 2022 of ₱45.2 billion was higher by 6.7% compared to 2021 on account of the rising interest rate environment in 2022. Total interest expense increased by 4.7% or ₱359 million primarily due to increased interest cost of deposit liabilities as compared to 2021. Net interest income of ₱37.3 billion was 7.1% higher year-on-year (y-o-y) as the net interest margin improved to 3.42% from 3.10%.

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

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

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

Operating expenses decreased by 3.6% to ₱35.4 billion from ₱36.7 billion due to the lower provisions for impairment, credit and other losses amounting to ₱7.2 billion in 2022 as compared to 2021's ₱10.7 billion when the bank was still continuing to build its loan loss reserves in anticipation of the rise in nonperforming Covid-impacted accounts.

Distilled Spirits

The distilled spirits segment posted a net income of ₱1.5 billion for 2022, higher than the ₱1.2 billion reported in 2021.

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

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

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

Beverage

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

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

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

Property Development

The property development segment reported a net income of ₱373 million for 2022, lower than the ₱550 million for 2021.

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

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

2021 vs 2020

CONSOLIDATED RESULTS OF OPERATIONS

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

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

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

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

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

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

SEGMENT OPERATIONS

Banking

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

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

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

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

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

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

Tobacco

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

Distilled Spirits

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

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

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

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

Property Development

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

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

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

Beverage

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

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

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

FINANCIAL CONDITION

2023

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

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

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

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

The current portion of Deposit Liabilities increased by ₱61.3 billion due primarily to additional deposits taken by the banking segment. The current portion of Long-term Debts and Bills and Acceptances Payable were higher driven by the reclassifications from noncurrent to current. This was mainly on account of the Bonds Payable amounting ₱41.5 billion that were reclassified from noncurrent to current liabilities by the banking segment. Accounts payable and accrued expenses were higher due to 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 December 31, 2023. Income tax payable and Short-term debts declined by ₱1.4 billion and ₱210.0 million, respectively due to payments made in 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 ₱2.2 billion on account of payments in the current period. Accrued retirement benefits increased to ₱1.0 billion due primarily to additional accrual for the current period.

LTG's consolidated Total Equity improved by 8.5% to ₱300.2 billion as of December 31, 2023, on account of the net increase in the retained earnings brought about by the net income earned for the period ended December 31, 2023 of ₱25.4 billion less dividends declared amounting to ₱13.0 billion. Other comprehensive income increased due to the higher fair values of Financial Assets at FVTOCI. Non-controlling interests in net assets increased due primarily to the banking segment's minority share in net comprehensive income in the current period.

2022

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

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

The 2.2% increase in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Financial Assets at amortized cost and Investment Properties. Financial Assets at Amortized Cost were higher by ₱35.4 billion on account of acquisitions net of maturities and disposals made as of December 31, 2022. Investment properties increased to ₱37.0 billion due primarily to new foreclosures in settlement of uncollected loans or past due accounts in 2022 net of disposed ROPAs by the banking segment. The noncurrent portion of Loans and Receivables was higher due to reclassifications from current. The noncurrent portion of Financial Assets at FVTOCI was lower at ₱50.8 billion versus end-2021 of

₱71.5 billion due to the disposal of various securities, net of purchases and decline in the fair values of the investments. Investment in associates and joint ventures account decreased due to higher dividends received from PMFTC than the accrued equitized earnings for the period, slightly offset by the additional investment in AEPDC. Property, plant and equipment was lower due to the depreciation charges in 2022. Other noncurrent assets were lower at ₱5.0 billion as the miscellaneous assets level of the banking segment decreased.

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

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

The decrease in the Noncurrent Liabilities was on account of the bank's lower noncurrent portion of deposit liabilities mainly due to decreased levels of time deposits and maturity of LTNCD. Long-term debts net of current portion decreased driven by the reclassification of the current portion of foreign currency-denominated bonds. Noncurrent portion of Bills and Acceptances payable increased due to reclassifications. Accrued retirement benefits balance was lower due to the bank's higher contributions in the fund translating to lower liabilities position in 2022.

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

2021

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

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

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

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

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

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

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

KEY PERFORMANCE INDICATORS

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

1.) **Gross Profit Ratio**

Gross profit ratio in 2023 was 51.8% versus 49.3% in 2022.

2.) **Return on Equity**

Consolidated Net Income Attributable to Equity Holders of the Parent Company for 2023 amounted to ₱25.4 billion; higher by 1.1% from last year's ₱25.1 billion. Ratio of net income to equity is 12.0% in 2023 and 12.6% in 2022.

3.) **Current Ratio**

Current Ratio for 2023 is 0.71:1 while last year's was 0.65:1.

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

Debt-to-equity ratio for 2023 is 3.42:1 as compared to last year's 3.58:1.

5.) **Earnings per share**

Earnings per share attributable to holders of the parent company for 2023 is ₱2.35 and ₱2.32 in 2022.

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

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

OTHER MATTERS

(i) There are no other trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's increasing or decreasing liquidity in any material way. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Company does not have any liquidity problems.

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

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

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

Distilled Spirits

Construction of a new office building in Manila is on-going and planned to be completed in the latter part of 2024. Various capital expenditures were implemented to enhance the production capacity, operating efficiency and safety of the bottling plants.

Beverage

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

In 2023, ABI made several investments to expand its production capacity in carbonated soft drinks to capitalize on the robust growth in the market. ABI also completed the construction of a new glass furnace to augment its capacity and improve efficiency in its glass packaging business.

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

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

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

HACCP Certification
Hazard Analysis and Critical Control Point (HACCP) is a systematic preventive approach to food safety, which addresses physical, chemical, and biological hazards rather than finished product inspection. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points (CCPs) can be created to reduce or eliminate the risks. With its increasing adoption worldwide, HACCP helps the food and beverage industry to put in place an effective integrated food safety management system, which drives growth in productivity, safety and traceability. ABI's bottled water plants, carbonated softdrinks (CSD) plants and its soy milk plant are all HACCP certified through 2026.

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

National Sanitation Foundation (NSF) International Certificate of Compliance
NSF International protects and improves global human health. Manufacturers, regulators and consumers look to NSF to facilitate the development of public health standards and provide certifications that help protect food, water, consumer products and the environment. From extensive product testing and material analyses to plant inspections, every aspect of a product's development is thoroughly evaluated before it can earn NSF Certification. ABI's bottled water plants are all NSF certified through 2024.

HALAL Product Certification
Halal is an Arabic word that means permissible. A Halal certified product means that the product is permissible or acceptable in accordance with Islamic law. In order for products to receive this certification, they must be from an acceptable source such as a cow or chicken and slaughtered according to Islamic laws. Offering Halal certified products allows Muslim consumers to be confident that the products they use are in alignment with their culture and beliefs. Among ABI products which are HALAL certified are Absolute and Summit produced in its bottled water plants in Cabuyao, Pampanga and El Salvador, Cobra in PET bottles produced in Cabuyao and Vitamilk and Pascual milk drinks produced in its Cabuyao dairy plant.

(v) There are no known other trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales, revenue or income from continuing operations.

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

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

Results of our Horizontal (H) and Vertical (V) analyses showed the following material changes (+/- 5% and above) as of and for the years ended December 31, 2023 and 2022 (negative movement in parenthesis):

1. Cash and cash equivalents – H, 9%
2. Financial assets at FVTPL – H, 43%
3. Financial assets at FVTOCI - current – H, 29%
4. Financial assets at amortized cost – current – H, (31%)
5. Loans and receivables – current – V, 6%; H, 42%
6. Due from related parties – H, (34%)
7. Inventories – H, (9%)
8. Other current assets – H, (8%)
9. Loans and receivables - noncurrent – H, (15%)
10. Financial assets at FVTOCI - noncurrent – H, (38%)
11. Financial assets at amortized cost – noncurrent – H, 28%
12. Property, plant and equipment at cost – net – H, (5%)
13. Deferred income tax assets - H, 5%
14. Deposit Liabilities – current – H, 7%
15. Financial liabilities at fair value through profit or loss – current – H, (47%)
16. Bills and acceptances payable - current – H, 117%
17. Short-term debts – H, (5%)
18. Accounts payable and accrued expenses – H, 5%
19. Income tax payable – H, (77%)
20. Long-term debts-current – H, 111%
21. Deposit liabilities – noncurrent – H, (48%)
22. Bills and acceptances payable - noncurrent – H, (82%)
23. Long-term debt – net of current portion – H, (86%)

24. Accrued retirement benefits – H, 27%
25. Other noncurrent liabilities- H, (26%)
26. Retained earnings- H, 9%
27. Noncontrolling interests – H, 13%
28. Banking revenue – V, 7%; H, 31%
29. Distilled spirits revenue – V, (5%); H, (5%)
30. Property development revenue – H, 9%
31. Cost of sales and services – H, 9%
32. Equity in net earnings of associates and joint ventures – V, (6%); H, (26%)
33. Selling expenses – H, 10%
34. General and administrative expenses – V, (6%)
35. Finance costs – H, (43%)
36. Finance income – H, (61%)
37. Foreign exchange gains – net – H, (17%)
38. Others-net – H, (34%)
39. Provision for income tax – current – H, (12%)
40. Provision for income tax – deferred – H, 12%
41. Total Net Income – H, 11%
42. Net income attributable to noncontrolling interests – H, 56%

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

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

A. Information on Independent Accountant and other Related Matters

(1) External Audit Fees and Services

a.) Audit and Audit-Related Fees

1. The Audit of the Group's annual financial statements and other services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2023 and 2022.

	2023	2022
LT Group, Inc.	₱1,426,000	₱1,426,000
Distilled Spirits	3,260,000	3,257,100
Beverage	5,385,000	5,385,000
Tobacco	577,500	577,500
Banking	27,529,000	29,740,000
Property Development	2,530,000	2,530,000
Total	₱40,707,500	₱42,915,600

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

None.

b.) Tax Fees

LT Group, Inc. and its subsidiaries incurred nil in 2023 and ₱1,016,000 in 2022 for tax services engagement.

c.) All Other Fees

LT Group, Inc. and its subsidiaries incurred ₱2,560,000 and ₱6,373,000 in 2023 and 2022, respectively for consultancy services engagement.

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

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

Item 7. Financial Statements

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

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

There are no changes in and disagreements with accountants on any accounting and financial disclosures during the past two years ended December 31, 2023 or during any subsequent interim period.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

1. Directors

Name	Age	Citizenship	Business Experience/Other Directorship within the last five (5) years	Position/Term of Office/Period Served
Lucio C. Tan	89	Filipino	Chairman of Absolut Distillers, Inc., Alliedbankers Insurance Corporation, Allianz PNB Life Insurance, Air Philippines Corporation, Asia Brewery, Inc., Asian Alcohol Corporation, Basic Holdings Corporation, Buona Sorte Holdings, Inc., Eton Properties Philippines, Inc., Fortune Tobacco Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Himmel Industries, Inc., **MacroAsia Corporation,** Philippine Airlines, Inc., PMFTC Inc., Progressive Farms, Inc., **PAL Holdings, Inc.,** Tanduay Distillers, Inc., Tanduay Brands International, Inc., Tangent Holdings Corporation, The Charter House, Inc., Trustmark Holdings Corporation, University of the East, Zuma Holdings and Management Corporation. He is also the Chairman Emeritus of **Philippine National Bank.**	Chairman/ 1Year/ July 2,1999 to present
Carmen K. Tan	83	Filipino	Vice Chairman of Philippine Airlines, Inc. and Director of Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Foremost Farms, Inc., Dynamic Holdings, Ltd, Eton City, Inc., Fortune Tobacco Corporation, Himmel Industries, Inc., **MacroAsia Corporation, PAL Holdings, Inc**., PMFTC Inc., Progressive Farms, Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Sipalay Trading Corporation, Saturn Holdings, Inc., Tangent	Vice Chairman/ 1 Year/ May 3, 2023 to present Director/ 1 Year/ May 5, 2010 to present

			Holdings Corporation, Trustmark Holdings Corporation and Zuma Holdings and Management Corporation. She is also a Member of the Board of Advisors of **Philippine National Bank.**	
Lucio C. Tan III	31	Filipino	President and Chief Operating Officer of **PAL Holdings, Inc.**, and Tanduay Distillers, Inc. He is also the President of Dunman Holdings Corporation and Tanduay Brands International, Inc. He also holds the position of Vice Chairman and President of Sabre Travel Network Phils. Inc. Mr. Tan is the Vice President of Dunmore Development Corporation. He is a Director of PMFTC, Inc., Philippine Airlines, Inc., **Philippine National Bank**, Ali-Eton Property Development Corp., Air Philippines Corporation, Allied Club, Inc., Allied Water Services Inc., Asia Brewery, Inc., Asia's Emerging Dragon Corporation, Asian Cancer Center Inc., Belton Communities, Inc., Dominium Realty & Construction Corporation, Eton City, Inc., Eton Properties Philippines Inc., First Homes, Inc., Fortune Landequities and Resources Inc., Fortune Tobacco Corporation, Kaizer Chemical Industries, Inc., Lufthansa Technik Philippines, MacroAsia Airport Services Corp., **MacroAsia Corporation**, MacroAsia Catering Services Inc., MacroAsia SATS Food Industries, MacroAsia SATS Inflight Services Corp., PNB Holdings Corporation, Prior Holdings Corp., Qualisure Holdings Inc., REM Development Corporation, Shareholdings, Inc., Silangan Holdings, Inc., Sipalay Trading Corporation, Trustmark Holdings Corporation, and Zuma Holdings and Management Corporation.	Director/ 1 Year/ December 17, 2019 to present President/1 Year/ May 3, 2023 to present Chief Operating Officer/1 Year/ May 4, 2022 to present

Karlu T. Say	54	Filipino	Founder and Director of Dong-A Pharma Phils., Inc., President of PNB Holdings Corporation, Director of Eton Properties Philippines, Inc. and Alliedbankers Insurance Corporation.	Director/ 1 Year/ May 5, 2021 to present
Michael G. Tan	58	Filipino	President and Chief Operating Officer of Asia Brewery, Inc.; Director of Tangent Holdings Corp., **MacroAsia Corporation, Philippine National Bank,** PMFTC Inc., Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Trustmark Holdings Corporation, Shareholdings, Inc., Asia's Emerging Dragon Corporation, Paramount Land Equities, Inc., Allied Commercial Bank – Xiamen, Allied Banking Corp (Hongkong) Limited, PNB Global Remittance & Financial Company (Hk) Ltd, Saturn Holdings, Inc., **Victorias Milling Company, Inc**., Maranaw Hotel (Century Park Hotel), and Pan-Asia Securities Corp., and Director and Treasurer of Zuma Holdings and Management Corporation. He is a member of the ASEAN Business Advisory Council (ASEAN BAC) representing the Philippines, a Director and Vice President of the Federation of Filipino Chinese Chambers of Commerce & Industry, Inc. He is also a Director and Vice President of Philippine Chamber of Commerce and Industry (PCCI) and Trustee of the Help Educate and Rear Orphans (HERO) Foundation, Inc.	Director/ 1 Year/ February 21, 2003 to present
Vivienne K. Tan	56	Filipino	Director of **Philippine National Bank** and Air Philippines Corporation, Member of the Board of Trustees of University of the East and University of the East Ramon Magsaysay Memorial Medical Center, Founding Chairperson of Entrepreneurs School of Asia and Founding Trustee of Philippine	Director/ 1 Year/ May 7, 2019 to present

			Center for Entrepreneurship (Go Negosyo).	
Juanita T. Tan Lee	81	Filipino	Director of Asia Brewery, Inc., Eton Properties Philippines, Inc., and Tanduay Distillers, Inc.; Director and Corporate Secretary of Fortune Tobacco Corporation, Corporate Secretary of Absolut Distillers, Inc., Asian Alcohol Corporation, The Charter House, Inc., Foremost Farms, Inc., Grandspan Development Corporation, Himmel Industries, Inc., Landcom Realty Corporation, PMFTC Inc., Progressive Farms, Inc. and Total Bulk Corporation; Assistant Corporate Secretary of Basic Holdings Corporation; Treasurer of **PAL Holdings, Inc.** and Philippine Airlines, Inc., and a member of the Board of Trustees of the University of the East.	Director/ 1 Year/ May 2, 2012 to present Assistant Corporate Secretary/ 1 Year/ September 13, 2000 to September 17, 2012 Treasurer/ 1 year/ April 8, 2014 to present
Johnip G. Cua	67	Filipino	Former President of Procter & Gamble Philippines, Inc., currently the Chairman of the Board of Trustees of the P&Gers Fund, Inc. and Xavier School, Inc., and the Chairman & President of Taibrews Corporation. He is an Independent Director of Asia Brewery, Inc., First Aviation Academy, **PAL Holdings, Inc**., Philippine Airlines, Inc., PhilPlans First, Inc., Lufthansa Technik Philippines, Inc. and Tanduay Distillers, Inc. Mr. Cua is also a Director of **MacroAsia Corporation**, MacroAsia Catering Services, Inc., MacroAsia Airport Services Corporation, MacroAsia SATS Food Industries Corporation, MacroAsia SATS Inflight Services Corporation, Interbake Marketing Corporation, Teambake Marketing Corporation, Lartizan Corporation, Allied Botanical Corporation, and Zenori Corporation; and Member of the Board of Trustees of MGCC Foundation and Xavier School Educational & Trust Fund.	Independent Director / 1 Year/ 08 May 2018 to present

Mary G. Ng	70	Filipino	Chief Executive Officer of H&E Group of Companies; an Independent Director of Eton Properties Philippines, Inc., and ABIC Insurance; Honorary President of the Packaging Institute of the Philippines, the Philippine Plastic Industrial Association of the Philippines, Inc., and the Association of Volunteer Fire Chiefs and Firefighters of the Philippines; Executive Vice President of Federation of Filipino-Chinese Chamber of Commerce and Industries; Tripartite Board member of the Department of Labor and Employment; Board Member of Technical Educational and Skills Development Authority (TESDA); Vice President of the Philippine Piak O Eng Chamber of Commerce and Philippine Piak O Eng Uy's Association; and Director of Philippine Dongshi Townmate Association, Inc., and Tripartite Member of National Tripartite Council. Ms. Ng is also the Management and Operation Consultant of Foremost Farms Incorporated.	Independent Director / 1 Year/ May 7, 2019 to present
Wilfrido E. Sanchez	87	Filipino	Tax Counsel of Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm; Independent Director of Asia Brewery, Inc., **Philippine National Bank**, and Tanduay Distillers, Inc.; Trustee of Gokongwei Brothers Foundation and JVR Foundation; Director of Eton Properties Philippines, Inc., **EEI Corporation**, EMCOR, Inc. **House of Investments, Inc.**, J-DEL Investments and Management Corp., Kawasaki Motor Corp., KS Prime Financial Corp., K-Servico, Inc., Trimotors Technology Corp., and Wodel, Inc.	Independent Director/ 1 year/July 31, 2012 to present
Florencia G. Tarriela	77	Filipino	Director of PNB Capital and Investment Corporation and PNB International Investments Corporation; Independent Director	Independent Director/ 1 year/August 09, 2012 to present

			of Nickel Asia Philippines (NAC); Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation; Board of Advisor of **Philippine National Bank;** Member of the Board of Trustees of Financial Executives of the Philippines (FINEX), Tulay sa Pag-unlad, Inc. (TSPI) and TSPI MBA. She is also a former Chairman of Philippine National Bank, former Undersecretary of Finance and the First Filipina Vice President of Citibank NA.	

2. Executive Officers

Name/Position	Age	Citizenship	Current Affiliations and Business Experiences in the last 5 years	Term of Office/ Period Served
Lucio C. Tan/ Chairman and Chief Executive Officer	89	Filipino	See above	1 Year/July 2, 1999 to present
Lucio C. Tan III/ President and Chief Operating Officer	31	Filipino	See above	1 Year/May 3, 2023 to present
Juanita T. Tan Lee/ Treasurer	81	Filipino	See above	1 Year/April 8, 2014 to present
Ma. Cecilia L. Pesayco/ Corporate Secretary	71	Filipino	Corporate Secretary of Asia Brewery, Inc., Buona Sorte Holdings, Inc., **PAL Holdings, Inc.**, Tangent Holdings Corporation, Trustmark Holdings Corporation, Zuma Holdings and Management Corporation. She is likewise the Chief Legal Counsel of the Tan Yan Kee Foundation.	1 Year/March 31, 1998 to present
Jose Gabriel D. Olives/ Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief Sustainability Officer (CSO) and ESG Officer	77	Filipino	Former Senior Vice President – Finance & Chief Financial Officer of Philippine Airlines, Inc., and Former Chief Finance Officer of Asia Brewery, Inc.	1 Year/August 09, 2012 to present as CFO 1 Year/July 9, 2019 to present as CRO 1 Year/May 9, 2023 to present as CSO and ESG Officer

Dioscoro Teodorico L. Lim/Chief Audit Executive	69	Filipino	Former Chief Audit Executive of Philippine National Bank.	1 Year/July 11, 2017 to present
Nestor C. Mendones/ Deputy Chief Financial Officer	69	Filipino	Senior Vice President-Finance and Chief Finance Officer of Tanduay Distillers, Inc.	1 Year/August 09, 2012 to present
Marivic T. Moya/ Assistant Corporate Secretary and Compliance Officer	63	Filipino	Corporate Secretary of the Philippine Airlines, Inc., and Assistant Corporate Secretary of PAL Holdings, Inc.; Corporate Secretary of MacroAsia SATS Food Industries Corporation, MacroAsia Airport Services Corp., Asia's Emerging Dragons Corp., Aqualink Resources Development Corporation, Tera Connectivity and Information Inc.; Senior Vice President (former Vice President) for Human Resources, Legal and External Relations, Chief Compliance Officer (former Compliance Officer) and Chief Information Officer of MacroAsia Corporation; Corporate Secretary and Director of MacroAsia Properties Development Corp., MacroAsia Air Taxi Services, Inc., MacroAsia Mining Corp., First Aviation Academy, Inc. Naic Water Supply Corporation; Corporate Secretary and former Director of MacroAsia Catering Services Inc., SNV Resources Development Corp., Boracay Tubi System, Inc., Summa Water Resources, Inc.; Former Corporate Secretary and Director of MacroAsia SATS Inflight Services Corporation; Director and Treasurer of Watergy Business Solutions Inc. and Cavite Business Resources Inc.; and Director of Alliedkonsult Eco-solutions Corporation and Cavite Alliedkonsult Services Corporation.	1 Year/June 09, 2014 to present

Independent Directors and their qualifications:

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

   Term of office – 1 year
   Period served – 5 years

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

   Positions held in the last 5 years:
   - P&Gers Fund, Inc. – Chairman of the Board of Trustees
   - Xavier School, Inc. – Chairman of the Board of Trustees
   - Taibrews Corporation – Chairman and President
   - First Aviation Academy – Independent Director
   - PhilPlans First, Inc. – Independent Director
   - Asia Brewery, Inc. – Independent Director
   - MacroAsia Corp. – Independent Director
   - MacroAsia Catering Services, Inc. – Independent Director
   - MacroAsia Airport Services Corp. – Independent Director
   - MacroAsia SATS Food Industries Corporation – Independent Director
   - MacroAsia SATS Inflight Services Corporation – Independent Director
   - PAL Holdings, Inc. – Independent Director
   - Philippine Airlines, Inc. – Independent Director
   - Tanduay Distillers, Inc. – Independent Director
   - Interbake Marketing Corp. – Director
   - Teambake Marketing Corp. – Director
   - Lartizan Corp. – Director
   - Allied Botanical Corp. – Director
   - Zenori Corp. – Director
   - Xavier School Educational & Trust Fund – Member of the Board of Trustees

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

   Term of office – 1 year
   Period served – 4 years

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

- Philippine Piak O Eng Chamber of Commerce and Philippine Piak O Eng Uy's Association - Vice President
- Philippine Dongshi Townmate Association, Inc. – Director
- National Tripartite Council – Tripartite Member
- Foremost Farms Incorporated – Management and Operation Consultant

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

Term of office – 1 year
Period served – 11 years

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

Positions held in the last 5 years:
- Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Offices – Tax Counsel
- Asia Brewery, Inc. – Independent Director
- Philippine National Bank – Independent Director
- Tanduay Distillers, Inc. – Independent Director
- EEI Corporation – Director
- Eton Properties Philippines, Inc. – Director
- House of Investments, Inc. – Director
- Kawasaki Motor Corp. –Director
- KS Prime Financial Corp. – Director
- Trimotors Technology Corp. – Director
- EMCOR Inc. – Director
- J-DEL Investments and Management Corporation – Director
- K Servico, Inc. – Director
- Wodel, Inc. - Director
- Gokongwei Brothers Foundation - Trustee
- JVR Foundation – Trustee

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

Term of office – 1 year
Period served – 11 years

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

Positions held in the last 5 years:
- PNB Capital and Investment Corporation – Director
- PNB International Investments Corp. – Director
- Nickel Asia Philippines (NAC) – Independent Director

- Tarriela Management Company - Director/Vice President
- Gozon Development Corporation - Director/Vice President/Assistant Treasurer
- Philippine National Bank – Board of Advisor/ former Chairman
- Tulay sa Pag-unlad, Inc. (TSPI) - Trustee
- TSPI MBA - Trustee
- Financial Executive Institute of the Philippines (FINEX) – Trustee

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

4. Significant Employees

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

5. Family Relationship

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

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

None of the Directors and Executive Officers of LTG are involved in (a) any bankruptcy petition by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

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

Summary Compensation Table

Annual Compensation

	Year	**Salary**	**Bonus**	**Others***
Four (4) most highly compensated executive officers (see below)	2024 (Estimate)	₱9,528,640	₱794,054	₱3,294,500
	2023	8,662,400	721,867	2,995,000
	2022	8,551,200	755,200	2,820,000
All other officers and directors as a group unnamed	2024 (Estimate)	-	-	9,797,334
	2023	500,000	41,667	8,365,000
	2022	-	-	6,815,000

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

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

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

b) Other Arrangements – None
c) Employment contract or compensatory plan or arrangement – None

Warrants and Options Outstanding: Repricing

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

Item 11. Security Ownership of Certain Beneficial Owners and Management as of December 31, 2023.

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

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

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

2. Security Ownership of Management as of December 31, 2023

Title of Class	Name of Beneficial owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Beneficial Ownership
Common	Lucio C. Tan	2,200 R (direct)	Filipino	Nil
Common	Carmen K. Tan	2,200 R (direct)	Filipino	Nil
Common	Karlu T. Say	1,000 R (direct) and 530,000 (indirect)	Filipino	Nil
Common	Michael G. Tan	1,151,996 R (direct)	Filipino	Nil
Common	Lucio C. Tan III	1,100 R (direct)	Filipino	Nil
Common	Vivienne K. Tan	1,000 R (direct)	Filipino	Nil
Common	Juanita T. Tan Lee	1,100 R (direct)	Filipino	Nil
Common	Johnip G. Cua	1,000 R (direct)	Filipino	Nil
Common	Mary G. Ng	1,000 R (direct)	Filipino	Nil
Common	Wilfrido E. Sanchez	1,000 R (direct)	Filipino	Nil
Common	Florencia G. Tarriela	1,000 R (direct)	Filipino	Nil
Common	Ma. Cecilia L. Pesayco	2,200 R (direct)	Filipino	Nil
N/A	Jose Gabriel D. Olives	None N/A	Filipino	N/A
N/A	Dioscoro Teodorico L. Lim	None N/A	Filipino	N/A
N/A	Nestor C. Mendones	None N/A	Filipino	N/A

N/A	Marivic T. Moya	None N/A	Filipino	N/A

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

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

3. Voting Trust Holders of 5% or more

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

4. Changes in Control

   None

Item 12. Certain Relationships and Related Transactions

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

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

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

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

PART IV – CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

Item 13. Corporate Governance Report

This will be filed separately.

Item 14. Sustainability Report

Please refer to the attached 2023 Sustainability Report.

PART V – EXHIBITS AND SCHEDULES

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

a. Exhibits - see accompanying Index to Exhibits (page 93)

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

b. Reports on SEC Form 17-C

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

LIST OF ITEMS REPORTED UNDER SEC FORM 17-C
(from January 2023 to December 2023)

Date of Report	Subject Matter Disclosed
February 14, 2023	Calling of the Annual Stockholders' Meeting
February 17, 2023	Declaration of Cash Dividends
March 10, 2023	Clarification of News Report: "SC affirms denial of Tanduay Distillers' P1-B tax refund claim"
March 16, 2023	Clarification of News Report: "Tanduay Distillers ordered to stop using 'Ginebra'"
March 17, 2023	Press Release: "LTG Reports an Attributable Net Income of Php25.14Billion for 2022, 24% Higher than 2021's Php20.25Billion."
April 27, 2023	Press Release: "New Consortium Formed to Transform NAIA Into a World-Class Airport"
May 3, 2023	Press Release: "Lucio Tan Group Records Highest Net Income in a Decade as Lucio Tan III Assumes Presidency"
May 3, 2023	Results of the Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors
May 4, 2023	Notice of Joint Analysts' Briefing of LT Group, Inc. with Philippine National Bank
May 9, 2023	Appointment of Mr. Jose Gabriel D. Olives as Chief Sustainability Officer and Economic, Social and Governance (ESG) Officer of the Company
May 12, 2023	Press Release: "LTG's 1Q23 Attributable Net Income at Php6.38 billion, 2% lower than 1Q22's Php6.53 billion."
May 15, 2023	Declaration of Cash Dividends
June 19, 2023	Press Release: "MIAC Unveils Proposal for Multi-Phased NAIA Masterplan."
June 20, 2023	Clarification of News Report: "Consortium says NAIA needs urgent rehab; doubles unsolicited proposal to P210B "
August 1, 2023	Notice of Joint Analysts' Briefing of LT Group, Inc. with Philippine National Bank

August 11, 2023	Press Release: "LTG's First Half 2023 Attributable Net Income at Php13.00 billion, 16% lower than First Half 2022's Php15.40 billion."
October 26, 2023	Notice of Joint Analysts' Briefing of LT Group, Inc. with Philippine National Bank
November 10, 2023	Press Release: "LTG's Attributable Net Income for 9M23 Amounted to Php19.25 billion, 6% lower than 9M22's Php20.41 billion."
November 17, 2023	Declaration of Cash Dividends

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code (SRC) and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized in the City of Makati on MAR 05 2024.

By:

Lucio C. Tan Chairman and Chief Executive Officer	Nestor C. Mendones Deputy Chief Financial Officer
Lucio C. Tan III President	Susan T. Lee Principal Accounting Officer
Jose Gabriel D. Olives Chief Financial Officer	Ma. Cecilia L. Pesayco Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 05 2024 at Makati City, affiants exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Lucio C. Tan	P8176878B	16-Nov-21	Manila, Philippines
Lucio C. Tan III	P1403521B	08-Apr-19	PCG San Francisco
Jose Gabriel D. Olives	P7769394A	02-Jul-18	Manila, Philippines
Nestor C. Mendones	P3103903B	06-Sep-19	NCR West, Philippines
Susan T. Lee	P3633584B	25-Oct-19	NCR West, Philippines
Ma. Cecilia L. Pesayco	P9737563B	23-Apr-22	Manila, Philippines

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Series of 2024

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 10075006 / 1-2-2024 / Makati City
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VII-0026545 /02-27-2023
Commission No. M-149 until 31 December 2024

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

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

LT GROUP, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **LT Group, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for each of the three years ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signed under oath by the following:

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

SUBSCRIBED AND SWORN to before me this MAR 05 2024 at Makati City, affiants exhibiting to me their Passport numbers, as follows:

Name	Passport No.	Date Issue	Place of Issue
Lucio C. Tan	P8176878B	11/16/2021	Manila, Philippines
Lucio C. Tan III	P1403521B	4/8/2019	PCG, San Francisco
Jose Gabriel D. Olives	P7769394A	7/2/2018	Manila, Philippines

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Page No. 5
Book No. LXIX
Series of 2024

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 10075006 / 1-2-2024 / Makati City
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VII-0026545 /02-27-2023
Commission No. M-149 until 31 December 2024

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

PW-00000343

COMPANY NAME

LT GROUP, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@ltg.com.ph	(02) 8808-1266	+09566750228

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
377	May 3	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Gabriel D. Olives	josegabriel.olives@ltg.com.ph	(02) 8808-1266	N/A

CONTACT PERSON's ADDRESS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of LT Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Adequacy of Allowance for Credit Losses on Finance Receivables

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

Allowance for credit losses on finance receivables as of December 31, 2023 and the provision for credit losses in 2023 amounted to ₱44.6 billion and ₱5.9 billion, respectively.

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

Audit Response

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

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

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

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

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

Accounting for Investment in PMFTC, Inc.

The Group has an investment in PMFTC. Inc. (PMFTC, an associate) that is accounted for under the equity method. For the year ended December 31, 2023, the Group's share in the net income of PMFTC amounted to ₱11.1 billion and accounts for 33% of the Group's consolidated net income. This matter is significant to our audit because of the materiality of the amount equitized by the Group.

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

Audit Response

We sent instructions to the statutory auditor of PMFTC to perform an audit of the relevant financial information of PMFTC for the purpose of the Group's consolidated financial statements. These audit instructions cover their scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with the statutory auditor of PMFTC their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2023. We reviewed the relevant working papers of the statutory auditor of PMFTC, focusing on the procedures performed on key audit areas, and discussed with them the results of their audit. We also obtained the financial information of PMFTC as of and for the year ended December 31, 2023 and recomputed the Group's share in net income for the year then ended.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10082011, January 6, 2024, Makati City

March 5, 2024

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱243,790,981**	₱224,745,923
Financial assets at fair value through profit or loss (FVTPL) [Notes 6 and 21]	**10,550,595**	7,379,126
Financial assets at fair value through other comprehensive income (FVTOCI) [Notes 7 and 17]	**112,335,996**	86,852,606
Financial assets at amortized cost (Notes 7 and 17)	**21,841,362**	31,511,748
Loans and receivables (Notes 8 and 17)	**291,696,307**	205,494,119
Inventories (Note 9)	**13,709,117**	15,010,773
Due from related parties (Note 22)	**2,338,723**	3,556,476
Other current assets (Note 10)	**12,378,192**	13,497,126
Total Current Assets	**708,641,273**	588,047,897
Noncurrent Assets		
Loans and receivables - net of current portion (Notes 8 and 17)	**347,989,209**	409,434,007
Financial assets at FVTOCI (Notes 7 and 17)	**31,709,930**	50,761,530
Financial assets at amortized cost (Notes 7 and 17)	**101,359,065**	78,956,212
Investments in associates and joint ventures (Note 11)	**19,003,747**	21,589,874
Property, plant and equipment (Note 12):		
At appraised values	**57,516,431**	58,504,993
At cost	**11,615,081**	12,268,828
Investment properties (Note 13)	**37,848,430**	37,045,004
Deferred income tax assets - net (Note 29)	**6,860,706**	6,524,012
Other noncurrent assets (Notes 14, 23 and 37)	**4,852,404**	4,985,212
Total Noncurrent Assets	**618,755,003**	680,069,672
TOTAL ASSETS	**₱1,327,396,276**	₱1,268,117,569
LIABILITIES AND EQUITY		
Current Liabilities		
Deposit liabilities (Note 15)	**₱892,931,695**	₱831,605,372
Financial liabilities at FVTPL (Notes 16 and 21)	**555,811**	1,039,776
Bills and acceptances payable (Note 17)	**19,047,156**	8,798,056
Accounts payable and accrued expenses (Note 18)	**22,889,975**	21,854,536
Short-term debts (Note 19)	**4,280,000**	4,490,000
Current portion of long-term debts (Note 19)	**43,115,944**	20,399,948
Income tax payable	**432,496**	1,839,835
Due to related parties (Note 22)	**50,000**	50,000
Other current liabilities (Notes 20 and 37)	**9,990,372**	10,375,775
Total Current Liabilities (Carried Forward)	**993,293,449**	900,453,298

(Forward)

	December 31	
	2023	2022
Total Current Liabilities (Brought Forward)	**₱993,293,449**	₱900,453,298
Noncurrent Liabilities		
Deposit liabilities - net of current portion (Note 15)	**10,833,859**	20,796,801
Bills and acceptances payable (Note 17)	**1,115,447**	6,182,317
Long-term debts - net of current portion (Note 19)	**6,395,070**	46,312,355
Net retirement benefits liability (Note 23)	**1,009,716**	796,500
Deferred income tax liabilities - net (Note 29)	**8,275,257**	8,450,442
Other noncurrent liabilities (Note 20)	**6,237,658**	8,464,180
Total Noncurrent Liabilities	**33,867,007**	91,002,595
Total Liabilities	**1,027,160,456**	991,455,893
Equity		
Attributable to equity holders of the Company (Notes 1, 7, 12, 23, 24, 30 and 36):		
Capital stock	**10,821,389**	10,821,389
Capital in excess of par	**35,906,231**	35,906,231
Other comprehensive income, net of deferred income tax effect	**12,418,924**	11,935,325
Other equity reserves	**(5,592,465)**	(5,529,303)
Retained earnings	**158,972,132**	145,723,736
Shares of stock of the Company held by subsidiaries	**(12,519)**	(12,519)
	212,513,692	198,844,859
Non-controlling interests (Notes 1, 7, 12 and 30)	**87,722,128**	77,816,817
Total Equity	**300,235,820**	276,661,676
TOTAL LIABILITIES AND EQUITY	**₱1,327,396,276**	₱1,268,117,569

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Years Ended December 31		
	2023	2022	2021
REVENUE (Note 24)			
Banking	**₱66,550,969**	₱50,843,607	₱49,319,441
Distilled spirits	**29,884,821**	31,559,876	26,648,772
Beverage	**16,414,006**	16,216,881	13,173,729
Property development	**2,449,140**	2,251,558	2,031,373
	115,298,936	100,871,922	91,173,315
COST OF GOODS SOLD AND SERVICES (Note 24)	**55,537,664**	51,102,930	42,957,014
GROSS INCOME	**59,761,272**	49,768,992	48,216,301
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 11)	**11,924,732**	16,094,575	18,021,180
	71,686,004	65,863,567	66,237,481
OPERATING EXPENSES			
Selling expenses (Note 25)	**2,516,285**	2,283,909	1,905,020
General and administrative expenses (Note 26)	**36,886,503**	37,795,783	40,321,877
	39,402,788	40,079,692	42,226,897
OPERATING INCOME	**32,283,216**	25,783,875	24,010,584
OTHER INCOME (CHARGES)			
Foreign exchange gains - net	**1,289,740**	1,548,877	816,015
Finance costs (Note 27)	**(691,456)**	(484,614)	(364,873)
Finance income (Note 27)	**84,958**	219,285	41,663
Others - net (Note 28)	**6,267,239**	9,536,173	2,758,831
	6,950,481	10,819,721	3,251,636
INCOME BEFORE INCOME TAX	**39,233,697**	36,603,596	27,262,220
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**5,665,437**	6,445,510	4,112,063
Deferred	**(447,620)**	(506,920)	2,309,683
	5,217,817	5,938,590	6,421,746
NET INCOME FROM CONTINUING OPERATIONS	**34,015,880**	30,665,006	20,840,474
NET INCOME FROM DISCONTINUED OPERATIONS (Note 37)	–	–	20,615
NET INCOME	**₱34,015,880**	₱30,665,006	₱20,861,089

	Years Ended December 31		
	2023	2022	2021
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	**₱25,421,454**	₱25,137,400	₱20,246,467
Non-controlling interests	**8,594,426**	5,527,606	614,622
	₱34,015,880	₱30,665,006	₱20,861,089
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Company (Note 31)	**₱2.35**	₱2.32	₱1.87
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Company from Continuing Operations (Note 31)	**₱2.35**	₱2.32	₱1.87

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
NET INCOME	**₱34,015,880**	₱30,665,006	₱20,861,089
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Net changes in fair value of financial assets at FVTOCI, net of tax (Note 7)	**2,505,660**	(4,764,711)	(3,178,301)
Translation adjustments	**(475,513)**	752,592	684,700
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**2,030,147**	(4,012,119)	(2,493,601)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Share in aggregate gains (losses) on life insurance policies	**(111,850)**	762,490	412,444
Net changes in fair value of financial assets at FVTOCI (Note 7)	**2,378,381**	(359,252)	(971,776)
Income tax effect	**(594,595)**	89,813	242,944
	1,783,786	(269,439)	(728,832)
Remeasurement gains (losses) on defined benefit plans (Note 23)	**(2,655,046)**	2,789,805	573,756
Income tax effect	**663,762**	(697,451)	(143,439)
	(1,991,284)	2,092,354	430,317
Share in remeasurement gains (losses) on defined benefit plans of associates (Note 11)	**396,615**	(1,394,576)	290,433
Net revaluation increase (decrease) on property, plant and equipment (Note 12)	**(68,512)**	(508,786)	1,569,183
Income tax effect	**17,128**	127,196	(392,296)
	(51,384)	(381,590)	1,176,887
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**25,883**	809,239	1,581,249
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**2,056,030**	(3,202,880)	(912,352)
TOTAL COMPREHENSIVE INCOME	**₱36,071,910**	₱27,462,126	₱19,948,737
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Company	**₱26,654,500**	₱23,923,395	₱20,618,903
Non-controlling interests	**9,417,410**	3,538,731	(670,166)
	₱36,071,910	₱27,462,126	₱19,948,737

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

(Amounts in Thousands)

	Attributable to Equity Holders of the Company (Notes 1, 7, 12, 23, 24, 30 and 36)														
				Other Comprehensive Income (Loss)											
	Capital Stock	Capital in Excess of Par	Reserves of Disposal Group Classified as Held for Sale	Cumulative Translation Adjustments	Net Changes in Financial Assets at FVTOCI (Note 7)	Remeasurement Gains (Losses) on Defined Benefit Plans (Note 23)	Revaluation Increment on Property, Plant and Equipment (Note 12)	Remeasurement Gains on Defined Benefit Plans of an Associate (Note 11)	Total Other Comprehensive Income (Loss), Net of Deferred Income Tax Effect	Other Equity Reserves	Retained Earnings	Shares of Stock of the Company Held by Subsidiaries	Total	Non-controlling Interests (Notes 2, 7, 12 and 30)	Total
BALANCES AT JANUARY 1, 2021	**₱10,821,389**	**₱35,906,231**	**₱88,616**	**₱544,764**	**₱2,809,263**	**(₱1,981,713)**	**₱12,276,947**	**₱1,406,976**	**₱15,056,237**	**(₱2,058,370)**	**₱125,612,353**	**(₱12,519)**	**₱185,413,937**	**₱70,124,342**	**₱255,538,279**
Net income for the year	–	–	–	–	–	–	–	–	–	–	20,246,467	–	20,246,467	614,622	20,861,089
Other comprehensive income (loss)	–	–	–	342,761	(2,271,272)	305,525	1,420,784	290,433	88,231	284,205	–	–	372,436	(1,284,788)	(912,352)
Total comprehensive income (loss) for the year	–	–	–	342,761	(2,271,272)	305,525	1,420,784	290,433	88,231	284,205	20,246,467	–	20,618,903	(670,166)	19,948,737
Cash dividends declared	–	–	–	–	–	–	–	–	–	–	(11,687,100)	–	(11,687,100)	–	(11,687,100)
Other equity reserve	–	–	–	–	–	–	–	–	–	(4,185,716)	–	–	(4,185,716)	3,569,938	(615,778)
Increase in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	441,157	441,157
Reversal of reserves of disposal group classified as held for sale	–	–	(88,616)	–	–	–	–	–	–	–	–	–	(88,616)	–	(88,616)
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	–	–	–	–	–	–	(733,554)	–	(733,554)	–	733,554	–	–	–	–
BALANCES AT DECEMBER 31, 2021	**10,821,389**	**35,906,231**	**–**	**887,525**	**537,991**	**(1,676,188)**	**12,964,177**	**1,697,409**	**14,410,914**	**(5,959,881)**	**134,905,274**	**(12,519)**	**190,071,408**	**73,465,271**	**263,536,679**
Net income for the year	–	–	–	–	–	–	–	–	–	–	25,137,400	–	25,137,400	5,527,606	30,665,006
Other comprehensive income (loss)	–	–	–	399,542	(2,746,538)	2,457,350	(360,361)	(1,394,576)	(1,644,583)	430,578	–	–	(1,214,005)	(1,988,875)	(3,202,880)
Total comprehensive income (loss) for the year	–	–	–	399,542	(2,746,538)	2,457,350	(360,361)	(1,394,576)	(1,644,583)	430,578	25,137,400	–	23,923,395	3,538,731	27,462,126
Cash dividends declared	–	–	–	–	–	–	–	–	–	–	(15,149,944)	–	(15,149,944)	–	(15,149,944)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	482,580	482,580
Increase in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	330,235	330,235
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	–	–	–	–	–	–	(831,006)	–	(831,006)	–	831,006	–	–	–	–
BALANCES AT DECEMBER 31, 2022	**10,821,389**	**35,906,231**	**–**	**1,287,067**	**(2,208,547)**	**781,162**	**11,772,810**	**302,833**	**11,935,325**	**(5,529,303)**	**145,723,736**	**(12,519)**	**198,844,859**	**77,816,817**	**276,661,676**

(Forward)

	Attributable to Equity Holders of the Company (Notes 1, 7, 12, 23, 24, 30 and 36)														
				Other Comprehensive Income (Loss)											
	Capital Stock	Capital in Excess of Par	Reserves of Disposal Group Classified as Held for Sale	Cumulative Translation Adjustments	Net Changes in Financial Assets at FVTOCI (Note 7)	Remeasurement Gains (Losses) on Defined Benefit Plans (Note 23)	Revaluation Increment on Property, Plant and Equipment (Note 12)	Remeasurement Gains on Defined Benefit Plans of an Associate (Note 11)	Total Other Comprehensive Income (Loss), Net of Deferred Income Tax Effect	Other Equity Reserves	Retained Earnings	Shares of Stock of the Company Held by Subsidiaries	Total	Non-controlling Interests (Notes 1, 7, 12 and 30)	Total
BALANCES AT DECEMBER 31, 2022	**₱10,821,389**	**₱35,906,231**	**₱–**	**₱1,287,067**	**(₱2,208,547)**	**₱781,162**	**₱11,772,810**	**₱302,833**	**₱11,935,325**	**(₱5,529,303)**	**₱145,723,736**	**(₱12,519)**	**₱198,844,859**	**₱77,816,817**	**₱276,661,676**
Net income for the year	–	–	–	–	–	–	–	–	–	–	25,421,454	–	25,421,454	8,594,426	34,015,880
Other comprehensive income (loss)	–	–	–	(338,490)	2,444,953	(1,198,045)	(8,825)	396,615	1,296,208	(63,162)	–	–	1,233,046	822,984	2,056,030
Total comprehensive income (loss) for the year	–	–	–	(338,490)	2,444,953	(1,198,045)	(8,825)	396,615	1,296,208	(63,162)	25,421,454	–	26,654,500	9,417,410	36,071,910
Cash dividends declared	–	–	–	–	–	–	–	–	–	–	(12,985,667)	–	(12,985,667)	–	(12,985,667)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	528,534	528,534
Increase in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	(40,633)	(40,633)
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	–	–	–	–	–	–	(812,609)	–	(812,609)	–	812,609	–	–	–	–
BALANCES AT DECEMBER 31, 2023	**₱10,821,389**	**₱35,906,231**	**₱–**	**₱948,577**	**₱236,406**	**(₱416,883)**	**₱10,951,376**	**₱699,448**	**₱12,418,924**	**(₱5,592,465)**	**₱158,972,132**	**(₱12,519)**	**₱212,513,692**	**₱87,722,128**	**₱300,235,820**

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱39,233,697**	₱36,603,596	₱27,262,220
Income before income tax from discontinued operations (Note 37)	–	–	20,615
Income before income tax	**39,233,697**	36,603,596	27,282,835
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 11)	**(11,924,732)**	(16,094,575)	(18,021,180)
Depreciation and amortization (Notes 12, 13 and 14)	**6,495,530**	6,398,842	5,741,054
Provision for losses (Notes 8 and 26)	**5,923,054**	7,129,045	10,816,497
Movements in accrued retirement benefits (Note 23)	**(2,056,686)**	377,132	492,593
Finance costs (Note 27)	**691,456**	484,614	364,873
Finance income (Note 27)	**(84,958)**	(219,285)	(41,663)
Dividend income (Note 28)	**(81,165)**	(72,283)	(5,679)
Operating income before changes in working capital	**38,196,196**	34,607,086	26,629,330
Decrease (increase) in:			
Receivables	**(30,775,247)**	1,551,916	(17,880,364)
Financial assets at FVTPL	**(3,171,469)**	3,826,143	12,653,055
Inventories	**1,301,656**	(724,250)	(1,110,918)
Other current assets	**1,118,934**	(3,198,364)	8,556,087
Increase (decrease) in:			
Deposit liabilities	**56,719,665**	(23,867,940)	58,550
Accounts payable and accrued expenses	**1,016,757**	3,590,278	(1,935,196)
Financial liabilities at FVTPL	**(483,965)**	148,245	190,292
Other current and noncurrent liabilities	**(4,287,594)**	(1,229,193)	(3,043,155)
Cash generated from operations	**59,634,933**	14,703,921	24,117,681
Income taxes paid, including creditable withholding and final taxes	**(5,872,620)**	(2,587,032)	(4,738,591)
Interest paid	**752,258**	(301,617)	(619,856)
Interest received	**179,761**	269,499	44,716
Dividends received (Notes 11, 22 and 28)	**81,165**	72,283	5,679
Net cash from operating activities	**54,775,497**	12,157,054	18,809,629

(Forward)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Financial assets at FVTOCI (Note 7)	**(₱562,081,002)**	(₱638,254,305)	(₱224,263,439)
Financial assets at amortized cost	**(76,810,828)**	(162,172,316)	(34,009,921)
Investment properties (Note 13)	**(6,877,944)**	(7,406,216)	(1,609,978)
Property, plant and equipment (Note 12)	**(4,393,052)**	(1,548,742)	(7,136,148)
Software (Note 14)	**(1,224,566)**	(1,707,436)	(283,472)
Additional investment in joint venture and associates	**(2,349,641)**	(1,774,684)	(831,118)
Dividends received from joint venture and associates (Note 11)	**16,748,650**	19,250,184	20,834,216
Proceeds from sale of:			
Financial assets at FVTOCI (Note 7)	**559,938,659**	642,875,429	209,478,786
Financial assets at amortizaed cost	**64,078,361**	141,160,199	39,790,071
Other assets (Notes 12 and 13)	**749,996**	605,433	652,329
Advances received from (extended to) affiliates	**1,217,753**	4,113,733	(5,731,032)
Net cash from (used in) investing activities	**(11,003,614)**	(4,858,721)	(3,109,706)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Bill and acceptance payable (Note 17)	**136,027,137**	237,506,670	237,327,616
Short-term debts (Note 19)	**590,000**	1,465,000	–
Long-term debts (Note 19)	**–**	5,559,083	–
Payments of:			
Bill and acceptance payable (Note 17)	**(130,357,006)**	(274,667,279)	(271,058,488)
Long-term debts (Note 19)	**(15,886,773)**	–	(7,099,310)
Dividends (Note 30)	**(12,985,667)**	(15,149,944)	(11,687,100)
Principal portion of lease liabilities	**(1,314,516)**	(1,490,114)	(1,304,689)
Short-term debts (Note 19)	**(800,000)**	(915,000)	(800,000)
Net cash from (used in) financing activities	**(24,726,825)**	(47,691,584)	(54,621,971)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**19,045,058**	(40,393,251)	(38,922,048)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**224,745,923**	265,139,174	304,061,222
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱243,790,981**	₱224,745,923	₱265,139,174

See accompanying Notes to Consolidated Financial Statements.

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

Corporate Information

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

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

As of December 31, 2023 and 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.

Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 were authorized for issue by the Board of Directors (BOD) on March 5, 2024.

2. Summary of Material Accounting and Financial Reporting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

	Percentage of Ownership						
	2023		2022		2021		Country of
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect	Incorporation
Distilled Spirits							
Tanduay Distillers, Inc. (TDI) and subsidiaries	100.0	–	100.0	–	100.0	–	Philippines
Absolut Distillers, Inc. (ADI)	–	96.0	–	96.0	–	96.0	Philippines
Asian Alcohol Corporation (AAC) [1]	–	95.0	–	95.0	–	95.0	Philippines
Tanduay Brands International, Inc. (TBI)	–	100.0	–	100.0	–	100.0	Philippines
Beverages							
Asia Brewery, Incorporated (ABI) and subsidiaries	99.9	–	99.9	–	99.9	–	Philippines
Agua Vida Systems, Inc.	–	99.9	–	99.9	–	99.9	Philippines
Interbev Philippines, Inc.	–	99.9	–	99.9	–	99.9	Philippines
Waterich Resources Corp.	–	99.9	–	99.9	–	99.9	Philippines
Packageworld, Inc.	–	99.9	–	99.9	–	99.9	Philippines
AB Nutribev Corp.	–	99.9	–	99.9	–	99.9	Philippines
Asia Pacific Beverage Pte. Ltd. (APB Singapore)	–	99.9	–	99.9	–	99.9	Singapore
Asia Pacific Beverages Myanmar Company Limited (APB Myanmar)	–	90.0	–	90.0	–	90.0	Myanmar
Tobacco							
Shareholdings, Inc. (Shareholdings)	97.7	–	97.7	–	97.7	–	Philippines
Fortune Tobacco Corporation (FTC)	99.6	16.9	82.7	16.9	82.7	16.9	Philippines
Property Development							
Saturn Holdings, Inc.	100.0	–	100.0	–	100.0	–	Philippines
Paramount Landequities, Inc. (PLI) and Subsidiaries	100.0	–	100.0	–	100.0	–	Philippines
Eton Properties Philippines, Inc. (Eton)	–	99.6	–	99.6	–	99.6	Philippines
Belton Communities, Inc. (BCI)	–	99.6	–	99.6	–	99.6	Philippines
Eton City, Inc. (ECI)	–	99.6	–	99.6	–	99.6	Philippines
FirstHomes, Inc. (FHI)	–	99.6	–	99.6	–	99.6	Philippines
Eton Properties Management Corporation (EPMC)	–	99.6	–	99.6	–	99.6	Philippines
Banking							
Bank Holding Companies (Note 22) [2]	80-100	–	80-100	–	80-100	–	Various
Philippine National Bank (PNB) and Subsidiaries[3]	–	56.5	–	56.5	–	56.5	Philippines
PNB Capital and Investment Corporation (PNB Capital)	–	56.5	–	56.5	–	56.5	Philippines
PNB Securities, Inc. (PNB Securities)	–	56.5	–	56.5	–	56.5	Philippines
PNB Corporation - Guam (PNB Guam)	–	56.5	–	56.5	–	56.5	United States of America (USA)
PNB International Investments Corporation (PNB IIC)	–	56.5	–	56.5	–	56.5	USA
PNB Remittance Centers, Inc. (PNB RCI)	–	56.5	–	56.5	–	56.5	USA
PNB RCI Holding Co. Ltd.	–	56.5	–	56.5	–	56.5	USA
PNB Remittance Co. (Canada)	–	56.5	–	56.5	–	56.5	Canada
PNB Europe PLC	–	56.5	–	56.5	–	56.5	United Kingdom
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	–	56.5	–	56.5	–	56.5	Hong Kong
Allied Integrated Holdings, Inc. (AIHI)	–	56.5	–	56.5	–	56.5	Philippines
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
Allied Commercial Bank (ACB)	–	55.9	–	55.9	–	55.9	Republic of China
Allianz-PNB Life Insurance, Inc. (APLII) (formerly PNB LII)	–	44.0	–	44.0	–	44.0	Philippines

	Percentage of Ownership						
	2023		2022		2021		Country of
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect	Incorporation
Allied Banking Corporation (Hongkong) Limited (ABCHKL)	–	51.0	–	51.0	–	51.0	Hong Kong
ACR Nominees Limited	–	51.0	–	51.0	–	51.0	Hong Kong
Oceanic Holdings (BVI) Ltd. (OHBVI)	–	27.8	–	27.8	–	27.8	USA
Other Investments							
PNB Holdings Corporation (PNB Holdings) [4]	–	56.5	–	56.5	–	56.5	Philippines
Mabuhay Digital Technologies, Inc. (MDTI)	100.0	–	100.0	–	100.0	–	Philippines
Mabuhay Digital Philippines, Inc. (MDPI)	100.0	–	100.0	–	100.0	–	Philippines
Asia's Emerging Dragon Corporation	60.0	40.0	60.0	40.0	60.0	40.0	Philippines

(1) *Classified as held for sale (see Notes 10 and 20)*
(2) *As of December 31, 2023, 2022 and 2021, the Bank Holding Companies consist of 27 entities with aggregate direct ownership interest of 59.83% in PNB, of which 20 companies are incorporated in the Philippines and seven (7) companies are incorporated in the British Virgin Islands (see Note 22).*
(3) *Represents the effective ownership interest of LTG through the collective ownership of the Bank Holding Companies in PNB.*
(4) *This pertains to the effective ownership through the Bank Holding Companies and PNB. In 2021, PNB declared its 51% ownership interest in PNB Holdings as property dividends to its stockholders. Effective ownership of the Group before and after the declaration of property dividends is still at 56.5% (i.e., 28.8% indirect ownership through the Bank Holding Companies and 27.7% indirect ownership through PNB).*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have any material impact on the consolidated financial statements of the Group.

- Amendments to PAS 1, *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. The amendments have had an impact on the Group's disclosure of accounting policies, but not on measurement, recognition or presentation of any items in the Group's financial statements.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - 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.

  The Group adopted the amendments beginning January 1, 2023. The amendments did not have a material impact on the Group.

- Amendments to PAS 12, *Income Taxes - 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).

  The Group adopted the amendments beginning January 1, 2023. The amendments did not have a material impact on the Group.

- Amendments to PAS 12, *Income Taxes - International Tax Reform – Pillar Two Model Rules*

  The amendments have been introduced in response to the Base Erosion and Profit Sharing Pillar Two model rules of the Economic Cooperation and Development and include:

  - A mandatory temporary exemption to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
  - Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

  The mandatory temporary exemption – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023 but not for any interim periods ending on or before December 31, 2023.

  The Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in the various jurisdictions in which it operates. The Group has determined that it is not subject to Pillar Two taxes since its effective tax rate is above 15% in all the jurisdictions in which it operates (except for domestic subsidiaries, which are not material to the Group). Therefore, as the related Pillar Two disclosures are not required, the amendments have no impact on the Group's consolidated financial statements.

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 December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular No. 34, Series of 2020, which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

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

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

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

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

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

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

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

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

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

  The amendments clarify:

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

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

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

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

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

- Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7*, Financial Instruments Disclosures: Supplier Finance Arrangements*

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. 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.

- Amendments to PAS 21*, The Effects of Changes in Foreign Exchange Rates - Lack of exchangeability*

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

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

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.

Material Accounting Policies Applicable to the Group

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest Level of input that is significant to the fair value measurement as a whole:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

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

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas (BSP)', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Investment securities at amortized cost', and 'Loans and receivables'.
The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for impairment, credit and other losses' in the consolidated statement of income.

Financial liabilities at amortized cost
The Group classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under 'Deposit liabilities', 'Bills and acceptances payable', 'Bonds payable' or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Repurchase and reverse repurchase agreements
The Group does not derecognize from the consolidated statement of financial position securities sold under agreements to repurchase at a specified future date ('repos'). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date ('reverse repos'). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

<u>Reclassification of Financial Instruments</u>
Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial assets

The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the consolidated statements of income.

Financial liabilities

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Group treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Group recognizes the difference in the respective carrying amounts in the consolidated statement of income.

<u>Impairment of Financial Assets</u>

ECL methodology

The Group's loss impairment method on financial instruments applies a forward-looking ECL approach, which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial instrument since origination (12-month ECL). Otherwise, if an SICR is observed, then the Group extends its ECL estimation until the end of the life of the financial instrument (Lifetime ECL). Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Staging assessment

The Group categorizes financial instruments subject to the ECL methodology into three stages:

- Stage 1 - comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Group recognizes 12-month ECL for Stage 1 financial instruments.
- Stage 2 - comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Group recognizes Lifetime ECL for Stage 2 financial instruments.
- Stage 3 - comprised of financial instruments which have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on their estimated future cash flows. The Group recognizes Lifetime ECL for Stage 3 (credit-impaired) financial instruments.

Definition of "default" and "cure"
The Group considers default to have occurred when:

- the obligor is past due for more than 90 days on any material credit obligation to the Group; or
- the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable.

The Group no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determining SICR
At each reporting date, the Group assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group's assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days ("backstop").

The Group assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management's close attention. Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

The Group looks at the quantitative element through statistical models or credit ratings process or scoring process that captures certain information, which the Group considers as relevant in assessing changes in credit risk. The Group also looks at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

Transfer between stages
The Group transfers credit exposures from Stage 1 to Stage 2 if there is an SICR from initial recognition date. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then the Group reverts them to Stage 1.

The Group transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:

- quantitative - characterized by payments made within an observation period; and
- qualitative - pertain to the results of assessment of the borrower's financial capacity.

Generally, the Group considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under *Derecognition of Financial Assets and Liabilities*.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans
The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL
ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) - an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) - an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) - an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate - represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group applies a simplified ECL approach for its other loans and receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to product conditions over the span of a given observation period.

Offsetting of Financial Instruments
Financial instruments are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Investments in Associates and Joint Ventures
Investment in associates pertains to entities over which the Group has significant influence but not control. Investment in joint ventures pertains to the Group's interest in joint ventures, which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The joint venture arrangements requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its investments in associates and joint ventures using the equity method.

Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associates and joint ventures. The Group's share in the associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' and joint ventures' equity reserves is recognized directly in other comprehensive income. When the Group's share of losses in the associate and joint venture equals or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture. Profits and losses resulting from transactions between the Group and the associates and joint ventures are eliminated to the extent of the interest in the associates and joint ventures.

Where necessary, adjustments are made to the financial statements of the associates and joint ventures to bring the accounting policies used in line with those used by the Group.

For additional acquisitions resulting to a significant influence over an associate whose original investments were previously held at fair value through other comprehensive income, the changes in fair value previously recognized are reversed through equity reserves to bring the asset back to its original cost. The difference between the sum of consideration and the share of fair value of net assets at date the investment becomes an associate is recognized as goodwill which is retained in the carrying value of the investment or a gain in consolidated net income under "Equity in net earnings of associates".

Upon loss of significant influence over the associate or upon loss of joint control on the jointly controlled entity, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associates and joint ventures upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized either in consolidated statement of income or in consolidated statement of comprehensive income.

Other Current Assets
Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises mainly of prepaid importation charges and excise tax, prepaid rentals and insurance premiums and other prepaid items, and creditable withholding tax. Prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of income when incurred.

Prepaid importation charges are applied to respective asset accounts, i.e., inventories and equipment, as part of their direct cost once importation is complete. Prepaid excise taxes are applied to inventory as part of its cost once related raw material item is consumed in the production. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Property, Plant and Equipment

Property, plant and equipment, other than land and land improvements, plant buildings and building improvements, and machineries and equipment, are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation of that cost. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are expensed in the consolidated statement of income as incurred. Borrowing costs incurred during the construction of a qualifying asset is likewise included in the initial cost of property, plant and equipment.

Land and land improvements, plant buildings and building improvements, and machineries and equipment are stated at revalued amounts based on a valuation performed by professionally qualified, accredited and independent appraisers. Revaluation is made every three to five years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of reporting period. For subsequent revaluations, the accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals the revalued amount. Any resulting increase in the asset's carrying amount as a result of the revaluation is credited directly to "Revaluation increment on property, plant and equipment, net of related deferred income tax effect" (presented as part of "Other comprehensive income" in the equity section of the consolidated statement of financial position).

Any resulting decrease is directly charged against any related revaluation increment to the extent that the decrease does not exceed the amount of the revaluation increment in respect of the same asset. Further, the revaluation increment of depreciable property, plant and equipment is transferred to retained earnings as the asset is used by the Group. The amount of the revaluation increment transferred would be the difference between the depreciation and amortization based on the revalued carrying amount of the asset and depreciation and amortization based on the asset's original cost. In case the asset is retired or disposed of, the related remaining revaluation increment is transferred directly to retained earnings. Transfers from revaluation increment to retained earnings are not made through profit or loss.

Construction in progress consists of properties in the course of construction for production or administrative purposes, which are carried at cost less any recognized impairment loss. This includes cost of construction and equipment, and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Returnable containers (i.e., returnable bottles and crates) are stated at cost less accumulated depreciation and any impairment in value. Cost of manufactured containers comprises materials used and applicable allocation of fixed and variable labor and overhead cost. Amortization of returnable containers is included under “Selling expenses” account in the consolidated statement of income.

Deposit value for the containers loaned to customer is included as part of “Trade payable” under “Accounts payable and accrued expenses” account in the consolidated statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
At appraisal values:	
Land improvements	5 - 15
Plant buildings and building improvements	8 - 50
Machineries and equipment	5 - 30
Office and administration buildings	20 - 40
Leasehold improvements	3 - 30 or lease term, whichever is shorter
Transportation equipment	2 - 5
Returnable containers	5 - 7
Furniture, fixtures and other equipment	3 - 20

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Depreciation or amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the item is derecognized.

When assets are sold or retired, their cost and accumulated depreciation and amortization and any impairment in value are removed from the accounts, and any gain or loss resulting from their disposal is recognized in the consolidated statement of income.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term, as follows:

	Estimated useful life
ROU assets - branch premises	1 - 25
ROU assets - land	10 - 40
ROU assets – warehouse and warehouse equipment	5 - 15

ROU assets are subject to impairment.

Investment Properties

Investment properties are initially measured at cost, including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless the exchange lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. Any gain or loss on the exchange is recognized in “Net gains on sale or exchange of assets” and presented in the “Others” account in the consolidated statement of income. Foreclosed properties are classified under “Investment properties” upon:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (*dacion en pago*).

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Subsequent to initial recognition, depreciable investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is calculated on a straight-line basis using the estimated useful life from the time of acquisition of the investment properties.

The estimated useful life of the depreciable investment properties which generally include building and improvements ranges from 5 to 50 years.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in “Others” in the year of retirement or disposal.

Transfers are made to investment property only when there is a change in use evidenced by cessation of owner-occupation or of construction or development, or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Investment properties also include ROU assets involving real properties that are subleased to other entities.

For those ROU assets that qualify as investment properties, i.e., those land and buildings that are subleased by the Company, these are classified under investment properties in accordance with paragraph 48 of PFRS 16. Consistent with the Group’s policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Other Properties Acquired
Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Group applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the estimated useful life of five years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful/economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of the reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangibles with finite lives
Software costs, included in “Other noncurrent assets”, are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over five years on a straight-line basis.

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Impairment of Noncurrent Nonfinancial Assets

Property, plant and equipment, investment properties, other properties, investments in associates and joint ventures, and software costs

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating units') fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations or to the revaluation increment for assets carried at revalued amount, in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation or amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated (or to the aggregate carrying amount of a group of cash-generating units to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of the reporting period.

Revenue

Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Refer to the material accounting policies generally applicable to the consumer products, banking and property development for the specific recognition criteria that must also be met before revenue is recognized.

Costs and Expenses
Costs and expenses are recognized in the consolidated statement of income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Selling and general and administrative expenses
Selling expenses are costs incurred to sell or distribute merchandise, it includes advertising and promotions and freight and handling, among others. General and administrative expenses constitute costs of administering the business. Selling and general and administrative expenses are expensed as incurred.

Taxes and licenses
Taxes and licenses include all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees and are recognized as costs and expenses when incurred.

Retirement Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service cost
- net interest on the net defined benefit liability or asset
- remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refund from the plan or reduction in future contribution to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-based Payment
Employees of the Group receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The Group determines the cost of equity-settled transactions at fair value at the date when the grant is made, and recognizes as 'Compensation and fringe benefits', together with a corresponding increase in equity ('Other equity reserves'), over the period in which the service is fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects to the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. Capitalization ceases when pre-selling of real estate inventories under construction commences. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are expensed as incurred.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Debt Issue Costs

Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVTPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the consolidated statement of financial position.

Leases

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

- Right-of-use assets

  At the commencement date of the lease (i.e, the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

  The Group presents the right-of-use assets in ‘Property, plant and equipment’ and subjects it to impairment in line with the Group’s policy on impairment of nonfinancial assets.

- Lease liabilities

  At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Group’s incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

  After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in ‘Cost of banking services’), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets

  The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

Group as a lessor
For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the consolidated statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in 'Interest income on loans and receivables' in the consolidated statement of income.

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.

Foreign Currency-denominated Transaction and Translation
The Group's consolidated financial statements are presented in Philippine peso, which is also LTG's functional currency. Each of the subsidiaries determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the individual entities in the Group in their respective functional currencies at the foreign exchange rates prevailing at the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of income.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign Currency Deposit Unit (FCDU) and Overseas Subsidiaries
As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Group, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation shall be recognized in consolidated statement of income.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Deferred income tax

Deferred income tax is recognized on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carryforward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered. It is probable that sufficient future taxable profits will be available against which a deductible temporary difference can be utilized when there are sufficient taxable temporary difference relating to the same taxation authority and the same taxable entity which are expected to reverse in the same period as the expected reversal of the deductible temporary difference. In such circumstances, the deferred income tax asset is recognized in the period in which the deductible temporary difference arises.

Deferred income taxes relating to items recognized directly in OCI are also recognized in OCI and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and accrued expenses" in the consolidated statement of financial position.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Equity
Capital stock is measured at par value for all shares issued by the Group. When the Group issue more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Capital in excess of par is the portion of the paid-in capital representing excess over the par or stated value.

Other equity reserves include effect of transactions with non-controlling interest and equity adjustments arising from business combination under common control and other group restructuring transactions.

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs. Other comprehensive income (loss) of the Group includes cumulative translation adjustments, net changes in fair values of financial assets at FVTOCI, remeasurement gains (losses) on defined benefit plans, revaluation increment in property, plant and equipment and share in other comprehensive income of associates.

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policies and other capital adjustments. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders after adjustments for any unrealized items which are considered not available for dividend declaration. Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Treasury shares are owned equity instruments that are reacquired. Where any member of the Group purchases the Company's capital stock (presented as "Shares of stock of the Company held by subsidiaries"), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effect, is included in equity attributable to the equity holders of the Company.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period after giving retroactive effect to stock dividends declared and stock rights exercised during the period, if any.

Diluted EPS is calculated by dividing the aggregate of net income attributable to common shareholders by the weighted average number of common shares outstanding during the period adjusted for the effects of any dilutive shares.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Company. Stock dividends are treated as transfers from retained earnings to capital stock. Dividends for the year that are approved after the end of reporting period are dealt with as a non-adjusting event after the end of reporting period.

Events After the Reporting Period

Events after the end of reporting period that provides additional information about the Group's position at the end of reporting period (adjusting event) are reflected in the consolidated financial statements. Events after the end of reporting period that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 4 to the consolidated financial statements.

Material Accounting Policies Generally Applicable to Banking

Banking Revenue

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the banking segment expects to be entitled in exchange for those services.

The banking segment assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The banking segment has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

<u>*Service Fees and Commission Income*</u>
The banking segment earns fee and commission income from diverse range of services it provides to its customers:

Fees from services that are provided over a certain period of time
The banking segment accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.

Bancassurance fees
The banking segment recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.

Fee income from providing transaction services
The banking segment recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the banking segment recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

The banking segment recognizes loan syndication fees as revenue when the syndication has been completed and the banking segment retains no part of the loans for itself or retains part at the same EIR as the other participants.

<u>*Credit Card Fees*</u>
Interchange fee and revenue from rewards redeemed
The banking segment takes up as income the interchange fees under ‘Service fees and commission income’ upon receipt from member establishments of charges arising from credit availments by the banking segment’s cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The banking segment operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the banking segment. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The banking segment allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The banking segment defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The banking segment includes the deferred balance under ‘Other liabilities’ in the consolidated statement of financial position.

Commissions on credit cards
The banking segment recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Commissions on installment credit sales
The banking segment records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The banking segment recognizes the excess over cost as 'Unearned and other deferred income', which is shown as a deduction from 'Loans and receivables' in the consolidated statement of financial position. The banking segment amortizes and recognizes as revenue the unearned and other deferred income over the installment terms using the effective interest method.

Income from Sale of Properties
The banking segment recognizes income from sale of properties upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

The following are revenue streams of the banking segment, which are covered by accounting standards other than PFRS 15:

Interest income
Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVTOCI are recognized based on effective interest method of accounting to calculates the amortized cost of a financial asset or a financial liability and allocate the interest income or interest expense.

The banking segment records interest income using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. In calculating EIR, the banking segment considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The banking segment adjusts the carrying amount of the financial instrument through 'Interest income' in the consolidated statement of income based on the original EIR.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the banking segment calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the banking segment reverts to calculating interest income on a gross basis.

The banking segment defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as 'Interest income' over the expected life of the loan.

The banking segment recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables'. Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Trading and investment securities gains - net
The banking segment recognizes in 'Trading and investment securities gains - net' the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVTOCI.

Insurance premiums and commissions on reinsurance
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. The banking segment recognizes premiums from short-duration insurance contracts and reinsurance commissions as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The banking segment recognizes in the consolidated statement of income for the period the net changes in provisions for unearned premiums and deferred reinsurance premiums.

Commitment fees
The banking segment defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as revenue over the expected life of the loan.

Income on direct financing leases and receivables financed
The banking segment recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables'.

Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

<u>Financial Guarantees and Undrawn Loan Commitments</u>
The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under 'Bills and acceptances payable' or 'Other liabilities' in the consolidated statement of financial position.

Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the consolidated statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position.

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

Fiduciary Activities
The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Material Accounting Policies Generally Applicable to Consumer Products

Sale of Consumer Goods
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The Group enters into a marketing and distributorship agreement in which the Group undertakes to sell the products specified including its quantity indicated in an approved purchased order exclusively to the marketing distributors. No other promised goods or services was specified in the contract or provided based on the customary business practice. This is considered as one performance obligation; hence, no allocation of transaction price is needed. The Group recognizes revenue at a point in time, once the goods are delivered.

- *Sale of goods.* Revenue from sale of goods is recognized at a point in time, once the goods are sold and delivered.

- *Sale of commercial bottles.* Revenue from sale of commercial bottles is recognized at a point in time, once goods are sold and delivered.

- *Revenue from services and tolling fees.* Revenue from services and tolling fees is recognized by the Group at a point in time when the services have been rendered.

Cost of Consumer Goods Sold
Cost of consumer goods sold is recognized as expense where the related goods are sold.

Consumer Goods Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition are accounted for as follows:

Finished goods and work in process include direct materials, direct labor, and manufacturing overhead costs. Raw materials include purchase cost. The cost of these inventories is determined using the following:

	Distilled Spirits	Beverage
Finished goods	Moving-average	Weighted-average
Work in process	Moving-average	Weighted-average
Raw materials and materials and supplies	Moving-average	Moving-average

NRV of finished goods is the estimated selling price less the estimated costs of marketing and distribution. NRV of work in process is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. For raw materials and materials and supplies, NRV is current replacement cost.

Material Accounting Policies Generally Applicable to Property Development

Property Development Revenue and Cost Recognition
Real estate sales
The Group derives its real estate sales from sale of residential lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on the physical proportion of work done on the real estate project which requires technical determination by the Group's project engineers. Based on the monthly project accomplishment report approved by the site project manager which integrates the surveys of performance to date of the construction activities.

Rental income
Rental income under non-cancellable leases of investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term or based on the terms of the lease contract or certain percentage of the gross revenue of the tenants, as applicable.

Charges and expenses recoverable from tenants
Income arising from expenses recharged to tenants in "Other income" account is recognized in the period in which the compensation becomes receivable.

Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of real estate sales recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage-of-completion used for revenue recognition purposes.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Cost of rental income
Cost of rental income is recognized in relation to the leasing activities of the Group. This includes general, administrative and selling expenses allocated to the leasing activities, rental expense on the property leased to tenants and depreciation of the investment properties.

Rooms and other operated departments
Revenue from room rentals and other ancillary services are recognized at point in time or when the services are rendered. Revenue from other ancillary services include, among others, business center related services and car rentals, food packages, laundry service, telephone service, and spa/gym services.

Costs of services
Costs of services include expenses incurred by the Group for the generation of revenue from room rentals and other ancillary services. Costs of services are expensed as incurred.

Real Estate Inventories
Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes: (a) acquisition cost of subdivision land; (b) amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units; (c) planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and (d) borrowing costs capitalized prior to start of pre-selling activities for the real estate project.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Customers' Deposits including Excess of Collections over Recognized Receivables
Customers' deposits represent payments from buyers of property development segment which will be applied against the related contracts receivables. This account also includes the excess of collections over the recognized contracts receivables, which is based on the revenue recognition policy of the Group.

Security Deposits
Security deposits, included in the "Other current liabilities" and "Other noncurrent liabilities" accounts in the liabilities section of the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

3. **Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the consolidated financial statements requires the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Determination of functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Group to use its judgment to determine the functional currency of the Group, including its foreign operations, such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to each entity or reporting unit.

In making this judgment, the Group considers the following:

- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Classification of financial assets

The Group classifies its financial assets depending on the results of the SPPI tests and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- Business objectives and strategies for holding financial assets
- Performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets
- Attendant risks and the tools applied in managing them
- Compensation structure, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions
- Frequency and timing of disposals

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP.

Determination of fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models. The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives.

Revenue recognition on real estate sales
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) assessment of the probability that the entity will collect the consideration from the buyer; (c) determination of the transaction price; (d) application of the output/input method as the measure of progress in determining real estate revenue; (e) determination of the actual costs incurred as cost of goods sold; and (f) recognition of cost to obtain a contract.

a) *Existence of a contract.* The Group's primary document for a contract with a customer is a signed contract to sell. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

b) *Revenue recognition method and measure of progress.* The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

   The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customer.

c) *Identifying performance obligation.* The Group has various contracts to sell covering residential lots and condominium units. The Group concluded that there is one performance obligation in each of these contracts because:(i) for residential lots, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract; (ii) for the contract covering condominium units, the developer has the obligation to deliver the house or condominium unit duly constructed on a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the customer.

Revenue recognition on sale of consumer goods
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint. (d) recognition of revenue as the Group satisfies the performance obligation.

a) *Existence of a contract.* The Group's primary document for a contract with a customer for each type of revenue stream is:

- *Sale of goods.* The Group determined that an approved purchase order related to a signed marketing and distributorship agreement qualifies as a contract provided that each of the party's rights regarding the goods to be transferred is clearly identified including the product specification and payment terms.

- *Sale of commercial bottles.* The Group determined that an approved purchase order with terms clearly identified including the product specification and payment terms qualifies as a contract.

The Group also considers the probability that it will be able to collect the consideration to which it will be entitled in exchange for the goods sold or services rendered in determining if a contract exists.

b) *Determining the method to estimate variable consideration and assessing the constraint.* The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will be subjected to constraint.

Factors such as the following are considered:

- high susceptibility to factors outside the Group's influence;
- timing of the resolution of the uncertainty, and
- having a large number and broad range of possible outcomes.

Contracts from sale of goods and commercial bottles allow the customer to return spoiled or damaged goods which will be segregated and replaced. No adjustment to the amount originally billed to the customer. The right of return will be constrained since the amount of consideration is highly susceptible to factors outside of the Group's influence and the contract has a large number and broad range of possible consideration amounts.

c) *Recognition of revenue as the Group satisfies the performance obligation.* The Group recognizes its revenue for all revenue streams at a point in time, where the goods are sold and delivered and when services were already rendered.

Operating lease commitments - the Group as lessor
The Group has entered into commercial property leases on its investment properties and certain motor vehicles and items of machinery. The Group has determined, based on an evaluation of the terms and conditions of the lease agreements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties and so accounts for these leases as operating leases (see Note 37).

Determination of lease term for lease contracts with renewal and termination options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates
Upon adoption of the Philippine Interpretation IFRIC 23, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. The Group determined, based on its tax assessment, in consultation with its tax counsel, that it is probable that its uncertain tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have significant impact on the consolidated financial statements of the Group.

Classification of properties
The Group determines whether a property is classified as real estate inventory, investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flow largely independent of the other assets held by an entity.

Real estate inventory comprises of property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction. Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. Owner-occupied properties classified and presented as property, plant and equipment, generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of the financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Contingencies
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 37).

Estimates and Assumptions

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

Credit losses on financial assets

For banking segment, the Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:

- Segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively.
- Quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages.
- Determination of expected life of the financial asset and expected recoveries from defaulted accounts.
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs.
- Selection of forward-looking information and determination of probability weightings to derive the ECL.

In response to the changing credit environment due to rising interest rates, inflation, and other 'black swan' events which may potentially occur, the Group reviews on a monthly basis its loan portfolio, particularly for accounts that have shown or are beginning to show increases in credit risk. The Group performs comprehensive review of the default profile of its accounts to determine if there are factors or indicators not captured in the risk rating model. If there are noted weaknesses in the model, where possible, the Group recalibrates the parameter estimates to the ECL models to incorporate internal default experience, as well as most recent available external data affecting each segment of the Group's loan portfolio.

The Group revisits the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassesses the framework for macroeconomic overlay, incorporating stress scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

For the other segments, provision matrix was used to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, property collaterals and coverage by letters of credit and other forms of credit insurance).

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Refer to Notes 8 and 14 for the carrying values of loans and receivables and receivables from Special Purpose Vehicle (SPV), respectively.

Recognition of deferred income tax assets
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates.

The Group reassesses its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook and effects on specific industries of the rising interest rates, inflation, and other 'black swan' events (such as longer lasting supply shock inflation pressure, credit rating downgrade, deep recession in the USA and Europe, and emergence of a new pandemic).

Details of the Group's recognized and unrecognized deferred income tax assets is disclosed in Note 29.

Present value of lease liabilities
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease). The carrying amount of lease liabilities is disclosed in Note 37.

Present value of retirement obligation
The Group determines the cost of defined benefit pension plan and other post-employment benefits using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group reviews all assumptions at each reporting date.

The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases are based on the Group's policy considering the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The present value of retirement obligation is disclosed in Note 23.

Measurement of NRV of inventories
The Group's estimates of the NRV of its consumer goods inventories and materials and supplies are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

With respect to the Group's real estate inventories, the Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of cost of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Details of the carrying value of the Group's inventories are disclosed in Note 9.

Valuation of property, plant and equipment under revaluation basis
The Group's land and land improvements, plant buildings and building improvements, and machineries and equipment are carried at revalued amounts, which approximate their fair values at the date of the revaluation, less any subsequent accumulated depreciation and amortization and accumulated impairment losses. The valuations of property, plant and equipment are performed by independent appraisers. Revaluations are made every three to five years to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of reporting period.

Property, plant and equipment at appraised values amounted to ₱57.5 billion and ₱58.5 billion as of December 31, 2023 and 2022, respectively (see Note 12).

Estimation of useful lives of property, plant and equipment and investment properties
The Group estimates the useful lives and residual values of property, plant and equipment and investment properties based on internal technical evaluation and experience with similar assets. Estimated useful lives and residual values of property, plant and equipment and investment properties are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment and investment properties would increase the recorded depreciation expenses and decrease the carrying value of property, plant and equipment and investment properties.

In 2023 and 2022, there were no significant changes made in the useful lives and residual values of the property, plant and equipment and investment properties. Details and the carrying value of depreciable property, plant and equipment, and investment properties as of December 31, 2023 and 2022 are disclosed in Notes 12 and 13.

Assessment of impairment of nonfinancial assets and estimation of recoverable amount
The Group assesses impairment on its investments in joint ventures and associates whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the Group considers the following triggers for an impairment review on its investments in joint ventures and associates:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its property, plant and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Except for investment properties and land and building where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value-in-use (VIU), which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The VIU calculation is most sensitive to the following assumptions: production volume, price, exchange rates, capital expenditures, and long-term growth-rates.

The carrying values of the Group's investments in joint ventures and associates, property, plant and equipment, investment properties, intangible assets, and other nonfinancial assets are disclosed in Notes 11, 12, 13 and 14, respectively.

4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's identified operating segments classified as business groups, which are consistent with the segments reported to LTG's BOD, its Chief Operating Decision Maker (CODM), are as follows:

- Banking, provides full range of banking and other financial services to corporate, middle-market and retail customers, the National Government (NG), local government units (LGUs) and government-owned and controlled corporations (GOCCs) and various government agencies, including deposit-taking, lending, bills discounting, foreign exchange dealing, investment banking, fund transfers or remittance servicing and full range of retail banking and trust services and other insurance services. The Group conducts its banking business through PNB and its subsidiaries.

- Distilled Spirits, which is involved in manufacturing, compounding, bottling, importing, buying and selling of rum, spirit beverages, liquor and bioethanol products. The Group conducts its distilled spirits business through TDI and its subsidiaries.

- Beverage, which is engaged in brewing and soft drinks and bottled water manufacturing in the Philippines. It also operates other plants, which includes commercial glass division and corrugated cartons and metal closures production facility, to support the requirements of its brewing, bottled water, non-beer products operations and to act as a service contractor and enter into service agreements for the supply of services. The Group conducts its beverage business through ABI and its subsidiaries, associate and joint venture.

- Tobacco, which is a supplier and manufacturer of cigarettes, casings, tobacco, packaging, labels and filters. The Group conducts its tobacco business through FTC's interest in PMFTC, Inc. (PMFTC).

- Property Development, which is engaged in ownership, development, leasing and management of residential properties, including but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; acquisition, purchasing, development and selling of subdivision lots. The Group conducts its property development business through Eton and its subsidiaries.

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

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

The Group's assets are located mainly in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. The Group's banking segment operates in key cities in the USA, Canada, Western Europe, Middle East and Asia. The distribution of assets and revenues of the banking segment outside the Philippines constitute 1.4% and 3.3% as of December 31, 2023, respectively, and 1.7% and 2.2% 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 material accounting and financial reporting policies. TDI's investment property is adjusted at the consolidated level to carry it at cost in accordance with the Group's policy. Certain assets and liabilities of PNB are also adjusted at the consolidated level of LTG to reflect the original carrying values prior to the merger of PNB and 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 88%, 89% and 92% of the segment's total liquor revenue in 2023, 2022 and 2021, respectively. The other segments of the Group have no significant customer that contributes 10% or more of their segment revenues.

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

For the year ended December 31, 2023:

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

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

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Assets:							
Current assets	**₱660,924,980**	**₱18,916,472**	**₱20,627,751**	**₱16,736,351**	**₱7,591,858**	**(₱16,156,139)**	**₱708,641,273**
Noncurrent assets	**545,358,931**	**9,452,071**	**15,278,346**	**6,110,083**	**22,023,831**	**20,531,741**	**618,755,003**
	₱1,206,283,911	**₱28,368,543**	**₱35,906,097**	**₱22,846,434**	**₱29,615,689**	**₱4,375,602**	**₱1,327,396,276**
Liabilities:							
Current liabilities	**₱998,997,571**	**₱3,753,179**	**₱9,072,221**	**₱324,929**	**₱6,411,544**	**(₱25,265,998)**	**₱993,293,446**
Noncurrent liabilities	**22,126,877**	**828,946**	**1,370,201**	**105,649**	**3,163,521**	**6,271,813**	**33,867,007**
	₱1,021,124,448	**₱4,582,125**	**₱10,442,422**	**₱430,578**	**₱9,575,065**	**(₱18,994,185)**	**₱1,027,160,453**
Investments in associates and joint ventures	**₱3,199,124**	**₱–**	**₱212,773**	**₱2,615,366**	**₱–**	**₱12,976,484**	**₱19,003,747**
Equity attributable to:							
Equity holders of the Company	**181,650,718**	**23,572,712**	**25,405,673**	**22,415,856**	**20,040,624**	**(60,571,886)**	**212,513,697**
Non-controlling interests	**3,508,745**	**213,706**	**58,002**	**–**	**–**	**83,941,673**	**87,722,126**
Noncurrent assets:							
Property, plant and equipment	**18,382,650**	**8,248,785**	**13,705,159**	**89,094**	**850,156**	**27,855,668**	**69,131,512**
Investment properties	**13,469,401**	**655,656**	**14,002**	**2,108,595**	**20,751,188**	**849,588**	**37,848,430**
Short-term debts	**–**	**–**	**4,280,000**	**–**	**–**	**–**	**4,280,000**
Long-term debts	**45,323,755**	**441,017**	**735,213**	**–**	**3,095,287**	**(84,258)**	**49,511,014**

For the year ended December 31, 2022:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Segment revenue:							
External customers	₱50,843,607	₱31,559,876	₱16,216,881	₱–	₱1,143,977	₱1,107,581	₱100,871,922
Inter-segment	117,729	61,014	1,007,789	–	831,805	(2,018,337)	–
	50,961,336	31,620,890	17,224,670	–	1,975,782	(910,756)	100,871,922
Cost of goods sold and services	9,346,027	28,005,598	13,428,544	–	1,153,648	(830,887)	51,102,930
Gross profit	41,615,309	3,615,292	3,796,126	–	822,134	(79,869)	49,768,992
Equity in net earnings of associates and joint ventures	(56,060)	–	61,444	15,461,496	–	627,695	16,094,575
	41,559,249	3,615,292	3,857,570	15,461,496	822,134	547,826	65,863,567
Selling expenses	–	911,617	1,369,531	–	2,761	–	2,283,909
General and administrative expenses	35,382,372	659,916	1,420,737	297,919	747,656	(712,817)	37,795,783
Operating income	6,176,877	2,043,759	1,067,302	15,163,577	71,717	1,260,643	25,783,875
Foreign exchange gains - net	1,608,281	26,340	6,064	(117,170)	6,804	18,558	1,548,877
Finance income	–	44,160	19,455	315,598	13,388	(173,316)	219,285
Finance costs	–	(53,498)	(260,132)	–	(299,508)	128,524	(484,614)
Others - net	8,911,847	(207,103)	25,266	11,973	692,318	101,872	9,536,173
Income before income tax	16,697,005	1,853,658	857,955	15,373,978	484,719	1,336,281	36,603,596
Provision for (benefit from) income tax	4,931,228	384,777	275,417	37,123	111,422	198,623	5,938,590
Segment profit from:							
Continuing operations	11,765,777	1,468,881	582,538	15,336,855	373,297	1,137,658	30,665,006
Discontinued operations	–	–	–	–	–	–	–
	₱11,765,777	₱1,468,881	₱582,538	₱15,336,855	₱373,297	₱1,137,658	₱30,665,006
Segment profit attributable to:							
Equity holders of the Company	₱11,714,107	₱1,466,876	₱579,401	₱15,336,855	₱373,297	(₱4,333,136)	₱25,137,400
Non-controlling interests	51,670	2,005	3,137	–	–	5,470,794	5,527,606
Depreciation and amortization expense	4,044,067	636,581	1,956,640	36,756	366,473	(641,675)	6,398,842

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

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Assets:							
Current assets	₱537,671,669	₱19,159,272	₱20,826,361	₱14,991,417	₱8,647,442	(₱13,248,264)	588,047,897
Noncurrent assets	602,847,076	9,331,703	15,432,784	11,591,207	22,352,276	18,514,626	680,069,672
	₱1,140,518,745	₱28,490,975	₱36,259,145	₱26,582,624	₱30,999,718	₱5,266,362	1,268,117,569
Liabilities:							
Current liabilities	₱898,204,863	₱5,116,546	₱10,076,295	₱303,526	₱7,790,574	(₱21,038,506)	₱900,453,298
Noncurrent liabilities	79,405,266	831,002	944,553	95,001	3,599,967	6,126,806	91,002,595
	₱977,610,129	₱5,947,548	₱11,020,848	₱398,527	₱11,390,541	(₱14,911,700)	₱991,455,893
Investments in associates and joint ventures	₱2,688,764	₱–	₱164,971	₱8,227,070	₱–	₱10,509,069	₱21,589,874
Equity attributable to:							
Equity holders of the Company	159,359,238	22,335,893	25,186,993	26,184,097	19,609,177	(53,830,539)	198,844,859
Non-controlling interests	3,549,378	207,534	51,304	–	–	74,008,601	77,816,817
Noncurrent assets:							
Property, plant and equipment	19,667,204	8,268,866	13,991,294	82,010	912,384	27,852,063	70,773,821
Investment properties	12,684,829	239,009	14,002	2,108,595	20,984,232	1,014,337	37,045,004
Short-term debts	–	–	4,490,000	–	–	–	4,490,000
Long-term debts	62,075,488	434,237	549,526	–	4,926,148	(1,273,096)	66,712,303

For the year ended December 31, 2021:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Segment revenue:							
External customers	₱49,319,441	₱26,648,772	₱13,173,729	₱–	₱888,536	₱1,142,837	₱91,173,315
Inter-segment	154,880	65,018	748,650	–	863,347	(1,831,895)	–
	49,474,321	26,713,790	13,922,379	–	1,751,883	(689,058)	91,173,315
Cost of goods sold and services	8,608,926	23,465,492	10,652,572	–	779,198	(549,174)	42,957,014
Gross profit	40,865,395	3,248,298	3,269,807	–	972,685	(139,884)	48,216,301
Equity in net earnings of associates and joint ventures	50,789	–	46,781	17,600,810	–	322,800	18,021,180
	40,916,184	3,248,298	3,316,588	17,600,810	972,685	182,916	66,237,481
Selling expenses	–	842,796	1,036,698	–	25,526	–	1,905,020
General and administrative expenses	36,693,181	682,797	1,388,128	168,043	837,843	551,885	40,321,877
Operating income	4,223,003	1,722,705	891,762	17,432,767	109,316	(368,969)	24,010,584
Foreign exchange gains - net	743,549	37,257	6,064	14,616	4,150	10,379	816,015
Finance income	–	10,538	7,518	42,808	8,235	(27,436)	41,663
Finance costs	–	(94,714)	(201,616)	–	(257,231)	188,688	(364,873)
Others - net	35,336,752	(67,018)	(18,196)	5,532	798,561	(33,296,800)	2,758,831
Income before income tax	40,303,304	1,608,768	685,532	17,495,723	663,031	(33,494,138)	27,262,220
Provision for (benefit from) income tax	5,545,194	366,508	210,358	(7,227)	112,849	194,064	6,421,746
Segment profit from:							
Continuing operations	34,758,110	1,242,260	475,174	17,502,950	550,182	(33,688,202)	20,840,474
Discontinued operations	(735,365)	–	–	–	–	755,980	20,615
	₱34,022,745	₱1,242,260	₱475,174	₱17,502,950	₱550,182	(₱32,932,222)	₱20,861,089
Segment profit attributable to:							
Equity holders of the Company	₱33,963,333	₱1,237,830	₱469,268	₱17,502,950	₱550,182	(₱33,477,096)	₱20,246,467
Non-controlling interests	59,412	4,430	5,906	–	–	544,874	614,622
Depreciation and amortization expense	2,673,644	624,415	1,796,937	46,925	412,243	186,890	5,741,054

Other financial information of the operating segments as of December 31, 2021 is as follows:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Assets:							
Current assets	₱599,353,375	16,754,953	17,796,934	14,286,955	9,744,300	(11,444,605)	646,491,912
Noncurrent assets	586,057,462	10,778,690	15,785,928	14,945,127	22,702,015	15,075,230	665,344,452
	₱1,185,410,837	27,533,643	33,582,862	29,232,082	32,446,315	3,630,625	1,311,836,364
Liabilities:							
Current liabilities	₱925,534,374	5,406,099	8,058,760	307,572	6,542,370	(17,635,044)	928,214,131
Noncurrent liabilities	105,783,546	1,024,560	1,314,949	88,735	6,680,286	5,193,478	120,085,554
	₱1,031,317,920	6,430,659	9,373,709	396,307	13,222,656	(12,441,566)	1,048,299,685
Investments in associates and joint ventures	₱2,468,107	–	103,527	11,729,777	–	7,906,898	22,208,309
Equity attributable to:							
Equity holders of the Company	150,873,774	20,893,287	24,171,404	28,835,775	19,223,659	(53,926,491)	190,071,408
Non-controlling interests	3,219,143	209,697	37,749	–	–	69,998,682	73,465,271
Noncurrent assets:							
Property, plant and equipment	21,231,002	9,413,571	14,528,673	85,530	1,008,420	27,844,457	74,111,653
Investment properties	9,633,839	245,728	14,002	2,108,595	21,291,373	1,153,816	34,447,353
Short-term debts	–	895,000	3,940,000	–	–	(895,000)	3,940,000
Long-term debts	57,148,812	390,497	584,163	–	6,644,964	(2,125,102)	62,643,334

5. **Cash and Cash Equivalents**

Cash and cash equivalents consist of:

	2023	2022
	(In Thousands)	
Cash and other cash items	**₱21,807,797**	₱23,220,417
Cash equivalents:		
Due from BSP	**95,410,350**	94,701,360
Securities held under agreements to resell	**69,694,538**	64,523,862
Interbank loans receivables*	**35,634,440**	16,290,101
Due from other banks	**21,243,856**	26,010,183
	₱243,790,981	₱224,745,923

**net of allowance for ECL*

a. Cash and other cash items consist of cash on hand and in banks and short-term investments. Cash in banks earn interest at bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group.

b. Due from BSP is composed of interest-bearing short-term placements with BSP and a demand deposit account to support the regular operations of PNB, which consists of:

	2023	2022
	(In Thousands)	
Demand deposit	**₱78,372,794**	₱74,701,360
Overnight deposit facility (ODF)	**15,000,000**	5,000,000
Term deposit facility (TDF)	**2,037,556**	15,000,000
	₱95,410,350	₱94,701,360

ODFs and TDFs bear annual interest rates range from:

	2023	2022	2021
ODF	**5.00% - 6.00%**	1.50% - 5.00%	1.50% - 2.00%
TDF	**6.28% - 6.75%**	1.66% - 6.43%	1.60% - 2.02%

c. Interbank loans receivables bear annual interest ranging from 5.5% to 6.4% in 2023 for peso-denominated interbank loans receivables and from 0.9% to 6.1% and from 0.4% to 5.3% in 2023 and 2022, respectively, for foreign currency-denominated interbank loans receivables.

d. Securities held under agreements to resell bear interest ranging from 4.20% to 7.00% and from 2.00% to 5.50% in 2023 and 2022, respectively.

   The fair value of the treasury bills pledged under these agreements as of December 31, 2023 and 2022 amounted to ₱57.8 billion and ₱64.3 billion, respectively, for the Group (Note 33).

e. Interest earned on cash and other cash items and cash equivalents are presented under “Banking revenue” and “Finance income”, respectively (see Notes 24 and 27).

6. Financial Assets at FVTPL

Financial assets at FVTPL consist of:

	2023	2022
	(In Thousands)	
Government securities	**₱8,174,405**	₱4,371,670
Private debt securities	**1,590,489**	1,610,682
Derivative assets (Notes 21 and 33)	**749,199**	1,361,951
Unit investment trust fund (UITF)	**33,731**	31,925
Equity securities	**2,771**	2,898
	₱10,550,595	₱7,379,126

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

	2023	2022
Government securities	**1.4% - 8.0%**	1.4% - 8.0%
Private debt securities	**2.8% - 8.8%**	4.9% - 6.9%

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

Financial Assets at FVTOCI

This account consists of:

	2023	2022
	(In Thousands)	
Government securities (Note 17)	**₱124,895,862**	₱118,396,055
Private debt securities	**14,180,552**	15,430,870
Equity securities:		
Quoted	**2,248,636**	2,078,059
Unquoted	**2,720,876**	1,709,152
	144,045,926	137,614,136
Noncurrent portion	**(31,709,930)**	(50,761,530)
	₱112,335,996	₱86,852,606

a. For the years ended December 31, 2023, 2022 and 2021, the nominal interest rates of government securities range from 0.2% to 19.1%, 0.2% to 26.2% and 0.1% to 18.3%, respectively.

b. For the years ended December 31, 2023, 2022 and 2021, the nominal interest rates of private debt securities range from 0.5% to 6.4%, 0.5% to 6.4%, and 0.4% to 6.9% respectively.

c. As of December 31, 2023 and 2022, the fair value of financial assets at FVTOCI in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions with foreign banks amounted to ₱6.5 billion and ₱2.5 billion, respectively (see Note 17). The counterparties have an obligation to return the securities to PNB once the obligations have been settled. In case of default, the foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement.

d. Other debt securities consist of notes issued by private entities. As of December 31, 2023 and 2022, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱46.8 million and ₱119.5 million, respectively.

Financial Assets at Amortized Cost
This account consists of:

	2023	2022
Government securities	**₱104,533,382**	₱78,233,180
Private debt securities	**18,822,880**	36,082,780
	123,356,262	114,315,960
Less allowance for expected credit losses	**(155,835)**	(3,848,000)
	123,200,427	110,467,960
Noncurrent portion	**(101,359,065)**	(78,956,212)
	₱21,841,362	₱31,511,748

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

	2023	2022	2021
Government securities	**0.8% - 7.5%**	0.8% - 7.5%	0.1% - 7.4%
Private debt securities	**1.0% - 8.3%**	0.8% - 8.3%	0.4% - 6.9%

In 2023 and 2022, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.

As of December 31, 2023 and 2022, the fair value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱5.5 billion (see Note 17).

As of December 31, 2023, the Group set aside government securities booked under 'Investment securities at amortized cost' with total carrying value of ₱363.3 million as liquidity cover for 50.0% of the outstanding balances of electronic money (e-money) products in compliance with BSP Circular 1166, *Amendments to the Regulations on Electronic Money and the Operations of Electronic Money Issuers in the Philippines*. This is on top of the fund held in trust to cover for the other 50.0% of the outstanding e-money balances

8. Loans and Receivables

Loans and receivables consist of:

	2023	2022
	(In Thousands)	
Finance receivables (Notes 17 and 22)	**₱661,279,406**	₱632,837,081
Trade receivables	**19,006,343**	19,078,556
Other receivables	**4,350,518**	4,467,755
	684,636,267	656,383,392
Allowance for credit losses	**(44,950,751)**	(41,455,266)
	639,685,516	614,928,126
Noncurrent portion	**(347,989,209)**	(409,434,007)
	₱291,696,307	₱205,494,119

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

	2023	2022
	(In Thousands)	
Receivables from customers:		
Loans and discounts	**₱608,727,856**	₱579,956,975
Customers' liabilities on acceptances, letters of credit and trust receipts	**18,221,792**	17,651,337
Credit card receivables	**15,232,845**	14,382,681
Bills purchased (Note 20)	**1,966,389**	1,236,798
Lease contract receivable	**8,399**	873,878
	644,157,281	614,101,669
Other receivables:		
Accrued interest receivable	**8,355,100**	7,071,980
Accounts receivable	**5,322,230**	5,620,135
Sales contract receivables	**3,760,162**	6,240,309
Miscellaneous	**366,093**	559,098
	17,803,585	19,491,522
	661,960,866	633,593,191
Unearned and other deferred income	**(681,460)**	(756,110)
	661,279,406	632,837,081
Allowance for credit losses	**(44,568,661)**	(40,941,534)
	616,710,745	591,895,547
Noncurrent portion	**(347,975,014)**	(409,345,493)
	₱268,735,731	₱182,550,054

a. Lease contract receivable

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

	2023	2022
	(In Thousands)	
Minimum lease payments		
Due within one year	**₱7**	₱446,485
Due beyond one year but not over five years	**2,734**	196,987
	2,741	643,472
Residual value of leased equipment		
Due within one year	**5,658**	107,634
Due beyond one year but not over five years	−	122,772
	5,658	230,406
Gross investment in lease contract receivables	**₱8,399**	₱873,878

b. Interest income on loans and receivables amounted to ₱40.8 billion, ₱34.3 billion and ₱34.2 billion in 2023, 2022 and 2021, respectively (see Note 24).

As of December 31, 2023 and 2022, 69.6% and 69.5%, respectively, of the total receivable from customers of PNB were subject to interest repricing. As of December 31, 2023 and 2022, 70.6% and 70.5%, respectively, of the total receivables from customers of PNB were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.0% to 9.0% in 2023, from 1.1% to 11.2% in 2022 and from 1.0% to 9.0% in 2021 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2023, from 1.1% to 31.5% in 2022 and from 1.1% to 31.5% in 2021 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 5.0% to 20.2% in 2023 and from 3.3% to 21.0% in 2022 and 2021.

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

	Consolidated							
	2023				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱1,455,038**	**₱5,954,356**	**₱19,266,969**	**₱26,676,363**	₱459,223	₱859,753	₱26,308,150	₱27,627,126
Transfers to Stage 1	**22,816**	**(22,816)**	**–**	**–**	124,442	(122,231)	(2,211)	–
Transfers to Stage 2	**(572,482)**	**647,566**	**(75,084)**	**–**	(13,026)	7,561,264	(7,548,238)	–
Transfers to Stage 3	**(331,606)**	**(3,394,552)**	**3,726,158**	**–**	(2,707)	(181,214)	183,921	–
Provisions (reversals)	**1,200,421**	**(289,526)**	**2,718,659**	**3,629,554**	887,106	(2,163,216)	5,165,128	3,889,018
Accounts charged off	**–**	**–**	**(27,652)**	**(27,652)**	–	–	(48,784)	(48,784)
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	–	–	(4,580,430)	(4,580,430)
Other movements	**–**	**–**	**–**	**–**	–	–	(210,567)	(210,567)
Ending Balance	**1,774,187**	**2,895,028**	**25,709,050**	**30,278,265**	1,455,038	5,954,356	19,266,969	26,676,363
LGU								
Beginning Balance	**472**	**8,471**	**65,694**	**74,637**	265	10,632	67,798	78,695
Provisions (reversals)	**(81)**	**(1,787)**	**(2,478)**	**(4,346)**	207	(2,161)	(2,104)	(4,058)
Ending Balance	**391**	**6,684**	**63,216**	**70,291**	472	8,471	65,694	74,637
Credit Cards								
Beginning Balance	**491,509**	**83,742**	**712,977**	**1,288,228**	61,472	26,686	2,319,769	2,407,927
Transfers to Stage 1	**22,578**	**(16,917)**	**(5,661)**	**–**	14,583	(5,637)	(8,946)	–
Transfers to Stage 2	**(17,425)**	**17,465**	**(40)**	**–**	(1,666)	2,188	(522)	–
Transfers to Stage 3	**(25,370)**	**(12,031)**	**37,401**	**–**	(2,726)	(3,171)	5,897	–
Provisions (reversals)	**37,154**	**37,624**	**844,677**	**919,455**	419,846	63,676	411,234	894,756
Accounts charged off	**–**	**–**	**(892,571)**	**(892,571)**	–	–	(2,014,455)	(2,014,455)
Ending Balance	**508,446**	**109,883**	**696,783**	**1,315,112**	491,509	83,742	712,977	1,288,228
Retail SMEs								
Beginning Balance	**200,621**	**26,631**	**1,337,812**	**1,565,064**	156,723	16,002	1,643,255	1,815,980
Transfers to Stage 1	**110**	**–**	**(110)**	**–**	15,101	(386)	(14,715)	–
Transfers to Stage 2	**(1,051)**	**2,229**	**(1,178)**	**–**	(51,349)	51,549	(200)	–
Transfers to Stage 3	**–**	**(80,052)**	**80,052**	**–**	(736)	(1,050)	1,786	–
Provisions (reversals)	**(11,015)**	**61,308**	**463,438**	**513,731**	80,882	(39,484)	402,656	444,054
Accounts charged off	**–**	**–**	**(401,774)**	**(401,774)**	–	–	(694,970)	(694,970)
Other movements	**–**	**–**	**(689,424)**	**(689,424)**	–	–	–	–
Ending Balance	**188,665**	**10,116**	**788,816**	**987,597**	200,621	26,631	1,337,812	1,565,064
Housing Loans								
Beginning Balance	**447,670**	**115,108**	**3,785,067**	**4,347,845**	256,953	54,367	3,121,446	3,432,766
Transfers to Stage 1	**43,356**	**(6,424)**	**(36,932)**	**–**	527,271	(17,691)	(509,580)	–
Transfers to Stage 2	**(30,074)**	**43,180**	**(13,106)**	**–**	(5,794)	71,159	(65,365)	–
Transfers to Stage 3	**(260,638)**	**(124,595)**	**385,233**	**–**	(33,977)	(26,337)	60,314	–
Provisions (reversals)	**325,582**	**19,928**	**(165,041)**	**180,469**	(296,783)	33,610	1,178,252	915,079
Ending Balance	**525,896**	**47,197**	**3,955,221**	**4,528,314**	447,670	115,108	3,785,067	4,347,845

(Forward)

	Consolidated							
	2023				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	**₱20,844**	**₱ 2,253**	**₱ 1,497,222**	**₱ 1,520,319**	₱8,996	₱2,166	₱1,467,584	₱1,478,746
Transfers to Stage 1	**600**	**(131)**	**(469)**	**–**	85,614	(671)	(84,943)	–
Transfers to Stage 2	**(476)**	**525**	**(49)**	**–**	(197)	5,619	(5,422)	–
Transfers to Stage 3	**(21,039)**	**(10,155)**	**31,194**	**–**	(350)	(1,213)	1,563	–
Provisions (reversals)	**25,764**	**8,194**	**(401,452)**	**(367,494)**	(73,219)	(3,648)	124,794	47,927
Accounts charged off	**–**	**–**	**(47,526)**	**(47,526)**	–	–	(6,354)	(6,354)
Ending Balance	**25,693**	**686**	**1,078,920**	**1,105,299**	20,844	2,253	1,497,222	1,520,319
Other Loans								
Beginning Balance	**15,750**	**78,197**	**1,168,060**	**1,262,007**	242,940	8,236	716,032	967,208
Transfers to Stage 1	**1,364**	**(244)**	**(1,120)**	**–**	302,607	(3,134)	(299,473)	–
Transfers to Stage 2	**(148,740)**	**216,224**	**(67,484)**	**–**	(50)	27,615	(27,565)	–
Transfers to Stage 3	**(42,076)**	**(6,097)**	**48,173**	**–**	(506)	(2,527)	3,033	–
Provisions (reversals)	**245,496**	**(23,372)**	**(219,101)**	**3,023**	(529,241)	48,007	788,680	307,446
Ending Balance	**71,794**	**264,708**	**928,528**	**1,265,030**	15,750	78,197	1,168,060	1,262,007
Other Receivables								
Beginning Balance	**87,993**	**148,230**	**3,970,848**	**4,207,071**	81,507	33,359	3,414,200	3,529,066
Transfers to Stage 1	**162**	**(138)**	**(24)**	**–**	26	(5)	(21)	–
Transfers to Stage 2	**(4,115)**	**4,177**	**(62)**	**–**	(758)	10,530	(9,772)	–
Transfers to Stage 3	**(3,463)**	**(421,743)**	**425,206**	**–**	(4,861)	(15,475)	20,336	–
Provisions (reversals)	**50,698**	**306,790**	**454,298**	**811,786**	12,079	119,821	528,402	660,302
Accounts charged off	**–**	**–**	**(49,305)**	**(49,305)**	–	–	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	–	–	(11,313)	(11,313)
Other movements	**–**	**–**	**49,201**	**49,201**	–	–	37,642	37,642
Ending Balance	**131,275**	**37,316**	**4,850,162**	**5,018,753**	87,993	148,230	3,970,848	4,207,071
Total Loans and Receivables								
Beginning Balance	**2,719,897**	**6,416,988**	**31,804,649**	**40,941,534**	1,268,079	1,011,201	39,058,234	41,337,514
Transfers to Stage 1	**90,986**	**(46,670)**	**(44,316)**	**–**	1,069,644	(149,755)	(919,889)	–
Transfers to Stage 2	**(774,363)**	**931,366**	**(157,003)**	**–**	(72,840)	7,729,924	(7,657,084)	–
Transfers to Stage 3	**(684,192)**	**(4,049,225)**	**4,733,417**	**–**	(45,863)	(230,987)	276,850	–
Provisions (reversals)	**1,874,019**	**119,159**	**3,693,000**	**5,686,178**	500,877	(1,943,395)	8,597,042	7,154,524
Accounts charged off	**–**	**–**	**(1,418,828)**	**(1,418,828)**	–	–	(2,785,836)	(2,785,836)
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	–	–	(4,591,743)	(4,591,743)
Other movements	**–**	**–**	**(640,223)**	**(640,223)**	–	–	(172,925)	(172,925)
Ending Balance	**₱3,226,347**	**₱3,371,618**	**₱37,970,696**	**₱44,568,661**	₱2,719,897	₱6,416,988	₱31,804,649	₱40,941,534

<u>Trade Receivables</u>

Trade receivables consist of:

	2023	2022
	(In Thousands)	
Consumer goods	**₱18,628,297**	₱17,978,654
Contract receivables	**222,843**	708,173
Lease receivables	**155,203**	391,729
	19,006,343	19,078,556
Allowance for credit losses	**(345,306)**	(476,950)
	18,661,037	18,601,606
Noncurrent portion of contract receivables	**(14,195)**	(88,514)
	₱18,646,842	₱18,513,092

Trade receivables on consumer goods pertain to receivables from various customers of distilled spirits, beverages and tobacco segments, which are noninterest-bearing and generally have 30 to 90 days' terms.

<u>Other Receivables</u>

Other receivables are due and demandable and include accrued interest receivable pertaining to interest earned on cash and cash equivalents and unpaid utility charges to tenants and receivables from sale of various assets.

Movements of Allowance for Credit Losses

Details and movements of allowance for credit losses as follows:

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

	December 31, 2022			
	Finance Receivables	Trade Receivables	Other Receivables	Total
	(In Thousands)			
Balance at beginning of year	₱39,340,761	₱246,122	₱274,829	₱39,861,712
Provisions (Reversals) during the year (Note 26)	7,198,117	−	(69,072)	7,129,045
Accounts charged off, transfers and others	(5,597,344)	230,828	(168,975)	(5,535,491)
Balance at end of year	₱40,941,534	₱476,950	₱36,782	₱41,455,266

9. Inventories

	2023	2022
	(In Thousands)	
At Cost:		
Consumer goods:		
Alcohol	**₱3,856,589**	₱3,650,581
Beverage	**3,736,531**	4,292,228
	7,593,120	7,942,809
Real estate inventories:		
Condominium and residential units for sale	**439,547**	430,865
Land held for future development	**217,542**	217,542
Subdivision land under development	**3,101,070**	3,666,508
	3,758,159	4,314,915
Fuel, materials and supplies	**1,204,892**	1,134,268
	12,556,171	13,391,992
At NRV - Materials and supplies	**1,152,946**	1,618,781
	₱13,709,117	₱15,010,773

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

	2023	2022
	(In Thousands)	
Finished goods	**₱1,168,086**	₱1,460,258
Work in process	**1,414,595**	1,611,017
Raw materials	**5,010,439**	4,871,534
	₱7,593,120	₱7,942,809

Cost of consumer goods inventories recognized as expenses under cost of goods sold amounted to ₱17.3 billion, ₱17.9 billion and ₱14.6 billion in 2023, 2022 and 2021, respectively (see Note 24).

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

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱4,314,915**	₱4,398,531
Construction/development costs incurred	**23,123**	142,819
Sales	**(579,879)**	(226,435)
Balance at end of year	**₱3,758,159**	₱4,314,915

c. Allowance for inventory obsolescence on materials and supplies amounted to ₱9.8 million and ₱4.1 million as of December 31, 2023 and 2022, respectively.

10. Other Current Assets

	2023	2022
	(In Thousands)	
Advances to suppliers	**₱2,487,299**	₱2,282,424
Input VAT	**2,267,529**	1,667,311
Assets of disposal group classified as held for sale	**1,770,930**	2,464,603
Creditable withholding taxes (CWT)	**1,693,190**	1,694,430
Deferred charges	**1,346,142**	1,477,762
Prepaid expenses	**1,026,036**	2,460,720
Stationeries, office supplies and stamps on hand	**570,375**	398,770
Excise tax	**209,558**	262,686
Miscellaneous cash and other cash items	**50,444**	71,457
Others	**956,689**	716,963
	₱12,378,192	₱13,497,126

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

b. Assets of disposal group classified as held for sale pertains to the assets of AAC, a subsidiary of TDI. Based on management's assessment, this met the criteria and qualifies as a disposal group held for sale. Assets of AAC as of December 31 consist of the following:

	2023	2022
	(In Thousands)	
Cash	**₱32,357**	₱100,618
Inventories	**229,461**	343,894
Property, plant and equipment	**1,032,990**	1,093,742
Investment properties	**249,432**	642,258
Others	**226,690**	284,091
	₱1,770,930	₱2,464,603

c. Prepaid expenses include prepaid importation charges amounting to ₱93.9 million and ₱1,336.5 million as of December 31, 2023 and 2022, respectively. Prepaid importation charges pertain to the purchases of raw materials by the distilled spirits.

d. CWTs pertain mainly to the amounts withheld from income derived from sale of consumer goods and real estate inventories. The CWTs can be applied against any income tax liability of a company in the Group to which the CWTs relate.

e. Excise tax pertains to advance tax payments to the Bureau of Internal Revenue (BIR) on sale of alcoholic beverages.

f. Others include interoffice floats and advances to contractors.

11. Investment in Associates and Joint Ventures

Investments in Associates and Joint Ventures

The Group has the power to participate in the financial and operating policy decisions of PMFTC, Victorias Milling Company, Inc. (VMC), AB HPI, and APLII. The Group also has 50% interest in ABI Pascual Holdings Private Limited (ABI Pascual Holdings) and ALI-Eton Property Development Corporation (AEPDC) which are jointly controlled entities.

	Ownership		Amount	
	2023	2022	**2023**	2022
			(In Thousands)	
Associates:				
PMFTC	**49.6%**	49.6%	**₱1,637,857**	₱7,313,230
VMC	**26.1%**	30.9%	**4,183,952**	3,774,931
APLII	**44.0%**	44.0%	**3,199,124**	2,688,764
AB HPI	**50.0%**	50.0%	–	–
Joint Ventures:				
AEPDC	**50.0%**	50.0%	**9,770,041**	7,647,978
ABI Pascual Holdings	**50.0%**	50.0%	**212,773**	164,971
			₱19,003,747	₱21,589,874

Equity in net earnings consists of:

	2023	2022	2021
		(In Thousands)	
PMFTC	**₱11,065,618**	₱15,461,496	₱17,600,810
Others	**859,114**	633,079	420,370
	₱11,924,732	₱16,094,575	₱18,021,180

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

	2023	2022
	(In Thousands)	
Acquisition cost	**₱13,483,541**	₱13,483,541
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**(6,988,923)**	(3,259,551)
Equity in net earnings	**11,065,618**	15,461,496
Cash dividends (Note 22)	**(16,748,650)**	(19,190,868)
Balance at end of year	**(12,671,955)**	(6,988,923)
Accumulated share in other comprehensive income	**826,271**	818,612
	₱1,637,857	₱7,313,230

On February 25, 2010, FTC and PMPMI combined their respective domestic business operations by transferring selected assets and liabilities to PMFTC in accordance with the provisions of the Asset Purchase Agreement (APA) between FTC and its related parties and PMPMI. The establishment of PMFTC allows FTC and PMPMI to benefit from their respective, complementary brand portfolios as well as cost synergies from the resulting integration of manufacturing, distribution and procurement, and the further development and advancement of tobacco industry growing in the Philippines. FTC and PMPMI hold equal economic interest in PMFTC. Since PMPMI has majority of the members of the BOD, it has control over PMFTC. FTC considers PMFTC as an associate.

As a result of FTC's divestment of its cigarette business to PMFTC, FTC initially recognized the investment amounting to ₱13.5 billion, representing the fair value of the net assets contributed by FTC, net of unrealized gain of ₱5.1 billion. The transaction was accounted for similar to a contribution in a joint venture based on Standing Interpretations Committee (SIC) Interpretation 13, *Jointly Controlled Entities-Non-Monetary Contributions by Venturers*, where FTC recognized only that portion of the gain which is attributable to the interests of PMPMI amounting to ₱5.1 billion in 2010. The portion attributable to FTC is being recognized once the related assets and liabilities are realized, disposed or settled. FTC recognized a gain of about ₱293.0 million each year starting 2011 until 2017 and an outright loss of ₱2.0 billion in 2010, which are included in the "Equity in net earnings" in these periods. Further, as a result of the transfer of selected assets and liabilities, portion of the revaluation increment on FTC's property, plant and equipment amounting to ₱1.9 billion was transferred to retained earnings.

Also, as a result of the transaction, FTC has obtained the right to sell (put option) its interest in PMFTC to PMPMI, except in certain circumstances, during the period from February 25, 2015 through February 24, 2018, at an agreed-upon value. On December 10, 2013, the BOD of LTG approved the waiver by FTC of its rights under the Exit Rights Agreement entered into with PMI and confirmed the execution of the Termination Agreement.

Summarized financial information of PMFTC, based on its financial statements as at December 31, 2023 and 2022 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2023	2022
	(In Thousands)	
Current assets	**₱49,695,515**	₱52,127,377
Noncurrent assets	**32,007,716**	28,478,321
Current liabilities	**31,313,619**	24,167,426
Noncurrent liabilities	**4,274,243**	4,720,614
Equity	**46,115,369**	51,717,658
Equity interest of the Parent Company	**49.60%**	49.6%
Share in net assets of the acquiree	**22,873,223**	25,651,958
Fair value adjustments, adjustments relating to differences in accounting policies and others	**(21,235,366)**	(18,338,728)
Carrying value of investment	**₱1,637,857**	₱7,313,230

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

	2023	2022	2021
		(In Thousands)	
Revenue	**₱145,412,540**	₱176,007,078	₱172,762,533
Costs and expenses	**(115,995,393)**	(134,565,385)	(127,882,015)
Income before income tax	**29,417,147**	41,441,693	44,880,518
Provision for income tax	**(7,373,888)**	(10,536,036)	(9,661,727)
Net income	**22,043,259**	30,905,657	35,218,791
Other comprehensive income	**15,441**	320,745	585,549
Total comprehensive income	**₱22,058,700**	₱31,226,402	₱35,804,340
Group’s share of total comprehensive income for the year	**₱10,941,115**	₱15,488,295	₱17,758,953

Investment in VMC

Details of investment in VMC are as follows:

	2023	2022
	(In Thousands)	
Acquisition cost	**₱1,459,768**	₱1,459,768
Accumulated equity in net earnings:		
Balance at beginning of year	**2,259,461**	1,827,731
Equity in net earnings	**346,627**	491,046
Cash dividends (Note 22)	–	(59,316)
Balance at end of year	**2,606,088**	2,259,461
Share in remeasurement gain (loss) on defined benefit plans	**59,636**	(2,758)
Balance of convertible notes	**58,460**	58,460
	₱4,183,952	₱3,774,931

On February 15, 2016, VMC approved the acquisition of its own shares. The sale agreement had been executed on February 18, 2016 and led to the acquisition of 300.0 million treasury shares. This resulted in an increase in the Parent Company's percentage of ownership from 22.5% to 25.1%. On the same date, the Group, through FTC, acquired additional shares of stock of VMC amounting to ₱660.3 million resulting to an increase in the Group's effective ownership in VMC to 30.2%.

On May 23, 2017, portions of the convertible notes amounting to ₱58.94 million were converted to shares of stock of VMC resulting to an increase in the Group's percentage of ownership to 30.9% as of December 31, 2017.

The summarized financial information of VMC as of August 31, 2023 and 2022 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2023	2022
	(In Thousands)	
Current assets	**₱5,390,238**	₱4,236,359
Noncurrent assets	**8,153,445**	7,108,633
Current liabilities	**1,573,162**	751,030
Noncurrent liabilities	**790,213**	994,476
Equity	**11,180,308**	9,599,486
Equity interest of the Parent Company	**30.90%**	30.9%
Share in net assets of the acquiree	**3,454,715**	2,966,241
Fair value adjustments and others	**729,237**	808,690
Carrying value of investment	**₱4,183,952**	₱3,774,931

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

	2023	2022	2021
		(In Thousands)	
Revenue	**₱15,546,991**	₱8,550,322	₱7,468,247
Costs and expenses	**(13,823,398)**	(7,460,683)	(6,607,202)
Income before income tax	**1,723,593**	1,089,639	861,045
Provision for income tax	**(152,921)**	(123,569)	(74,809)
Net income	**1,570,672**	966,070	786,236
Other comprehensive income	**201,919**	7,820	42,790
Total comprehensive income	**₱1,772,591**	₱973,890	₱829,026
Group's share of total comprehensive income for the year	**₱547,731**	₱300,932	₱256,169

Investment in APLII

On December 21, 2015, PNB entered into a 15-year exclusive partnership with Allianz SE under the following arrangements, subject to regulatory approvals:

- Allianz SE will acquire 12,750 shares representing 51% stockholdings of APLII and will have management control over the new joint venture company;
- The new joint venture company will operate under the name of "Allianz-PNB Life Insurance, Inc.";
- A 15-year distribution agreement which will provide Allianz an exclusive access to the branch network of PNB and PNB Savings Bank.

The sale of APLII was completed on June 6, 2016 for a total consideration of US$66.0 million (₱3.1 billion). Pursuant to the sale of APLII, PNB also entered into a distribution agreement with APLII where PNB will allow APLII to have exclusive access to the distribution network of PNB and its subsidiary, PNB Savings Bank, over a period of 15 years. Both the share purchase agreement and distribution agreement have provisions referring to one another, making the distribution agreement an integral component of the sale transaction. Accordingly, the purchase consideration of US$66.0 million (₱3.1 billion) was allocated between the sale of the 51% interest in APLII and the Exclusive Distribution Rights (EDR) amounting to US$44.9 million (₱2.1 billion) and US$21.1 million (₱1.0 billion), respectively.

PNB will also receive variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

The Group recognized gain on sale of the 51% interest in APLII amounting to ₱400.3 million, net of taxes and transaction costs amounting to ₱276.7 million and ₱153.3 million, respectively. The deferred revenue amounting to ₱976.2 million allocated to the EDR was presented as "Other deferred revenue" and will be amortized to income over 15 years from date of sale (see Note 20). Amortization amounting to ₱36.5 million was recognized in 2016 (see Note 28). Prior to the sale of shares to Allianz SE, PNB acquired additional 15% stockholdings from the minority shareholders for a consideration amounting to ₱292.4 million between June 2, 2016 and June 5, 2016.

Consequently, PNB accounted for its remaining 44% ownership interest in APLII as an associate. At the date of loss of control, PNB's investment in APLII was remeasured to ₱2.7 billion based on the fair value of its retained equity. PNB recognized gain on remeasurement amounting to ₱1.6 billion in the 2016 consolidated statement of income.

The fair value of the retained equity was based on a combination of the income approach and market approach.

On September 21, 2016, the Philippine SEC approved the amendment of PNB Life Insurance, Inc.'s article of incorporation to reflect the change in corporate name to Allianz-PNB Life Insurance, Inc.

Summarized financial information of APLII as of December 31, 2023 and 2022 follows:

	2023	2022
	(In thousands)	
Current assets	**₱2,181,489**	₱1,452,894
Noncurrent assets	**113,166,291**	90,446,895
Current liabilities	**1,404,749**	1,535,802
Noncurrent liabilities	**110,327,928**	87,928,050
Equity	**3,615,103**	2,435,937
Equity interest of the Parent Company	**44%**	44%
Share in net assets of the acquiree	**1,590,645**	1,071,812
Fair value adjustments and others	**1,608,479**	1,616,952
Carrying value of investment	**₱3,199,124**	₱2,688,764

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

	2023	2022	2021
	(In Thousands)		
Revenue	**₱6,867,294**	₱4,344,038	₱3,732,388
Costs and expenses	**(6,257,991)**	(4,486,380)	(3,624,691)
Net income (loss)	**609,303**	(142,342)	107,697
Other comprehensive loss	**(357,591)**	(262,006)	–
Total comprehensive income (loss)	**₱251,712**	(₱404,348)	₱107,697
Group's share of total comprehensive income (loss) for the year	**₱110,753**	(₱177,913)	₱47,387

Investment in AB HPI
On May 6, 2016, AB HPI was incorporated and registered with the Philippine SEC for 1,000 authorized shares at ₱1,000 par value per share under the name of Broncobrew, Incorporated (Broncobrew). The Philippine SEC approved the change in corporate name of Broncobrew to AB Heineken Philippines Inc. on July 12, 2016.

On May 30, 2016, the Group, through ABI, fully paid its initial subscription to 250 common shares at 1,000 par value per share purchased additional 250 common shares at issue price of ₱4,750,000. On November 15, 2016, the Group purchased additional 782,400 common shares at ₱1,000 par value per share out of the proposed increase in the authorized capital stock of AB HPI. The Group's subscription to AB HPI represents 50% ownership interest.

In accordance with the Shareholders' Agreement entered into by the Group and Heineken International B.V. on May 27, 2016, the Group sold nonmonetary assets, (i.e., inventories, returnable containers and brands), to AB HPI for a total consideration of ₱782.4 million. The nonmonetary assets were sold at their carrying amounts, except for the brands which resulted to a gain of ₱46.3 million. The Group also recognized the investment amounting to ₱1,843.6 million representing 50% of the fair value of AB HPI's net assets.

On March 20, 2020, the Group made additional capital infusion amounting to ₱31.3 million to support the operations of AB HPI.

In December 2020, the BOD of AB HPI approved the termination of the Shareholders' Agreement entered into on May 27, 2016, including the other related agreements, and the wind down of the business and operations of AB HPI effective December 31, 2020. The BOD also approved the sale of fixed assets, including beer equipment, and spare parts to the Company for purchase price totaling ₱1.3 billion. The Group accounted for the purchase of these assets as an acquisition of group of assets and recognized these assets based on their acquisition costs.

On December 22, 2020, additional capital infusion amounting to ₱361.1 million was made to cover for AB HPI's outstanding debts, winding up and maintenance costs, consultant fees and taxes.

In 2020, due to AB HPI's change of plans in the brewery business and continuing losses of AB HPI, the Group recognized an impairment loss on its investment in an associate amounting to ₱392.4 million.

Investment in AB HPI as of December 31, 2023 and 2022 amounted to nil.

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

Information on the Company's investment to AEPDC follows:

Date of investment	Additional number of shares	**2023**	2022
April 15, 2016	20,000,000	**₱20,000,000**	₱20,000,000
July 5, 2017	25,200,000	**25,200,000**	25,200,000
July 5, 2017	226,800,000	**226,800,000**	226,800,000
November 20, 2017	370,000,000	**370,000,000**	370,000,000
January 1, 2018	1,534,000,000	**1,534,000,000**	1,534,000,000
July 16 and November 19, 2019	1,195,000,000	**1,195,000,000**	1,195,000,000
April 28 and July 27, 2020	1,083,500,000	**1,083,500,000**	1,083,500,000
February 22, 2021	150,000,000	**150,000,000**	150,000,000
May 11, 2021	377,000,000	**377,000,000**	377,000,000
December 13, 2021	306,000,000	**306,000,000**	306,000,000
April 29, 2022	1,250,000,000	**1,250,000,000**	1,250,000,000
November 25, 2022	849,000,000	**849,000,000**	849,000,000
May 9, 2023	820,000,000	**820,000,000**	–
December 6, 2023	1,100,000,000	**1,100,000,000**	–
		₱9,306,500,000	₱7,386,500,000

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

	2023	2022
	(In Thousands)	
Acquisition cost:		
Balance at beginning of year	**₱7,386,500**	₱5,287,500
Additional capital infusion during the year	**1,920,000**	2,099,000
Balance at end of year	**9,306,500**	7,386,500
Accumulated equity in net earnings:		
Balance at beginning of year	**261,478**	124,828
Share in net income of a joint venture	**202,063**	136,650
Balance at end of year	**463,541**	261,478
Ending balance	**₱9,770,041**	₱7,647,978

Summarized financial information of AEPDC as of December 31, 2023 and 2022 follows:

	2023	2022
	(In thousands)	
Current assets	**₱20,370,090**	₱16,056,792
Noncurrent assets	**6,481,855**	6,081,276
Current liabilities	**6,939,521**	6,627,948
Noncurrent liabilities	**377,485**	219,309
Equity	**19,534,939**	15,290,811

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

	2023	2022
	(In Thousands)	
Revenue	**₱3,583,758**	₱1,966,855
Costs and expenses	**(3,043,370)**	(1,599,992)
Income before income tax	**540,388**	366,863
Provision for income tax	**(136,260)**	(93,566)
Total comprehensive income	**₱404,128**	₱273,297
Group's share of total comprehensive income	**₱202,063**	₱136,650

Investment in ABI Pascual Holdings
On February 15, 2012, ABI and Corporation Empresarial Pascual, S. L. (CEP), an entity organized and existing under the laws of Spain, agreed to form ABI Pascual Holdings, a jointly controlled entity organized and domiciled in Singapore. In accordance with the Agreement, ABI and CEP (the "venturers") will hold 50% interest in ABI Pascual Holdings. Further, the arrangement requires unanimous agreement for financial and operating decisions among venturers.

On November 21, 2012, ABI Pascual Holdings created ABI Pascual Foods Incorporated (ABI Pascual Foods), an operating company, incorporated and domiciled in the Philippines, that will develop a business of marketing and distributing certain agreed products. As part of the joint venture agreement, the venturers also agreed to execute a product distribution agreement.

As of December 31, 2012, ABI has an investment in ABI Pascual Holdings amounting to ₱20.1 million, while ABI Pascual Holdings has an investment in ABI Pascual Foods amounting to ₱40.2 million. The joint venture has started operations in September 2013.

The Group determined that its advances to ABI Pascual Foods represents the Group's long-term interest in ABI Pascual Holdings and its subsidiary that, in substance, form part of the Group's net investment in the joint venture.

The summarized financial information of ABI Pascual Holdings as of December 31 follows:

	2023	2022
	(In thousands)	
Current assets	**₱504,896**	₱398,619
Noncurrent assets	**3,568**	4,012
Current liabilities	**87,123**	66,390
Noncurrent liabilities	**9,431**	6,936
Total equity	**411,910**	329,305

The summarized statements of comprehensive income of ABI Pascual Holdings for the years ended December 31 are as follows:

	2023	2022
	(In Thousands)	
Revenue	**₱682,267**	₱501,204
Costs and expenses	**(569,426)**	(335,345)
Income before income tax	**112,841**	165,859
Provision for income tax	**(30,594)**	(43,123)
Net income	**82,247**	122,736
Other comprehensive income	**358**	3,280
Total comprehensive income	**₱82,605**	₱126,016
Group's share of total comprehensive income	**₱41,303**	₱63,088

Disclosures on Subsidiary with Material Non-controlling Interest

Following is the financial information of PNB, which has material non-controlling interests of 43.53% as of and for the years ended December 31:

	2023	2022	2021
		(In Thousands)	
Accumulated balances of material non-controlling interest	**₱3,508,745**	**₱3,549,378**	₱3,219,143
Net income (loss) allocated to material non-controlling interest	**(13,437)**	**51,670**	59,412
Total comprehensive income (loss) allocated to material non-controlling interest	**(37,064)**	**343,580**	282,293

On February 9, 2013, PNB acquired 100% of the voting common stock of ABC. PNB accounted for the business combination with ABC under the acquisition method of PFRS 3. In the LTG consolidated financial statements, the merger of PNB and ABC and the acquisition of PNB through the Bank Holding Companies are accounted for under the pooling-of-interests method. Thus, the summarized financial information of PNB below is based on the amounts in the consolidated financial statements of PNB prepared under the pooling-of-interests method before the Group's intercompany eliminations.

Statements of Comprehensive Income:

	2023	2022	2021
		(In Thousands)	
Revenue	**₱66,579,888**	₱50,961,336	₱49,474,321
Cost of services	**(16,268,299)**	(9,346,027)	(8,608,926)
General and administrative expenses	**(34,330,259)**	(35,382,372)	(34,172,945)
Foreign exchange gains - net	**1,367,409**	1,608,281	743,549
Other income – net	**5,681,054**	8,855,787	32,867,305
Income before income tax	**23,029,793**	16,697,005	40,303,304
Provision for income tax	**(4,007,375)**	(4,931,228)	(5,545,194)
Net income from continuing operations	**19,022,418**	11,765,777	34,758,110
Loss from discontinued operations	–	–	(735,365)
Net income	**19,022,418**	11,765,777	34,022,745
Other comprehensive income (loss)	**3,280,769**	(2,887,965)	(2,052,906)
Total comprehensive income	**₱22,303,187**	₱8,877,812	₱31,969,839

	2023	2022	2021
		(In Thousands)	
Net income attributable to:			
Equity holders of the Parent Company	**₱19,035,855**	₱11,714,107	₱33,963,333
Non-controlling interests	**(13,437)**	51,670	59,412
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**22,340,251**	8,534,232	31,687,546
Non-controlling interests	**(37,064)**	343,580	282,293
Dividends declared to non-controlling interests	**3,569**	13,345	4,705

Statements of Financial Position:

	2023	2022
	(In Thousands)	
Current assets	**₱660,924,980**	₱537,671,669
Noncurrent assets	**545,358,931**	602,847,076
Current liabilities	**998,997,571**	898,204,863
Noncurrent liabilities	**22,126,877**	79,405,266
Equity attributable to:		
Equity holders of the Parent Company	**181,650,718**	159,359,238
Non-controlling interest	**3,508,745**	3,549,378

Statements of Cash Flows:

	2023	2022	2021
		(In Thousands)	
Operating	**₱39,314,906**	₱6,270,264	₱18,675,489
Investing	**(6,986,603)**	(10,452,461)	(6,878,382)
Financing	**(12,937,150)**	(40,608,849)	(51,527,513)
Net increase (decrease) in cash and cash equivalents	**₱19,391,153**	(₱44,791,046)	(₱39,730,406)

12. **Property, Plant and Equipment**

December 31, 2023

	At Appraised Values				At Cost							
	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Subtotal	Office and Administration Buildings and Improvements	Transportation Equipment	Returnable Containers	Furniture, Fixtures and Other Equipment	Construction in Progress	Subtotal	Right-of-Use Assets	Total
						(In Thousands)						
Cost												
Balance at beginning of year	**₱46,752,740**	**₱11,898,336**	**₱23,571,131**	**₱82,222,207**	**₱4,698,477**	**₱3,200,839**	**₱6,630,040**	**₱8,629,946**	**₱390,497**	**₱23,549,799**	**₱7,161,229**	**₱112,933,235**
Additions/transfers (Note 13)	**714**	**247,729**	**912,209**	**1,160,652**	**75,051**	**147,085**	**511,894**	**1,444,352**	**268,357**	**2,446,739**	**1,478,957**	**5,086,348**
Disposals/transfers/others (Note 28)	**(619,322)**	**(15,125)**	**(47,520)**	**(681,967)**	**(222,425)**	**(240,856)**	**(19,266)**	**(2,034,959)**	**(175,969)**	**(2,693,475)**	**(1,327,359)**	**(4,702,801)**
Balance at end of year	**46,134,132**	**12,130,940**	**24,435,820**	**82,700,892**	**4,551,103**	**3,107,068**	**7,122,668**	**8,039,339**	**482,885**	**23,303,063**	**7,312,827**	**113,316,782**
Accumulated Depreciation, Amortization and Impairment Losses												
Balance at beginning of year	**2,559,880**	**7,612,294**	**13,545,040**	**23,717,214**	**936,041**	**2,696,610**	**4,687,818**	**7,306,725**	**–**	**15,627,194**	**2,815,006**	**42,159,414**
Depreciation and amortization	**41,039**	**428,319**	**1,118,255**	**1,587,613**	**150,998**	**201,434**	**573,201**	**595,506**	**–**	**1,521,139**	**1,450,193**	**4,558,945**
Disposals/transfers/others (Note 28)	**(106,601)**	**(1,358)**	**(12,407)**	**(120,366)**	**(181,436)**	**(109,367)**	**(9,633)**	**(854,210)**	**–**	**(1,154,646)**	**(1,258,077)**	**(2,533,089)**
Balance at end of year	**2,494,318**	**8,039,255**	**14,650,888**	**25,184,461**	**905,603**	**2,788,677**	**5,251,386**	**7,048,021**	**–**	**15,993,687**	**3,007,122**	**44,185,270**
Net Book Value	**₱43,639,814**	**₱4,091,685**	**₱9,784,932**	**₱57,516,431**	**₱3,645,500**	**₱318,391**	**₱1,871,282**	**₱991,318**	**₱482,885**	**₱7,309,376**	**₱4,305,705**	**₱69,131,512**

December 31, 2022

	At Appraised Values				At Cost							
	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Subtotal	Office and Administration Buildings and Improvements	Transportation Equipment	Returnable Containers	Furniture, Fixtures and Other Equipment	Construction in Progress	Subtotal	Right-of-Use Assets	Total
						(In Thousands)						
Cost												
Balance at beginning of year	₱44,571,546	₱12,226,089	₱25,970,509	₱82,768,144	₱5,251,382	₱3,111,095	₱5,828,357	₱7,738,462	₱706,663	₱22,635,959	₱6,807,439	₱112,211,542
Additions/transfers (Note 13)	306	174,837	787,256	962,399	421,808	180,002	801,683	1,512,918	167,382	3,083,793	696,522	4,742,714
Net decrement in appraised value	(229,621)	(107,690)	(171,475)	(508,786)	–	–	–	–	–	–	–	(508,783)
Disposals/transfers/others (Note 28)	2,410,509	(394,900)	(3,015,159)	(999,550)	(974,713)	(90,258)	–	(621,434)	(483,548)	(2,169,953)	(342,732)	(3,512,238)
Balance at end of year	46,752,740	11,898,336	23,571,131	82,222,207	4,698,477	3,200,839	6,630,040	8,629,946	390,497	23,549,799	7,161,229	112,933,235
Accumulated Depreciation, Amortization and Impairment Losses												
Balance at beginning of year	2,581,239	7,292,633	12,425,401	22,299,273	521,719	2,531,064	4,211,619	6,651,372	–	13,915,774	1,884,842	38,099,889
Depreciation and amortization	(21,359)	319,868	1,138,999	1,437,508	(298,319)	247,916	476,199	1,301,941	–	1,727,737	1,305,342	4,470,587
Disposals/transfers/others (Note 28)	–	(207)	(19,360)	(19,567)	712,641	(82,370)	–	(646,588)	–	(16,317)	(375,178)	(411,062)
Balance at end of year	2,559,880	7,612,294	13,545,040	23,717,214	936,041	2,696,610	4,687,818	7,306,725	–	15,627,194	2,815,006	42,159,414
Net Book Value	₱44,192,860	₱4,286,042	₱10,026,091	₱58,504,993	₱3,762,436	₱504,229	₱1,942,222	₱1,323,221	₱390,497	₱7,922,605	₱4,346,223	₱70,773,821

Right-of-Use Assets

December 31, 2023

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

December 31, 2022

	Bank Premises	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Total
Cost					
Balance at beginning of year	₱5,384,124	₱1,245,714	₱128,063	₱49,538	₱6,807,439
Additions/transfers	696,522	–	–	–	696,522
Transfers/others	(377,364)	–	35,632	–	(342,732)
Balance at end of year	5,703,282	1,245,714	162,695	49,538	7,161,229
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	1,644,824	157,389	48,490	34,139	1,884,842
Depreciation and amortization	1,205,712	53,659	34,306	11,665	1,305,342
Transfers/others	(375,178)	–	–	–	(375,178)
Balance at end of year	2,475,358	211,048	82,796	45,804	2,815,006
Net Book Value	₱3,227,924	₱1,034,666	₱79,899	₱3,734	₱4,346,223

Revaluation of Land and Land Improvements, Plant Buildings and Machineries and Equipment

The corresponding fair values of land and land improvements, plant buildings and building improvements, and machineries and equipment are determined based on valuation performed by Philippine SEC-accredited and independent appraisers. The fair value of the land was determined using the market data approach based on available market evidence and the fair values for land improvements, plant buildings, and machineries and equipment were derived using the depreciated replacement cost. The dates of the latest appraisal valuations were December 31, 2023, 2022, and 2021 (see Note 34).

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

	2023	2022
	(In Thousands)	
Revaluation increment on the property, plant and equipment, net of deferred income tax effect:		
Balance at beginning of year	**₱19,437,973**	₱20,650,569
Net revaluation decrease	**(51,384)**	(381,590)
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	**(812,609)**	(831,006)
Balance at end of year	**₱18,573,980**	₱19,437,973
Attributable to:		
Equity holders of the Company	**₱10,951,376**	₱11,772,813
Non-controlling interests	**7,622,604**	7,665,160
	₱18,573,980	₱19,437,973

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

	2023	2022
	(In Thousands)	
Cost		
Land and land improvements	**₱9,138,403**	₱9,137,689
Plant buildings and improvements	**21,444,695**	21,196,966
Machineries and equipment	**34,063,739**	33,151,530
	64,646,837	63,486,185
Accumulated depreciation		
Land and land improvements	**(4,480,250)**	(4,151,116)
Plant buildings and improvements	**(17,596,337)**	(15,124,253)
Machineries and equipment	**(18,539,650)**	(15,955,719)
	(40,616,237)	(35,231,088)
	₱24,030,600	₱28,255,097

Depreciation

Depreciation of property, plant and equipment charged to operations is as follows:

	2023	2022	2021
		(In Thousands)	
Continuing operations:			
Cost of goods sold and services (Note 24)	**₱2,007,399**	₱1,804,042	₱1,718,078
Selling expenses (Note 25)	**653,398**	623,076	476,052
General and administrative expenses (Note 26)	**1,898,148**	2,043,469	2,627,246
	₱4,558,945	₱4,470,587	₱4,821,376

As of December 31, 2023 and 2022, the Group's "Construction in progress" under the "Property, plant and equipment" account pertains to TDI's construction of building.

Out of the total additions in 2023 and 2022, ₱1.4 million remained unpaid as of December 31, 2023 and 2022, which represent non-cash investing activities.

Certain property and equipment of the Group with carrying amount of ₱90.0 million and ₱75.6 million are temporarily idle as of December 31, 2023 and 2022, respectively.

Borrowing Costs

Borrowing costs capitalized as cost of investment properties in 2023 and 2022 amounted to nil.

13. Investment Properties

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

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

	December 31, 2022				
	Land	Buildings and Improvements	Residential Unit	Construction in Progress	Total
Cost					
Balance at beginning of year	₱18,843,137	₱13,676,726	₱5,881,213	₱3,966,848	₱42,367,924
Additions	4,013,930	2,797,066	–	–	6,810,996
Disposals/transfers/others	1,679,529	(3,875,995)	–	(2,418,157)	(4,614,623)
Balance at end of year	24,536,596	12,597,797	5,881,213	1,548,691	44,564,297
Accumulated Depreciation and Impairment Losses					
Balance at beginning of year	2,501,903	5,255,667	163,001	–	7,920,571
Depreciation	–	508,565	–	–	508,565
Disposals/transfers/others	–	(909,843)	–	–	(909,843)
Balance at end of year	2,501,903	4,854,389	163,001	–	7,519,293
Net Book Value	₱22,034,693	₱7,743,408	₱5,718,212	₱1,548,691	₱37,045,004

The Group's investment properties consist of parcels of land held for appreciation, residential and condominium units for lease and for sale, and real properties foreclosed or acquired in settlement of loans which are all valued at cost. Foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱581.7 million and ₱199.9 million as of December 31, 2023 and 2022, respectively. The Group is exerting continuing efforts to dispose these foreclosed properties.

In 2016, the Group reclassified certain properties from “property, plant and equipment” to “Investment property” with aggregate carrying amount of ₱4.7 billion. These properties mainly consist of the office spaces in the Allied Bank Center in Makati City leased out and land in Buendia, Makati City being held for future development.

As of December 31, 2023 and 2022, the Group’s “Construction in progress” under the “Investment property” account pertains to the construction of building intended for leasing and which is expected to be completed in 2025.

Fair Values of Investment Properties

Below are the fair values of the investment properties as of December 31, 2023, which were determined by professionally qualified, SEC-accredited and independent appraisers based on market values (in thousands):

Property	Approach	Fair Value	Valuation Report Date
Land	Market approach	₱338,776,000	December 31, 2023
Building and improvements	Market approach	24,121,543	December 31, 2023
		₱362,897,543	

The estimated fair value of the land and building and improvements was arrived at using the Market Approach. In this approach, the value of the land and building were based on sales and listings of comparable property registered within the vicinity. The approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator.

The valuations were performed by Philippine SEC-accredited and independent valuer. The valuation model used in accordance with that recommended by the International Valuation Standards Council has been applied. These valuation models are consistent with the principles in PFRS 13.

The fair values of land and building and improvements were updated to reflect the value of comparable property registered within the vicinity as of December 31, 2023. The fair value of investment properties of the Group was determined using acceptable valuation approaches and both observable and unobservable inputs (see Note 34).

Rent Income and Direct Operating Expenses of Investment Properties

Rental income and direct operating expenses arising from the investment properties of property development segment amounted to ₱2,330.8 million and ₱1,823.9 million in 2023, ₱2,026.4 million and ₱927.2 million in 2022 and ₱1,893.7 million and ₱724.1 million in 2021, respectively (see Note 24). Rental income of the banking segment on its investment properties is presented under “Other income (charges)” (see Note 28).

Depreciation of investment properties charged to operations follows:

	2023	2022	2021
		(In Thousands)	
Cost of rental income (Note 24)	**₱356,058**	₱355,472	₱295,588
General and administrative expenses (Note 26)	**362,176**	153,093	153,151
	₱718,234	₱508,565	₱448,739

14. **Other Noncurrent Assets**

Other noncurrent assets consist of:

	2023	2022
	(In Thousands)	
Software costs	**₱1,562,119**	₱2,144,378
Prepaid excise taxes (Note 37)	**771,713**	771,713
Deferred charges	**719,191**	1,477,860
Creditable withholding taxes	**453,461**	451,537
Chattel properties – net	**304,817**	211,619
Net retirement plan assets (Note 23)	**277,320**	265,850
Refundable and security deposits	**231,466**	176,690
Distribution network access	**229,401**	229,401
Advances to suppliers	**175,818**	182,529
Goodwill	**163,735**	163,735
Deferred input VAT	**116,742**	116,814
Others - net	**1,564,386**	219,997
	6,570,169	6,412,123
Allowance for probable losses	**(1,717,765)**	(1,426,911)
	₱4,852,404	₱4,985,212

a. Movements in software costs are as follows:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱2,144,378**	₱2,538,411
Additions	**598,969**	881,572
Amortization (Note 26)	**(1,207,856)**	(1,219,901)
Other adjustments	**26,628**	(55,704)
Balance at end of year	**₱1,562,119**	₱2,144,378

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

b. In 2018, the Group reclassified the prepaid excise taxes of TDI from "Other current assets" to "Other noncurrent assets" in light of the Court of Tax Appeals decision dated February 7, 2019.

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

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

e. Refundable deposits consist principally of amounts paid by the property development segment to its utility providers for service applications and guarantee deposit to Makati Commercial Estate Association (MACEA) for plans processing, monitoring fee and development charge of the Group's projects. Deposits paid to utility companies will be refunded upon termination of the service contract while guarantee deposit paid to MACEA will be refunded upon project completion.

f. The Group recognized goodwill which pertains mainly to ADI amounting to ₱144.70 million. As of December 31, 2023 and 2022, the Group performed its annual impairment testing of goodwill related to its CGUs, ADI.

   The recoverable amount of ADI is determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the increase in demand for products based on TDI's projected sales volume increase, selling price increase and cost and expenses increase. The pre-tax discount rate applied to the cash flow projection is 11.59% and 11.2% in 2023 and 2022, respectively. The growth rate used to extrapolate the cash flows of until beyond the five-year period is 6.2% as of December 31, 2023 and 6.5% as of December 31, 2022. Management assessed that this growth rate is comparable with the average growth for the industry in which ADI operates. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of ADI to exceed its recoverable amount, which is based on value-in-use. As of December 31, 2023 and 2022, the recoverable amount of ADI is higher than its carrying value.

g. As of December 31, 2023 and 2022, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱337.6 million and ₱229.1 million, respectively. As of December 31, 2023 and 2022, the total recoverable value of certain chattel mortgage properties of PNB that were impaired is at ₱1.2 million.

h. The Group has receivable from an SPV amounting to ₱500 million. This represents fully provisioned subordinated notes received by the Group from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.

i. Miscellaneous assets mainly pertain to interoffice floats. The bank provided allowance for probable losses on floats which are long-outstanding.

j. Movements in the allowance for probable losses on noncurrent assets follow:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱1,426,911**	₱1,479,432
Provisions (reversals)	**290,854**	(52,521)
Balance at end of year	**₱1,717,765**	₱1,426,911

15. Deposit Liabilities

	2023	2022
	(In Thousands)	
Demand	**₱228,405,865**	₱220,043,866
Savings	**516,804,085**	501,114,987
Time	**158,555,604**	131,243,320
	903,765,554	852,402,173
Presented as noncurrent liabilities	**(10,833,859)**	(20,796,801)
Presented as current liabilities	**₱892,931,695**	₱831,605,372

Of the total deposit liabilities of the Group, ₱27.1 billion and ₱27.8 billion are non-interest bearing as of December 31, 2023 and 2022, respectively. Annual interest rates of the remaining deposit liabilities follow:

	2023	2022
Foreign-currency denominated deposit liabilities	**0.10% to 6.10%**	0.00% to 5.50%
Peso-denominated deposit liabilities	**0.10% to 7.50%**	0.10% to 6.12%

Under existing BSP regulations, non-FCDU deposit liabilities of PNB is subject to reserves equivalent to 12.00%, while peso-denominated LTNCDs are subject to reserves equivalent to 4.00%. As of December 31, 2023 and 2022, available reserves booked under "Due from BSP" amounted to ₱78.4 billion and ₱74.7 billion, respectively (see Note 5).

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

					Carrying Value	
Issue Date	**Maturity Date**	**Face Value**	**Coupon Rate**	**Interest Repayment Terms**	**2023**	2022
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,591,288**	₱4,584,136
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,212,255**	8,198,193
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	–	6,347,683
		₱19,170,000			**₱12,803,543**	₱19,130,012

Other significant terms and conditions of the above LTNCDs follow:

a. Issue price at 100.00% of the face value of each LTNCD.

b. The LTNCDs bear interest rate per annum on its principal amount from and including the Issue Date thereof, up to but excluding the Early Redemption Date or Maturity Date (as the case may be). Interest in respect of the LTNCD will be calculated on an annual basis and will be paid in arrears quarterly on the last day of each successive Interest Period.

c. Unless earlier redeemed, the LTNCDs shall be redeemed by PNB on maturity date at an amount equal to one hundred percent (100%) of the aggregate issue price thereof, plus any accrued and unpaid interest thereon. The LTNCDs may not be redeemed at the option of the holders.

d. The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of PNB, enforceable according to the related Terms and Conditions, and shall at all times rank paripassu and without any preference or priority among themselves and at least paripassu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

e. Subject to the "Events of Default" in the Terms and Conditions, the LTNCDs cannot be pre-terminated at the instance of any CD Holder before Maturity Date. In the case of an event of default, none of the CD Holders may accelerate the CDs on behalf of other CD Holders, and a CD Holder may only collect from PNB to the extent of the CD Holder's holdings in the CDs. However, PNB may, subject to the General Banking Law of 2000, Section X233.9 of the Manual of Regulations for Banks, Circular No. 304 Series of 2001 of the BSP and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding CDs on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

f. The LTNCDs are insured by the PDIC up to a maximum amount of ₱0.5 million subject to applicable laws, rules and regulations, as the same may be amended from time to time.

g. Each Holder, by accepting the LTNCDs, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by PNB arising under or in connection with the LTNCDs; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Interest expense on deposit liabilities presented under "Cost of banking services" amounted to ₱12.1 billion, ₱5.2 billion and ₱4.8 billion in 2023, 2022 and 2021, respectively (see Note 24).

In 2023, 2022 and 2021, interest expense on LTNCDs of the Group includes amortization of transaction costs amounting to ₱23.5 million, ₱29.6 million and ₱33.4 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱16.5 million and ₱40.0 million as of December 31, 2023 and 2022, respectively.

16. Financial Liabilities at FVTPL

Financial liabilities at fair value through profit or loss consist of derivatives liabilities amounting to ₱555.8 million and ₱1,039.8 million as of December 31, 2023 and 2022, respectively (see Notes 21 and 33).

17. Bills and Acceptances Payable

Bills and acceptances payable consist of:

	2023	2022
	(In Thousands)	
Bills payable to:		
BSP and local banks	**₱395**	₱1,036,491
Foreign banks	**10,607,231**	6,665,834
	10,607,626	7,702,325
Acceptances outstanding	**9,554,977**	7,278,048
	20,162,603	14,980,373
Presented as noncurrent liabilities	**(1,115,447)**	(6,182,317)
Presented as current liabilities	**₱19,047,156**	₱8,798,056

Annual interest rates are shown below:

	2023	2022	2021
Peso-denominated	**6.0% - 6.8%**	1.9% - 5.5%	1.0% - 2.0%
Foreign currency-denominated	**0.0% - 5.4%**	0.3% - 4.3%	0.1% - 1.2%

As of December 31, 2023 and 2022, bills payable with a carrying amount of ₱10.1 billion and ₱6.6 billion are secured by a pledge of financial assets at FVTOCI with fair values of ₱6.5 billion and ₱2.5 billion, respectively, and investment securities at amortized cost with carrying values of ₱5.5 billion (see Note 7).

Interest expense on bills payable is included under "Cost of banking services" amounting to ₱0.3 billion in 2023, ₱0.4 billion in 2022 and ₱0.5 billion in 2021 (see Note 24).

18. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	2023	2022
	(In Thousands)	
Trade payables	**₱5,673,661**	₱7,439,068
Nontrade payables	**516,320**	742,774
Accrued expenses:		
Purchase of materials and supplies and others	**5,783,682**	6,494,354
Accrued interest	**2,443,570**	999,856
Advertising and promotional expenses	**1,708,628**	956,657
Taxes and licenses	**1,528,535**	1,339,777
PDIC insurance premiums	**1,055,859**	803,612
Other benefits - monetary value of leave credits	**690,548**	289,033
Information technology-related expenses	**617,853**	256,339
Retention payable	**473,799**	600,908
Rent and utilities payable	**339,300**	300,029
Project development costs	**162,200**	675,051
Output VAT	**1,054,277**	411,123
Due to government agencies	**256,783**	407,580
Other payables	**584,960**	138,375
	₱22,889,975	₱21,854,536

Trade Payables
Trade payables are non-interest bearing and are normally settled on 30 to 60 days terms. Trade payables arise mostly from trade purchases of the banking group and purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts.

Retention Payable
Retention payable is the amount deducted from the total billing of the contractor which will be paid upon completion of the contracted services of Eton.

Accrued Project Development Costs
Accrued project development costs represent costs incurred by the Property Development segment in the development and construction of real estate projects.

Other Payables
Other payables include outside services, travel and transportation, employee benefits, management, director and other professional fees of the Group which are not individually material

19. **Short-term and Long-term Debts**

Short-term Debts
As of December 31, 2023 and 2022, outstanding unsecured short-term debts amounted to ₱4,280.0 million and ₱4,490.0 million, respectively. The loans, which are subject to annual interest rates ranging from 6.5% to 7.0% in 2023 and 3.2% to 7.0% in 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

	2023	2022
	(In Thousands)	
Bonds payable	**₱41,490,871**	₱58,439,097
Lease liabilities (Note 35, 37)	**5,408,720**	5,017,860
Unsecured term loans	**2,611,423**	3,255,346
	49,511,014	66,712,303
Current portion	**(43,115,944)**	(20,399,948)
	₱6,395,070	₱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, 2023 and 2022, the unamortized transaction cost of bonds payable amounted to ₱26.3 million and ₱92.6 million. Amortization of transaction costs amounting to ₱66.5 million and ₱75.9 million was charged to 'Interest expenses - bonds payable' in the consolidated statements of income (Note 19).

Unsecured term loans of Eton
In 2016, Eton entered into an unsecured term loan agreement with Asia United Bank (AUB) amounting to ₱1.5 billion, to finance the construction of Eton's projects. The term loan bears a nominal interest rate of 5% and will mature on September 28, 2023. Principal repayments will commence two years from the date of availment and are due quarterly while interest payments are due quarterly starting December 28, 2016.

In 2018, Eton entered into an unsecured term loan agreement with Bank of the Philippine Islands (BPI) amounting to ₱5.0 billion to finance the construction of the Eton's projects. On July 31, 2018, ₱0.5 billion was initially drawn and an additional ₱1.0 billion on September 26, 2018. The term loan with BPI has a nominal rate of 6.8% and 7.9% for the first and second drawdown, respectively. In 2021 and 2020, Eton availed of loan drawdowns totaling to ₱1,700.0 million and ₱1,800.0 million, respectively, with a nominal rate of 5% for each of the drawdown. Principal repayments will commence a year from the date of initial borrowing and due quarterly, while interest payments are due quarterly.

Finance costs
Interest recognized on short-term and long-term debts, except for subordinated debts, are presented under "Finance costs" in the consolidated statements of income (see Note 27). Interest costs from subordinated debts are included in the "Cost of banking services" (see Note 24).

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

20. **Other Liabilities**

	2023	2022
	(In Thousands)	
Due to Treasurer of the Philippines	**₱1,444,009**	₱891,709
Bills purchased - contra (Note 8)	**1,362,515**	877,767
Managers' checks and demand drafts outstanding	**1,296,191**	1,548,448
Dormant credits	**1,220,172**	1,558,713
Deferred revenue	**1,105,449**	1,155,171
Provisions (Note 37)	**1,068,215**	1,376,289
Payable to landowners	**1,061,191**	1,061,191
Customers' deposits	**900,224**	945,825
Due to other banks	**744,625**	276,770
Margin deposits and cash letters of credit	**686,130**	224,033
Interoffice floats	**632,242**	537,628
Tenants' rental deposits	**467,334**	663,907
Withholding taxes payable	**374,139**	310,530
Miscellaneous tax securities	**273,711**	211,642
Advance rentals	**231,744**	136,644
Payment order payable	**221,340**	220,949
Deposit on lease contracts	**76,028**	75,129
Others	**3,062,771**	6,767,610
	16,228,030	18,839,955
Noncurrent portion	**(6,237,658)**	(8,464,180)
	₱9,990,372	₱10,375,775

Payables to Landowners
In various dates in 2014, Eton executed a ₱1,061.2 million promissory note, subject to interest rate of PDSTF 3 years plus 0.50% spread, to various landowners in relation to its purchase of land located in Laguna with total purchase price of ₱1.3 billion. In June 2017, the payment of the various promissory notes were extended for another three years. In 2020, various landowners requested for extension, and the payment of the various promissory notes was extended for another three years. In 2022, the promissory note was further extended for another year using the same interest rate.

Interest expense related to payables to landowners net of capitalized portion is nil in 2023, 2022 and 2021 [see Notes 12, 13 and 27].

Customers' Deposits
Customers' deposits represent payments from buyers of residential units which will be applied against the corresponding contracts receivables which are recognized based on the revenue recognition policy of the Group. This account includes the excess of collections over the recognized receivables amounting to ₱900.2 million and ₱995.3 million as of December 31, 2023 and 2022, respectively.

Deposits and Deferred Credits
Other liabilities of the property development segment include tenants' rental deposits, advance rentals and other deferred credits. Security deposits pertain to the amounts paid by the tenants at the inception of the lease which is refundable at the end of the lease term. Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term depending on the lease contract. Deferred credits represent the excess of the principal amount of the security deposits over its fair value. Amortization of deferred credits is included in "Rental income" in the consolidated statements of income.

Others
Other liabilities pertains to liabilities of disposal group classified as held for sale amounting to ₱122.3 million in 2023 and ₱278.1 million in 2022 and banking segment's liabilities which include insurance contract liabilities, accounts payable, bills purchased - contra, remittance-related payables, overages, advance rentals and sundry accounts.

21. Derivative Financial Instruments

The table in the next page show the fair values of derivative financial instruments entered into by the Group, recorded as derivative assets or derivative liabilities (included under "Financial assets and liabilities at FVTPL") , together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding as of December 31, 2023 and 2022 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	2023			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
JPY	**₱90,263**	**₱190,651**	**USD0.01**	**17,322,000**
USD		**351,871**	**1.00**	**1,344,799**
SGD	**40,763**	**–**	**0.76**	**11**
SELL:				
USD	**456**	**7,147**	**1.00**	**1,661,278**
HKD	**615,180**	**1**	**0.13**	**345,477**
GBP	**2,493**	**395**	**1.27**	**1,970**
SGD	**44**	**2,840**	**0.76**	**863**
EUR	**–**	**2,006**	**1.11**	**3,300**
CAD	**–**	**405**	**0.76**	**800**
PHP	**–**	**300**	**0.02**	**830,850**
NZD	**–**	**195**	**0.63**	**400**
	₱749,199	**₱555,811**		

**The notional amounts pertain to original currencies.*

	2022			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱749,512	₱760,764	USD1.00	1,539,816
SGD	303	–	0.74	7
EUR	243	57,543	1.06	72,318
HKD	172	–	0.13	24
SELL:				
USD	604,222	65	1.00	644,843
EUR	3,803	70,519	1.06	62,040
GBP	2,765	–	1.20	2,000
NZD	319	–	0.63	400
JPY	216	11,911	0.01	534,700
PHP	200	138,260	0.02	2,743,406
HKD	187	236	0.13	321,189
AUD	9	55	0.67	700
SGD	–	348	0.74	1,700
CAD	–	75	0.73	1,700
	₱1,361,951	₱1,039,776		

**The notional amounts pertain to original currencies.*

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

	2023	2022
	(In Thousands)	
Balance at beginning of year		
Derivative assets	**₱1,361,951**	₱1,365,051
Derivative liabilities	**1,039,776**	891,531
	322,175	473,520
Changes in fair value		
Currency forwards and spots*	**(135,968)**	(147,028)
Interest rate swaps and warrants**	**609**	–
	(135,359)	(147,028)
Net availments (settlements)	**6,573**	(4,317)
Balance at end of year		
Derivative assets	**749,199**	1,361,951
Derivative liabilities	**555,811**	1,039,776
	₱193,388	₱322,175

** Presented as part of "Foreign exchange gains-net".*
*** Presented as part of "Trading and investment securities gains-net"*

The changes in fair value of the derivatives are included in "Trading and securities gains - net" presented as part of "Banking revenues" in the consolidated statements of income (see Note 24).

22. Related Party Transactions

The Company has transacted with its subsidiaries, associates and other related parties as follows:

Parent Company, Subsidiaries, Associates and Joint Ventures

Parent Company	*Associates*
Tangent	APLII
	AB HPI
Subsidiaries	PMFTC
TDI and Subsidiaries	VMC
AAC	
ADI	*Joint Ventures*
TBI	ABI Pascual Holdings
ABI and Subsidiaries	ABI Pascual Foods
AB Nutribev	AEPDC
Agua Vida Systems, Inc.	
Asia Pacific Beverage Pte Ltd	**Entities Under Common Control**
Asia Pacific Beverages Myanmar Company Limited	Ascot Holdings, Inc.
Interbev	Basic Holdings Corporation
Packageworld	Billinge Investments Limited
Waterich	Bright Able Holdings Ltd.
FTC	Complete Best Development Ltd.
Shareholdings	Cormack Investments Ltd
Saturn	Cosmic Holdings Corp.
Paramount and Subsidiaries	Cube Factor Holdings, Inc.
Eton	Dyzum Distillery Inc.
BCI	Foremost Farms Inc.
ECI	Grand Cargo and Warehousing Services., Inc.
EPMC	Grandspan Development Corp.
FHI	Grandway Konstruct, Inc.
Bank Holding Companies:	Harmonic Holdings Corp.
All Seasons Realty Corp.	Heritage Holdings Corp.
Allmark Holdings Corp.	Hibersham Assets Ltd.
Caravan Holdings, Corp.	High Above Properties Ltd.
Dunmore Development Corp.	Himmel Industries Inc.
Dynaworld Holdings Inc.	In Shape Group Ltd.
Fil-Care Holdings Inc.	Lapu Lapu Packaging
Ivory Holdings, Inc.	Link Great International Ltd.
Kenrock Holdings Corp.	Lucky Travel Corporation
Kentwood Development Corp.	Maxell Holdings, Corp.
La Vida Development Corp.	Negros Biochem Corporation
Leadway Holdings, Inc.	Networks Holdings & Equities, Inc.
Merit Holdings & Equities Corp.	Orient Legend Developments Ltd.
Multiple Star Holdings Corp.	Penick Group Limited
Pioneer Holdings & Equities, Inc.	Philippine Airlines, Inc.
Profound Holdings Inc.	Pol Holdings, Inc.
Purple Crystal Holdings, Inc.	Polima International Limited
Safeway Holdings & Equities Inc.	Proton Realty & Development Corporation
Society Holdings Corp.	Rapid Movers & Forwarders Co. Inc.
Solar Holdings Corp.	Sierra Holdings & Equities, Inc.
Total Holdings Corp.	Step Dragon Co. Limited
Donfar Management Ltd.	Trustmark Holdings Corporation
Fast Return Enterprises Ltd.	Upright Profits Ltd.
Fragile Touch Investments Ltd.	
Key Landmark Investments Ltd.	
Mavelstone International Ltd.	
True Success Profits Ltd.	
Uttermost Success, Ltd.	
PNB and Subsidiaries	
Mabuhay Digital Philippines, Inc.	
Mabuhay Digital Technologies, Inc.	

The consolidated statements of income include the following revenue and other income-related (costs and other expenses) account balances arising from transactions with related parties:

	Nature	2023	2022	2021
			(In Thousands)	
Associates	Dividend income	**₱16,748,650**	₱19,250,184	₱20,834,736
	Purchases of inventories	**(16,795)**	(366,912)	(794,530)
	Service fee and commission income	**431,287**	73,199	73,199
	Leases	**35,100**	35,100	35,100
Entities Under Common Control	Banking revenue - interest on loans and receivables	**1,997,271**	723,194	575,833
	Rent income	**97,556**	55,117	35,719
	Interest income on loans and advances	**9,834**	51,026	51,737
	Sales of consumer products	**2,085**	2,147	7,405
	Other income	**30,793**	20,424	86,856
	Freight and handling	**(11,435)**	(20,635)	(8,676)
	Purchases of inventories	**(161)**	(6,696)	(6,785)
Entities Under Common Control	Management and professional fees	**(503,100)**	(326,399)	(558,372)
	Cost of banking services - interest expense on deposit liabilities	**(1,644,192)**	(570,304)	(211,108)
	Rent expense	**(22,794)**	(22,794)	–
	Cost of goods sold and services	**(23,834)**	(42,768)	(866)
Key Management	Short-term employee benefits	**(526,038)**	(517,114)	(460,711)
	Post-employment benefits	**(53,041)**	(47,424)	(50,629)

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

	Financial Statement Account	Terms and Conditions	Amount/Volume 2023	Amount/Volume 2022	Outstanding Balance 2023	Outstanding Balance 2022
			(In Thousands)			
Parent Company	Due to related parties	On demand; non-interest bearing	**₱–**	(₱15,325)	**₱–**	₱–
	Due from related parties	Maturity terms ranging from 90 days to 3 years; 2.5% interest per annum	**(1,195,000)**	(4,129,300)	**914,000**	2,109,000
	Trade receivables	- do -	**(121,253)**	–	**–**	121,253
	Nontrade receivables	- do -	**(6,153)**	(181)	**2,595**	8,747
	Account payable and other liabilities	30 to 60 days terms; non-interest bearing	**364,852**	(366,912)	**(2,060)**	(366,912)
Entities Under Common Control	Finance receivables	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.20% to 9.70% with maturity terms ranging from 60 days to 12 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱9.6 billion	**1,997,271**	723,194	**55,298,956**	41,077,025
	Trade receivables	- do -	**2,085**	2,147	**7,497**	23,812
	Other receivables	- do -	**30,793**	20,424	**11,345**	47,904
	Due from related parties	On demand; non-interest bearing	**(22,753)**	242	**1,424,723**	1,447,476
	Advances to suppliers	- do -	**(30,394)**	(42,768)	**12,875**	43,269
	Deposit liabilities	With annual rates ranging from 0.10% to 1.50% and maturity ranging from 30 days to 365 days	**(5,980,997)**	(4,235,274)	**(46,333,463)**	(40,352,466)
	Account payable and other liabilitites	30 to 90 days terms; non-interest bearing	**273,186**	–	**(205,079)**	478,265
	Due to related parties	On demand; non-interest bearing	**–**	–	**(50,000)**	(50,000)

As of December 31, 2023 and 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.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with Tangent, parent company

- In December 2021, Tangent obtained loans from the Group totaling ₱5.7 billion with additional loans during the year amounting to ₱0.6 billion, which ₱4.7 billion was paid in various dates in 2022.

- In 2023 and 2022, the Group declared cash dividends to stockholders of which ₱9.7 billion and ₱11.3 billion, respectively were paid to Tangent.

Transactions with Associates

- Dividend income from PMFTC amounted to ₱16.7 billion in 2023 and ₱19.2 billion in 2022 (see Note 11).

- The Group purchases raw materials such as raw and refined sugar and molasses from VMC.

- ABI entered into an operating lease agreement with AB HPI to lease portions of its two breweries, in Cabuyao, Laguna and El Salvador, Misamis Oriental, subject to the terms and conditions of an asset lease agreement signed last November 15, 2016. The lease has a fixed yearly increase as specified in the contract.

- In 2023 and 2022, ABI rendered services in favor of AB HPI related to supplies, both imported and locally-purchased, advertising expense, promotions, professional fees, engineering fee and shared expenses in the plant.

Transactions with Entities under Common Control

- Due to related parties include cash advances provided to the Group to support its working capital requirements.

- Several subsidiaries of the Group entered into management services agreements with Basic Holdings Corporation for certain considerations. Management fees are recorded under "Outside services" in "Cost of goods sold" and "Professional fees" in the "General and administrative expenses".

- The property development segment purchases parcels of land from other related parties for use in its various projects.

- Several entities under common control maintain peso and foreign currency denominated deposits and short-term and long-term loans with PNB. Interest income and financing charges related to these transactions are reported under "Banking revenue" and "Cost of banking services", respectively (see Note 24).

23. **Retirement Benefits**

The Group has funded, noncontributory defined benefit retirement plans, administered by a trustee, covering all of its permanent employees. As of December 31, 2023 and 2022, the Group is in compliance with Article 287 of the Labor Code, as amended by Republic Act No. 7641.

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

	2023	2022
	(In Thousands)	
Net retirement plan assets:		
FTC	**₱270,437**	₱259,793
LTG	**3,991**	6,057
TBI	**2,892**	–
	₱277,320	₱265,850
Net retirement benefits liabilities:		
PNB and subsidiaries	**₱264,302**	₱378,850
ABI and subsidiaries	**571,553**	203,859
TDI	**101,832**	4,941
Eton and subsidiaries	**72,029**	158,174
ADI	**–**	47,869
TBI	**–**	2,807
	₱1,009,716	₱796,500

The following tables summarize the components of net retirement plan assets and net retirement benefits liability recognized in the consolidated statements of financial position, the net benefit expenses recognized in the consolidated statements of income and the remeasurement losses (gains) recognized in consolidated statements of comprehensive income.

Net retirement plan assets:

	2023			2022			2021		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Net Retirement Plan Assets**	Defined Benefit Obligations	Fair Value of Plan Assets	Net Retirement Plan Assets	Defined Benefit Obligations	Fair Value of Plan Assets	Net Retirement Plan Assets
					(In Thousands)				
Beginning balance	**₱106,151**	**(₱372,001)**	**(₱265,850)**	₱111,086	(₱379,996)	(₱268,910)	₱125,747	(₱375,184)	(₱249,437)
Net retirement benefits expense (income) in profit or loss:									
Current service cost	**13,011**	**–**	**13,011**	14,678	–	14,678	6,577	–	6,577
Net interest cost	**7,197**	**(23,734)**	**(16,537)**	5,395	(16,030)	(10,635)	4,851	(14,520)	(9,669)
	20,208	**(23,734)**	**(3,526)**	20,073	(16,030)	4,043	11,428	(14,520)	(3,092)
Contributions	**–**	**(9,149)**	**(9,149)**	–	(14,098)	(14,098)	–	(8,030)	(8,030)
Benefits paid	**(8,851)**	**8,851**	**–**	(4,877)	4,877	–	(4,835)	4,835	–
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:									
Financial assumptions	**(112)**	**20,174**	**20,062**	(13,069)	20,173	7,104	4,256	–	4,256
Experience adjustments	**(37,880)**	**12,269**	**(25,611)**	(7,062)	12,268	5,206	(25,510)	1,815	(23,695)
Return of plan asset	**–**	**6,754**	**6,754**	–	805	805	–	11,088	11,088
	(37,992)	**39,197**	**1,205**	(20,131)	33,246	13,115	(21,254)	12,903	(8,351)
Ending balance	**₱79,516**	**(₱356,836)**	**(₱277,320)**	₱106,151	(₱372,001)	(₱265,850)	₱111,086	(₱379,996)	(₱268,910)

Net retirement benefits liabilities:

	2023			2022			2021		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
					(In Thousands)				
Beginning balance	**₱8,961,190**	**(₱8,164,690)**	**₱796,500**	₱10,107,396	(₱8,289,739)	₱1,817,657	₱11,130,110	(₱8,711,473)	₱2,418,637
Net retirement benefits cost in profit or loss:									
Current service cost	**1,734,534**	**–**	**1,734,534**	1,012,069	–	1,012,069	970,694	–	970,694
Net interest cost	**800,670**	**(610,270)**	**190,400**	527,651	(448,643)	79,008	385,429	(300,486)	84,943
Past service cost	**–**	**–**	**–**	312,332	–	312,332	–	–	–
	2,535,204	**(610,270)**	**1,924,934**	1,852,052	(448,643)	1,403,409	1,356,123	(300,486)	1,055,637
Contributions	**–**	**(1,289,113)**	**(1,289,113)**	–	(976,430)	(976,430)	(750,120)	(209,028)	(959,148)
Benefits paid from plan assets	**(901,628)**	**901,628**	**–**	–	–	–	(686,967)	686,967	–
Benefits paid directly from book reserves	**(44,042)**	**44,042**	**–**	(1,068,558)	1,068,558	–	–	–	–
Settlement benefits paid directly by the Group	**508**	**–**	**508**	(44,042)	44,042	–	–	–	–
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:									
Financial assumptions	**(493,328)**	**–**	**(493,328)**	(471,353)	373,145	(98,208)	(647,100)	–	(647,100)
Demographic assumptions	**616,579**	**(5,317)**	**611,262**	(1,195,424)	(5,317)	(1,200,741)	–	–	–
Experience adjustments	**179,199**	**(720,246)**	**(541,047)**	(218,881)	69,694	(149,187)	(294,650)	244,281	(50,369)
	302,450	**(725,563)**	**(423,113)**	(1,885,658)	437,522	(1,448,136)	(941,750)	244,281	(697,469)
Ending balance	**₱10,853,682**	**(₱9,843,966)**	**₱1,009,716**	₱8,961,190	(₱8,164,690)	₱796,500	₱10,107,396	(₱8,289,739)	₱1,817,657

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

	2023	2022
	(In Thousands)	
Cash and cash equivalents	**₱3,109,010**	₱4,010,871
Receivables	**590,138**	160,380
Equity investments:		
Financial institutions	**1,034,001**	701,165
Other	**2,001,825**	628,389
Debt investments:		
Investment in private debt securities	**555,915**	626,677
Investments in government securities	**2,296,273**	1,796,154
Others	**613,640**	613,054
Fair value of plan assets	**₱10,200,802**	₱8,536,690

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

	2023	2022
Cash and cash equivalents	**30%**	47%
Receivables	**6%**	2%
Equity investments	**30%**	16%
Debt investments	**28%**	28%
Others	**6%**	7%
Fair value of plan assets	**100%**	100%

The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The plan assets have diverse investments and do not have concentration risk.

The Group's defined pension plan are funded through the contributions made by the Group to the trust.

The principal assumptions used in determining pension benefit obligations for the Group's plans as of January 1 are shown below:

	2023	2022	2021
Discount rate	**6.92% - 7.15%**	4.70% - 5.10%	3.45%-7.37%
Future salary increases	**4.00% - 10.00%**	4.00% - 8.00%	3.00%-10.00%

As of December 31, 2023, the discount and future salary increase rates are 1.00% - 7.11% and 9.00% - 10.00%, respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligations as of the end of the reporting period, assuming all other assumptions were held constant (in thousands):

	2023		2022	
	Change in rate	**Increase (Decrease) in Present Value of Defined Benefit Obligations**	Change in rate	Increase (Decrease) in Present Value of Defined Benefit Obligations
Discount rates	+0.50%	**(₱613,074)**	+1.00%	(₱589,152)
	-0.50%	**658,840**	-1.00%	631,760
Future salary increases	+1.00%	**729,825**	+1.00%	706,805
	-1.00%	**(678,685)**	-1.00%	(632,758)

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1% increment in salary increase rate, 0.5% decrement in the discount rate and a 10% improvement in the employee turnover rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1% decrement in salary increase rate, 0.5% increment in the discount rate and a 10% increase in the employee turnover rate but with reverse impact.

The Group employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan asset of the Group is allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's failure to contribute in accordance with its general funding strategy.

Shown below is the maturity analysis of the undiscounted benefit payments of the Group (in thousands):

	2023	2022
One year and less	**₱2,026,566**	₱1,736,846
More than one year up to five years	**5,760,457**	5,528,064
More than five years up to 10 years	**4,735,491**	5,002,975
More than 10 years up to 15 years	**4,981,907**	5,106,646
More than 15 years	**50,802,058**	53,121,932

The Group expects to contribute ₱1.1 billion to the defined benefit pension plan in 2024. The average duration of the defined benefit obligations at the end of the reporting period is 14.0 years as of December 31, 2023 and 2022.

Transactions with Retirement Plans

Management of the retirement funds of the banking segment is handled by the PNB Trust Banking Group (TBG). The fair value of the plan assets as of December 31, 2023 and 2022 for the Group includes investments in the PNB shares of stock with fair value amounting to ₱152.1 million and ₱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 December 31, 2023 and 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.

24. **Revenue and Cost of Goods Sold and Services**

Revenue consist of:

	2023	2022	2021
		(In Thousands)	
Banking revenue (Note 5)	**₱66,550,969**	₱50,843,607	₱49,319,441
Sale of consumer goods	**46,298,827**	47,776,757	39,822,501
Rental income (Note 13)	**2,330,775**	2,026,439	1,893,706
Real estate sales	**118,365**	225,119	137,667
	₱115,298,936	₱100,871,922	₱91,173,315

Disaggregated revenue information

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

2023:

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

2022:

	Goods/Services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of consumer goods	₱47,776,757	₱–	₱–	₱47,776,757
Service fees and commission income	6,997,609	–	–	6,997,609
Real estate sales	–	225,119	–	225,119
Interest income	–	–	45,126,781	45,126,781
Rental income	–	–	2,026,439	2,026,439
Trading and securities losses - net	–	–	(1,280,783)	(1,280,783)
	₱54,774,366	₱225,119	₱45,872,437	₱100,871,922

Banking revenue consists of:

	2023	2022	2021
		(In Thousands)	
Interest income on:			
Loans and receivables (Note 8)	**₱40,729,008**	₱34,306,910	₱34,002,946
Trading and investment securities (Note 21)	**12,860,064**	8,447,607	6,596,086
Interbank loans receivable	**3,368,565**	954,603	400,356
Deposits with banks and others	**2,607,973**	1,417,661	1,248,155
	59,565,610	45,126,781	42,247,543
Service fees and commission income	**6,591,256**	6,997,609	6,340,326
Trading and securities gains (losses) - net	**394,103**	(1,280,783)	731,572
	₱66,550,969	₱50,843,607	₱49,319,441

Sale of consumer goods consists of:

	2023	2022	2021
		(In Thousands)	
Gross sales	**₱48,692,069**	₱50,761,426	₱42,421,388
Less sales returns, discounts and allowances	**(2,393,242)**	(2,984,669)	(2,598,887)
	₱46,298,827	₱47,776,757	₱39,822,501

Cost of goods sold and services consists of:

	2023	2022	2021
		(In Thousands)	
Cost of consumer goods sold:			
Materials used and changes in inventories (Note 9)	**₱17,293,723**	₱17,938,542	₱14,580,312
Taxes and licenses	**13,414,629**	14,234,198	11,385,173
Depreciation and amortization (Notes 12, 13 and 14)	**1,823,560**	1,731,982	1,679,530
Personnel costs	**1,267,163**	1,248,866	1,240,849
Fuel and power	**936,516**	1,319,435	1,293,306
Communication, light and water	**900,049**	783,266	525,481
Freight and handling	**777,075**	1,374,885	1,031,483
Repairs and maintenance	**601,148**	579,288	511,739
Outside services	**353,314**	584,126	484,804
Others	**1,083,839**	570,750	571,720
	38,451,016	40,365,338	33,304,397
Cost of banking services	**15,386,569**	9,140,692	8,573,207
Cost of rental income (Note 13)	**1,644,152**	1,370,465	1,024,357
Cost of real estate sales (Note 9)	**55,927**	226,435	55,053
Cost of goods sold and services	**₱55,537,664**	₱51,102,930	₱42,957,014

Other expenses include insurance, utilities and outside services which are individually not significant as to amounts.

Cost of banking services consist of:

	2023	2022	2021
		(In Thousands)	
Interest expense on:			
Deposit liabilities (Note 15)	**₱12,123,916**	₱5,166,332	₱4,778,047
Bills payable and other borrowings (Notes 7 and 17)	**335,847**	433,973	511,921
Bonds payable	**1,660,193**	2,111,192	2,231,863
	14,119,956	7,711,497	7,521,831
Services fees and commission expense	**1,266,613**	1,429,195	1,051,376
	₱15,386,569	₱9,140,692	₱8,573,207

25. Selling Expenses

	2023	2022	2021
		(In Thousands)	
Advertising and promotions	**₱1,111,536**	₱1,027,998	₱896,479
Depreciation and amortization (Note 12)	**653,398**	623,076	476,052
Royalties	**150,299**	113,996	78,149
Personnel costs	**139,135**	145,712	151,125
Management, consulting and professional fees	**115,432**	105,608	107,910
Materials and consumables	**33,585**	27,776	15,139
Freight and Handling	**31,410**	56,313	14,413
Communication, light and water	**15,117**	22,018	16,542
Commissions	**5,346**	384	23,594
Fuel and oil	**2,962**	2,947	2,656
Others	**258,065**	158,081	122,961
	₱2,516,285	₱2,283,909	₱1,905,020

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

26. General and Administrative Expenses

	2023	2022	2021
		(In Thousands)	
Personnel costs	**₱11,377,863**	₱10,681,708	₱10,924,480
Provision for credit losses (Note 8)	**5,923,054**	7,129,045	10,816,497
Taxes and licenses	**5,332,642**	5,623,939	4,411,375
Depreciation and amortization (Notes 12, 13 and 14)	**3,478,675**	3,613,554	2,247,378
Outside services	**2,153,673**	2,002,298	1,888,113
Insurance	**2,025,999**	1,798,088	2,014,664
Management, consulting and professional fees	**1,025,723**	1,045,619	936,946
Information technology	**1,001,111**	1,193,975	1,304,930

(Forward)

	2023	2022	2021
		(In Thousands)	
Occupancy	**₱965,598**	₱1,161,775	₱1,930,751
Marketing and promotional	**843,794**	1,070,147	719,070
Litigation and assets acquired expenses	**662,610**	373,740	396,386
Travel and transportation	**423,594**	442,357	383,935
Materials and consumables	**259,688**	305,913	318,241
Communication, light and water	**240,547**	266,161	208,541
Repairs and maintenance	**154,286**	180,023	173,200
Freight and handling	**137,612**	144,088	141,869
Entertainment and representation	**30,031**	154,987	189,098
Fuel and oil	**25,858**	28,802	21,517
Others	**824,145**	579,564	1,294,886
	₱36,886,503	₱37,795,783	₱40,321,877

Others include expense items mainly relating to banking operations, which are individually not significant as to amounts.

27. Finance Costs and Finance Income

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

	2023	2022	2021
		(In Thousands)	
Finance costs (Note 19):			
Short-term debts	**₱364,211**	₱260,132	₱201,616
Unsecured term loan and notes payable (Note 20)	**327,245**	224,482	163,257
	₱691,456	₱484,614	₱364,873
Finance income:			
Cash and other cash items (Note 5)	**₱84,958**	₱219,285	₱41,663

28. Other Income (Charges)

	2023	2022	2021
		(In Thousands)	
Net gains (losses) on sale or exchange of assets	**₱4,540,535**	₱7,795,284	(₱19,979)
Rental income and dues (Note 13)	**1,011,999**	540,786	1,357,043
Recoveries from charged off assets	**215,834**	303,435	85,164
Rooms and other operated departments	**192,849**	219,489	220,186
Dividend income	**81,165**	72,283	69,015
Management fees	**75,202**	174,081	163,322
Income from assets acquired	**74,074**	95,736	183,173
Provision for probable losses (Notes 14)	–	–	165,425
Others	**75,581**	335,079	535,482
	₱6,267,239	₱9,536,173	₱2,758,831

a. Rental income and dues significantly pertain to income arising from charges and expenses recharged to tenants. Loss on cancelled contracts represents the loss incurred by the Group as a result of cancellation of contracts to sell by the buyer or the Group in general.

b. Net gains on sale or exchange of assets include sale of investment properties of the banking segment in 2023, 2022 and 2021 amounting to ₱3,048.6 million, ₱5,703.9 million and ₱15.2 million, respectively.

c. Others include income and expense items mainly relating to banking operations, which are individually not significant as to amounts.

29. Income Taxes

Income taxes include the corporate income tax, which is discussed below, and final taxes paid, which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as "Provision for income tax" in the consolidated statements of income.

Under Philippine tax laws, PNB and its certain subsidiaries are subject to percentage and other taxes (presented as "Taxes and Licenses" in the consolidated statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. Republic Act No. 9294, an act restoring the tax exemption of OBUs and FCDUs, provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% income tax.

a. Details of the Group's deferred income tax assets and liabilities as of December 31 follow:

	2023		2022	
	Net Deferred Income Tax Assets[1]	**Net Deferred Income Tax Liabilities**[2]	Net Deferred Income Tax Assets[3]	Net Deferred Income Tax Liabilities[4]
	(In Thousands)			
Recognized directly in the consolidated statements of income:				
Deferred income tax assets on:				
Allowance for impairment loss on:				
Receivables	**₱9,558,221**	**₱93,004**	₱8,615,818	₱128,045
Inventories	**15,617**	**5,603**	30,728	10,540
Property, plant and equipment	**7,386**	**–**	2,428	–
Allowance for probable losses on excise taxes	**–**	**51,071**	–	104,364
Accumulated depreciation on investment properties	**585,363**	**–**	520,544	–
Unrealized losses on:				
Inventories on hand	**–**	**2,283**	–	4,665
Sale of property to a subsidiary	**41,021**	**2,692**	419,070	5,502
Deferred rent income	**182,557**	**14,218**	162,342	15,678

(Forward)

	2023		2022	
	Net Deferred Income Tax Assets[(1)]	**Net Deferred Income Tax Liabilities[(2)]**	Net Deferred Income Tax Assets[(3)]	Net Deferred Income Tax Liabilities[(4)]
	(In Thousands)			
Net retirement benefits liabilities	**₱152,571**	**₱135,865**	₱91,912	₱196,489
Reserves and others	**195,889**	**153,521**	174,197	295,687
Advance rentals	**–**	**29,167**	–	32,163
Accrued expenses	**419,064**	**19,958**	372,660	22,008
Unamortized past service cost	**10,857**	**3,887**	3,569	7,484
Unrealized forex losses	**–**	**569**	–	1,162
Difference between right-of-use assets and lease liabilities	**119,359**	**95,325**	39,238	108,407
	11,287,905	**607,163**	10,432,506	932,194
Deferred income tax liabilities on:				
Fair value gain on investment properties	**(1,590,323)**	**–**	(1,414,221)	–
Excess of fair values over carrying values of property, plant and equipment acquired through business combination	**(181,761)**	**(21,220)**	(161,634)	(43,364)
Gain on re-measurement of a previously held interest	**(277,365)**	**–**	(246,651)	–
Unrealized foreign exchange gains	**(391,385)**	**(82)**	(342,947)	(2,583)
Borrowing cost capitalized to property, plant, and equipment	**(109,381)**	**(197,083)**	(35,958)	(220,161)
Deferred rental income	**(12,976)**	**(68,670)**	(44,956)	(75,723)
Difference between tax and book basis of accounting for real estate transactions	**–**	**(70,401)**	–	(77,632)
Unamortized debt cost	**(3,450)**	**(1,197)**	(1,134)	(1,320)
Gain on asset share swap	**–**	**(443,110)**	–	(443,110)
Net retirement plan assets	**(1,377)**	**(102,284)**	(5,804)	(104,303)
Net changes in fair values of FVTPL financial assets	**(16,948)**	**(5,985,173)**	(58,719)	(79,730)
Others	**(24,779)**	**(25,597)**	(27,997)	(34,238)
	(2,609,744)	**(6,914,819)**	(2,340,021)	(1,082,164)
	8,678,161	**(6,307,656)**	8,092,485	(149,970)
Recognized directly in equity:				
Deferred income tax assets on:				
Remeasurement losses on retirement benefits	**2,735**	**46,427**	11,529	11,368
Deferred income tax liabilities on:				
Revaluation increment on property, plant and equipment	**(1,775,705)**	**(1,920,906)**	(1,564,192)	(8,270,677)
Remeasurement gains on defined benefit plans	**(42,368)**	**(19,462)**	(13,928)	(21,461)
Unrealized gains on changes in fair value of financial assets at FVTOCI	**(2,116)**	**(73,660)**	(1,882)	(19,702)
	(1,820,190)	**(2,014,029)**	(1,580,002)	(8,311,840)
	(1,817,454)	**(1,967,602)**	(1,568,473)	(8,300,472)
	₱6,860,706	**(₱8,275,257)**	₱6,524,012	(₱8,450,442)

[(1)] *Pertain to IPI, PWI, ABNC, AVSI, ADI, Eton and PNB*
[(2)] *Pertain to LTG, Saturn, PLI, AAC, TDI, ABI and FTC*
[(3)] *Pertain to IPI, ADI, Eton and PNB*
[(4)] *Pertain to LTG, Saturn, PLI, AAC, TDI, ABI, PWI and FTC*

Details of the Group's net deferred income tax assets and liabilities are as follows:

	2023	2022
	(In Thousands)	
Net deferred income tax assets:		
PNB and subsidiaries	**₱6,767,127**	₱6,017,780
Eton and subsidiaries	**41,021**	419,070
ABI and subsidiaries	**31,204**	10,258
Bank holding companies	**17,461**	60,495
TDI and subsidiaries	**3,893**	16,409
	₱6,860,706	₱6,524,012
Net deferred income tax liabilities:		
PNB and subsidiaries	**₱7,278,366**	₱7,133,553
Paramount	**443,110**	443,110
TDI and subsidiaries	**196,203**	400,944
ABI and subsidiaries	**113,953**	212,537
FTC	**105,649**	95,001
Eton and subsidiaries	**69,013**	76,101
Bank holding companies	**55,545**	79,730
LTG	**13,418**	9,466
	₱8,275,257	₱8,450,442

b. Provision for current income tax consists of:

	2023	2022	2021
		(In Thousands)	
RCIT	**₱2,591,343**	₱4,587,430	₱2,660,808
MCIT	**1,055**	1,190	14,197
Final tax	**3,073,039**	1,856,890	1,437,058
Provision for current income tax	**₱5,665,437**	₱6,445,510	₱4,112,063

c. As of December 31, 2023 and 2022, the Group has not recognized deferred income tax assets on certain deductible temporary differences such as NOLCO, excess MCIT and other items based on the assessment that sufficient taxable profit will not be available to allow the deferred income tax assets to be utilized as follows:

	2023	2022
	(In Thousands)	
Allowance for credit losses	**₱8,262,820**	₱9,124,826
NOLCO	**2,701,181**	1,661,662
Unamortized past service cost	**1,578,746**	2,140,071
Derivative liabilities	**555,811**	1,037,348
Net retirement benefits liability	**545,305**	658,363
Unrealized loss on AFS investment	**147,661**	870,774
Unrealized foreign exchange loss	**115,483**	–
Excess MCIT	**27,486**	26,738
Allowance for inventory obsolescence	–	17,241
Others	**952,417**	309,178

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

Year Incurred	December 31, 2022	Additions	Expired	December 31, 2023	Expiry Year
2020	₱281,099	₱–	₱–	₱281,099	2025
2021	1,046,192	–	–	1,046,192	2026
2022	334,371	–	–	334,371	2025
2023	–	984,313	–	984,313	2026
	₱1,716,868	₱984,313	₱–	₱2,701,181	

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2021 and 2022 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2023, the Group has incurred NOLCO in taxable years 2020 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act.

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

Year Incurred	December 31, 2022	Addition	Expired	December 31, 2023	Expiry Year
2020	₱26,093	₱–	₱26,093	₱–	2023
2021	525	–	–	525	2024
2022	120	–	–	120	2025
2023	–	1,056	–	1,056	2026
	₱26,738	₱1,056	₱26,093	₱1,821	

d. A reconciliation of the Group's provision for income tax computed based on income before income tax at the statutory income tax rates to the provision for income tax shown in the consolidated statements of income is as follows:

	2023	2022	2021
		(In Thousands)	
Provision for income tax at statutory income tax rate	**₱9,808,424**	₱9,150,899	₱6,815,555
Adjustments resulting from:			
Nontaxable income	**(4,797,970)**	(5,039,157)	(3,524,312)
Equity in net earnings of associates and joint ventures	**(2,981,183)**	(4,023,644)	(4,505,295)
Non-deductible expenses	**2,938,953**	2,712,313	8,694,202
NOLCO and other deductible temporary differences for which no deferred income tax assets were recognized in current year	**2,179,126**	2,567,494	2,592,694

(Forward)

	2023	2022	2021
		(In Thousands)	
Income subjected to final tax	**(₱176,430)**	(₱882,010)	(₱2,581,817)
Effect of availment of ITH	−	−	(35,963)
Change in tax rate	−	−	(77,224)
Others - net	**(1,743,103)**	1,452,695	(956,094)
Provision for income tax	**₱5,217,817**	₱5,938,590	₱6,421,746

e. Impact of CREATE Law

Applying the provisions of the CREATE Law, the Group is subjected to lower regular corporate income tax rate of 25.00% effective July 1, 2020. The following are the impact of CREATE in the 2021 financial statements of the Group:

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates applicable to the Group for the taxable year 2020 is 27.50% and 1.50%, respectively. This resulted in reduction in the current income tax due for the taxable year 2020 amounting to ₱374.0 million for the Group. The reduced amounts were reflected in the 2020 Annual Income Tax Returns filed in 2021. For financial reporting purposes, such reductions in the 2020 current income taxes were recognized in the 2021 financial statements as reduction to 2021 income tax expense.

- The deferred tax assets as of December 31, 2021 were also remeasured using the lower RCIT rate of 25.00%. The net decrease in the deferred tax balances amounting to ₱508.1 million for the Group, reduced the provision for deferred tax by ₱507.8 million for the Group, and other comprehensive income by ₱0.3 million for the Group.

There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Act.

30. **Equity**

Capital Stock

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

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

a. Capital stock is held by a total of 377 and 372 stockholders as of December 31, 2023 and 2022, respectively.

b. Track record of registration:

Date	Number of Shares Licensed	Issue/Offer Price
August 1948	100,000	₱1.00
November 1958	500,000	1.00
December 1961	1,000,000	1.00
March 1966	2,000,000	1.00
March 1966	6,000,000	1.00
October 1995	247,500,000	1.00
October 2011	398,138,889	4.22
April 2013	1,840,000,000	20.50

In April 2013, LTG issued 1,840.0 million shares for ₱37.7 billion, where excess over par value amounting to ₱35.9 billion was recorded as capital in excess of par. Stock issue costs amounting to ₱1.1 billion were charged against capital in excess of par in 2013. Other offering-related expenses amounting to ₱59.0 million were charged directly to "General and administrative expenses".

Retained Earnings and Dividends

a. The Company's BOD approved the declaration and distribution of the following cash dividends:

Date of declaration	Date of record	Date of payment	Dividend per share	In Absolute Amount
2023:				
November 17, 2023	December 5, 2023	December 15, 2023	₱0.30	**₱3,246,416,667**
August 15, 2023	September 4, 2023	September 13, 2023	0.30	**3,246,416,667**
May 15, 2023	May 30, 2023	June 13, 2023	0.30	**3,246,416,667**
February 17, 2023	March 6, 2023	March 17, 2023	0.30	**3,246,416,667**
				₱12,985,666,668
2022:				
November 18, 2022	December 6, 2022	December 14, 2022	₱0.50	₱5,410,694,440
August 17, 2022	September 2, 2022	September 13, 2022	0.30	3,246,416,667
May 17, 2022	May 31, 2022	June 13, 2022	0.30	3,246,416,667
March 16, 2022	March 30, 2022	April 8, 2022	0.30	3,246,416,667
				₱15,149,944,441
2021:				
November 19, 2021	December 6, 2021	December 13, 2021	₱0.60	₱6,492,833,333
June 11, 2021	June 25, 2021	July 7, 2021	0.24	2,597,133,333
March 17, 2021	March 31, 2021	April 12, 2021	0.24	2,597,133,334
				₱11,687,100,000

On February 23, 2024, the Company's BOD approved the declaration of cash dividends amounting to 3,246.42 million (i.e., 0.30 per share) to all stockholders of record as of March 11, 2024. The cash dividends were authorized to be paid not later than March 22, 2024.

b. Retained earnings include undistributed earnings amounting to ₱172.3 billion, ₱154.1 billion and ₱98.1 billion as of December 31, 2023, 2022 and 2021, respectively, representing accumulated earnings of subsidiaries and equity in net earnings of associates and joint ventures, which are not available for dividend declaration until received in the form of dividends from the combining entities and associates. Retained earnings available for dividend declaration as at December 31, 2023 amounted to ₱46.6 billion.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury (shares of stock of the company held by subsidiaries), unrealized foreign exchange gains except those attributable to cash and cash equivalents, fair value adjustment or gains arising from mark-to-market valuation, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of December 31, 2023 and 2022.

Other Equity Reserves

Other equity reserves as at December 31 consist of:

	2023	2022
	(In Thousands)	
Equity adjustments arising from business combination under common control (Note 1)	**₱445,113**	₱445,113
Equity adjustments from sale of the Company's shares of stock held by a subsidiary	**(6,448,518)**	(6,448,518)
Equity adjustment in aggregate reserves on life insurance policies	**58,055**	121,217
Effect of transaction with non-controlling interest	**66,658**	66,658
Effect of sale of a subsidiary to the Company	**99,655**	99,655
Effect of sale of direct interest in a subsidiary	**186,572**	186,572
	(₱5,592,465)	(₱5,529,303)

Shares of Stock of the Company Held by Subsidiaries

Shares held by subsidiaries include ₱5.0 million shares owned by All Seasons amounting to ₱12.5 million as of December 31, 2023 and 2022. As of December 31, 2011, Saturn owned ₱76.5 million shares of the Company. On July 25, 2012, the shares of stocks owned by Saturn were sold to Tangent at ₱4.50 per share. As a result, the excess of the selling price over the cost of the treasury shares amounting to ₱193.2 million is presented as an addition to other equity reserves.

Non-controlling Interests

Below are the changes in non-controlling interests:

	2023	2022	2021
		(In Thousands)	
Balance as of January 1	**₱77,816,817**	₱73,465,271	₱70,124,342
Net income attributable to non-controlling interests	**8,594,426**	5,527,606	614,622
Share in other comprehensive income, net of deferred income tax effect:			
Net change in aggregate reserves on life insurance policies	**(48,688)**	331,912	128,239
Remeasurement gains (losses) on defined benefit plans (Notes 2 and 23)	**(793,240)**	(364,996)	124,792
Revaluation increment on property plant and equipment	**(42,559)**	(21,229)	(243,897)
Cumulative translation adjustments	**(137,023)**	353,050	341,939
Net changes in financial assets at FVOCI (Note 7)	**1,844,494**	(2,287,612)	(1,635,861)
Acquisition of shares of subsidiaries from the Controlling Shareholders	**(40,633)**	330,235	441,157
Other equity reserves	**528,534**	482,580	3,569,938
Balance as of December 31	**₱87,722,128**	₱77,816,817	₱73,465,271

31. Basic/Diluted Earnings Per Share

The following tables reflect the net income and share data used in the earnings per share computations:

Basic/diluted earnings per share were calculated as follows:

	2023	2022	2021
		(In Thousands)	
Net income attributable to equity holders of the Company	**₱25,421,454**	₱25,137,400	₱20,246,467
Divided by weighted-average number of shares	**10,821,389**	10,821,389	10,821,389
Basic/diluted EPS for net income attributable to equity holders of the Company	**₱2.35**	₱2.32	₱1.87

Net income from continuing operations is attributable to:

	2023	2022	2021
		(In Thousands)	
Equity holders of the Company	**₱25,421,454**	₱25,137,400	₱20,234,820
Non-controlling interests	**8,594,426**	5,527,606	605,654
	₱34,015,880	₱30,665,006	₱20,840,474

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

	2023	2022	2021
		(In Thousands)	
Net income from continuing operations attributable to equity holders of the Company	**₱25,421,454**	₱25,137,400	₱20,234,820
Divided by weighted-average number of shares	**10,821,389**	10,821,389	10,821,389
Basic/diluted EPS for net income from continuing operations attributable to equity holders of the Company	**₱2.35**	₱2.32	₱1.87

There are no potential common shares with dilutive effect on the basic earnings per share in 2023, 2022 and 2021.

32. Financial Risk Management Objectives and Policies

The Group's financial risk management strategies are handled on a group-wide basis, side by side with those of the other related companies within the Group. The Group's management and the BOD of the various companies comprising the Group review and approve policies for managing these risks. Management closely monitors the funds and financial transactions of the Group.

Financial Risk Management Objectives and Policies of the Banking Segment

Risk Management Framework
The banking segment's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the banking segment's BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by the banking segment's senior management.

The banking segment's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the banking segment's continuing profitability.

The banking segment defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Bank's capital position to drop below its desired level; resulting in either an increase in risk-weighted assets or a reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

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

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

Resulting from the assessments based on the premise identified above, the banking segment's Parent Bank agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2020-2022, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the Internal Capital Adequacy Assessment Process (ICAAP) document and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:
1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:
4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational Risk
8. Strategic Business Risk
9. Information Security / Cyber Security / Data Privacy Risk
10. Information Technology
11. Human Resource Risk

The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:
- implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- establishing recommended limits based on the results of its analysis of exposures.

<u>Credit Risk</u>
For the banking segment, credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The banking segment manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial sector and credit management sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management, as applicable.

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

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

The bank segment follows the BOD-approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward looking conditions.

Credit-related commitments
The exposures represent guarantees, standby letters of credit (LCs) issued by the banking segment's Parent Bank and documentary/commercial LCs which are written undertakings by banking segment's

Parent Bank. To mitigate this risk, the banking segment's Parent Bank requires hard collaterals for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Collateral and other credit enhancement
As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The banking segment follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

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

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The banking segment is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group's banking segment is shown below:

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

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

	2022			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
		(In Millions)		
Securities held under agreements to resell	₱64,524	₱64,334	₱190	₱64,334
Loans and receivables:				
Receivables from customers*:				
Corporates	516,316	289,978	425,412	90,904
Local government units (LGU)	2,771	–	2,771	–
Credit Cards	13,094	–	13,094	–
Retail small and medium enterprises (SME)	4,735	3,594	2,822	1,913
Housing Loans	24,241	37,043	7,119	17,122
Auto Loans	5,570	11,421	1,765	3,805
Others	11,393	4,991	8,437	2,956
Other receivables	14,980	–	14,980	–
	₱657,624	₱411,361	₱476,590	₱181,034

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

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

Credit risk concentration

The banking segment's credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The banking segment analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and investment securities. To mitigate risk concentration, the banking segment constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty

For each CRR, the banking segment sets limits per client or counterparty based on the regulatory Single Borrowers Limit. For trading and investment securities, the banking segment limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration

The table below shows the banking segment's credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	2023			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
		(In Millions)		
Philippines	**₱591,914**	**₱265,176**	**₱126,074**	**₱983,164**
Asia (excluding the Philippines)	**15,018**	**17,836**	**88,779**	**121,633**
USA and Canada	**6,846**	**2,870**	**6,479**	**16,195**

(Forward)

	2023			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Other European Union Countries	**₱1,938**	**₱7,155**	**₱11**	**₱9,104**
Middle East	**58**	**3,877**	**3**	**3,938**
United Kingdom	**448**	**1,335**	**1,037**	**2,820**
Oceania	**483**	**–**	**2**	**485**
	₱616,705	**₱298,249**	**₱222,385**	**₱1,137,339**

**Loans and receivables exclude residual value of the leased asset*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets'*

	2022			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
		(In Millions)		
Philippines	₱552,598	₱237,143	₱120,953	₱910,694
Asia (excluding the Philippines)	26,641	21,914	36,746	85,301
United Kingdom	8,865	6,709	22,039	37,613
USA and Canada	2,096	8,378	13,190	23,664
Other European Union Countries	2,079	–	8,655	10,734
Middle East	524	1,855	10	2,389
Oceania	66	–	3	69
	₱592,869	₱275,999	₱201,596	₱1,070,464

**Loans and receivables exclude residual value of the leased asset*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets'*

c. Concentration by Industry

The tables in the next page show the industry sector analysis of the banking segment's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	2023			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
		(In Millions)		
Primary target industry:				
Financial intermediaries	**₱91,682**	**₱10,488**	**₱123,167**	**₱225,337**
Wholesale and retail	**115,294**	**–**	**–**	**115,294**
Electricity, gas and water	**83,772**	**16,562**	**–**	**100,334**
Manufacturing	**58,057**	**2**	**–**	**58,059**
Transport, storage and communication	**44,878**	**–**	**–**	**44,879**
Agriculture, hunting and forestry	**5,017**	**–**	**–**	**5,017**
Public administration and defense	**1,533**	**–**	**–**	**1,533**
Secondary target industry:				
Government	**2,183**	**229,289**	**99,169**	**330,641**
Real estate, renting and business activities	**106,897**	**9,227**	**14**	**116,138**
Construction	**31,040**	**–**	**–**	**31,040**
Others**	**76,353**	**32,681**	**36**	**109,070**
	₱616,706	**₱298,249**	**₱222,386**	**₱1,137,341**

* *Loans and receivables exclude residual value of the leased asset (Note 8).*
** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
*** *Other financial assets include the following financial assets: "Due from BSP", "Due from other banks", "Interbank loans receivable", "Securities held under agreements to resell" and other financial assets booked under "Other Assets".*

	2022			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
	(In Millions)			
Primary target industry:				
Financial intermediaries	₱119,770	₱19,521	₱73,231	₱212,522
Wholesale and retail	87,945	–	–	87,945
Electricity, gas and water	77,714	9,306	–	87,020
Manufacturing	59,847	167	–	60,014
Transport, storage and communication	40,563	–	–	40,563
Agriculture, hunting and forestry	5,193	–	–	5,193
Public administration and defense	1,627	–	–	1,627
Secondary target industry:				
Government	2,795	196,640	127,598	327,033
Real estate, renting and business activities	92,958	14,283	14	107,255
Construction	27,006	–	–	27,006
Others**	77,452	36,081	753	114,286
	₱592,870	₱275,998	₱201,596	₱1,070,464

* *Loans and receivables exclude residual value of the leased asset (Note 8).*
** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
*** *Other financial assets include the following financial assets: "Due from BSP", "Due from other banks", "Interbank loans receivable", "Securities held under agreements to resell" and other financial assets booked under "Other Assets".*

The internal limit of the banking segment based on the Philippine Standard Industry Classification sub-industry is 12% for priority industry, 8% for regular industry, 30% for power industry and 25% for activities of holding companies versus total loan portfolio.

Credit quality per class of financial assets

<u>*Loans and Receivables*</u>
The segmentation of the banking segment's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the banking segment's exposures can be categorized as either of the following:

- Non-Retail Portfolio - consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the banking segment's Non-Retail Portfolio segments are as follows: Sovereigns, Financial Institutions, Specialized Lending (e.g., Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs.
- Retail Portfolio - consists of exposures to individual person/s or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar credit risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

The credit quality of the Non-Retail Portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The banking segment's Parent Bank maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

The banking segment developed specific borrower rating models to capture specific and unique risk characteristics of each of the Non-Retail Portfolio segments. The BRR is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well. The banking segment uses a single scale with 26 risk grades for all its borrower risk rating models. The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the banking segment in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9-grades, i.e., FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g., CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the banking segment in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the banking segment's receivables from customers are defined below:

Credit quality	26-grade CRR system
High S&P Equivalent Global Rating: AAA to BBB-	*BRR 1 Excellent* Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. *BRR 2 Very Strong* Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. *BRR 3 Strong* Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low. *BRR 4-6 Good* Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low. *BRR 7-9 Satisfactory* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low. *BRR 10-12 Adequate* Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	*BRR 13-15 Average* Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility. *BRR 16-18 Acceptable* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility.

Credit quality	26-grade CRR system
	BRR 19-20 Vulnerable Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility.
Substandard S&P Equivalent Global Rating: B+ to CCC-	*BRR 21-22 Weak* Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility. *BRR 23-25 Watchlist* Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating: D	*BRR 26 Default* Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

For the Retail segment of the portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the banking segment's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31:

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
		(In Millions)		
Subject to CRR				
Non-Retail - Corporate				
High	₱210,563	₱–	₱–	₱210,563
Standard	198,910	30,732	–	229,642
Substandard	29,953	31,164	–	61,117
Impaired	–	–	26,950	26,950
	439,426	61,896	26,950	528,272
Subject to Scoring & Unrated				
Non-Retail	2,849	11,761	1,184	15,794
Corporate	96	11,724	1,118	12,938
LGU	2,753	37	66	2,856
Retail	41,072	1,411	13,920	56,403
Auto Loans	4,956	102	1,970	7,028
Housing Loans	18,930	644	9,015	28,589
Retail SME	4,029	349	2,026	6,404
Credit Card	13,157	316	909	14,382
Others	9,377	1,547	1,987	12,911
	53,298	14,719	17,091	85,108
	₱492,724	₱76,615	₱44,041	₱613,380

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

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

	2022				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
			(In Millions)		
Housing Loans	₱297	₱599	₱596	₱8,202	₱9,694
Auto Loans	61	75	66	1,869	2,071
Retail SME	61	21	48	1,815	1,945
Credit Card	1	103	233	631	968
LGU	8	–	–	58	66
Others	719	108	50	1,254	2,131
Total	₱1,147	₱906	₱993	₱13,829	₱16,875

Trading and Investment Securities and Other Financial Assets
In ensuring quality investment portfolio, PNB uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e., Moody's Investors Service) as follows:

- Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

- A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.
- Baa1 and below - represents those investments which fall under any of the following grade:
  - Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
  - Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
  - B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
  - Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
  - Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
  - C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the banking segment, excluding receivables from customers, which are monitored using external ratings.

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

[1/] *'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of PNB.*

[2/] *Loans and receivables - Others is composed of accrued interest receivable, accounts receivable, sales contracts receivable and other miscellaneous receivables, net of allowances (see Note 8)*

	December 31, 2022					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
	(In Millions)					
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱94,701	₱94,701
Due from other banks	3,257	18,388	3,259	24,904	1,116	26,020
Interbank loans receivables	1,571	2,685	–	4,256	12,036	16,292
Securities held under agreements to resell	–	21,207	17,235	38,442	26,084	64,526

(Forward)

	December 31, 2022					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
	(In Millions)					
Financial assets at FVOCI						
Government securities	₱3,310	₱554	₱114,076	₱117,940	₱–	₱117,940
Private debt securities	596	252	160	1,008	14,429	15,437
Quoted equity securities	–	–	58	58	734	792
Unquoted equity securities	–	–	389	389	23,632	24,021
Investment securities at amortized cost						
Government securities	145	7,951	69,893	77,989	209	78,198
Private debt securities	–	8,877	1,159	10,036	26,083	36,119
Financial assets at amortized cost						
Loans and receivables - Others 2/	–	–	–	–	17,925	17,925

1/ 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of PNB.

2/ Loans and receivables - Others is composed of accrued interest receivable, accounts receivable, sales contracts receivable and other miscellaneous receivables, net of allowances (see Note 8)

Liquidity Risk and Funding Management

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

The banking segment's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the banking segment's business operations or unanticipated events created by customer behavior or capital market conditions. The banking segment seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the banking segment on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The tables in the next page show the banking segment's financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	2023					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
			(In Millions)			
Financial Assets						
COCI	**₱21,151**	**₱–**	**₱–**	**₱–**	**₱–**	**₱21,151**
Due from BSP and other banks	**120,467**	**–**	**–**	**–**	**–**	**120,467**
Interbank loans receivable	**28,531**	**5,489**	**968**	**1,023**	**–**	**36,011**
Securities held under agreements to resell	**69,812**	**–**	**–**	**–**	**–**	**69,812**
Financial assets at FVTPL:						
Government securities	**4,294**	**534**	**39**	**92**	**3,587**	**8,546**
Private debt securities	**–**	**30**	**19**	**995**	**662**	**1,706**
Equity securities	**3**	**–**	**–**	**–**	**–**	**3**
Derivative assets:						
Gross contractual receivable	**87,950**	**17,614**	**2,100**	**445**	**30**	**108,139**
Gross contractual payable	**(87,391)**	**(17,458)**	**(2,071)**	**(441)**	**(29)**	**(107,390)**
Financial Assets at FVTOCI:						
Government securities	**33,490**	**46,205**	**1,285**	**2,180**	**47,002**	**130,162**
Private debt securities	**938**	**1,112**	**1,988**	**2,370**	**9,480**	**15,888**
Equity securities	**1,411**	**–**	**–**	**–**	**24,567**	**25,978**
Investment securities at amortized cost						
Government securities	**6,210**	**4,082**	**5,719**	**4,000**	**124,961**	**144,972**
Private debt securities	**1,347**	**3,825**	**1,334**	**1,705**	**27,485**	**35,696**
Financial assets at amortized cost:						
Receivables from customers	**149,406**	**61,187**	**28,126**	**23,387**	**510,204**	**772,310**
Other receivables	**14,813**	**666**	**388**	**242**	**1,377**	**17,486**
Other assets	**383**	**–**	**–**	**–**	**19**	**402**
Total financial assets	**₱452,815**	**₱123,286**	**₱39,895**	**₱35,998**	**₱749,345**	**₱1,401,339**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱229,771**	**₱–**	**₱–**	**₱–**	**₱–**	**₱229,771**
Savings *	**367,398**	**–**	**–**	**–**	**–**	**367,398**
Time and LTNCDs *	**190,634**	**98,115**	**16,667**	**19,936**	**14,355**	**339,707**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**53,574**	**7,507**	**3,407**	**673**	**–**	**65,161**
Gross contractual receivable	**(53,335)**	**(7,274)**	**(3,341)**	**(658)**	**–**	**(64,608)**
Bills and acceptances payable	**6,020**	**10,282**	**2,290**	**504**	**1,139**	**20,235**
Bonds payable	**–**	**15**	**–**	**42,762**	**–**	**42,777**
Accrued interest payable and accrued other expenses payable	**4,683**	**55**	**218**	**113**	**479**	**5,548**
Other liabilities	**8,055**	**3**	**–**	**77**	**1,215**	**9,350**
Total financial liabilities	**₱806,800**	**₱108,703**	**₱19,241**	**₱63,407**	**₱17,188**	**₱1,015,339**

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

	December 31, 2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
			(In Millions)			
Financial Assets						
COCI	₱22,218	₱–	₱–	₱–	₱–	₱22,218
Due from BSP and other banks	125,114	–	–	–	–	125,114
Interbank loans receivable	8,876	1,313	2,442	4,109	–	16,740
Securities held under agreements to resell	60,878	3,784	–	–	–	64,662
Financial assets at FVTPL:						
Government securities	200	1,080	296	1,054	6,650	9,280
Private debt securities	12	21	18	51	3,224	3,326
Equity securities	3	–	–	–	–	3
Derivative assets:						
Gross contractual receivable	40,036	7,665	10,332	3,260	15	61,308
Gross contractual payable	(39,051)	(7,543)	(10,098)	(3,240)	–	(59,932)

(Forward)

	December 31, 2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
			(In Millions)			
Financial Assets at FVTOCI:						
Government securities	₱87,743	₱3,615	₱9,340	₱9,487	₱141,545	₱251,730
Private debt securities	3,418	1,165	284	2,883	42,342	50,092
Equity securities	1,614	–	–	–	23,199	24,813
Investment securities at amortized cost						
Government securities	6,044	10,034	6,718	2,835	149,213	174,844
Private debt securities	1,243	6,417	11,656	10,451	37,190	66,957
Financial assets at amortized cost:						
Receivables from customers	95,929	75,908	32,256	14,027	528,529	746,649
Other receivables	7,227	904	1,587	787	8,684	19,189
Other assets	51	–	–	–	19	70
Total financial assets	₱421,555	₱104,363	₱64,831	₱45,704	₱940,610	₱1,577,063
Financial Liabilities						
Deposit liabilities:						
Demand	₱222,500	₱–	₱–	₱–	₱–	₱222,500
Savings *	359,731	–	–	–	–	359,731
Time and LTNCDs *	138,446	96,586	26,247	16,416	21,788	299,483
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	₱27,156	₱38,707	₱17,168	₱558	₱–	₱83,589
Gross contractual receivable	(26,737)	(38,304)	(16,952)	(556)	–	(82,549)
Bills and acceptances payable	8,335	3,571	30	44	3,145	15,125
Bonds payable	–	–	17,772	686	42,883	61,341
Accrued interest payable and accrued other expenses payable	2,996	146	167	59	480	3,848
Other liabilities	6,530	482	444	983	1,785	10,224
Total financial liabilities	₱738,957	₱101,188	₱44,876	₱18,190	₱70,081	₱973,292

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

BSP Reporting for Liquidity Positions and Leverage

To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the banking segment computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2023 and 2022, LCR reported to the BSP with certain adjustments is 271.54% and 246.25%, respectively.

The banking segment also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2023 and 2021, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2023	2022
Available stable funding	**₱894,199**	₱852,706
Required stable funding	**595,019**	621,402
NSFR	**150.28**	137.22%

Market Risks

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the banking segment's trading and structural portfolios.

Trading Market Risk

Trading market risk exists in the banking segment as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The banking segment is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risk in the trading portfolio, the banking segment uses the Value-at-Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation methodology (with 99% confidence level) to measure the banking segment's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 400-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the banking segment's BOD. The VaR figures are back-tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are also reported to the ROC.

The parametric VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be under estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

The validity of the assumptions underlying the banking segment's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The banking segment adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The banking segment uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results.

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

To complement the VaR approximations, the banking segment conducts stress testing on a quarterly basis, the results of which are being reported to the banking segment's BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

Since VaR is an integral part of the banking segment's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the banking segment.

The table below show the trading VaR:

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
		(In Millions)		
December 29, 2023	**₱3.99**	**₱86.63**	**₱0.00**	**₱90.62**
Average Daily	**9.26**	**133.08**	**0.00**	**142.34**
Highest	**33.27**	**313.88**	**0.00**	**320.92**
Lowest	**1.78**	**62.67**	**0.00**	**67.76**
December 29, 2022	₱1.98	₱130.50	₱0.00	₱132.48
Average Daily	6.77	161.09	0.00	167.09
Highest	25.45	889.57	0.00	895.51
Lowest	0.87	118.10	0.00	131.61

** FX VaR is the bankwide foreign exchange risk*
*** The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Non-trading Market Risk

Interest rate risk
The banking segment seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the banking segment to interest rate risk. PNB measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the banking segment an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Group BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the banking segment:

	2023					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
			(In Millions)			
Financial Assets*						
Due from BSP and other banks	**₱58,150**	**₱9,074**	**₱3,369**	**₱8,901**	**₱37,160**	**₱116,654**
Interbank loans receivable and securities held under agreements to resell	**98,093**	**5,439**	**734**	**1,063**	**–**	**105,329**
Receivables from customers and other receivables - gross**	**161,956**	**49,845**	**28,902**	**39,616**	**104,404**	**384,723**
Total financial assets	**₱318,199**	**₱64,358**	**₱33,005**	**₱49,580**	**₱141,564**	**₱606,706**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱158,675**	**₱56,242**	**₱27,796**	**₱49,150**	**₱249,146**	**₱541,009**
Time***	**81,037**	**40,011**	**6,280**	**5,894**	**12,530**	**145,752**
Bonds payable	**–**	**–**	**–**	**41,491**	**–**	**41,491**
Bills and acceptances payable	**10,303**	**5,297**	**1,747**	**185**	**2,631**	**20,163**
Total financial liabilities	**₱250,015**	**₱101,550**	**₱35,823**	**₱96,720**	**₱264,307**	**₱748,415**
Repricing gap	**₱68,184**	**(₱37,192)**	**(₱2,818)**	**(₱47,140)**	**(₱122,743)**	**₱141,709**
Cumulative gap	**68,184**	**30,992**	**28,174**	**(18,966)**	**(141,709)**	

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

	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
			(In Millions)			
Financial Assets*						
Due from BSP and other banks	₱57,045	₱12,538	₱3,792	₱7,079	₱40,258	₱120,712
Interbank loans receivable and securities held under agreements to resell	69,846	4,826	2,119	4,023	–	80,814
Receivables from customers and other receivables - gross**	38,027	45,573	34,155	35,260	188,412	341,427
Total financial assets	₱164,918	₱62,937	₱40,066	₱46,362	₱228,670	₱542,953

	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
			(In Millions)			
Financial Liabilities*						
Deposit liabilities:						
Savings	₱114,431	₱82,874	₱27,877	₱50,253	₱244,506	₱519,941
Time***	57,117	30,219	11,044	9,461	4,273	112,114
Bonds payable	–	–	16,697	–	41,742	58,439
Bills and acceptances payable	9,383	3,640	17	370	1,570	14,980
Total financial liabilities	₱180,931	₱116,733	₱55,635	₱60,084	₱292,091	₱705,474
Repricing gap	(₱16,013)	(₱53,796)	(₱15,569)	(₱13,722)	(₱63,421)	(₱162,521)
Cumulative gap	(16,013)	(69,809)	(85,378)	(99,100)	(162,521)	

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

The following table sets forth, for the year indicated, the impact of changes in interest rates on the banking segment's repricing gap for the years ended December 31:

	2023		2022	
	Statement of Income	**Equity**	Statement of Income	Equity
		(In Millions)		
+50bps	**₱120**	**₱120**	(₱353)	(₱353)
-50bps	**(120)**	**(120)**	353	353
+100bps	**240**	**240**	(705)	(705)
-100bps	**(240)**	**(240)**	705	705

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

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

As of December 31, 2023, the maximum negative Delta EVE is at ₱6.2 billion or 5.43% of CET1 capital coming from the steepening rates scenario.

Foreign currency risk
Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The banking segment takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the banking segment's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the banking segment's Parent Bank and foreign currency-denominated borrowings appearing in the regular books of the banking segment's Parent bank.

Foreign currency deposits are generally used to fund the banking segment's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the banking segment's Parent Bank has additional foreign currency assets and liabilities in its foreign branch network.

The banking segment's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The banking segment believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the banking segment is involved.

The table below summarizes the banking segment's exposure to foreign exchange rate risk excluding those under FCDU (amounts in Philippine peso equivalent).

	December 31, 2023			December 31, 2022		
	USD	**Others***	**Total**	USD	Others*	Total
			(In Millions)			
Assets						
COCI and due from BSP	**₱119**	**₱425**	**₱544**	₱84	₱221	₱305
Due from other banks	**11,639**	**3,863**	**15,502**	15,808	6,252	22,060
Interbank loans and securities held under agreements to resell	**15,135**	**4,827**	**19,962**	1,056	1,963	3,019
Loans and receivables	**26,836**	**11,552**	**38,388**	27,846	9,648	37,494
Financial Assets at FVTPL	**5**	**–**	**5**	1	2	3
Financial Assets at FVTOCI	**866**	**733**	**1,599**	837	1,359	2,196
Financial assets at amortized cost	**476**	**624**	**1,100**	145	512	657
Other assets	**11,780**	**1,031**	**12,811**	123	1,120	1,243
Total assets	**66,856**	**23,055**	**89,911**	45,900	21,077	66,977
Liabilities						
Deposit liabilities	**8,849**	**8,964**	**17,813**	8,239	7,994	16,233
Derivative liabilities	**–**	**–**	**–**			
Bills and acceptances payable	**10,510**	**–**	**10,510**	11,984	17	12,001
Accrued taxes, interest and other expenses	**89**	**21**	**110**	93	82	175
Other liabilities	**9,378**	**2,494**	**11,872**	26,256	2,200	28,456
Total liabilities	**28,826**	**11,479**	**40,305**	46,572	10,293	56,865
Net Exposure	**₱38,030**	**₱11,576**	**₱49,606**	(₱672)	₱10,784	₱10,112

* *Other currencies include UAE Dirham (AED,) Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), PHP, Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso were ₱55.37 to US$1.00 as of December 31, 2023 and ₱55.76 to US$1.00 as of December 31, 2022.

The following tables set forth the impact of the range of reasonably possible changes in the USD:PHP exchange rate on the Group and the Parent Company’s income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2023 and 2022:

	2023		2022	
	Income Before Income Tax	**Equity**	Income Before Income Tax	Equity
		(In Millions)		
+1.00%	**₱372**	**(₱380)**	(₱15)	(₱7)
-1.00%	**(372)**	**380**	15	7

The Group does not expect the impact of the volatility on other currencies to be material.

Financial Risk Management Objectives and Policies of the Companies in the Group other than the Banking Segment

Risk Management Strategies
The Group’s principal financial instruments comprise of short-term and long-term debts and COCI. The main purpose of these financial instruments is to ensure adequate funds for the Group’s operations and capital expansion. Excess funds are invested in available-for-sale financial assets with a view to liquidate these to meet various operational requirements when needed. The Group has various other financial assets and financial liabilities such as receivables and accounts payable and accrued expenses which arise directly from its operations.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risks (consisting of foreign exchange risk, interest rate risk and equity price risk).

Credit Risk
The Group manages its credit risk by transacting with counterparties of good financial condition and selecting investment grade securities. The Group trades only with recognized, creditworthy third parties. In addition, receivable balances are monitored on an on-going basis with the result that the Group’s exposure to bad debts is not significant. Management closely monitors the fund and financial condition of the Group.

In addition, credit risk of property development segment is managed primarily through analysis of receivables on a continuous basis. The credit risk for contracts receivables is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

Concentration risk
Concentrations arise when a number of counterparties are engaged in similar business activities having similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group’s financial strength and undermine public confidence.

Concentration risk per business segment could arise on the following:

- Distilled spirits segment's annual sales pertain mainly to two trusted parties with sales to them comprising about 99% of the total segment revenue.
- Beverage segment annual sales pertain mainly to 13 parties with sales to them comprising about 100% of the total beverage sales.
- Tobacco and property development segments are not exposed to concentration risk because it has diverse base of counterparties.

Credit quality per class of financial assets
"Standard grade" accounts consist of financial assets from trusted parties with good financial condition. "Substandard grade" accounts, on the other hand, are financial assets from other counterparties with relatively low defaults. The Group did not regard any financial asset as "high grade" in view of the erratic cash flows or uncertainty associated with the financial instruments. "Past due but not impaired" are items with history of frequent default, nevertheless, the amount due are still collectible. Lastly, "Impaired financial assets" are those that are long-outstanding and have been provided with allowance for doubtful accounts.

Set out below is the information about the credit risk exposure on the Group's financial assets using provision matrix (in millions):

As of December 31, 2023:

			Trade and other receivables					
				Days past due				
	Cash in Banks	**Due from related parties**	**Current**	**< 30 days**	**30-60 days**	**61-90 days**	**> 90 days**	**Total**
Expected credit loss rate	–%	–%	0.13% - 82.00%	0.13% - 78.9%	0.13% - 36.00%	0.13% - 93.06%	5.00% - 47.00%	
Estimated total gross carrying amount at default	**₱243.8**	**₱2,338.7**	**₱8,209.4**	**₱2,623.9**	**₱2,836.0**	**₱1,698.0**	**₱3,638.7**	**₱19,006.0**
Expected credit loss	**₱–**	**₱–**	**₱1.1**	**₱18.4**	**₱19.9**	**₱8.5**	**₱363.9**	**₱411.8**

As of December 31, 2022:

			Trade and other receivables					
				Days past due				
	Cash in banks	Due from related parties	Current	< 30 days	30-60 days	61-90 days	> 90 days	Total
Expected credit loss rate	–%	–%	0.13% - 82.00%	0.13% - 78.9%	0.13% - 36.00%	0.13% - 93.06%	5.00% - 47.00%	
Estimated total gross carrying amount at default	₱224.7	₱3,556.5	₱8,240.8	₱2,633.9	₱2,846.8	₱1,704.5	₱3,652.6	₱19,078.6
Expected credit loss	₱–	₱–	₱1.0	₱19.4	₱16.3	₱70.9	₱369.4	₱477.0

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

The Group's objective is to maintain a balance between continuity of funding and sourcing flexibility through the use of available financial instruments. The Group manages its liquidity profile to meet its working and capital expenditure requirements and service debt obligations. As part of the liquidity risk management program, the Group regularly evaluates and considers the maturity of its financial assets (e.g., trade receivables, other financial assets) and resorts to short-term borrowings whenever its available cash or matured placements is not enough to meet its daily working capital requirements. To ensure availability of short-term borrowings, the Group maintains credit lines with banks on a continuing basis.

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

The following tables show the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as well as the financial assets used for liquidity management *(in millions)*:

	2023			2022		
	< 1 year	**1 to 5 years**	**Total**	< 1 year	1 to 5 years	Total
Financial assets:						
Cash and other cash items	**₱243,791**	**₱–**	**₱243,791**	₱224,745	₱–	₱224,745
Trade receivables	**18,992**	**–**	**18,992**	19,079	–	19,079
Other receivables	**4,351**	**–**	**4,351**	4,468	–	4,468
Due from related parties	**2,339**	**–**	**2,339**	3,556	–	3,556
Refundable deposits	**203**	**–**	**203**	177	–	177
Financial assets at FVTPL	**10,551**	**–**	**10,551**	7,379	–	7,379
	₱280,227	**₱–**	**₱280,227**	₱259,404	₱–	₱259,404
Financial liabilities:						
Short-term debts	**₱4,280**	**₱–**	**₱4,280**	₱4,490	₱–	₱4,490
Accounts payable and other liabilities*	**22,890**	**–**	**22,890**	19,697	–	19,697
Long-term debts	**43,116**	**6,395**	**49,511**	20,400	46,312	66,712
Due to related parties	**50**	**–**	**50**	50	–	50
Other liabilities	**9,090**	**6,238**	**15,328**	10,376	8,464	18,840
	₱79,426	**₱12,633**	**₱92,059**	₱55,013	₱54,776	₱109,789

**Excluding non-financial liabilities amounting to ₱2,164 million and ₱2,158 million as of December 31, 2023 and 2022, respectively.*

Market Risks of the Group other than the Banking Segment

The Group's operating, investing, and financing activities are directly affected by changes in foreign exchange rates and interest rates. Increasing market fluctuations in these variables may result in significant equity, cash flow and profit volatility risks for the Group. For this reason, the Group seeks to manage and control these risks primarily through its regular operating and financing activities.

Management of financial market risk is a key priority for the Group. The Group generally applies sensitivity analysis in assessing and monitoring its market risks. Sensitivity analysis enables management to identify the risk position of the Group as well as provide an approximate quantification of the risk exposures. Estimates provided for foreign exchange risk, cash flow interest rate risk, price interest rate risk and equity price risk are based on the historical volatility for each market factor, with adjustments being made to arrive at what the Group considers to be reasonably possible.

Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of changes in the levels of equity indices and value of individual stocks. In 2023, 2022 and 2021, changes in fair value of equity instruments held as equity instruments at FVTOCI due to a reasonable possible change in equity interest, with all other variables held constant, will increase profit by ₱110.1 million, ₱108.8 million and ₱209.7 million, respectively, if equity prices will increase by 5.3%, 5.3% and 14.8%, respectively. An equal change in the opposite direction would have decrease equity by the same amount.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. As of December 31, 2023 and 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 interval of three months or six months.

Foreign currency risk
The non-banking segment of the Group is not significantly affected by foreign currency risk since the Group has no significant foreign currency transactions.

33. Offsetting of Financial Assets and Financial Liabilities

The Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

Financial assets recognized at end of reporting period by type	Gross carrying Amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the consolidated statement of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of Financial collateral	
	[a]	[b]	[c]	[d]		[e]
			(In Thousands)			
December 31, 2023:						
Derivative assets (Notes 6 and 21)	**₱108,139,719**	**₱107,390,520**	**₱749,199**	**₱37,098**	**₱–**	**₱712,101**
Securities sold under agreements to repurchase (Note 5)	**69,694,538**	**–**	**69,694,538**	**–**	**57,785,321**	**11,909,217**
	₱177,834,257	**₱107,390,520**	**₱70,443,737**	**₱37,098**	**₱57,785,321**	**₱12,621,318**
December 31, 2022:						
Derivative assets (Notes 6 and 21)	₱61,149,066	(₱59,787,115)	₱1,361,951	₱73,039	₱–	₱1,288,912
Securities sold under agreements to repurchase (Note 5)	64,523,863	–	64,523,863	–	64,334,349	189,514
	₱125,672,929	(₱59,787,115)	₱65,885,814	₱73,039	₱64,334,349	₱1,478,426

Financial liabilities

Financial assets recognized at end of reporting period by type	Gross carrying Amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the consolidated statement of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of Financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
			(In Thousands)			
December 31, 2023:						
Derivative liabilities (Notes 16 and 21)	**₱65,163,569**	**₱64,607,758**	**₱555,811**	**₱196,010**	**₱–**	**₱359,801**
Securities sold under agreements to repurchase (Note 8)*	**10,053,531**	–	**10,053,531**	–	**11,972,805**	–
Total	**₱75,217,100**	**₱64,607,758**	**₱10,609,342**	**₱196,010**	**₱11,972,805**	**₱359,801**
December 31, 2022:						
Derivative liabilities (Notes 16 and 21)	₱70,051,569	(₱69,011,793)	₱1,039,776	₱456,745	₱–	₱583,031
Securities sold under agreements to repurchase (Note 8)*	6,595,689	–	6,595,689	–	7,981,190	–
Total	₱76,647,258	(₱69,011,793)	₱7,635,465	₱456,745	7,981,190	₱583,031

** Included in bills and acceptances payable in the consolidated statement of financial position.*

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, excluding the extent of over-collateralization.

34. Fair Value Measurement

The Group has assets and liabilities that are measured at fair value on a recurring and non-recurring basis in the consolidated statements of financial position after initial recognition. Recurring fair value measurements are those that another PFRSs requires or permits to be recognized in the consolidated statements of financial position at the end of each reporting period. These include financial assets and liabilities at FVTPL and FVTOCI. Non-recurring fair value measurements are those that another PFRSs requires or permits to be recognized in the consolidated statement of financial position in particular circumstances. These include land and land improvements, buildings and building improvements and machineries and equipment measured at revalued amount and investment properties measured at cost but with fair value measurement disclosure.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties, land and land improvements, plant buildings and building improvements and machineries and equipment. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

As of December 31, the carrying values of the Group's financial assets and liabilities approximate their respective fair values, except for the following financial instruments:

	2023		2022	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	(In Thousands)			
Financial Assets:				
Financial assets at amortized cost	**₱123,200,427**	**₱123,571,272**	₱110,467,960	₱111,403,001
Loans and receivables:				
Receivables from customers	**608,727,856**	**623,817,129**	597,198,888	629,572,434
	₱731,928,283	**₱747,388,401**	₱707,666,848	₱740,975,435
Financial Liabilities:				
Financial liabilities at amortized cost:				
Deposit liabilities:				
Time deposits	**₱145,752,061**	**₱145,538,240**	₱112,113,308	₱112,113,308
Bills payables	**10,607,626**	**10,559,411**	7,702,325	7,625,229
Long-term debts:				
Unsecured term loan	**2,611,422**	**2,611,422**	3,255,346	3,255,346
Bonds payable	**41,490,871**	**40,625,938**	58,439,097	56,833,468
LTNCD	**12,803,543**	**12,586,489**	19,130,012	18,922,562
Other liabilities:				
Payable to landowners	**1,061,191**	**1,061,191**	1,061,191	1,061,191
Tenants' rental deposits	**554,552**	**554,552**	487,342	487,342
	₱214,881,266	**₱213,537,243**	₱202,188,621	₱200,298,446

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

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

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

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

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

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

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

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

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following assets and liabilities measured at fair value and at cost but which fair values are disclosed and their corresponding level in fair value hierarchy:

	2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱8,174,405**	**₱2,633,602**	**₱5,540,803**	**₱–**	**₱8,174,405**
Private debt securities	**1,590,489**	**914,210**	**676,279**	**–**	**1,590,489**
Derivative assets	**749,199**	**–**	**749,199**	**–**	**749,199**
Equity securities	**2,771**	**2,771**	**–**	**–**	**2,771**
Financial assets at FVOCI:					
Government securities	**124,372,410**	**46,682,566**	**77,689,844**	**–**	**124,372,410**
Equity securities	**25,978,530**	**200,709**	**1,014,081**	**24,763,740**	**25,978,530**
Private debt securities	**14,180,552**	**6,944,140**	**7,236,412**	**–**	**14,180,552**
	₱175,048,356	**₱57,377,998**	**₱92,906,618**	**₱24,763,740**	**₱175,048,356**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱555,811**	**₱–**	**₱555,811**	**₱–**	**₱555,811**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱123,200,427**	**₱24,840,676**	**₱98,730,596**	**₱–**	**₱123,571,272**
Receivables from customers**	**604,188,788**	**–**	**–**	**623,817,129**	**623,817,129**
	₱727,389,215	**₱24,840,676**	**₱98,730,596**	**₱623,817,129**	**₱747,388,401**
Nonfinancial Assets					
Investment property:					
Land***	**₱12,359,795**	**₱–**	**₱–**	**₱26,228,453**	**₱26,228,453**
Buildings and improvements***	**2,219,763**	**–**	**–**	**7,975,404**	**7,975,404**
	₱14,579,558	**₱–**	**₱–**	**₱34,203,857**	**₱34,203,857**

	2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱145,752,061**	**₱–**	**₱–**	**₱145,538,240**	**₱145,538,240**
LTNCDs	**12,803,543**	**–**	**12,586,489**	**–**	**12,586,489**
Bonds payable	**41,490,871**	**–**	**40,625,938**	**–**	**40,625,938**
Bills payable	**10,607,626**	**–**	**–**	**10,559,411**	**10,559,411**
	₱210,654,101	**₱–**	**₱53,212,427**	**₱156,097,651**	**₱209,310,078**

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

	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱4,371,671	₱27,009	₱4,344,662	₱–	₱4,371,671
Private debt securities	1,610,681	146,495	1,464,186	–	1,610,681
Derivative assets	1,361,951	–	1,361,951	–	1,361,951
Equity securities	2,898	2,898	–	–	2,898
Financial assets at FVOCI:					
Government securities	117,939,783	55,867,413	62,072,370	–	117,939,783
Equity securities	24,812,872	233,298	1,128,254	23,451,320	24,812,872
Private debt securities	15,430,870	244,224	15,186,646	–	15,430,870
	₱165,530,726	₱56,521,337	₱85,558,069	₱23,451,320	₱165,530,726
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱1,039,776	₱–	₱1,039,776	₱–	₱1,039,776
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱110,467,960	₱14,695,749	₱96,707,252	₱–	₱111,403,001
Receivables from customers**	578,120,332	–	–	610,493,878	610,493,878
	₱688,588,292	₱14,695,749	₱96,707,252	₱610,493,878	₱721,896,879
Nonfinancial Assets					
Investment property:					
Land***	₱12,508,051	₱–	₱–	₱29,868,859	₱29,868,859
Buildings and improvements***	1,286,935	–	–	3,510,670	3,510,670
	₱13,794,986	₱–	₱–	₱33,379,529	₱33,379,529
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱112,113,308	₱–	₱–	₱112,113,308	₱112,113,308
LTNCDs	19,130,012	–	18,922,562	–	18,922,562
Bonds payable	58,439,097	39,955,398	16,878,070	–	56,833,468
Bills payable	7,702,325	–	–	7,625,229	7,625,229
	₱197,384,742	₱39,955,398	₱35,800,632	₱119,738,537	₱195,494,567

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

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

The unquoted debt securities fair values are estimated based on the market data approach that makes use of market multiples derived from a set of comparable. Multiples were determined that is most relevant to assessing the value of the unquoted securities (e.g., earnings, book value). The selection of the appropriate multiple within the range is based on qualitative and quantitative factors specific to the measurement.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Significant input used in determining fair values of financial instruments under Level 2 comprises of interpolated market rates of benchmark securities. For investments in UITFs, fair values are determined based on published NAVPU as of reporting date.

As of December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of property, plant and equipment and investment properties held by the Group:

	Valuation Techniques	Significant Unobservable Inputs	Range of Estimates
Property, plant and equipment:			
Land and land improvements	Market Data Approach	Price per square meter	₱6,000 - ₱6,200
Plant buildings and building improvements			
Building	Replaceable Fixed Asset Valuation Approach	Replacement cost Estimated total floor area	₱4,287 - ₱10,000 24 - 1548 sq.m
Building improvements	Replaceable Fixed Asset Valuation Approach	Replacement cost Estimated number of components	₱2.8 million - ₱26.5 million 315 - 723 components
Machineries and equipment	Replaceable Fixed Asset Valuation Approach	Replacement cost Estimated number of components	₱3,200 - ₱8.6 million 465 - 1,162 components
Investment properties:			
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence	₱800 - ₱100,000
Land and building	Market Data Approach and Replacement Cost Approach	New Reproduction Cost	

Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land. Significant increases (decreases) in the current replacement cost would result in significantly higher (lower) appraised values whereas significant increase (decrease) in the remaining useful life of the property, plant and equipment over their total useful life would result in significantly higher (lower) appraised values.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's property, plant and equipment and investment properties are as follows:

	Description
Valuation Techniques	
Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Replaceable Fixed Asset Valuation Approach	This method requires an analysis of the buildings and other land improvements by breaking them down into major components. Bills of quantities for each component using the appropriate basic unit are prepared and related to the unit cost for each component developed on the basis of current costs of materials, labor, plant and equipment prevailing in the locality to arrive at the direct costs of the components. Accrued depreciation was based on the observed condition.
Replacement Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of Reproduction Cost New of the improvements.
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

35. Notes to Consolidated Statements of Cash Flows

Cash Flows from Financing Activities
The changes in liabilities arising from financing activities in 2023 and 2022 follow:

	2023			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable (Note 17)	**₱14,980,373**	**₱5,670,131**	**(₱487,901)**	**₱20,162,603**
Short-term debts (Note 19)	**4,490,000**	**(210,000)**	**–**	**4,280,000**
Bonds payable and unsecured loans (Note 19)	**61,694,443**	**(15,886,773)**	**(1,705,377)**	**44,102,293**
Lease liabilities (Note 19, 37)	**5,017,860**	**(1,314,516)**	**1,705,376**	**5,408,720**
	₱86,182,676	**(₱11,741,158)**	**₱487,902**	**₱73,953,616**

	2022			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱52,953,797	(₱37,160,609)	(₱812,815)	₱14,980,373
Short-term debts (Note 19)	3,940,000	550,000	–	4,490,000
Bonds payable and unsecured loans (Note 19)	57,499,288	5,559,083	(1,363,928)	61,694,443
Lease liabilities	5,144,046	(1,490,114)	1,363,928	5,017,860
	₱119,537,131	(₱32,541,640)	(₱7,323,507)	₱79,671,984

Others include the effects of foreign exchange revaluations, amortization of transaction costs, and accretion of interest.

Non-cash Transactions
The Group applied creditable withholding taxes against its income tax payable amounting to ₱1.2 billion, ₱2.4 billion and ₱1.6 billion in 2023, 2022 and 2021, respectively.

The Group acquired investment properties through foreclosure and rescission amounting to ₱5.3 billion, ₱4.3 billion, and ₱0.5 billion in 2023, 2022 and 2021, respectively.

Non-cash Investing Activities
As of December 31, 2023 and 2022, unpaid additions to property, plant and equipment amounted to ₱1.4 million and ₱1.4 million, respectively, which is included as part of "Accounts payable and accrued expenses".

36. Capital Management

The main thrust of the Group's capital management policy is to ensure that the Group complies with externally imposed capital requirements, maintains a good credit standing and has a sound capital ratio to be able to support its business and maximize the value of its shareholders equity. The Group is also required to maintain debt-to-equity ratios to comply with certain loan agreements and covenants in 2023 and 2022.

The Group's dividend declaration is dependent on the availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change were made in the objectives, policies or processes in 2023 and 2022.

The Group considers its total equity reflected in the consolidated statements of financial position as its capital. The Group monitors its use of capital and the Group's capital adequacy by using leverage ratios, specifically, debt ratio (total debt/total equity and total debt) and debt-to-equity ratio (total debt/total equity). Included as debt are the Group's total liabilities while equity pertains to total equity as shown in the consolidated statements of financial position.

The table below shows the leverage ratios of the Group:

	2023	2022
	(In Thousands, except ratios)	
Total liabilities	**₱1,027,160,456**	₱991,455,893
Total equity	**300,235,820**	276,661,676
Total liabilities and equity	**₱1,327,396,276**	₱1,268,117,569
Debt ratio	**0.77:1**	0.78:1
Debt-to-equity ratio	**3.42:1**	3.58:1

Regulatory Qualifying Capital for the Banking Segment

The banking segment is subject to the regulatory requirements of the BSP. PNB manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods. PNB has complied with all externally imposed capital requirements throughout the year.

BSP reporting for capital management

Under existing BSP regulations, the determination of PNB's compliance with regulatory requirements and ratios is based on the amount of PNB's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on Regulatory Accounting Principles (RAP), which differ from PFRSs in some respects. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (PNB and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of PNB, provided that the same shall be excluded for dividend purposes.

PNB considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, PNB maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. PNB has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. PNB complies with the required annual submission of updated ICAAP.

BSP Reporting for Basel III Leverage Ratio
BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%. BLR is computed based on RAP.

37. Leases, Provision and Contingencies and Other Matters

Leases
The Group as lessor
The Group entered into lease agreements with third parties covering its investment property portfolio, certain motor vehicles and items of machinery. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenues, whichever is higher. The Group records rental income on a straight-line basis over less non-cancellable lease term. Any difference between the calculated rental income and amount actually received is recognized as "Deferred rent" (see Note 8).

The Group has tenants' rental deposits and advance rentals which are presented under "Other noncurrent liabilities". Tenants' rental deposits pertain to the amounts paid by the tenants at the inception of the lease which is refundable at the end of the lease term. Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term depending on the lease contract.

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

	2023	2022
	(In Thousands)	
Within one year	**₱7**	₱446,485
After one year but not more than five years	**2,734**	196,987
More than five years	–	–
	₱2,741	₱643,472

The Group as lessee
The Group has entered into commercial leases for its branch sites/premises, land where the related investment property or property, plant and equipment is build/constructed, warehouse and warehouse equipment, ATM offsite location and other equipment. These non-cancellable leases have lease terms of 1 to 40 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group ROU asset is composed of the PNB's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy' in the consolidated statements of income) amounted to ₱264.1 million, ₱270.2 million and ₱251.5 million in 2023, 2022 and 2021, respectively, for the Group, of which ₱187.0 million, ₱201.6 million and ₱223.2 million in 2023, 2022, and 2021, respectively, pertain to the PNB. Rent expense in 2023 and 2022 pertains to expenses from short-term leases and leases of low-value assets.

As of December 31, 2023 and 2022, the Group has no contingent rent payable.

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

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱5,017,860**	₱5,144,046
Additions	**1,348,412**	1,059,931
Interest expense	**225,284**	290,671
Payments	**(1,418,768)**	(1,490,114)
Transfers	**235,933**	13,326
Balance at end of year	**₱5,408,721**	₱5,017,860

Future minimum lease receivables under finance leases are as follows:

	2023	2022
	(In Thousands)	
Within one year	**₱1,170,733**	₱1,087,134
Beyond one year but not more than five years	**3,540,885**	3,460,037
More than five years	**1,078,119**	1,066,927
Total	**5,789,737**	5,614,098
Less amounts representing finance charges	**–**	–
Present value of minimum lease payments	**₱5,789,737**	₱5,614,098

Trust Operations

Securities and other properties held by PNB in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of PNB. Such assets held in trust were carried at a value of ₱168.0 billion and ₱152.7 billion as of December 31, 2023 and 2022, respectively. In connection with the trust functions of PNB, government securities amounting to ₱1.6 billion (included under 'Financial assets at amortized cost') as of December 31, 2023 and 2022, are deposited with the BSP in compliance with trust regulations.

In compliance with existing banking regulations, PNB transferred from surplus to surplus reserves the amounts of ₱29.9 million, ₱24.7 million and ₱23.2 million in 2023, 2022 and 2021, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital.

Provisions and Contingencies
In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the consolidated financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

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

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

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

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

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

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

On March 2, 2023, SC upheld the CTA decision denying the Company's claim for refund. The Company filed a Motion for Reconsideration to the SC on April 19, 2023 which was also denied on August 14, 2023. TDI and its legal counsel believe that any losses arising from these, will not have a material effect on its financial statements.

Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations
On various dates in 2020, the respective BODs of PNB and PNB Holdings approved the sale of all their holdings in PNB General Insurers Co. Inc. (PNB Gen) for cash. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position. The business of PNB Gen represented the entirety of the PNB's non-life insurance business.

The results of PNB Gen were previously presented in the 'Others' section of the business segment disclosure.

The results of operation of PNB Gen in 2021 are presented below:

Interest Income on	
Loans and receivables	₱35
Investment securities at amortized cost and FVOCI	19,830
Deposits with banks and others	34
	19,899
Interest Expense on Lease liabilities	530
Net Interest Income	19,369
Net Service Fees and Commission Income	110
Insurance premium	202,543
Insurance benefits and claims	143,605
Net Insurance Premium	58,938
Other Income - Foreign exchange gains (losses) - net	1,804
Total Operating Income	80,221
Operating Expenses	
Compensation and fringe benefits	37,040
Depreciation and amortization	6,592
Provision for credit losses	1,174
Occupancy and equipment-related costs	903
Taxes and licenses	290
Miscellaneous	8,832
Total Operating Expenses	54,831
Income Before Income Tax	25,390
Provision for Income Tax	4,775
Net Income from Discontinued Operations	₱20,615

Net Insurance Premium in 2021 consists of:

Net insurance premiums	
Gross earned premium	₱385,904
Reinsurer's share of gross earned premiums	(183,361)
	202,543
Less net insurance benefits and claims	
Gross insurance contract benefits and claims paid	207,003
Reinsurer's share of gross insurance contract benefits and claims paid	(130,493)
Gross change in insurance contract liabilities	48,017
Reinsurer's share of change in insurance contract liabilities	19,078
	143,605
	₱58,938

Net cash flows of PNB Gen in 2021 follow:

Net cash flows from operating activities	(₱36,288)
Net cash flows from investing activities	18,740
Net cash flows from financing activities	(1,912)
	(₱19,460)

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of LT Group, Inc. and Subsidiaries as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, included in this Form 17-A, and have issued our report thereon dated March 5, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10082011, January 6, 2024, Makati City

March 5, 2024

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE A. – Financial Assets
DECEMBER 31, 2023
(in thousands Php)

(1) Financial Assets at Fair Value through Profit or Loss
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securities				
Bangko Sentral ng Pilipinas	-	4,297,120	4,287,073	-
Fixed Rate Treasury Notes	-	567,849	555,987	94,275
Republic of the Philippines Bonds	-	241,205	239,283	12,672
Retail Treasury Bonds	-	3,156,963	3,072,721	29,544
Treasury Bills	-	19,623	19,341	17,600
	-	**8,282,760**	**8,174,405**	**154,091**
Private debt securities				
Ayala Land Inc	-	-	-	239
Del Monte	-	-	-	-
Petron	-	697,195	676,280	47,535
San Miguel Global Power Holdings Corp	-	274,850	272,439	17,187
SM Prime Holdings Inc.	-	501,950	495,923	24,431
Vista Land & Lifestyle	-	148,000	145,848	8,411
	-	**1,625,985**	**1,610,681**	**101,145**
Equity securities				
GT Capital Pref Series B	1,000	824	941	-
San Miguel Corp - Pref 2I	25,970	1,909	1,830	-
	26,970	**2,733**	**2,771**	**-**

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Derivatives				
Allied Banking Hongkong	-	-	4,985	-
Asia United Bank	-	166,425	315	-
Australia and New Zealand Bank- Manila	-	3,306,035	39,059	-
Banco de Oro Universal Bank	-	15,880,248	142,316	-
Bank of China	-	2,690,623	5,177	-
Bank of Commerce	-	276,965	115	-
Bank of the Philippine Islands	-	1,958,325	20,238	-
Bangko Sentral ng Pilipinas	-	30,370,158	191,558	-
Chemtrust Global Market Inc	-	0	0	-
China Banking Corporation	-	3,623,395	24,343	-
Chinatrust Phils Commercial Bank Corp.	-	665,870	1,297	-
Citibank N.A. Manila Branch	-	558,800	5,100	-
Deutsche Bank AG Manila Branch	-	2,230,850	15,988	-
East West Banking Corporation	-	221,855	375	-
Goldman Sachs International	-	1,384,250	1,854	-
Hongkong and Shanghai Banking Corp. Hongkong	-	1,455,282	2,273	-
Hongkong and Shanghai Banking Corp. Manila	-	3,071,265	25,995	-
Individuals	-	523,649	5,812	-
Insular Oil Corporation	-	1,826,384	15,212	-
Internationale Nederlanden Bank Manila	-	2,005,025	11,704	-
Jetti Petroleum Inc	-	0	0	-
JPMorgan Chase Bank Manila Branch	-	221,845	365	-
JPMorgan Chase Bank Singapore Branch	-	4,652,376	44,460	-
Landbank of the Philippines	-	110,800	60	-
Maybank Philippines Inc.	-	3,125,885	25,156	-
Metropolitan Bank & Trust Company	-	2,270,765	1,919	-
MUFG Bank, Ltd., Manila Branch	-	670,540	5,996	-
Petron Corporation	-	6,962,960	41,297	-
Philippine Bank of Communication	-	110,960	220	-
Philippine Business Bank	-	55,460	90	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Philippine National Bank- Singapore Branch	-	0	456	-
Philippine National Bank- Europe PLC	-	0	0	-
Republic of the Philippines	-	15,337	0	-
River Valley Distribution Inc.	-	51,599	34	-
Rizal Commercial Banking Corp.	-	1,668,640	7,525	-
Robinsons Bank Corporation	-	25,932	13	-
Rockfort Realty Corporation	-	0	0	-
Security Bank Corporation	-	1,450,870	11,477	-
Sellchem Global Trading, Inc.	-	0	0	-
Simon Industrial Products Trading Corp.	-	0	0	-
Standard Chartered Bank London Branch	-	3,805,392	4,533	-
Standard Chartered Bank Manila Branch	-	2,228,315	13,448	-
The Living Christian Church Foundation, Inc.	-	31,005	65	-
UBS AG Zurich	-	2,429,608	24,052	-
Union Bank of the Philippines	-	2,074,400	25,724	-
University of the Cordilleras Inc	-	0	0	-
Wells Fargo Bank N.A.	-	1,308,051	28,589	-
Xchanged Inc	-	5,537	3	-
	-	**105,491,681**	**749,198**	-
Investment in UITFs				
Prime Peso MMF	2,380.99	2,650.00	33,731.00	-
Total Financial Assets at Fair Value through Profit or Loss	29,351	115,401,819	10,550,595	251,894

(2) Financial Assets at Fair Value through Other Comprehensive Income
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securities				
Bangko Sentral ng Pilipinas	-	58,186,040	57,955,309	2,946,328
China National Offshore Oil Corp LTD	-	769,643	766,603	16,872
Fixed Rate Treasury Notes	-	16,542,786	16,014,753	689,170
Kingdom of Saudi Arabia	-	2,823,870	2,775,849	34,040
Power Sector	-	1,273,510	1,296,471	13,240
Republic of Indonesia	-	234,979	234,648	4,402
Republic of the Philippines (ROP) Bonds	-	2,844,733	2,668,536	93,860
Retail Treasury Bonds	-	42,749,000	41,416,794	1,096,617
Small Business Loan asset backed securities	-	55,093	224	30
Monetary Authority of Singapore	-	335,601	335,322	12,016
Treasury Bills	-	23,000	22,088	69
Treasury Gilts	-	160,386	295,749	7,297
US Government	-	-	-	40,775
US Treasury Notes	-	803,640	796,342	37,400
	-	126,802,281	124,578,688	4,992,116

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Private debt securities				
Aboitiz Power Corp	-	562,300	553,176	29,665
AC Energy Finance International Limited	-	2,931,842	2,694,330	101,270
Arthaland Corporation	-	28,799	28,715	14,104
Ayala Land Inc	-	394,530	393,088	-
Ayala Corporation	-	100,000	100,005	-
Banco De Oro	-	-	-	1,350
Bank of the Philippine Island	-	83,055	81,069	1,606
Energy Development Corp	-	-	-	170
Export-Import Bank of Korea	-	1,162,770	1,335,180	9,203
First Pacific Company Limited	-	858,235	825,536	-
First Pacific Company Resources	-	-	-	29,333
First Pacific Company Treasury Limited	-	-	-	387
Globe Telecoms, Inc.	-	1,301,195	1,179,120	16,940
Hutchison Whampoa Limited	-	2,287,335	2,628,029	24,842
International Container Terminal Services Inc.	-	1,894,485	2,172,698	60,683
Megaworld Corp	-	860,000	857,834	46,040
Petron Corporation	-	2,342,317	2,575,172	130,303
Rizal Commercial Banking Corp	-	240,860	235,710	4,880
San Miguel Global Corp	-	94,900	94,072	5,931
Security Bank Corporation	-	5,850	5,763	-
Sinopec Corp	-	192,134	187,815	2,881
SM Investments Corp	-	163,342	162,695	7,035
SM Prime Holdings	-	15,000	14,718	704
STI Education	-	50,000	49,976	2,904
Toyota Financial Services Philippines Corporation	-	55,000	55,000	-
	-	**15,623,949**	**16,229,702**	**490,231**

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Equity securities				
Allied Banker Insurance	200,000	20,000	20,000	-
Alphaland Balesin Island Resort Corp.	1	2,500	2,500	-
Apo Golf & Country Club	1	100	315	-
Asia Pacific Trust & Development	0	1,500	0	-
Bacnotan Steel Industries	3,345,000	0	0	-
Baguio City Country Club	1	60	6,000	-
Baguio Gold Mining (Now: PAL Holdings)	8,452,500	99	99	-
Bancnet, Inc.	49,999	5,000	5,000	-
BAP Credit Guaranty Corp.	29,800	2,980	1,138	-
Bayantel	8,244	8	0	-
Bayantel 31% Tranche B.	83,997	14,851	0	-
Camp John Hay	1	650	277	-
Camp John Hay Golf Club	2	160	555	-
Capitol Hills Golf and Country Club, Inc.	10	29	400	-
Cebu Country Club, Inc.	1	29	15,000	-
Club Filipino	2	26	658	-
Cruz Tel Co.	30	3	0	-
Development Academy of the Philippines	1,500	1,500	0	-
Eagle Ridge Golf & Country Club	30	3,450	18,500	-
Eastridge Golf Course & Village (A)	2	1,800	1,800	-
Evercrest Golf	2	500	0	-
Evercrest Golf Club-A	2	1,000	1,000	-
Fairways & Bluewater Resort	294	359,695	53,520	-
Fastech Synergy	1,337,807	8,519	0	-
Fil-Am Resources	2,500,000	27	0	-
Forest Hills Golf And Country Club	1	170	170	-
Foremost	92,990	92,990	62	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Grandspan	3,000,000	3,000,000	46,628	-
Himmel				
Heavenly Garden Dev't Corp.	5,000	500	500	-
Iligan Golf & Country Club	1	1	0	-
Iloilo Golf & Country Club	1	88	14	-
Inco Mining Corp	46,875	2	0	-
Infanta Minerals	1,000,000	10	0	-
Investment in Management Account	0	0	48,575	-
Lepanto Consolidated Mining Co."A"	4,973	1	0	-
Lepanto Consolidated Mining Co."B"	1,776	0	0	-
LGU Guarantee Corp.	100,000	10,000	2	-
Luisita Golf & Country Club	1	840	308	-
Macroasia	205,140,000	205,140,000	851,331	-
Makati Sports Club-A	1	30	1,000	-
Manila Electric Cooperative	8,884	89	1	-
Manila Golf & Country Club Inc-Corporate	129	25,892	612,942	-
Manila Polo Club	1	2,600	45,000	-
Manila Southwoods Golf & Country Club A	1	850	4,000	-
Manila Southwoods Golf & Country Club B	2	3,500	9,763	-
Marikudo Country Club of Iloilo City	1	18	0	-
Mimosa Golf & Country Club	1	827	400	-
Mount Malarayat Golf & Country Club	15	35,380	19,500	-
Mount Malarayat Golf Club C	1	2,750	1,500	-
Mount Malarayat I	1	1,512	1,300	-
Negros Occidental Golf & Country Club	5	100	150	-
Northern Tel Co.	1,800	18	0	-
Orchard Golf & Country Club	2	3,250	4,000	-
PAL Holdings Inc.	4,494,947	53,040	22,789	-
Palicpican Beach and Sport Club	2	170	170	-
Paper Ind.Corp. of the Phils.	13,525	19	0	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Philex Mining Corporation	151	0	1	-
Phililippine Central Depository & Trust Corp.	31,690	3,169	6,431	-
Phililippine Central Depository Inc.	28,466	3,692	5,776	-
Philippine Airlines, Inc.	19,855,803	0	19,856	-
Philippine Clearing House Corporation	42,000	4,200	2,101	-
Philippine Columbian Association	1	8	90	-
Philippine Dealing System-Fixed Income	170,436	14,600	34,585	-
Philippine Overseas Drilling & Oil Dev’t	695,625	69	5	-
Philippine Racing Club	30,331,103	142,582	151,959	-
Phillippine Electric Corporation	202,440	95	0	-
Phillippine Long Distance Company	401	4	1	-
Phillippine Long Distance Company	401	1,084	1	-
Phillippine Oil Development Co., Inc.	500,000	13	0	-
Philippine Telegraph & Telephone Corporation (PT&T)	5,000,000	0	0	-
PICOP Resources Inc.	19,008,000	798	0	-
PLDT Communications & Energy Ventures Inc. (Piltel)	650	10	0	-
Primo Oleo Chemicals	6,638,151	66,382	66,382	-
Proton Chemical Industries Common Shares	44,419	0	0	-
Pueblo De Oro Golf Country Club	2	1,411	718	-
Puerto Azul Sports & Beach Club	2	170	500	-
Quezon City Sports Club	1	0	0	-
Republic Telephone Company	6,052	5	0	-
Riviera Golf & Country Club	650,002	2,627	0	-
Rural Bank of Ibajay	340	11	0	-
Santa Elena Golf & Country Club	1	852	15,000	-
Santa Elena Golf Club-A	15,000,002	3,100	60,000	-
Sierra Grande Country Club, Inc.	100	32	32	-
Southern Iloilo Telephone Co.	20	2	0	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Subic Bay Golf & Country Club	1	950	0	-
Subic Bay Yatch Club	58	93,000	12,760	-
SWIFT - ABC	8	0	0	-
SWIFT Shareholders-PNB	9	0	0	-
Tagaytay Highlands	268	767	3,778	-
Tagaytay Midlands	1	500	1,693	-
Tayud Golf & Country Club	1	6	0	-
United Doctors Service Corporation	789,895	789,895	11,938	-
Universal Rightfield Prop. Inc.	2,883,000	69	0	-
University of the east	1,226,531	1,226,531	12,148	-
Valle Verde Country Club, Inc.	1	13	450	-
Valley Golf & Country Club	5	231	25,000	-
Victoria Golf & Country Club	1	110	120	-
Wack Wack Golf & Country Club	13	102,785	864,172	-
Wack Wack Golf & Country Club (PNB Savings)	2	31,300	145,172	-
Western Minolco Corp.	11,382,000	17	0	-
	344,408,215	**211,290,223**	**3,237,536**	**-**
Total Financial Assets at Fair Value through Comprehensive Income	**344,408,215**	**353,716,453**	**144,045,926**	**5,482,347**

(3) Financial Assets at Amortized Cost
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securities				
Bangko Sentral ng Pilipinas	-	221,480	258,270	9,224
China National Offshore Oil Corp Ltd.	-	2,566,400	2,557,249	124,199
Federal Reserve	-	0	0	0
Fixed Rate Treasury Notes	-	47,181,456	50,112,417	3,031,418
Home Guaranty Corp	-	0	0	0
Kingdom of Saudi Arabia	-	166,110	165,593	8,158
Landbank of the Phils	-	132,885	128,792	10,908
Power Sector Assets & Liabilities Management Corporation	-	1,066,426	1,157,299	38,061
Republic of Indonesia	-	2,724,902	2,756,255	110,839
Republic of the Philippines (ROP) Bonds	-	12,416,170	12,470,199	401,249
Retail Treasury Bonds	-	31,832,585	32,177,299	1,680,124
Treasury Bills	-	515,910	507,068	25,808
US Government	-	1,661,100	1,645,763	223,102
US Treasury Notes	85,000	470,645	469,962	6,737
	85,000	**100,956,069**	**104,406,166**	**5,669,827**
Private debt securities				
AC Energy Finance International Limited	-	664,440	664,151	31,322
Agricultural Bank of China LTD HK	-	1,661,100.00	1,654,121.00	145,929
AT&T Inc.	-	66,444.00	65,660.00	652
Ayala Land Inc	-	641,900	641,786	38,256
Banco de Oro	-	0	0	23,427
Bank of China	-	2,104,060	2,100,821	280,555
Bank of the Philippine Island	-	143,962	145,424	6,974
China Constuction Bank	-	-	-	19,435
Cyberzone Properties Inc	-	0	0	676.00
Export- Import Bank of Korea	-	1,096,326	1,094,600	34,882
Filinvest Development Cayman Islands	-	1,937,950	1,915,793	82,482

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Filinvest Land Inc	-	0	0	4
First Pacific Company Treasury Limited	-	-	-	0
First Pacific Company Capital Ltd	-	0	0	-
Global Steel (NSC)	-	0	-	-
Hutchison Whampao	-	-	-	0
ICICI Bank Limited	-	-	-	0
Industrial & Commercial Bank of China Limited Sydney	-	-	-	0
International Container Terminal Services Inc.	-	14,950	15,040	1,065
Jollibee Foods Corporation	-	5,470,556	5,453,693	214,317
Kookmin Bank Co Ltd		1,107,400	1,107,393	27,729
Korea Development Bank	-	221,480	224,023	5,121
Pilipinas Hino Incorporated	-	6,988	-	-
Rizal Commercial Banking Corp	-	149,499	146,838	19,277
Security Bank Corporation Comm	-	0	0	4,109
Sinopec Corp	-	166,110	166,257	37,478
SM Prime Holdings	-	300,000	300,000	15,504
Union Bank	-	-	-	0
State Bank of India		1,101,863.00	1,100,526.00	35,083
Vista land and Lifescapes	-	2,000,000	1,998,135	398,334
	–	**18,855,028**	**18,794,261**	**1,422,611**
Total Investment Securities at Amortized Cost	**85,000**	**119,811,097**	**123,200,427**	**7,092,438**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE B. – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
DECEMBER 31, 2023
(in thousands Php)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Related party:							
Tangent Holdings Corporation	2,134,000	-	(1,220,000)	-	914,000	-	914,000
	2,134,000	**-**	**(1,220,000)**	**-**	**914,000**	**-**	**914,000**

Other than the above related party, all amounts receivable from Directors, Officers, Employees, other Related Parties and Principal Stockholders pertained to purchases subject to usual terms, for ordinary travel and expense advances and for other such items arose in the ordinary course of business were excluded.

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE C. – Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
DECEMBER 31, 2023
(in thousands Php)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Absolute Distillers Inc.	-	200,000	-	-	200,000	-	200,000
Allmark Holdings Corp.	7,535	-	-	-	7,535	-	7,535
Caravan Holdings Corp.	12,830	-	-	-	12,830	-	12,830
Eton Properties Philippines, Inc.	-	500,000	-	-	500,000	-	500,000
Fil-Care Holdings, Inc.	12,930	-	-	-	12,930	-	12,930
Ivory Holdings, Inc.	8,945	-	-	-	8,945	-	8,945
Kenrock Holdings Corp.	14,110	-	-	-	14,110	-	14,110
Mabuhay Digital Philippines Inc.	22,417	-	-	-	22,417	-	22,417
Mabuhay Digital Technologies, Inc.	1,902	-	-	-	1,902	-	1,902
Society Holdings Corp.	11,400	10,000	-	-	21,400	-	21,400
Solar Holdings Corp.	20,300	-	-	-	20,300	-	20,300
Tanduay Distillers, Inc.	500,384	-	(499,936)	-	448	-	448
	612,753	**710,000**	**(499,936)**	**-**	**822,817**	**-**	**822,817**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE D. – Intangible Assets – Other Assets
DECEMBER 31, 2023
(in thousands Php)

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Other changes, additions (deductions)	Ending Balance
Goodwill	₱163,735	–	–	–	–	₱163,735
Software	2,144,378	598,969	(1,207,856)	–	26,628	1,562,119

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

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE E. – Long term debts
DECEMBER 31, 2023
(in thousands Php)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debts" in related balance sheet	Amount shown under caption "Long-term debts net of current portion" in related balance sheet
1. Bonds payable		₱41,490,871	₱–
2. Lease liabilities (PFRS 16)		919,953	4,488,767
3. Unsecured term loan		705,120	1,906,303
TOTAL		**₱43,115,944**	**₱6,395,070**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE F. – Indebtedness to Related Parties (Long-term Loans from Related Parties)
DECEMBER 31, 2023
(in thousands Php)

Name of related party (i)	Balance at beginning of period	Balance at end of period
	NONE	

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE G. – Guarantees of Securities of Other Issuers
DECEMBER 31, 2023
(in thousands Php)

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding (i)	Amount owned by person for which statements if filed	Nature of guarantee (ii)
		NONE		

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE H - Capital Stock
DECEMBER 31, 2023

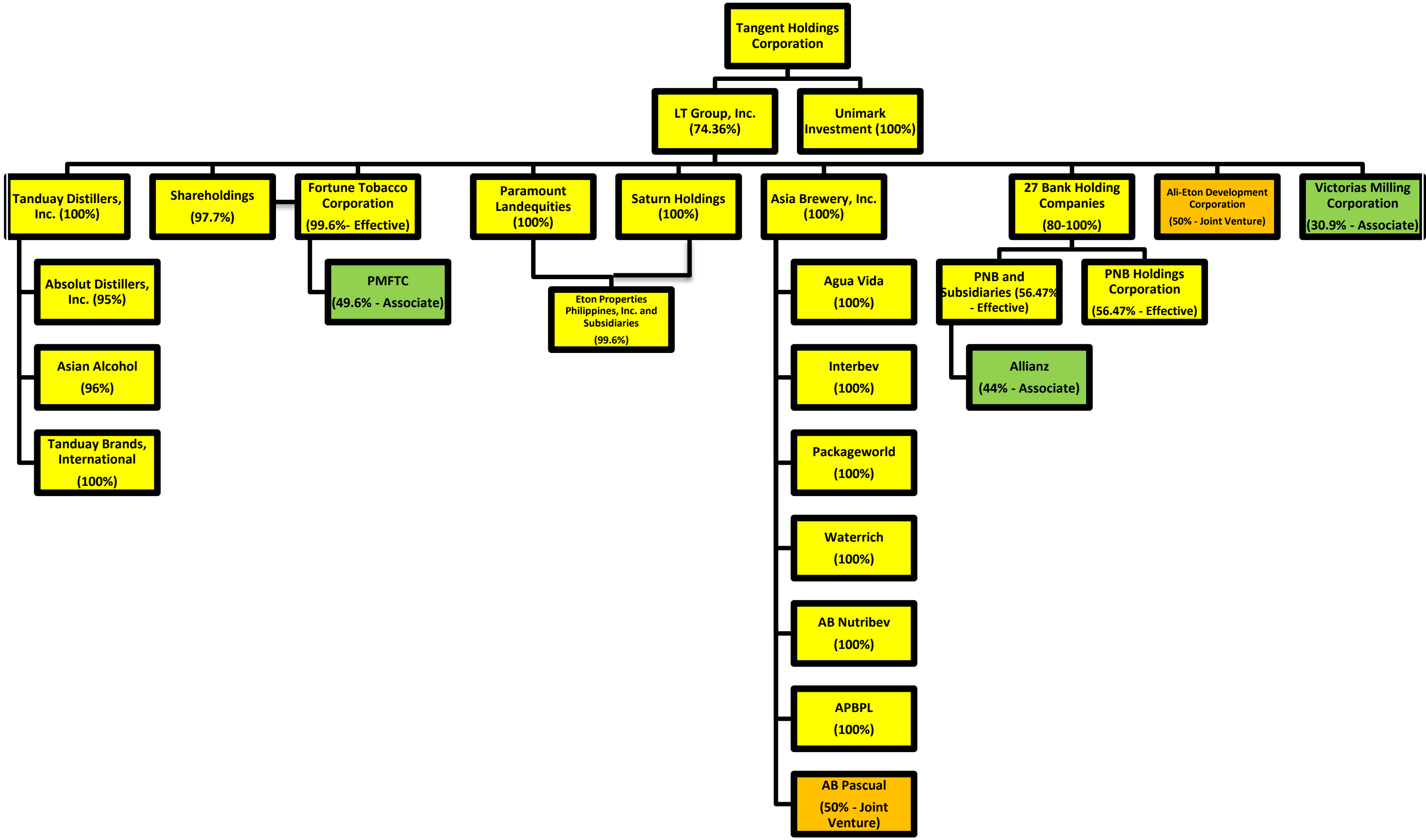
Title of Issue	Number of Shares Authorized	Number of Shares Issued And Outstanding as Shown under Related Balance Sheet caption	Number of shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of shares Held by related Parties	Directors, Officers and Employees	Others
Common Stock	25,000,000,000	10,821,388,889	-	8,046,318,193	1,696,796	2,773,373,900

LT GROUP, INC.
SCHEDULE I - Reconciliation of Parent Company Retained Earnings Available for Dividend Declaration
As of DECEMBER 31, 2023

Unappropriated retained earnings, beginning of reporting period				**₱44,577,932,738**
Add:	**Category A:**	**Items that are directly credited to unappropriated retained earnings**		
		Reversal of retained earnings appropriations	–	
		Effect of restatements or prior-year adjustments	–	
		Others (describe nature)	–	–
Less:	**Category B:**	**Items that are directly debited to unappropriated retained earnings**		
		Dividend declaration during the reporting period	12,985,666,668	
		Retained earnings appropriated during the reporting period	–	
		Effect of restatements or prior-year adjustments	–	
		Others (describe nature)	–	12,985,666,668
Unappropriated retained earnings, as adjusted				**31,592,266,070**
Add/Less: Net income (loss) for the current year				**15,014,374,380**
Less:	**Category C.1:**	**Unrealized income recognized in the profit or loss during the reporting period (net of tax)**		
		Equity in net income of associate/joint venture, net of dividends declared	–	
		Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
		Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	25,500,000	
		Unrealized fair value gain of investment property	–	
		Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	25,500,000
Add:	**Category C.2:**	**Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**		
		Realized foreign exchange gain, except those attributable to cash and cash equivalents	–	
		Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	–	
		Realized fair value gain of investment property	–	
		Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	–
Add:	**Category C.3:**	**Unrealized income recognized in the profit or loss in prior periods but reversed in the current reporting period (net of tax)**		
		Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
		Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	–	
		Reversal of previously recorded fair value gain of investment property	–	
		Reversal of previously recorded other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	–
Add:	**Category D:**	**Non-actual losses recognized in profit or loss during the reporting period (net of tax)**		
		Depreciation on revaluation increment (after tax)	–	–
Add/ (Less)	**Category E:**	**Adjustments related to relief granted by the SEC and BSP**		
		Amortization of the effect of reporting relief	–	
		Total amount of reporting relief granted during the year	–	
		Others (describe nature)	–	–
Add/ (Less)	**Category F:**	**Other items that should be excluded from the determination of the amount of available for dividends distribution**		
		Net movement of treasury shares (except for reacquisition of redeemable shares)	–	
		Net movement of deferred tax asset not considered in the reconciling items under the previous categories	–	
		Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	–	
		Adjustment due to deviation from PFRS/GAAP - gain (loss)	–	
		Others (describe nature)	–	–
Adjusted net income				**14,988,874,380**
Total retained earnings, end of reporting period available for dividend declaration				**₱46,581,140,450**

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

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE J – Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered
As of DECEMBER 31, 2023



LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE K – Index to Exhibits
SEC FORM 17-A

		Page
(1)	Publication of Notice re: Filing	*
(2)	Underwriting Agreement	*
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	*
(4)	Articles of Incorporation and By-laws	*
(5)	Instruments Defining The Rights of Security Holders, Including Indentures	*
(6)	Opinion Re: Legality	*
(7)	Opinion Re: Tax Matters	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, FORM 17-Q or Quarterly Reports To Security Holders	*
(11)	Material Foreign Patents	*
(12)	Letter Re: Unaudited Interim Financial Information	*
(13)	Letter Re: Change in Certifying Accountant	*
(14)	Letter Re: Director Resignation	*
(15)	Letter Re: Change In Accounting Principles	*
(16)	Report Furnished To Security Holders	*
(17)	Other Documents Or Statements To Security Holders	*
(18)	Subsidiaries Of The Registrant	275
(19)	Published Report Regarding Matters Submitted To Vote Of Security Holders	*
(20)	Consents Of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(22)	Statement Of Eligibility Of Trustee	*
(23)	Exhibits to be Filed With Bond Issues	*
(24)	Exhibits to be Filed With Stock Options Issues	*
(25)	Exhibits to be Filed by Investment Companies	*
(26)	Copy of Board of Investment Certificate in the case of Board of Investment Registered Companies	*
(27)	Authorization to Commission to Access Registrant's Bank Accounts	*
(28)	Additional Exhibits	*
(29)	Copy of the Board Resolution approving the securities offering and authorizing the filing of the registration statement	*
(30)	Duly verified resolution of the issuer's Board of Directors	*

These exhibits are either not applicable to the Group or require no answer.

SGV
Building a better
working world

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of LT Group, Inc. and Subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 5, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10082011, January 6, 2024, Makati City

March 5, 2024

LT GROUP, INC. AND SUBSIDIARIES
ANNEX 68-E

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
as of December 31, 2023 and 2022

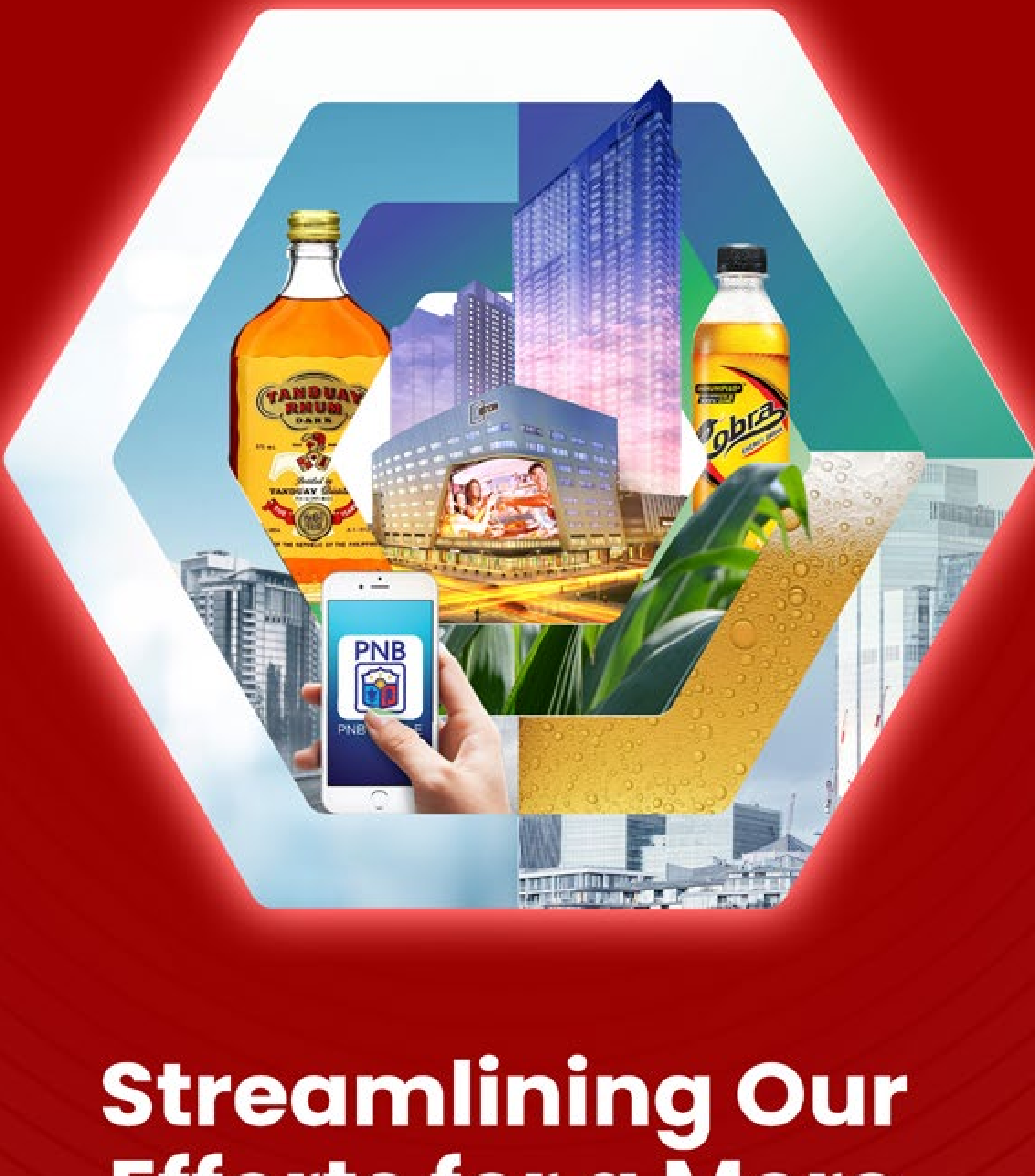
Ratio	Formula	2023	2022
Current ratio	Current Assets / Current Liabilities	0.71	0.65
Acid test ratio	(Current Assets – Inventories – Prepaid Expenses) / Current Liabilities	0.70	0.63
Solvency ratios	(Net income after tax + Depreciation) / (Short term debt + Long-term Debt)	0.75	0.52
Debt-to-equity ratio	(Short term debt + Long-term Debt) / Equity attributable to equity holders of the Parent Company	0.25	0.36
Asset-to-equity ratio	Total Assets / Total Equity	4.42	4.58
Interest rate coverage ratio	EBITDA / Interest expense	67.13	89.74
Return on equity	Net income attributable to equity holders of the Company / Equity attributable to equity holders of the Parent Company	0.120	0.126
Return on assets	Net income attributable to equity holders of the Parent Company / Total Assets	0.019	0.020
Net profit margin	Net income attributable to equity holders of the Parent Company / Revenues	0.22	0.25

EXHIBIT 18 Subsidiaries of the Registrant

LT GROUP, Inc. has the following subsidiaries as of December 31, 2023:

Distilled Spirits	Jurisdiction
1. TDI and subsidiaries	Philippines
a. Absolut Distillers, Inc.	
b. Asian Alcohol Corp	
c. Tanduay Brands Int'l Inc.	
Beverages	
ABI and subsidiaries	Philippines
a. Agua Vida Systems, Inc.	
b. Interbev Philippines, Inc.	
c. Waterich Resources Corporation	
d. Packageworld, Inc.	
e. AB Nutribev, Inc.	
f. Asia Pacific Beverage Pte. Ltd.	
Tobacco	
Fortune Tobacco Corp.	Philippines
Banking	
a. PNB and subsidiaries (see page 7)	Philippines
b. Bank Holding Companies (see page 8)	Philippines
Property Development	
a. Saturn	Philippines
b. Paramount	Philippines
1. Eton	Philippines
i. Belton Communities, Inc. (BCI)	
ii. Eton City, Inc. (ECI)	
iii. FirstHomes, Inc. (FHI)	

LT GROUP, INC.



Streamlining Our Efforts for a More Sustainable Future

2023 SUSTAINABILITY REPORT

Table of Contents

About this Report

About the Theme

“Streamlining Our Efforts to a More Sustainable Future” embodies LT Group's unwavering commitment to navigate the intricate landscape of sustainability with clarity and purpose. It signifies a strategic pivot towards efficiency and effectiveness in tackling the urgent challenges of our era.

For this reporting cycle, we mark a significant leap forward in harmonizing LTG's sustainability initiatives, aiming to consolidate and optimize efforts across our diverse subsidiaries. In doing so, we underscore our dedication to championing environmental stewardship and social responsibility in a manner that truly makes a difference.

Beyond merely lessening our environmental footprint, we are driven to enrich societal well-being, laying a sturdy groundwork for a future that thrives sustainably. It's not just about doing good; it's about making a meaningful impact that resonates with both our present and future generations.

Reporting Scope and Boundary

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

LTG initiated its sustainability efforts in 2019. At the onset, we adopted sustainable practices to streamline resource utilization and elevate operational efficiency. To advance LTG’s sustainability agenda, we started issuing sustainability reports, offering a detailed account of our conglomerate’s initiatives, ESG performance, and commitment to responsible business practices.

This year’s LTG sustainability report gives a comprehensive overview of LTG as a holding company. As in previous years, this report also provides insights into the initiatives of LTG’s local subsidiaries, namely, Asia Brewery, Eton, Tanduay, and PNB. Despite being included in this report, PNB independently publishes its own sustainability report, including its full disclosure. This report does not extensively cover the Philip Morris Fortune Tobacco Company (PMFTC), which is currently managed by Philip Morris International Inc. (PMI). Instead, PMFTC’s sustainability efforts will be detailed under its management’s dedicated sustainability report.

The consolidated financial statements were audited by SGV & Co. While non-financial disclosures in this report were not under external assurance, however, verification procedures and internal review were conducted to ensure accuracy.

Reporting Period

January 1, 2023 to December 31, 2023

Sustainability Reporting Guidelines and Standards

At LTG, our commitment to advancing global sustainable development shines through our adherence to international standards for sustainability reporting. Transparency and reliability are at the core of our disclosure practices, ensuring that our contributions are meaningful and measurable in the pursuit of a more sustainable future. This report is guided by the standards below.

Sustainability Report Feedback

GRI 2-3

We deeply value and welcome your insights, feedback and recommendations as we enhance our sustainability reporting procedures. Your thoughtful input will contribute to ensuring the enhancement of our sustainability initiatives. Feel free to reach out to us via email at sustainability@ltg.com.ph.

Message from the Chairman

Dear Fellow Stakeholders,

I am proud to share with you the journey of LT Group, Inc. (LTG) throughout the challenges of the past year. In the post-pandemic world, LTG showcased its ability to adapt swiftly, ensuring continuity and stability in our operations.

We firmly recognize our role in not only creating value for our stakeholders but also in contributing to the economic prosperity of the Philippines. Our endeavors extend beyond the confines of our organization, enriching the lives of individuals and communities across the nation.

> The year 2023 stands as a beacon of hope and progress. Our unwavering focus is on gradually reviving our economy and contributing to the recovery in our nation.

Furthermore, we firmly believe that environmental stewardship and sustainability must walk hand in hand with economic growth and recovery. As we navigate the complexities of today's world, it is imperative that we integrate sustainability into our business strategies, ensuring a balanced approach that benefits both our planet and our economy.

The theme of our sustainability report, "Streamlining Our Efforts to a More Sustainable Future," encapsulates our steadfast commitment to sustainability. We believe this represents a strategic move towards enhancing efficiency and effectiveness in confronting the pressing issues of our time. This reporting period shows how LTG's sustainability projects are aligned, bringing together and refining endeavors across our varied subsidiaries.

As we move forward, let us continue to uphold our values and principles, driving positive change and sustainable growth for the betterment of our society and our planet.

Dr. Lucio C. Tan
Chairman

Message from the President

Dear Fellow Stakeholders,

Amidst economic challenges, the notion of 'business-as-usual' is no longer tenable. Instead, we embrace a mindset of caution, integrating sustainability and environmental considerations into our strategic decision-making processes.

As we reflect on the economic landscape of 2023, the reopening of our economy has offered a window for us to evaluate our business horizons, while at the same time enabled us to pick up the pieces from the aftermath of the pandemic. Against this backdrop, LT Group, Inc. (LTG) managed to post an attributable net income of Php 25.42 Billion, 1% more that what was reported for 2022, as we continue to manage through the macro-economic hurdles while delivering value to our customers.

2023
Php 25.42 Billion
Net Income

In 2023, LTG remained steadfast in our commitment to compliance and due diligence. We balanced stakeholder needs while upholding our ethical standards and continuing to be a good corporate citizen.

Moreover, our focus extends beyond mere financial gains. We are committed to an unwavering adherence to sound corporate governance practices. Our priority lays in ensuring that our core operations are streamlined for efficiency and integration, paving the way for long-term growth and prosperity.

Our journey toward sustainability continues with steady progress, streamlining our efforts and creating more impact, as reflected in this report. Our promise is not just to provide value through our products and services but to do so in a responsible and sustainable manner. We remain unwavering in our determination to reduce our carbon footprint, promote responsible resource management, and enhance workplace safety measures. Moreover, we continue to provide a positive impact on the communities we serve.

Challenges may lay ahead, but with resilience and foresight, LTG stands prepared and poised for growth in the ever-evolving landscape of business.
.

Lucio C. Tan III
President and Chief Operating Officer

2023 Highlights and Contribution to the UN SDGs

LONG-TERM GROWTH

Direct Economic Value
in Php Billions

	Generated	Distributed
2023	134.86	113.83
2022	128.28	112.76
2021	112.81	103.66

42% of women on the **Board**

47% of women in **Senior Management Roles**

Total Carbon Footprint
in tCO_2e

2023	**202,527**
2022	218,178
2021	263,163

RESPONSIBLE OPERATIONS

Overall Energy Consumption
in GJ

2023	**1.60 million**
2022	2.55 million
2021	1.91 million

Waste Generated

2023	**3,889.13 mt**
2022	7,867.58 mt
2021	6,210.40 mt

Water Withdrawal

2023	**6,055.99 ML**
2022	7,562.54 ML
2021	7,214.09 ML

VALUE THROUGH PRODUCT AND SERVICES

1,535 ATMs

145 CAMs

29 Corporate CAMs (CCAMs)

7,876 POS Terminals

WELFARE OF EMPLOYEES AND COMMUNITIES

4 QUALITY EDUCATION

417,023 Total Training Hours

8 DECENT WORK AND ECONOMIC GROWTH

Received **regular performance** and **career development review**

100%

3 GOOD HEALTH AND WELL-BEING

12,333 Total Employees

5 GENDER EQUALITY

52% **Female Employees**

1 NO POVERTY

Php 49.96 Million Community Investments

10,311 metric tons of potential carbon sequestration

Php 35 Million donated for school construction in Silang, Cavite

403,456 trees and seedlings planted

789 students provided with scholarship grants and educational assistance

SME

Php 5 million worth of donations to Small and Midsize Enterprises (SMEs)

F.U.S.E

Php 5 million donated to Foundation for the Upgrading of Standards of Education (FUSE)

2,750 individuals, 795 families, and 39 communities Beneficiaries of Coastal and community clean-ups, bloodletting activities, and medical and dental missions.

Our Organizational Profile

GRI 2-1

Before evolving into a conglomerate, LT Group Inc. and its subsidiary companies dedicated over six decades to provide a diverse range of products and services.

In 2012, as part of its expansion strategy, LTG, previously named Tanduay Holdings, Inc. (THI), embarked on a significant milestone, diversifying its investment portfolio. This move included acquiring shares in Fortune Tobacco Corporation (FTC), Philippine National Bank (PNB), Allied Banking Corporation, Asia Brewery Inc. (ABI), Eton Properties Philippines, Inc. (EPPI). During the same year, the Company officially transitioned into a conglomerate and rebranded as LT Group, Inc. This strategic shift propelled the conglomerate into various sectors, such as tobacco, beverages, property development, distilled spirits, and banking. The majority of shares are held by Dr. Lucio C. Tan, his family, and assignees. The conglomerate's subsidiaries, along with LT Group, Inc., collectively form the Group referenced in this Sustainability Report. As of today, Tangent Holdings Corporation, LTG's ultimate parent company, maintains a 74.36% ownership stake.

LTG is committed to sustaining its dedication to innovation by diversifying its product lines and exploring international markets. This reflects the Group's commitment to maintaining its leadership in industry trends and ensuring its relevance in an ever-changing consumer market.

The LT Group, Inc. logo

LTG's emblem represents strength and solidarity, embodying the essence of the Group's identity. Crafted with precision, the logo features balanced lines and curves, forming a symmetrical tree with mystical qualities. This botanical representation embraces an Eastern-Oriental aesthetic, subtly honoring the profound Chinese heritage inherent to LTG's identity.

The tree symbolizes life and growth, reflecting a connection to heritage, resilience, and a commitment to progress and value creation. Its expansive branches illustrate the interconnectedness of the Company's subsidiaries and stakeholders, enclosed within two circles. The inner circle symbolizes continuity, representing the enduring aspects of the Group, while the outer circle signifies solidarity, depicting the interconnectedness among the elements within the logo.

Our Long-term Strategic Objectives

LTG is guided by the Company's vision and mission to pursue excellence in products and services, establish an extensive distribution network, leverage strategic synergies, promote the well-being of its employees and communities, and actively contribute to environmental sustainability.

To ensure alignment with evolving goals and market dynamics, the Board of Directors reviews and approves the Vision and Mission Statements annually. The latest review was done on January 10, 2023 and February 13, 2024.

Vision

To be a world-class conglomerate at the forefront of Philippine economic growth, successfully maintaining a strong presence and dominant position in key Philippine industries while ensuring continuous benefits to its consumers, communities, employees, business partners, and shareholders.

Mission

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

- To increase stockholder values through long-term growth in its major business groups.
- To continuously improve the value of its products and services and to provide consumers with more and better choices.
- To build the largest, most effective distribution network and widest customer reach in the Philippines.
- To leverage synergies between its various businesses to continuously improve revenues and cost structure.
- To enhance the welfare of our employees and the communities where we live and work.

Our Corporate Structure

GRI 2-6

The corporate framework of LTG provides a clear illustration of the interconnection between the parent company and its subsidiaries. This streamlined structure promotes efficient collaboration between the main company and its affiliated subsidiaries.

Each of the associated subsidiaries under LTG, except for Victoria Milling Company Inc., further extends influence by establishing its own set of subsidiaries. Some of LTG's subsidiaries have adopted vertical integration in their supply chains to enhance operational efficiency and optimize business operations. This strategic business practice emphasizes the Group's dedication to fostering resiliency and efficiency across its portfolio of companies.

1 Owns 50% less 1 share

2 Voting control at 59.83%

Our Businesses, Markets, and Geographical Reach

GRI 2-6

LTG is a proudly Filipino-owned and controlled entity with a vision to evolve into a world-class business that transcends geographical boundaries. Currently, the Group holds a significant sway within the national market and is known for its unparalleled products and services. Beyond national borders, LTG aspires to actively participate in the global business arena and carve a niche as a beacon of Filipino ingenuity.

ASIA BREWERY INCORPORATED

Beverages

Since its establishment in 1982, Asia Brewery, Inc. (Asia Brewery) has emerged as a standout presence in the beverage industry. Dedicated to delivering top-notch yet affordable products to a wide audience, Asia Brewery made waves early on by challenging the monopoly within the country's beer industry with the introduction of a groundbreaking beer brand. What began as a single-product venture centered on alcoholic beverages has since blossomed into a diverse enterprise, expanding its offerings to include a plethora of beverage options.

To reach its local mass consumers, Asia Brewery relies on its distribution facilities nationwide to sell its range of alcoholic and non-alcoholic beverages, with at least 11 distribution channels based in Luzon and two in Mindanao. Asia Brewery is also expanding its market reach by tapping a well-established network of exclusive distributors, comprising 38 sales offices, 16 warehouses, and seven depots.

As of today, Asia Brewery has garnered attention for its rapid growth in both non-alcoholic and alco-mix beverage segments. This strategic shift underscores Asia Brewery's commitment to accommodating varied consumer tastes and ensuring a comprehensive array of beverage choices. With a diverse portfolio boasting over 40 alcoholic and 138 non-alcoholic beverages, Asia Brewery has become synonymous with quality and variety. Among its renowned offerings are *Beer na Beer, Colt 45, Tanduay Ice, Tiger Black, Asahi, Cobra Energy Drink, Nestea, Sunkist, Absolute, Summit, V-Soy, Vitamilk, Spritz, and Paraiso.*

Property Development
Known as one of the largest real estate developers in the Philippines, Eton Properties Philippines Inc. (Eton) was established in 2007 with a visionary goal to become the most trusted property developer in the country. Eton's international counterpart, Eton Properties Ltd, is a renowned real estate brand with a strong presence in Hong Kong and mainland China.

With deep-rooted expertise in the real estate sector, Eton distinguishes itself by specializing in the development of commercial, office, and residential properties. Its diverse portfolio spans the Philippines, encompassing office spaces, commercial centers, mixed-use townships, and upscale high-rise and horizontal residential projects. Beyond development, Eton also explores innovative land leases, showcasing its commitment to diversified real estate ventures.

Eton's approach is marked by a keen understanding of market dynamics, ensuring that each project meets the distinct needs and opportunities of its surroundings. Presently, Eton manages a diverse portfolio of 36 projects, including landmark office buildings like *Centris Cyberpod 1-5* at Eton *Centris*, *Eton Corinthian Cyberpod* in Ortigas, and *eWestPod* at Eton *WestEnd Square* in Makati. Among its achievements are two thriving mixed-use townships, eight bustling commercial centers, six dynamic BPO hubs, and a range of other successful developments. Its latest venture, Parklinks in Quezon City, in partnership with Ayala Land, Inc., marks yet another milestone in its journey towards reshaping the urban landscape.

Tobacco
A landmark collaboration was forged in 2010 between Philip Morris Philippines Manufacturing Inc. (PMPMI) and Fortune Tobacco Corporation (FTC), leading to the establishment of Philip Morris Fortune Tobacco Company Inc. (PMFTC). PMPI began in 1955 through a licensing agreement with La Suerte Cigar and Cigarette Factory for Marlboro's production. Dr. Lucio C. Tan founded FTC in 1965 to make cigarettes for the local market, becoming the largest domestic tobacco company in the Philippines with brands like Fortune, Champion, and Hope.

Today, PMFTC is a major player in the tobacco industry, manufacturing five of the top 10 brands in the market, showcasing its significant presence and influence.

Banking
Established in 1916 and privatized in 2007 after years of serving as a government bank, the Philippine National Bank (PNB) has grown into one of the country's largest and oldest financial institutions. Known as the "Bangko ng Bayan" or the people's bank, PNB has earned a stellar reputation over its 108-year history. Despite facing various challenges, PNB has demonstrated resilience and remained steadfast in its commitment to providing customer-centric services.

At the heart of PNB's operations lies a dedication to the prosperity of its stakeholders. This commitment drives the bank to prioritize continuous innovation and service excellence. Since its inception, PNB's mission has evolved to meet the changing needs of the times. Notable milestones include pioneering rural banking services in the 1920s to support the agriculture sector and establishing its first overseas branch in New York in 1917, signaling its entry into international banking. Today, PNB holds a prominent position in the Filipino financial services sector and contributes significantly to the global financial landscape through strategic initiatives.

The Bank serves individual retail customers and institutional clients such as corporations, the national government, local government units, government-owned enterprises, various government agencies, and small and medium-sized enterprises. It offers a combination of traditional products, such as deposits, trust, treasury, and remittance products, and innovative financial products, including digital banking solutions and applications. PNB maintains a solid domestic and international presence with its 631 local branches and offices and 73 overseas branches, subsidiaries, and representative offices in different countries.

TANDUAY Distillers, Inc.

Distilled Spirits

Tanduay Distillers Inc. (Tanduay) stands as a leading figure in liquor production within the Philippines, engaging in a wide array of processes from manufacturing to retail and wholesale distribution. Tanduay boasts an extensive selection of liquor products distributed through its 225,000 points of sale and 15 exclusive distributors operating at least 40 sales offices and 60 warehouses nationwide as of 2023. Likewise, Tanduay also exports their products to reach international consumers. Founded in May 1988, Tanduay boasts an extensive product line that extends beyond liquor, encompassing equipment, materials, and supplies essential for the production of rhum, brandy, whiskey, gin, and more.

Operating under Tanduay's umbrella are two subsidiaries: Absolut Distillers Inc. (ADI) and Tanduay Brands International, Inc. (TBII). ADI, originally known as the Century Distillery Corporation in the late 1980s, transformed into Absolut Chemicals Incorporated by 1990 before becoming part of the LTG conglomerate. ADI aims to be a global leader in alcohol production, specializing in crafting high-quality ethyl alcohol and liquified carbon dioxide for both alcoholic and non-alcoholic beverage sectors. Alongside its global ambitions, ADI emphasizes employee empowerment, stakeholder engagement, and sustainable development as core values.

On the other hand, TBII focuses on strategically marketing Tanduay's diverse product range. Established in 2003 and fully acquired by Tanduay in 2006, TBII began its commercial operations in 2007, culminating in the opening of its flagship store in the Century Park Sheraton Hotel Manila. This strategic move enhances Tanduay's visibility and cements its position in the competitive spirits industry, showcasing its commitment to delivering quality products and exceptional customer experiences.

Awards and Recognition

In 2023, our Company proudly received two Golden Arrow Awards. These accolades stand as testaments to our unwavering dedication and ongoing commitment to striving for operational excellence, all for the benefit of our valued stockholders and stakeholders.

Awarded by the esteemed Institute of Corporate Directors (ICD), the Golden Arrow Award recognizes companies that excel in the ACGS Assessment, achieving a commendable score of at least 80 points. The LT Group clinched an impressive score of 98.02 points out of a possible 130 points.

Additionally, the LT Group is recognized as the top 7th best employer in the Philippines and ranked no. 361 globally from Forbes' World's Best Employers 2023. This recognition stems from a rigorous evaluation conducted by Forbes in partnership with market research firm Statista, involving feedback from over 170,000 employees worldwide. Participants in the survey provided insights on various aspects, including talent development, remote work options, parental leave policies, diversity initiatives, work-life balance, and overall satisfaction with products or services.

These recognitions underscore our relentless pursuit of progress. It inspires us to push boundaries, set new standards, and chart a course toward even greater achievements in the years ahead.

Membership in Associations

GRI 2-28

To strengthen its corporate presence and expand its network, LTG has established affiliations with numerous industries, trade, and professional associations within the country. LTG assumes key leadership roles in some of these organizations while maintaining active membership across the board. Engaging with external entities contributes to LTG's continuous growth and adaptability within the dynamic business environment. The collaborative environment proved advantageous for LTG as it gained valuable insights into best practices and emerging trends in the industry.

Asia Brewery

- Cabuyao River Protection Advocates (CaRPa) – **President**

MEMBER

- People Management Association of the Philippines (PMAP)
- Employers Confederation of the Philippines (ECOP)
- Philippine Society for Training and Development (PTSD)
- Semiconductor and Electronics Industries in the Philippines (SEIPI)
- Advocates, Leaders and Professionals in Environment, Safety and Health (ALPrESH)
- Association of Safety and Health Practitioners (ASPPI)

Eton Properties

- Urban Land Institute – **Founding Member**
- Rotary Club – **Honorary Member**

MEMBER

- Philippine Society for Talent and Development
- Employees Confederation of the Philippines
- Philippine Association of National Advisers
- Information and Technology Business Process Association of the Philippines

Tanduay

- Ethanol Producers Association of the Philippines (EPAP) – **Chairman**
- CARD Foundation – **Chairman**

MEMBER

- Employers Confederation of the Philippines (ECOP)
- Distilled Spirits Association of the Philippines (DSAP)

PNB

MEMBER

- ACI Philippines • Association of Certified Fraud Examiners
- Association of Certified Public Accountants in Commerce
- Association of AML Officers (AMLO)
- Association of Bank Compliance Officers (ABCOMP)
- Agusan Chamber • Asian Bankers Institute
- Asian Bankers Association
- Bankers Institute of the Philippines
- Bankers Association of the Philippines
- Bank Marketing Association of the Philippines
- Bank Security Management Association
- British Chamber of Commerce in the Philippines
- Business for Sustainable Development (BSD)
- Credit Management Association of the Philippines
- Credit Card Association of the Philippines
- Executives Finance Management Association
- Federation of the Philippine Industries, Inc.
- Financial Executive Institute of the Philippines
- Financial Technology of the Philippines
- Good Governance Advocates and Practitioners of the Philippines (GGAPP)
- Information Systems, Audit and Control Association
- Institute of Corporate Directors
- Institute of Internal Auditors of the Philippines
- Integrated Bar of the Philippines
- International Association for Business Communicators (IABC)
- Japanese Chamber
- Korean Chamber
- Mabuhay Miles
- Makati Commercial Estate Association, Inc.
- Management Association of the Philippines
- Money Market Association of the Philippines, Inc.
- People Management Association of the Philippines
- Philippine Association of National Advertisers, Inc.
- Philippine Chamber of Commerce and Industries, Inc.
- Philippine Business Coalition for Women Empowerment
- Philippine Payments Management, Inc.
- Public Relations Society of the Philippines (PRSP)
- Rotary Club
- Tax Management Association of the Philippines
- The Financial Markets Association, Inc.
- Trust Officers Association of the Philippines
- Women's Business World

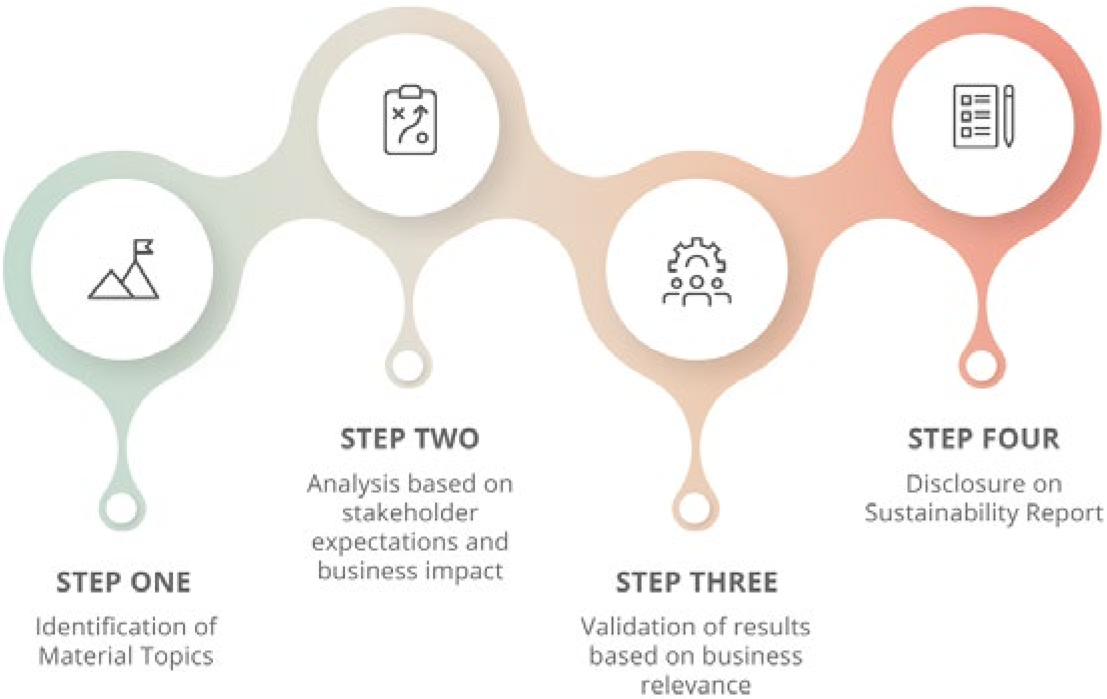
Sustainability in Focus

At LTG, we undertake a systematic process to identify the most significant issues affecting our stakeholders on the economy, environment, and corporate governance, and to develop strategies to face them. Our sales, property development, manufacturing, and distribution activities are assessed with the concerns of our subsidiaries, employees, suppliers, and business partners in mind. Our entire value chain is evaluated against relevant Philippine issues to determine critical topics affecting our operations and services. The identified topics are then validated through consultations and subsequently disclosed through reports.

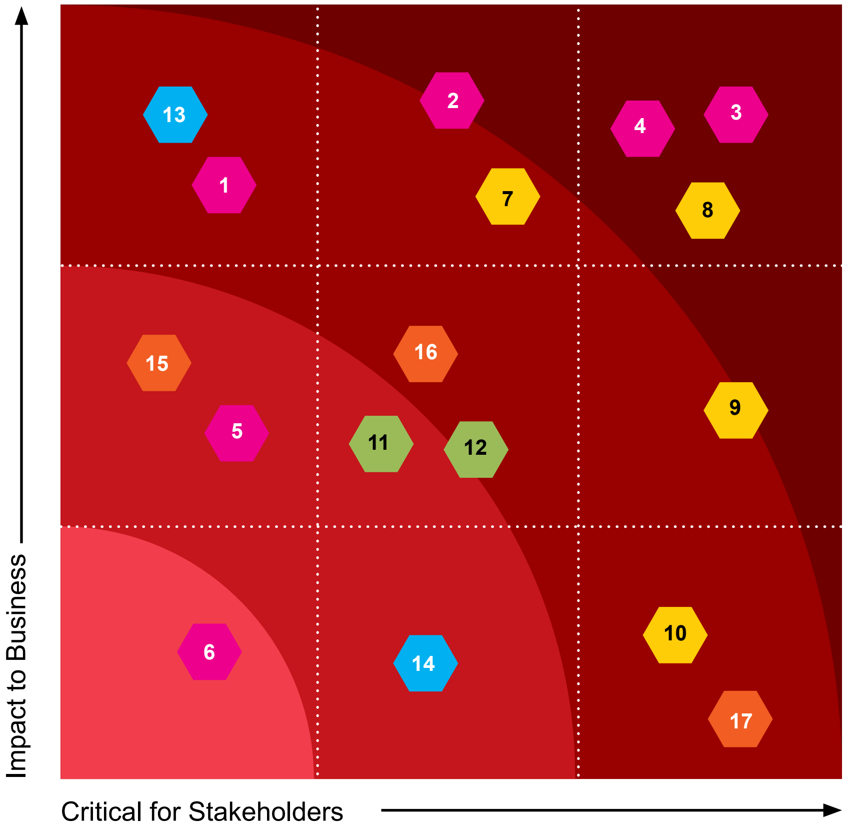
Our Approach to Materiality

GRI 3-1, 3-2

The Board of Directors of each of our subsidiaries also recognize their responsibilities in institutionalizing the adoption of sustainability principles and incorporating them into their respective corporate governance and risk management frameworks. As a result, our subsidiaries engage in their own materiality assessment of sustainability topics to determine the issues specific to their stakeholders and corporate structure. Using desk review and surveys, our subsidiaries internally report the data gathered to their respective Sustainability Technical Work Group, Steering Committee, Corporate Governance Committee meetings, and other internal working groups. Having individual materiality assessments for our subsidiaries ensures that the identified issues are relevant to each subsidiary and that each subsidiary leads the processes to address them.



The results of the validation session followed shortly. From these consultations, we identified the issues that matter to our stakeholders on economic and governance, environment, employees, customers, and society.



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

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

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

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

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

Stakeholder Engagement Mechanisms

GRI 2-29

Ensuring continuous benefits for our stakeholders drives our work at LTG. As a result, we form meaningful relationships with our various stakeholders through periodic engagement activities. Our primary stakeholders include national government agencies (NGAs), customers, employees, suppliers, and communities.

We customize our methodology of engagement per stakeholder to establish fruitful collaborations and obtain quality feedback. Whether through social media, our participation in NGAs' public consultations, our CSR activities, or evaluation forms – LTG commits to productive communications with our stakeholders so that we can use the resulting feedback to improve our operations, products, and services.

One of our key stakeholder engagement activities in 2023 was the plan to improve the PNB digital app so that we can provide our customers with a reliable and secure platform for their banking needs. Moreover, we recognize that engagement is a two-way process. While we gather insights from our stakeholders, we also share our unique business insights during consultations organized by NGAs on national initiatives. Active engagements with our key stakeholders strengthen our ability to collaborate and improve the national landscape for business and development.

Our Sustainability Framework

GRI 2-6

LTG takes significant action towards sustainability. We do this by following prescribed best practices and our experience in business to compose the sustainability framework to guide our growth. Our sustainability framework considers LTG's mission and results from our materiality assessment to determine our sustainability focus in reference to the Sustainable Development Goals (SDGs). The resulting framework directs our efforts towards impacts that will ensure continuous benefits for all our stakeholders for many years to come.

The foundation of the LTG sustainability framework is to ensure that our Company's development continually benefits our stakeholders. To achieve our vision of leading Philippine economic progress, we focus on long-term growth; value through products and services; good governance; and welfare of our employees and the communities we engage with. Each area of focus, along with our materiality assessments, guides how we conduct our operations and provide our products and services. We also ensure that our work meets the Sustainable Development Goals so that we continue to leave positive impacts.

Long-term Growth

Through the years, LTG has been able to stand firm and lead economic growth in the Philippines. As a model of exemplary business practices, we hope to continue to inspire our stakeholders and partners to grow and prosper. To ensure our long-term growth, we monitor key aspects of our business strategies that will help us adapt to future uncertainties. Economic performance, ethical operations, and good governance are crucial components in our growth and sustainability framework.

Economic Performance

GRI 3-3

At LTG, we need to ensure that our businesses are economically robust so that we can continue to serve our stakeholders properly. Our history is proof that we can overcome the various challenges brought about by each eventful decade. Although we felt the effects of the pandemic lockdowns, we were able to stand strong and move into what is now our recovery phase. The economic challenges over the years strengthened our capacities to adapt to change and added to our vast business experience.

GRI 201-1

(in Php Billions)	2023	2022	2021
Operating costs	**47.51**	49.57	50.72
Employee wages and benefits	**12.79**	12.08	12.32
Payments to government	**24.42**	26.31	19.91
Payments to providers of capital	**29.06**	24.78	20.63
Community investments (in Php Millions)	**49.96**	25.91	81.33
Total direct economic value distributed	**113.83**	112.76	103.66
Total economic value generated	**134.86**	128.23	112.81
Economic value retained	**21.03**	15.52	9.15

Ethical Operations

A steadfast commitment to preventing corruption, upholding ethical conduct, and observing fair business practices is necessary not only in protecting the Company's reputation but, more importantly, in sustaining its long-term growth. In our pursuit for a just and equitable business landscape, we continue to intensify our anti-corruption initiatives within the conglomerate.

LTG implements a Group-wide Code of Business Conduct and Ethics which serves as the Company's foundational framework and outlines the principles that guide our actions and decisions across the Group. To uphold ethical standards in our dealings, we are bolstering education campaigns to cultivate a culture of integrity among our employees. These educational initiatives empower employees at all levels with knowledge and awareness to recognize, prevent, and address any corrupt or unethical behavior.

2,923 employees who received anti-corruption training in 2023.

Proactive measures are taken by LTG to communicate its anti-corruption policies and procedures to its employees at all levels, including relevant third parties associated with the Group. Each subsidiary also has its own policies and initiatives on anti-corruption communicated to its employees.

Asia Brewery advocates and upholds the Company's policies and initiatives on anti-corruption and unethical practices. Within Asia Brewery, a robust set of internal rules and regulations has been established that prohibit unethical conduct such as corruption, monopoly, and anticompetitive behavior.

To safeguard the integrity of its supply chain, Asia Brewery strictly implements a competitive procurement process which is scrutinized by an Executive Committee. The stringent review and approval process guarantees the conduct of a transparent, fair and competitive procurement procedure. All employees of Asia Brewery undergo an orientation program that enables them to have a comprehensive understanding of the Asia Brewery's ethical standards and compliance with the Code of Conduct. This is also complemented by regular reminders on Asia Brewery's whistleblowing policy and grievance mechanisms disseminated to its employees. Complaints or cases received are handled with utmost seriousness and confidentiality, while ensuring that the investigation process is transparent and thorough.

Eton's commitment to uphold exemplary ethical standards in its business operations is unwavering. Within its ethical framework, Eton rejects corrupt behavior such as fraud and bribery and prohibits employees from offering or accepting gifts in exchange for business favors. To guide the behavior and conduct of its employees, Eton developed a Corporate Governance Manual and a Code of Business Conduct and Ethics. The Corporate Governance Manual spells out the ethical requirements to be followed by the management and employees, including disclosures to the Board of Directors or the Audit, Risk, and Compliance Committee of any potential conflict in its business transactions. Employees are oriented on the Code of Business Conduct and Ethics and provided with corporate governance seminars to enhance professionalism in the workplace and foster a culture of ethical awareness among employees. Embedded in its Code of Business Conduct and Ethics is the Related Party Transaction Policy that underscores the importance of transparency among Eton's employees and subsidiaries by mandating them to disclose business and family-related transactions. This policy mitigates potential conflicts of interest and promotes integrity within the corporate environment.

As part of a continuous education and awareness campaign, Eton conducts Annual Corporate Governance Seminars for the Board of Directors and officers, including an Anti-Money Laundering (AMLA) training, to keep the employees abreast of best practices in governance and regulatory requirements.

PNB is committed to maintaining the highest standards of integrity in its business practices. It takes a zero-tolerance stance towards offenses related to bribery, corruption, and other unethical behavior. The Bank's Anti-Bribery and Corruption (ABC) Policy serves as a robust framework explicitly prohibiting any form of giving, promising, authorizing, offering, soliciting, or receiving items of value, whether directly or indirectly. The objective of the policy is to prevent any improper influence on decisions or actions of its employees, ensuring that no party gains an unfair advantage. PNB's Anti-Bribery and Corruption provisions are integrated into the Bank's Office Decorum policy.

To demonstrate its dedication to eradicating dishonest and fraudulent behavior, PNB requires its employees to read and comprehend its Code of Conduct and provisions on anti-bribery and corruption, pledging to abide by its rules and regulations. In the event of any failure to adhere to these provisions, employees must report such incidents to their immediate supervisor or head of office. Through the Human Resources Group's good governance bulletin, reminders on the Code of Conduct and Ethical Practices are disseminated to employees on a regular basis.

Honesty and integrity are foundational principles governing Tanduay's business operations. To embody these principles, Tanduay employs a comprehensive approach firmly rooted in LTG's Code of Ethics, Conflict of Interest Policy, and Corporate Code of Conduct. In terms of onboarding employees, new hires are given a thorough explanation of the Tanduay's Code of Conduct and core values to establish a strong foundation for ethical decision-making. Throughout the year, regular dissemination of company memos is conducted to remind employees of the Tanduay's commitment to ethical behavior and adherence to anti-corruption laws.

Tanduay goes a step further by implementing a dedicated Work Attitude and Values Enhancement Program. This initiative is designed to foster awareness of ethical practices and cultivate a positive working attitude among its employees. Through this program, employees gain insights into their personal values and explore ways to align these values with the overarching organizational values of Tanduay.

ZERO major incidents of corruption for LTG.

The multifaceted approach of LTG and its subsidiaries ensures that all stakeholders are well-informed and equipped with knowledge to uphold our ethical standards. This serves as a testament to the effectiveness of our approach in promoting ethical behavior and integrity and maintaining a corruption-free environment.

Good Governance

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

LTG understands the crucial impact that robust corporate governance has on shaping the Company's performance. Thus, the Company prioritizes critical oversight and guidance provided by its Board of Directors, the governing body supervising the management and operations of the business. Composed of five essential committees, the Board of Directors aims to uphold and promote adherence to strong corporate governance practices. These committees include the Audit Committee, Risk Management Committee, Executive Committee, Nomination and Compensation Committee, and Corporate Governance Committee. They play essential roles in specific areas, collectively enhancing the overall efficiency and supervision of the organization.

Committee	Chairman	Members	Function
Audit Committee	Mr. Johnip G. Cua	Ms. Juanita T. Tan Lee Ms. Florencia G. Tarriela Mr. Wilfrido E. Sanchez Ms. Mary G. Ng Mr. Chester Y. Luy	Oversees financial reporting, internal control, audit processes, and compliance monitoring
Risk Management Committee	Ms. Mary G. Ng	Mr. Johnip G. Cua Ms. Juanita T. Tan Lee Ms. Florencia G. Tarriela Mr. Chester Luy Mr. Wilfrido E. Sanchez	Oversees the Group's financial and non-financial risks and related party transactions. Primarily, it is responsible for reviewing risks and managing LTG's overall risk exposure.
Executive Committee	Dr. Lucio C. Tan	Ms. Karlu T. Say Mr. Michael G. Tan Ms. Vivienne K. Tan Ms. Juanita T. Tan Lee Mr. Lucio C. Tan III Mr. Johnip G. Cua	Empowered by the Board to manage LTG's business and affairs, with specific exclusions reserved for the Board of Directors.
Nomination and Compensation Committee	Dr. Lucio C. Tan	Ms. Karlu T. Say Mr. Michael G. Tan Mr. Lucio C. Tan III Ms. Juanita T. Tan Lee Ms. Mary G. Ng Mr. Wilfrido E. Sanchez	Ensures a formal and transparent Board nomination process and oversees the selection, compensation, monitoring, and, if needed, replacement of key executives. This committee serves a crucial role in the Board's succession planning.

Driving Sustainability from the Boardroom

GRI 2-13, 2-14, 2-15, 2-16, 2-17, 2-18, 2-19, 2-20, 2-22

As the overall governing body of LTG, the Board of Directors serves a pivotal role in championing sustainability initiatives within the Company. The members of the Board collectively assume the holistic management of the Company, defining its purpose, instilling core values, and formulating overarching strategies that steer the conglomerate toward success. Each Director and Key Officer is mandated to transparently disclose any material transactions or relationships that could give rise to an actual or potential conflict. In ambiguous situations concerning potential conflict of interest, consultation with the Risk Management Committee, Chief Legal Officer, or immediate supervisor is encouraged.

Delegating authority and responsibility for managing economic, environmental, and social concerns is part of the LTG Board's responsibility, which it entrusts to its committees and subsidiaries. In 2019, Mr. Jose Gabriel D. Olives was appointed as Chief Risk Officer (CRO) and Chief Sustainability Officer (CSO) in 2023. The Company and its subsidiaries each has its own respective committees whose members and committee chairman are appointed by its Board. When necessary, the subsidiaries report to the concerned LTG Committee for guidance. This was done to ensure that the risks, opportunities, and sustainability initiatives of the organization are streamlined and properly managed, reflecting stability and continuity in its governance. To enhance the awareness of ESG principles, key directors and officers undergo seminars related to these topics. Stakeholders are also actively consulted on sustainability-related matters to identify their concerns and issues to be presented to the Board through Committee reports.

An annual self-assessment is conducted by the Board to evaluate the performance of its highest governance body. Using a Performance Evaluation Form, members review their roles and responsibilities as outlined in the Revised Manual on Corporate Governance and Charters and assess their performance accordingly. The form provides a comprehensive assessment of both their individual and collective performance.

Remuneration for Board members follows the Nomination and Remuneration Committee Charter, explicitly prohibiting directors from participating in decisions about their own remuneration. The Company's compensation policy for officers is performance-based, with the actual salaries remaining undisclosed.

In the realm of sustainability, the Board is responsible for setting policies, directing programs, managing sustainability impacts, and overseeing LTG's Sustainability Report. The Company has consistently presented its Sustainability Report for thorough review and approval by the Board since the initiation of LTG's Sustainability Reporting Framework in 2019. This practice underscores LTG's commitment to transparently communicate its sustainability initiatives and performance to its valued stakeholders.

At PNB, the Corporate Governance and Sustainability Committee, functioning as the Nomination Committee, collaborates with the Corporate Secretary to establish a systematic process for receiving and evaluating nominations to the Board. This process adheres to the Bank's By-laws and relevant legal requirements such as the Revised Corporation Code. The committee is responsible for formulating guidelines and procedures governing the nomination and election of directors, with these guidelines being disclosed in the Bank's information statement submitted to the Securities and Exchange Commission (SEC). With support from the Corporate Secretary, the committee rigorously reviews and evaluates the qualifications of nominated individuals to the Board, following the guidelines in the Bank's Corporate Governance Manual, Manual of Regulations for Banks (MORB), and other applicable laws and BSP regulations. Various elements taken into account during the assessment process includes the expertise, qualifications, experience, integrity and the capacity to contribute to the diversity and effectiveness of the Board. Additional essential aspects considered are independence of thought, availability to fulfill responsibilities, and facilitation of smooth interactions among Board members.

PNB emphasizes shareholders' rights, particularly voting rights, as indicated in its Corporate Governance Manual. Shareholders have the right to elect, remove, and replace directors, with procedures for the nomination and election of directors shared to them. In line with LTG's inclusive policy, the Board Diversity Policy affirms that the Board places no restrictions on age, nationality, or gender.

The Corporate Governance and Sustainability Committee bears the responsibility of assuring that the Bank adheres to a well-defined and targeted policy concerning the disclosure of non-financial information. Strategically, the committee places emphasis on managing economic, environmental, social and governance (EESG) issues, which serve as the bedrock for nurturing a foundation for sustainable operations.

Eton's Nomination and Remuneration Committee plays a crucial role in overseeing the effectiveness of the nominal and election process for the Board of Directors. It is tasked with reviewing and evaluating the qualifications of candidates for directorial positions and ensuring a formal and transparent selection process. Replacing key executives, along with supervising succession planning, falls under the purview of the committee. For any changes in committee members, the Board swiftly appoints new members to ensure the committee maintains the required minimum number within a three-month period.

The Eton's Board is committed to promoting diversity, transparency and independence. Currently, its Board is composed of eleven members, with six males and five females. The Corporate Governance Manual underscores the Board's responsibility to uphold an adequate number of non-executive directors to ensure independence. Furthermore, the Audit Oversight function conducts an annual review of Eton's expenditures on consulting services to ensure alignment with standards of appropriateness and efficiency.

The responsibilities of the Board members, senior executives, and employees related to economic, environmental and social issues are outlined in Eton's governance manual. Management officers and executive directors must disclose any potential conflicts of interest and material transactions as mandated in the Eton's Code of Business Conduct and Ethics. Annually, the Board engages in a self-assessment process to evaluate its overall performance and effectiveness of its committees and individual directors. By conducting a comprehensive assessment, valuable insights are generated on the roles and responsibilities of each member. More importantly, the evaluation exercise helps improve the Board's performance and accountability.

Compliance

GRI 2-27

Compliance to relevant laws and regulations is integral in the success of any business. It is a crucial aspect that promotes trust, sustainability, and ethical practices within the business landscape. As a leading conglomerate in the country, LTG serves as an exemplary model by prioritizing compliance across its business operations. This commitment is reflected in the Company's dedication to uphold ethical standards, adhere to legal requirements, and promote responsible corporate governance.

PNB understands that compliance to laws and regulations relies on the knowledge and understanding of its workforce. Thus, there is a strong emphasis on educating the Bank's employees to ensure that they are aware of the legal requirements relevant to PNB's operations. Through a sustainability awareness program, PNB keeps its employees abreast of any changes or developments in laws. Moreover, the Bank ensures that all reported non-compliance and violation incidents or cases related to ESG, which entail any financial, reputational, and regulatory / legal implications for the Bank, are handled by our Bank's Legal Group, in conjunction with external counsel, if needed. Any incident of non-compliance with applicable environmental, economic, and social-related laws, regulations, and policies in communities where we have presence, either within the country or overseas, are addressed by the Bank through appropriate channels and are closely monitored.

Tanduay places a strong emphasis on adherence to government requirements, especially in terms of guaranteeing the safety and quality of its infrastructure projects. Regular and rigorous Annual Environment, Occupational Safety and Health Audit is conducted by the GSERM Department, while audit of plant's compliance with labor laws is performed by the HRDD Head Office. On a monthly basis, Tanduay systematically monitors the status of its permits, licenses and certificates, ensuring timely renewal as needed.

Eton employs a comprehensive approach to compliance by involving all departments to address concerns promptly. The use of compliance tracker monitoring, validation and testing demonstrates a proactive adherence to laws and regulations, including the Anti-Money Laundering Act (AMLA). Advisories are distributed to the entire workforce and, as needed, relevant departments are tasked to address compliance-related concerns in a timely manner. These programs contribute to heightened awareness and compliance of Eton's employees.

LTG's emphasis on compliance contributes to its reputation as a socially responsible and accountable business.

Responsible Operations

GRI 2-9

Recognizing the urgent need to address climate change, we proactively adapt our strategies and processes to mitigate risks and seize opportunities arising from shifting environmental dynamics. Through our unwavering dedication to responsible operations, LTG continues to foster a culture of sustainability while driving positive impacts within our industry and beyond.

Supply Chain Management

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

The strategic management of LTG's supply chain is paramount to its continuous growth and excellent customer satisfaction. This involves managing critical aspects of our operations such as planning, coordinating, and optimizing elements of our supply chain to ensure a seamless flow of goods and services.

LTG's supply chain management encompasses a comprehensive approach, beyond mere logistical considerations, which is aligned with its business goals. To facilitate our business expansion and exceed customer expectations, it is imperative that our supply chain is resilient, reliable and efficient.

Asia Brewery acknowledges that efficiency and resiliency of the supply chain are indispensable in achieving operational excellence. Thus, it is steadfast in its dedication to continuous improvement in its supply chain management. An integral component of its organizational structure is the Board Executive Committee established to perform oversight and governance functions over Asia Brewery's supply chain. The Committee is entrusted with decision-making authority and the approval process for supply acquisitions and strategic sourcing initiatives. Moreover, it assumes a central role in guaranteeing the supply chain's dependability and effectiveness. Beyond its usual decision-making task, the Committee actively engages in shaping and implementing operational and tactical strategies to ensure that the supply chain functions reliably to achieve the broader organizational goals.

Eton enhances the overall experience of its customers by optimizing its operations and securing a robust supply chain. Focused on operational and financial efficiency, Eton continues to refine its operational processes for enhanced effectiveness throughout its supply chain. For its product and service offerings, Eton provides customers with flexible spaces and options integrated into its developments. This demonstrates the adaptability of its offerings and effectiveness in meeting the diverse needs of tenants, specifically for workspace solutions. Eton has fine-tuned its leasing process to ensure that it is aligned with industry best practices and customer expectations. Through this, Eton is elevating its leasing process to achieve strong financial performance and optimal operations.

On supplier selection, Eton has established a stringent criteria requiring suppliers to obtain DOLE DO 174 Certificate of Registration. Preference is given to local suppliers over foreign ones as part of its commitment to support local businesses. However, this approach has inherent risks such as the challenge of ensuring that the quality meets global standards and scarcity of certain goods and services. To mitigate these risks, Eton intensified monitoring of its supply chain for potential disruptions, including non-compliance incidents or practices in its different project sites.

In the fast-paced world of banking, an efficient functioning of a bank's supply chain is of paramount importance. Thus, PNB underscores the significance of an efficient and streamlined supply chain to enhance overall business performance and customer satisfaction. The Bank executes a meticulously designed and transparent procurement process following PNB's internal rules and regulations as well as systems in place. In selecting suppliers, PNB adheres to its Outsourcing and Accreditation Policy and Manual of Operations to ascertain the capacity, integrity, and sustainability of its vendors. The Outsourcing and Accreditation Policy requires the Bank to conduct an extensive due diligence process, from pre-engagement assessments to ongoing evaluations after partnership initiation. Part of the vetting process is identifying the social and environmental impacts of the supplier and requiring them to enhance their sustainability practices in alignment with PNB's dedicated sustainability policy.

To strengthen procurement operations, PNB has instituted a specialized Procurement Committee which scrutinizes and deliberates on bids. Composed of key members from the Senior Management Team, the committee performs rigorous evaluations based on the overarching principles outlined in PNB's Vendor Management Policy. Meanwhile, the Accreditation and Vendor Management Department, operating under the Corporate Services Division, has undergone enhancements in its processes, incorporating ESG criteria in accreditation, such as gender inclusion and strict compliance with environmental and social regulations. PNB employs ESG Negative Screening, identifying sectors or industries it does not engage with in its supply chain.

Prioritization of local suppliers to support the local economy and minimize logistics cost is part of PNB's policy in vendor selection. To the extent possible, provincial and overseas branches employ local suppliers as long as they satisfy the technical requirements and the Supplier Selection Criteria of the Bank. Such preference has associated risks, particularly during disasters, thus, PNB requires local suppliers to submit a proof of concept. In addition, approval proofing, a process to confirm or approve whether or not the sample goods or services comply with the requirements, is required from the requesting unit to minimize procurement-related risks. To complement this process, PNB implements a Business Continuity Plan across its diverse business units, strategically designed to navigate and mitigate potential risks within its supply chain. This proactive stance reflects the Bank's dedication to ensuring a reliable and uninterrupted supply chain.

Tanduay mandates strict adherence to its supplier accreditation policy for its business chain partners. Guided by Tanduay's Code of Ethics, the evaluation process aims to ensure integrity and prevent conflicts of interest and unethical activities. To formalize their commitment to ethical standards, suppliers are required to enter into a legally binding agreement, pledging to uphold and adhere to the established social standards of Tanduay. This approach highlights Tanduay's commitment to cultivate a supply chain marked by transparency, integrity, and dedication to ethical business practices.

Tanduay advocates equal opportunities among its suppliers, fostering collaboration with both local and international vendors and service providers. Strong preference is also given to suppliers actively championing environmental sustainability, human rights, diversity, and health and safety initiatives. Tanduay imported the majority of its alcohol requirements in 2023, similar to the previous year given the higher cost of locally produced alcohol. In the procurement of molasses, Tanduay relies on a diverse group of sugar millers and traders, including Universal Robina Corporation, Victorias Milling Corporation, Binalbagan Sugar Company, LYL Marketing, Shurmanns & Van Ginneken Philippines, Inc., Grandcane Company, Inc., and Tate and Lyle Corporation, and Tanduay Group Accredited under ADI supplier. Adopting a flexible approach, Tanduay opts for purchase orders on a per-need basis instead of entering into long-term purchase agreements.

Acknowledging potential risks inherent in engaging local suppliers, Tanduay refined its risk mitigation approach by prioritizing suppliers who comply with government regulatory and legislative requirements, including those with ISO certification. Combined, these approaches help ensure that Tanduay's supply chain is diverse, inclusive, and aligned with the ethical standards and sustainable business practices.

For the specified reporting period, neither LTG nor its subsidiaries have identified any notable environmental or social impacts within their supply chain.

Illicit Trade

LTG has shown unwavering determination in confronting the illicit tobacco trade within the country. This challenge has posed considerable impacts on our business endeavors, the domestic tobacco sector, and the broader economy. In response, we have intensified our internal capabilities and established external collaborations to mitigate the scourge of unlawful trade.

The impact of illicit trading is undeniable, spurred by tax-driven price hikes that have fueled a steady rise in illegal transactions. According to Euromonitor data, illicit trade surged to 18.5% in 2023 and is projected to climb further to 21.3% by 2025. This phenomenon is exacerbated by the widening price gap between legal and illicit cigarettes; while the excise tax surged to Php 63/pack in 2024, illicit cigarettes remain significantly cheaper at Php 40/pack. Notably, regions like Mindanao and Luzon have seen a concerning uptick in illicit incidence, highlighting the pressing need for intervention.

In response to this growing concern, PMFTC has taken proactive measures to combat illicit trade, engaging both internal and external stakeholders in concerted efforts. Capacity-building initiatives, including training on spotting illicit products, have been pivotal in raising awareness among various stakeholders, from tobacco points of sale to law enforcement agencies. Our sustained information campaigns across social and traditional media channels aim to amplify enforcement efforts and empower retailers and consumers with knowledge.

Our commitment to combating illicit trade extends beyond national borders. Participation in events like the International Tobacco Agricultural Summit underscores our dedication to global cooperation. Training programs for ASEAN Customs Enforcement & Compliance Group officials reflect our collaborative efforts to harmonize policies and combat cross-border illicit trade.

In addition to education and awareness campaigns, PMFTC actively supports legislative measures aimed at curbing illicit trading. We've been actively involved in congressional hearings and have championed initiatives like the Anti-Agri smuggling bill, which received unanimous approval in the House of Representatives and Senate. Engagements with regulatory bodies like the Bureau of Customs and Bureau of Internal Revenue have led to concrete actions, including nationwide raids and the closure of illegal cigarette factories.

To limit illicit trade to manageable levels, PMFTC is committed to securing our supply chain and conducting due diligence on customers. Our goal is not only to reclaim market share from illicit products but also to curb demand through targeted engagement with retailers and awareness campaigns directed at legal-age smokers.

Resource Efficiency

LTG sees the potential of resource efficiency in improving operations and reducing materials and processing expenses - all while benefiting the environment. We therefore take care of our materials, institutionalize effective water and waste management, prevent negative impacts on biodiversity, and enhance our energy efficiency. While we reduce our overall consumption of raw materials, we also ensure that we use the materials that we need efficiently.

Materials

At LTG, we strive to only use the materials we need and to use them efficiently. Because of emerging technologies, there has been an advent of innovation of more efficient equipment and processes such as energy-efficient equipment and digitization. To optimize our material consumption, we monitor key inventories to assess how much we consume, how much is needed, and therefore how much we should stock in the future. Reducing our material consumption has challenged us to use our existing goods effectively and creatively.

The material consumption at Asia Brewery is monitored through ERP Sys21 Goods Receipt and Withdrawal transactions. For production, consumption is estimated based on the Bill of Materials per product by unit measures. Moreover, our Material Yield Monitoring for production helps to reduce our consumption by identifying alternative solutions or substitute materials. Overall, we aim to lower our use of non-recyclable materials such as plastic and incorporate instead more recyclables such as our use of recycled glass cullets as raw materials to produce new glass bottles. We also recycle crates to produce new crates in order to avoid using virgin resin. Our local production of Glass Bottled Water was pioneered to produce returnable glass bottles and develop alternatives to PET bottles and plastics.

Eton strives to consistently improve material efficiency by integrating Property Management Software (My epmc) with Building Management Inventory, and Inventory Management Module. These technologies evaluate and manage the environmental risks and impacts of the materials we use throughout their lifecycle. We monitor material consumption through direct measurement.

Our target is to enhance our sustainable materials program with initiatives such as recovering materials from our tenants or residents. Incorporating renewable and sustainable materials has given us a small percentage of savings because we consume less raw material.

We have a detailed management approach to material consumption at PNB. Our admin group, International Banking & Remittance Group (IBRG) Overseas Offices and branches, and Retail Banking Sector (RBS) domestic branches all have their own strategies specific to their set-up to ensure that targets achievable and methods fit their operations.

The PNB admin group established the Estimate Useful Life of Fixed Assets to monitor our material consumption by estimating the number of years materials can be used. We endeavor to improve our material efficiency through PMS and Upgrading of Equipment to ensure that our work is energy efficient, and we spend less resources on repairing Furniture, Fixtures, or Equipment (FFE). We transitioned to using electronic communication to reduce our paper waste generation and conserve office space. Our materials and stocks are regularly monitored to assess which materials are defective, can be reused, or can be recycled.

At our PNB IBRG-Overseas Offices and Branch in Hong Kong, Los Angeles, and Japan, we follow the targets set by the Parent Bank as its direction of environmental impact and sustainability assessments. We recognize that consuming non-renewable resources has negative environmental impacts, so we use renewable resources, such as paper in our operations. For the paper that we do use, we ensure that we recycle it after or replace them with electronic copies. Furthermore, we reduced the number of times a month we transmit packages to our Parent Bank from weekly to just twice a month to reduce our carbon footprint caused by traveling. All our material consumption is monitored through direct assessment.

Our RBS Domestic Branches follow similar approaches to our admin group and overseas offices on moving towards digitalization and reusing paper and ink cartridges. Transitioning to digital processes also allowed us to streamline our operations and make our work more efficient. Before we dispose of our IT equipment, a separate IT department assesses the equipment's usability, and we prioritize using warehouse equipment before buying new ones. This practice also enabled us to reduce expenses spent on equipment. We monitor material usage by directly measuring supply consumption based on the requested inventory. Additionally, we encourage our employees to use reusable food containers and prohibit the use of plastics for takeouts.

At Tanduay, we consider material consumption starting with the architectural design and specifications of our storage facilities. We ensure that they comply with safety and environmental requirements and integrate renewable energy such as feeding the biogas produced from our digesters to our boiler system. Knowing the negative environmental impacts of using non-renewable resources, we overall lessen our waste generation and monitor our material consumption through direct measurement.

LTG and our subsidiaries have employed various methods to reduce our material consumption and monitor our actions consistently to make sure we are aligned with our targets. Moving into 2024, we hope to continue the transition to digitalization and utilization of renewable resources while ensuring that we are updated with the latest issuances of local and national regulatory bodies.

Managing Waste

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

Given the nature of our work at LTG, proper waste management is crucial to our operations. While we want to reduce our overall material consumption, we also want to promote a circular economy by effectively reusing and recycling where we can. We employ a third-party service provider to ensure that our solid waste management is handled proficiently. All our activities are compliant with local and national government laws on waste management.

Asia Brewery focuses on segregation and recycling as part of our waste management. Our Solid Waste Management and Hazardous Materials and Waste Management Plan guide our business processes. To minimize waste, we use alternative raw materials as much as possible during production. We also try to reduce consumer waste generation by monitoring consumption package materials. For any waste that is generated, we first segregate them to ensure that they are disposed of properly before recycling is facilitated. We recycle oil and solvents waste and sell scraps to interested buyers.

Asia Brewery accredited a third-party firm to handle waste collection and disposal. Our waste-related data is collected and monitored by Pollution Control Officers stationed at each Plant Business Unit. We conduct quarterly audits of our manufacturing plant business units and perform site visits for the annual accreditation of our third-party haulers. Our third-party haulers are monitored to ensure their compliance with the Certificate of Treatment, Certificate of Disposal, and Certificate of Recycling/ Co-Processing. Our entire Waste Management Program is shared through our training course for all our employees and third-party service providers.

It is essential for Eton to ensure cleanliness in all its properties. As a result, we have strictly implemented policies and programs for solid waste management in all the properties we own and manage. Part of our solid waste management program is to provide a recovery materials facility and to reuse waste from our properties. We also encourage our tenants to adopt sustainable lifestyles by reducing their waste during meetings or through circulars. Our stakeholders' compliance with waste management policies is closely monitored through our Quarterly Risk Compliance Tracker. Then our third-party waste tracker reports regularly to the building administrator.

At PNB, we take an aggressive approach to our waste management, starting with the transition towards digitalization of our services and processes to move away from waste generation. We also encourage our employees to reuse and recycle commonly used office materials such as paper and plastics. Most of our waste comes from construction and renovation materials. Therefore, we take steps to follow local and national waste management standards and establish systemized collection, processing, and disposing of office equipment. Although we have a third-party private contractor that hauls our waste, we also have trained internal pollution control officers that regularly attend seminars to keep abreast of environmental compliance requirements.

From the very first day of hiring, we educate each Tanduay employee on our Solid Waste Segregation program. One of the ways in which we reduce our corporate waste is by using our compost pit. Proper sorting and subsequent selling of second-hand bottles via our Back to Supplier scheme, and our 3Rs program are other strategies we employ for our daily operations. To manage our chemical waste, we engaged a DENR-accredited waste haulers after verifying their activities through due diligence. Our General Services collect and monitor waste-related data while the PCO monitors hazardous waste. After our internal data collection, we submit quarterly reports to DENR on our effluent quality. Overall, we find that having an effective solid waste management system is necessary for a clean environment, and therefore improving workplace safety. Cleanliness and safety improve overall productivity.

Reusing materials and reducing waste generation support LTG's business operations. Having a clean and healthy working environment eventually contributes to the Company's productivity. We closely monitor our actions and our third-party service providers' actions to ensure that we comply with local and national regulations on waste management. We also promote our waste management initiatives by communicating them to our stakeholders.

Waste by composition in metric tons (mt)

GRI 2-4, 306-3

	2023	2022	2021
Total hazardous waste	**261.45**	2,326.83	488.54
Total non-hazardous waste	**3,627.68**	5,540.75	5,613.08
Total waste generated	**3,889.13**	7,867.58	6,210.40

Waste diverted from disposal by recovery operation in metric tons (mt)

GRI 2-4, 306-5

	2023	2022
Preparation for reuse	-	-
Recycling	5.03	33.72
Others	43.00	3,039.55
Total hazardous waste	**48.03**	**3,073.27**
Preparation for reuse	5.00	-
Recycling	2,299.08	974.41
Others	1,070.35	849.04
Total non-hazardous waste	**3,374.43**	**1,823.45**

Waste directed to disposal-by-disposal operation (mt)

GRI 2-4, 302-1, FB-AB-130a.1 FB-NB-130a.1

	2023	2022
Incineration (mt)	-	0.16
Landfilling (mt)	179.10	1,904.63
Others (mt)	1,006.57	290.64
Total hazardous waste (mt)	**1,185.67**	**2,195.42**
Incineration (mt)	0.20	0.17
Landfilling (mt)	3,198.97	3,137.04
Others (mt)	230.00	166.56
Total non-hazardous waste (mt)	**3,429.17**	**3,303.77**

Energy Efficiency and Emissions

GRI 3-3

Our multiple business ventures at LTG consume only the energy they need. We institutionalized strategies to promote energy efficiency and ensure that we are updated in the latest policies and sustainable practices on energy use. Our target is to reduce our overall fuel and energy consumption to lessen our environmental impact, particularly to limit any dependence on nonrenewable energy sources. By being energy efficient and reducing our emissions, we are also able to reduce overall operational expenses.

At Asia Brewery, we control our energy consumption in our Beveraging and Packaging Divisions, manufacturing plants in Cabuyao and Sta. Rosa, San Fernando, El Salvador, Toril, Davao, and our supporting offices. Our coal usage and power plant equipment such as the coal-fired boiler consume the most energy followed by electricity. As a result, we enact measures to reduce our operational energy consumption as much as possible.

To reduce and control fuel consumption at Asia Brewery, our Energy Management System established guidelines such as switching off forklifts when not in use, setting up a shuttle service schedule for our employees, and limiting the use of the genset for emergencies. Our Energy Management System is based on the ISO 50001 framework while our ABI Beverage and Packaging sites are certified and audited by DQS based on EnMS ISO 50001:2008 standard.

We monitor GHG emissions and carbon footprint to determine our environmental impact. Our annual energy review and audit helps Asia Brewery identify saving opportunities. A third-party service provider conducts quarterly testing of the scope 1 emissions. For future property investments, we integrated energy-related considerations in the analysis using the Failure Mode and Effect Analysis - Risk Assessment Tool. Our on-going project of solar PV installation is set to accommodate future electricity demands.

We installed waste gas treatment and redesigned and repaired our furnace to proactively reduce emissions. To control operational energy consumption, we implemented an Energy Management System and Electricity Management Programs to standardize energy usage. This set our air-conditioning unit temperatures and promoted the practice of switching off lights and other 220-V equipment when not in use. We installed high efficiency motors, implemented a coal-fired boiler matrix, and optimized our room cooling system by reducing the VFD speed at the required room temperature. At Asia Brewery, we also reduced CIP Rinsing Duration, Cooling Tower blower operation, and CO_2 cooling unit operation. Moreover, we are transitioning to relying on renewable energy sources for some of our operations.

Eton's energy conservation program reduces energy usage and business costs of our residential and commercial properties. In our property management, air conditioning systems and emergency power (i.e., generator systems) have consumed the most energy. As a result, we are targeting a 10% total energy reduction by transitioning to solar power, implementing emergency power and weekly functionality performance tests (no load test), and prioritizing vendors who maximize renewable energy sources. Our regular functionality performance tests manage our fuel consumption while our electric power vendor monitors our scope 1 emissions. To oversee our energy consumption, a third-party vendor monitors our GHG emissions while the Eton administration evaluates compliance results. We also strictly implement a tenant monitoring program.

In terms of energy efficiency, PNB's goal is to minimize the overall carbon footprint which will also contribute to lowering our operational energy expenses. We remind our employees to unplug any office equipment not being used, shift to using LED light, installed inverter type air conditioning units, and upgraded any outdated non-energy-efficient equipment. To reduce our fuel consumption, we developed the trip maximization policy whereby official business trips are subject to approval to ensure that fuel is not unnecessarily consumed. Moreover, a third-party service performs regular preventive maintenance of our generator sets to ensure that they are in fuel-efficient operating condition.

The Tanduay plants in Cabuyao, El Salvador, and Negros aim to reduce waste generation in their processes and to invest in renewable energy. Although our boilers consume the most operational energy, we are able to comply with existing regulatory energy limits and air quality standards. Our first step is to ensure that we only use energy that we need and that our operations use energy efficiently. We track any possible fuel leakage and perform preventive equipment maintenance to reduce energy consumption. Our HCFC fire extinguishers have been updated to other extinguishing agents that contribute less to ozone-depletion.

To further control our energy consumption, we studied coal acceptance procedures and installed solar panel at our Tanduay Quiapo office and our ADI-operated Lian solar plant. We implemented Energy Use Ratio (EUR) targets specific to each plant to ensure that our operations are energy efficient and that we have reduced Scope 1 and Scope 2 emissions. Our Quality Management System requires each plant to annually improve their EUR while our quarterly stack sampling and ambient air monitoring helps to control our Scope 1 emissions. Moreover, we perform basic emissions tests of vehicles, boilers, and gensets as possible sources for air pollution.

In 2023, we consumed a total of 1,565,090 GJ of energy, a 39% decrease compared to our consumption the previous year. LTG has not recorded any significant negative GHG impacts to our stakeholders and stayed well within regulatory limits of air pollution standards.

	2023	2022	2021
Total energy consumption within the organization (GJ)	**1,565,090**	**2,549,615**	**1,910,161**
Total fuel consumption within the organization from non-renewable sources (GJ)	**887,913**	1,788,471	No data available for 2021 as we only initiated collection in 2022.
Luzon and Visayas (GJ)	**842,275**	1,646,688	
Mindanao (GJ)	**45,638**	141,783	

Electricity Consumption within the Organization (kWh)	2023	2022	2021
Total	**188,104,787**	**211,434,909**	**148,962,877**
Luzon and Visayas (kWh)	**166,734,201**	192,555,829	No data available for 2021 as we only initiated collection in 2022.
Mindanao (kWh)	**21,300,917**	18,879,080	
International (kWh)*	**69,669**		

**Scope is for PNB only.*

Fuel Consumption (GJ)	2023	2022	2021
Bunker Fuel (GJ)	**367,785**	586,022	560,374
Coal (GJ)	**393,420**	867,770	377,319
Low Sulfur Fuel Oil (LSFO) (GJ)	**-**	254	-
Diesel (GJ)	**17,957**	139,736	16,265
Gasoline (GJ)	**1,409**	14,604	246,741
Liquefied Petroleum Gas (GJ)	**107,342**	180,085	173,196
Total	**887,913**	**1,788,471**	**1,373,894**

Emissions Breakdown

305-1, 305-2

	2023	2022	2021
Generator Sets	**624.67**	**10,008.00**	No data available for 2021 as we only initiated collection in 2022.
Company-owned Vehicles	**766.34**	2,585.00	
Third-party vehicles	**-**	-	
Others	**59,365.95**	53,727.00	
Scope 1 (tCO2e)	**60,756.95**	**66,320.17**	**155,468.00**
Luzon and Visayas (tCO2e)	**115,071.87**	137,138.16	No data available for 2021 as we only initiated collection in 2022.
Mindanao (tCO2e)	**16,609.27**	14,720.02	
International (tCO2e)	**2,750.24**		
Scope 2 (tCO2e)	**134,431.38**	**151,858.18**	**107,695.00**
Total carbon footprint (tCO2e)	**195,188.34**	**218,178.35**	**263,163.00**

Water Management

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

Water management is crucial to LTG operations because it is used as a raw material to some of our major subsidiaries. Water is also used for our business's operations and our offices' health and hygiene. We strictly adhere to government-issued water management policies and strive to use water responsibly - we reduce usage, reuse where we can, and treat water properly before disposal.

Water is an essential part of Asia Brewery's operations and production. We monitor our usage and aim for the optimal water usage ratio. Of all our plants, the operations that consume the most water are Cabuyao for the bottled water plant, Davao for bottle washing, and Pampanga for bottling operations. To minimize our industrial wastewater, we recycle water by reusing alcohol effluent. We oversee the quality of our effluent to comply with Republic Act No. 9275 or the Philippine Clean Water Act of 2004 and the Department of Environment and Natural Resources (DENR) Administrative Order (AO) No. 2016-18 and 2021-19. From 2023 to 2025, we aim to reduce our water usage to 5%.

Eton recognizes its responsibilities in managing water usage for its properties. While our target is to use water sustainably in our operations and projects, most of our daily water is consumed by tenants and residences, especially during any pandemic lockdown. Nonetheless, we continue to strive for reduced water consumption by eliminating existing potential water leaks from our sewage treatment plants and reusing greywater from rehabilitated sewage treatment plants. Our initiatives on water recycling include regular monitoring through physical inspection and data analysis. We adhere to the water quality guidelines set by DENR AO 2021-19 and complied with this by upgrading the sewage treatment plants in all our projects.

Since sustainable operations is one of the guiding principles of PNB, we continuously seek ways to reduce or manage our water consumption. We installed water-efficient fixtures and fittings and remind our employees to observe proper water usage. We perform regular maintenance inspections of our water supply equipment to identify and repair found water leakages. Sink strainers help to separate solid waste from our wastewater to ensure the quality of our effluent and discharge. Moreover, the cleaning materials we use to maintain our toilets and facilities are environment-friendly to safeguard soil from water contamination. Our effluent is eventually handled by public utility agencies or water sewage treatment facilities.

Water is essential for Tanduay's line of work. We carefully control our water consumption and find opportunities to recycle or improve wastewater quality. We adhere to DENR AO 2016 or the General Effluent Standards to monitor our operation's wastewater discharge. Our goal is to update our waterline layout, install sub-meters at strategic locations, implement water reduction targets for each group, and set the Water use Ratio (WUR or the liters of water consumed over liters of products) plans to comply with industry standards. If our WUR fails for three consecutive months, we conduct Root Cause analysis and Corrective Actions. We set our internal wastewater discharge standards (e.g., pH Levels) to thresholds higher than the standard range to ensure that it will safely pass any third-party Effluent Analysis or DENR or LLDA standards.

To effectively manage Tanduay's water usage, we installed sub-flow meters at every business unit. Our demineralization process prepares the water for human consumption by taking the deep well water and fitting it with alcohol. This process consumes the most water in Tanduay's operations. We hope to improve this process so that any demineralized water that fails Quality Assurance can still be reused for tasks like gardening or flushing canals.

Wastewater treatment facilities at all Tanduay plants screen, collect, and neutralize all waste generated from the bottling process before being discharged. Any wastewater generated by production is collected in lagoons and undergoes a treatment process to minimize its adverse environmental effects. DENR and LLDA conduct annual inspections of the water treatment process. Our first goal for water management for the coming year is to connect our Negros Plant to the water district for secondary water supply to reduce the risk of groundwater depletion.

On the other hand, our Tanduay subsidiary, ADI, has a wastewater treatment digester and methane gas collector to reduce carbon emissions and serve as a secondary power source for distillation plants. For example, at our Lian Batangas Division Plant, we installed a biomethanated spent wash evaporator for evaporation of wastewater.

While water management is a key component of everyday operations of LTG and our subsidiaries, we recognize that some of our processes heavily rely on water consumption. For 2024, LTG hopes to lead the way for sustainable and effective water management.

Water Withdrawal, Discharge, and Consumption in megaliters (ml)

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

	2023	2022	2021
Groundwater (ml)	**5,107.95**	**6,402.09**	**6,072.83**
Third-party water (ml)	**948.04**	1,160.45	964.81
Total Water Withdrawal (ml)	**6,055.99**	**7,562.55**	**7,214.09**
Surface Water (ml)	**2,177.14**	1,594.09	No data available for 2021 as we only initiated collection in 2022.
Groundwater (ml)	**116.95**	184.92	
Seawater (ml)	**891.79**	504.16	
Third-party water (ml)	**600.23**	570.53	
Total Water Discharge (ml)	**3,786.11**	**2,853.70**	
Total Water Consumed (ml)	**2,189.25**	**2,374.13**	

Adapting to Climate Change

GRI 201-2, 3-3

The adverse impacts of climate change affect the Philippines yearly. These impacts shape our operations, supply levels, and financial standings - eventually affecting how we do business with our stakeholders. While LTG takes considerable action to reduce our environmental impacts, we also recognize the urgency of safeguarding our businesses and stakeholders from the negative effects of climate change by building our resilience.

At LTG, we have short-term and long-term action plans to address climate change impacts and a Business Continuity Manager (BCM) to manage natural disasters such as typhoons and floods. Our governance and management level assesses climate-related impacts using vulnerability assessments to identify risks that could harm operations and opportunities to enhance business annually. Findings from these assessments contribute to the systematic management and adaptation against climate change. Evaluating these risks also gives us the opportunity to test the effectiveness of existing risk management measures. We hope to evaluate long-term climate risks and their potential effects on our business.

PNB takes decisive measures to prevent the negative effects of climate change on the bank's operations and financial interests since there are physical, societal, economic, and financial risks that may affect our stakeholders. The financial industry plays an important role in pursuing sustainable and resilient growth. To align with the Philippine Development Plan, we ensure that we make environmentally and socially responsible business decisions. Our corporate governance framework, risk management systems, and strategic objectives have all adopted sustainability principles. Our Risk Oversight Committee receives our Loss Event Report (LERs) monthly while the board approves the Enterprise BCP Manual and Crisis Management Plan.

Climate-related risks that could affect PNB are losses due to physical asset damage and financial stability concerns on our operations and financial interests. Because our awareness programs for climate-related risks could strengthen our financial planning and risk management systems, we have become better prepared against climate-related scenarios such as typhoons, flooding, and drastic temperature changes. We constantly inspect the pipes, water drains, gutters, and other facility utilities to equip ourselves against detrimental climate change effects. The individual BCPs of business units also have their own recovery strategies to counter events.

Risks assessed through PNB's Risk and Control Self-Assessment (RCSA) include Corporate Social Responsibility Risk, environmental risk, physical asset damage losses due to natural calamities, and identification and assessment of Business Disruption caused by natural or socioeconomic factors. We use the Enterprise BCP Manual, Crisis Management Plan, Crisis Communication Plan, and Disaster Recovery Plan to manage climate-related risks and have sufficient insurance coverage for our sites to protect against damage. Our risk management also includes numerous CSR activities that raise awareness of climate change issues. We have ongoing plans to enter Sustainable Financing Transactions (SFTs) wherein we finance projects that will have positive environmental and social impacts.

We expect all PNB business units to submit their assessments on Corporate Social Responsibility Risk, Environment Risk, Damage to Physical Assets, and Business Disruption Risks due to natural disasters. We tapped the Tan Yan Kee Foundation, Inc. (TYKFI) and its pool of academic experts to help us establish our Environmental and Social Risk Management System (ESRMS), which will specifically include our credit risk and operational risk management.

Tanduay's Incident Management Crisis Resolution Procedure (QMS-IMP-B-P-1000) guides Tanduay in identifying climate risks and opportunities that may financially impact operations. These climate risks could affect our warehousing activities, logistics, deliveries, and raw material acquisitions. As a result, we keep a sufficient buffer stock to ensure business continuity. While we brace ourselves against the adverse effects of climate change, we also take care not to contribute to climate change and to minimize our negative environmental impacts through initiatives such as staying within the allowable emission threshold and organizing tree-planting activities.

Climate change affects every aspect of LTG's operations and services and is a crucial yet inevitable obstacle to overcome. We see the benefit of being able to adapt to both expected and unexpected adversity and to build our resilience against climate change. LTG and our subsidiaries have employed mitigating strategies specific to each business. It is our responsibility to ensure the longevity of our businesses to continue serving our stakeholders.

Biodiversity

GRI 3-3, 304-2

Even though LTG does not directly deal with biodiversity as a component in our businesses, we acknowledge that some of the operations of our subsidiaries use natural resources and dispose of wastes that may have environmental impacts. As a result, we integrated biodiversity conservation in LTG's long-term sustainability framework and identified biodiversity as one of our material topics. We strictly adhere to principles set by both local and national government agencies on safe practices and engage our CSR activities in biodiversity protection.

Eton recognizes that its operations and its properties have indirect environmental impacts on water, air, and noise emissions. Accordingly, we take decisive action to ensure that none of our operations will cause significant harm to biodiversity. We faithfully comply with regulations on applications of sources of pollution for the development and construction of our properties, such as the DENR AO 2016 for our sewage treatment plant discharge, RA 9003 for the segregation of our residual wastes, and RA 8749 to maintain clean air. We also introduced new technologies in our sewage treatment facilities and sourced renewable electricity supply to further fix our sources of pollution. Our climate change-related strategies are then assessed to find other ways to alleviate risks or use opportunities to further protect biodiversity.

At PNB, we mitigate any potential risk that our activities might have on biodiversity. Through our water and waste management, we preserve the environment of the areas we operate in, and the communities we serve are crucial to our business operations. We also extend our practice of preventing negative impacts on biodiversity to our service providers and customers. As part of our lending practice, we developed a comprehensive exclusion list of activities and businesses we will not support or finance. These activities include the production or trade of wildlife, illegal logging, uncontrolled forest clearing, unregulated conversion of primary tropical moist forests into plantations, fishing with explosives or cyanide, retail or serving of shark's fin, and extraction of natural resources within UNESCO World Heritage sites, among others.

There are some of the activities of Tanduay, such as liquid fertilization on nearby sugarcane fields, which might affect biodiversity. As a result, we make efforts to eliminate any possible negative environmental impacts of our operations through strict compliance with regulatory requirements such as DENR's General Effluent Standards on wastewater discharge. Our Environmental Management Program provides the framework for identifying potential risks from our activities and guides the implementation of our biodiversity programs. The stack sampling of our boilers, ambient air monitoring, wastewater and solid waste management, and quarterly testing of surface and groundwater are integrated into the design of our facilities to minimize negative impacts on biodiversity. CSR activities such as tree-planting and river cleanups also promote biodiversity protection.

For 2023, LTG has not recorded significant negative impacts on biodiversity. Going into 2024, we will continue this trajectory of taking action to promote the conservation of our unique biodiversity.

Value through Products and Services

Asia Brewery intends to venture into the global sphere to bring Filipino-branded beverage products to the international stage.

Eton's real estate portfolio encompasses a comprehensive residential and commercial development offering. Under its residential portfolio, Eton provides options for leasing and purchasing condominiums to accommodate the varied needs of the housing market. For its commercial properties, Eton leases and sells office spaces, commercial establishments, and entire buildings. Simultaneously, Eton extends its services to include property management and hospitality services. Its broad spectrum of portfolio showcases Eton's adaptability to the property market's dynamic demands.

PNB is a well-respected financial institution catering to the local and international markets through its banking and financial services.

ADI is a key player in the production and manufacturing of various products, including bioethanol, distilled products, solar power, denatured alcohol, liquid carbon dioxide, and dry ice. ADI commenced operations of its bioethanol plant in 2016 with a production capacity of 30 million liters annually. Venturing into sustainable energy practices, ADI operates a two-megawatt solar power generation facility licensed under the Renewable Act of 2008. Using its solar power system, ADI is responsible for supplying electric power to the National Grid Corporation of the Philippines (NGCP) with a feed-in-tariff rate of Php8.69 per kilowatt-hour under a 25-year solar energy supply contract. Complementing Tanduay's market reach, Tanduay supports ADI in its marketing and administrative requirements for its network of distributors. To facilitate the logistical aspects of product distribution, Tanduay utilizes third-party transportation companies, while ADI's bioethanol and other by-products find their way to consumers through distillery tankers or direct collection at distillery plants.

Customer Satisfaction

Our commitment is to continually meet and exceed customer expectations. For 2023, ensuring customer satisfaction is crucial for Asia Brewery's growth. We focus on delivering high-quality products and timely services. Our E-Commerce site allows customers to order anytime and receive faster delivery. Feedback can also be shared via social media and our website.

GRI 417-1, 417-2, 417-3, FB-AB-270a.2, FB-AB-270a.3, FB-NB-270a.3, FB-NB-270a.4

	2023
Total no. of incidents of non-compliance with regulations resulting in a fine or penalty	-
Total no. of incidents of non-compliance with regulations resulting in a warning	-
Total no. of incidents of non-compliance with voluntary codes	-
Total no. of substantiated complaints	59
Total no. of complaints addressed	59
Number of significant product or service categories offered	-
Number of significant product or service categories covered by and assessed for compliance with information and labeling procedures	-
Percentage of significant product or service categories covered by and assessed for compliance with information and labeling procedures	-

Note: Scope is Asia Brewery and Eton only.

At Eton, understanding customer needs guides our improvements. We encourage feedback through our website, email, and messenger, especially during the pandemic. We addressed concerns promptly.

PNB prioritizes customer satisfaction by empowering both existing and potential clients through financial literacy and wellness sessions conducted by our business groups. These sessions, held locally and internationally through face-to-face meetings and virtual platforms, cater to various target customer segments. Employees benefit from similar sessions conducted online, ensuring they are equipped with essential financial knowledge.

The Bank's sessions cover diverse topics, including money management, saving strategies, investment opportunities, and economic forecasts. Beyond education, these forums serve as platforms to introduce our products and services while familiarizing participants with available investment options. In 2023, the Bank reached approximately 10,815 participants across different demographics, including depositors, borrowers, professionals, investors, students, and various community groups. These initiatives, conducted in collaboration with government agencies and private institutions, reflect our commitment to fostering financial literacy and empowerment among our customers and communities.

	2023	2022
Savings Account	**5,404,368**	5,499,537
Checking Account	**231,173**	270,741
Retail Loan Accounts (housing, auto)	**3,025**	2,897

Note: Scope is PNB only.

On the other hand, Tanduay values customer satisfaction and focuses on delivering quality products. We adhere to ISO, HACCP, and HALAL certifications and actively seek feedback through surveys and after-sales communication to improve our offerings.

Prioritizing the Health and Safety of our Consumers

At LTG, safeguarding the health and safety of our customers is at the heart of everything we do. We understand that customers entrust us with their well-being when they choose our products and services, and it's our responsibility to ensure they're protected.

At Asia Brewery, our commitment to consumer health and safety is unwavering. We prioritize quality excellence by strictly enforcing food safety policies and continually enhancing the skills of our workforce. Adhering to stringent Food Safety and Quality Policies, along with international and local standards, is fundamental to our operations. We recognize and address customer concerns promptly, employing digital platforms like our support portal for efficient complaint handling. Moreover, our proactive approach includes internal assessments and corrective actions to prevent future issues and ensure continuous improvement.

To mitigate the environmental impact of our operations, Asia Brewery diligently complies with various regulatory standards, including FDA Good Manufacturing Practices and ISO certifications. We understand that responsible stewardship extends beyond product safety to environmental sustainability.

On Tanduay, protecting and promoting consumer health and safety is ingrained in our quality policy and management system. Through annual surveillance audits, we evaluate the effectiveness of our measures and gather data to preemptively address potential risks. Even amidst the pandemic, we remain steadfast in implementing health and safety protocols aligned with regulatory guidelines to safeguard both our customers and employees.

Our commitment to customer health and safety is further underscored by our adherence to rigorous quality standards and certifications. Tanduay's ISO 9001:2015 certification and periodic assessments by TUV SUD Asia Pacific attest to our unwavering dedication to maintaining the highest standards of quality and safety.

Customer Health and Safety

GRI 416-2

	2023
Total no. of incidents of non-compliance with regulations resulting in a fine or penalty	151
Total no. of incidents of non-compliance with regulations resulting in a warning	125
Total no. of incidents of non-compliance with voluntary codes	0
Total no. of substantiated complaints	45
Total no. of complaints addressed	45

Note: Scope is for Eton only.

Data Privacy and Security

FN-CB-230a.2

At LTG, safeguarding data privacy and security isn't just a priority – it's a fundamental commitment we uphold every day. Recognizing the ever-evolving landscape of risks and threats to data integrity, we've bolstered our defenses and equipped ourselves with robust cybersecurity measures to safeguard both The Company and customer information. Our IT infrastructure undergoes regular review, modification, and upgrades to ensure optimal protection. Additionally, we prioritize ongoing staff training to foster internal cybersecurity awareness across the organization.

In managing customer privacy, Asia Brewery is actively developing a comprehensive Data Classification Policy governing the use of all data generated, collected, stored, or processed by our business. We've also instituted Incident Management and Information Security Incident Policies and Procedures to swiftly address and mitigate potential breaches. Furthermore, we enforce non-disclosure agreements with third-party agencies and service providers to uphold confidentiality standards. Adhering to the Advertising Standard Council's guidelines, we ensure that our advertising and communication materials uphold transparency and accuracy.

At Eton, we uphold customer privacy by not only complying with the provisions of the Data Privacy Act of 2012 but also by implementing stringent data privacy and cybersecurity practices. Our commitment aligns with the law's purpose of safeguarding personal data across both public and private sectors. We've implemented cybersecurity tools and established robust backup procedures to minimize data security risks. In the event of a breach, our protocol mandates immediate reporting to the National Privacy Commission within 72 hours. We prioritize cybersecurity awareness to proactively prevent and respond to potential threats.

PNB implements a range of policies to ensure customer data privacy and security. Our data protection policy addresses security risks that could impact our operations. Following the Revised Policy and Implementing Guidelines on Consumer Protection, we emphasize consumer protection throughout all transaction stages. Our policies include the Enterprise Data Privacy Policy, Governance and Risk Management Sub-Policy, and Data Privacy Architecture, supported by the PNB Enterprise Data Privacy Manual for overseas branches. We conduct Privacy Impact Assessments based on ISO standards and the Data Privacy Act of 2012 to assess risks proactively. To support teleworking, our Human Resource Group has issued a Telecommuting Policy to safeguard employee privacy and ensure the security of equipment, IT infrastructure, and systems.

Digital banking (mobile and internet)	2023	2022
Number of substantiated complaints on customer privacy	**1**	3
Number of complaints addressed	**1**	2
Number of customers, users, and account holders whose information is used for secondary purposes	**0**	344
No. of data breaches, including leaks, thefts, and losses of customer data	**0**	2
Percentage of data breaches in which personally identified information (PII) was subject to a data breach	**0**	100%
No. of customers affected by data breaches	**0**	44

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

Innovation and Digitization

PNB continues to provide innovative digitization initiatives, and this is governed by its commitment to providing a safe, reliable, and convenient digital experience for its customers. As of present, the Bank has created a three-year digital strategy and is informed by our enterprise's new vision and mission, strategic initiatives, customer trends, market developments, and regulatory landscape. The plan, endorsed by the Board Strategy and Policy Committee (BSPC), is overseen by the Board IT Governance Committee (BITGC) for execution.

At the core of the Bank's digital initiatives lies the Projects Prioritization Committee, which is responsible for approving major strategic projects. Key digital initiatives are also referred to BSP for notification and/or approval if needed. Execution is then monitored by project-specific Steering Committees, the Technology Committee (Tech Comm), and the BITGC to ensure alignment with enterprise priorities and track progress toward business targets.

Likewise, PNB adheres to BSP policies on Electronic Banking and Financial Services, along with regulations such as Guidelines on Electronic Payments, Anti-Money Laundering (AMLA) Rules, Data Privacy Law, and Consumer Protection. Aligned with the BSP Digital Payment Transformation Roadmap under the National Retail Payment System (NRPS), the Bank actively participates in the digital banking landscape like InstaPay and PESONet and explores opportunities within the Open Finance Framework. Additionally, our digitalization efforts include automating Bank forms, shifting customers to e-SOA, and enhancing systems and processes for efficiency and environmental sustainability.

Continuing operations and maintenance of automated teller machines (ATMs) and cash accept machines (CAMs) facilitate convenient access to funds for our customers. As of December 2023, the total count includes 1,535 ATMs, 145 CAMs, 29 Corporate CAMs, and 7,876 point-of-sales (POS) terminals, enhancing the 24-hour banking convenience provided to customers.

	2023	2022	2021
ATMs	**1,535**	**1,575**	**1,586**
CAMs	**145**	145	165
Corporate CAMs (CCAMs)	**29**	29	22
POS Terminals	**7,876**	8,367	6,603

The Bank continues to enhance our mobile banking platform, PNB Digital, by bolstering security features, upgrading infrastructure capacity, expanding payment capabilities, and providing access to a wider range of products. Through digital media channels such as Facebook, Instagram, YouTube, email, and SMS, we actively promote the app to both prospective and existing clients, aiming to boost awareness, enrollment, and usage. As of December 2023, PNB Digital has attracted a total of 1,105,231 enrolled users.

Furthermore, PNB's digital services saw significant improvements in 2023. The Bank launched the UITF online product, enabling clients to assess investment suitability, book new investments, and redeem funds digitally. New credit card functions were introduced, along with 700 additional billers for Bills Payment. These enhancements, coupled with upgrades in infrastructure capacity and efficiency, reinforce the reliability and performance of PNB's digital platform.

	2023	2022	2021
Enrolled Users	**1,105,231**	**1,508,741**	**805,906**
	Mobile Only	Mobile and Internet	Mobile and Internet

Welfare of Employees and Communities

What drives LTG's excellent services and longevity are the people who work with us and the communities we work in. The safety, security, and well-being of our employees is a priority in how we do business. Each step in our hiring process is carefully crafted to ensure that we attract the country's top talents. With rigorous training and overall wellness support, our employees become armed with confidence to deliver excellent products and services. Alongside the growth of our Company, we also ensure that we are able to share our successes and learnings with the communities we operate in. This way, we are able to continuously benefit our most important stakeholders.

Safety, Security, and Well-being

GRI 2-23, 2-24, 2-25, 2-26, 3-3, 406-1 (Human Rights) GRI 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7

Above all else, LTG prioritizes the safety, security, and well-being of our employees. We recognize our responsibility to safeguard human rights and protect our employees from harassment and hazardous work practices. We value the creation of spaces safe from discrimination, open to communication, and free from retaliation. We focus on creating a holistic working environment by providing mental health and wellness programs as a way to support the overall growth and development of our workers and our Company. For 2023, the Company approved the Human Rights Policy Statement to ensure a safe working environment while upholding human rights recognized by international principles. This marks a pivotal step in our commitment to protecting human rights.

As a brewery deeply involved in the manufacturing of beverages, Asia Brewery prioritizes the safety and wellness of our employees. We closely follow guidelines set by Republic Act No. 11058 or the Occupational Safety and Health Law (OSH Law) issued by the Department of Labor and Employment and the 1987 Constitutional provision under the Bill of Rights on Involuntary Servitude which cover our employees, properties, and the environment. All employees, service providers, and contractors are covered by the Asia Brewery occupational health and safety management program and are made aware of health and safety updates in Asia Brewery. All employees are also provided with HMO policies and Annual Physical Examinations (APE). Upon hiring, each new employee is required to attend eight hours of Mandatory Training and Toolbox Meetings as a preventative measure to adequately equip themselves with Asia Brewery safety regulations. Training needs (e.g., first aid, fire safety, hazmat, forklift safety, etc.) are based on posttest and workshop results, with selected training accredited by regulating government agencies such as TESDA.

To strengthen employees' protection from occupational hazards and risks at Asia Brewery, we first identify these through audit patrols and worker safety reports. Processes are evaluated using the Hazard Identification, Risk Assessment, and Control (HIRAC) method. Potential hazards are then reported verbally to the appropriate Department Supervisor, followed by an investigation and assessment by the Occupational Hazard Nurse and Safety Officer. If hazards are found after the assessments, they are immediately addressed. Our Health and Safety Committee meets monthly to develop plans and policies on health and safety in the workplace.

Aside from occupational hazards, we at Asia Brewery also make sure to communicate our Asia Brewery's wellness programs and policies to promote healthful living. Our Occupational Health Program aims for drug-free workplaces, enhanced mental health, and the prevention and control of HIV/AIDS, tuberculosis, and Hepatitis B. We encourage our employees to use our HR's Speak Up Program to share their grievances, and we organize activities like sports fests and team-building seminars to foster workplace camaraderie. Using employee absenteeism trends, turnover rates, and Performance Evaluations (PDAS), we are able to assess and monitor the stress levels of our employees.

Asia Brewery has a Code of Conduct and Company Rules and Regulations that are communicated to all employees through orientations, seminars, email reminders, and bulletin posts. There are strict policies on preventing discrimination in the workplace and set rules on minimum age requirements for employment. Employee grievances on any violation of the code are handled through the Committee on Rights and Ethics (CORE), Grievance Handling, and Disciplinary Case Handling Procedures. Complaints can be sent through text message or e-mail to CORE to maintain confidentiality. Any violations of the code are swiftly dealt with using due process and executed with the appropriate penalty.

Eton's Occupational Safety and Health Program was submitted to DOLE by the Health and Safety Committee, pursuant to the OSH Law and Department Order 198, Series of 2018, which stipulated that OSH programs should cover all employees, including regular, contractual, and part-time workers. All our employees have access to non-occupational healthcare services and Annual Physical Exams through our HMO provider. Eton employees also have access to psychological services for mental health through the Eton Kamustahan program.

We take preventative measures against occupational hazards and risks by employing an OSH physician and rigorously educating and training our employees in BOSH/COSH and HIRAC. Training needs are assessed by HR and the OSH Committee based on each job function. Eton assesses work-related hazards during the work methodology and regular safety inspection by property managers since each property has its own unique disaster protocol. Additionally, our safety and security team performs internal audits twice a year. We enforce COVID-19 safety protocols by implementing testing prior to reporting to work as well as assisting employees affected with the virus. Other health programs at Eton focus on addressing non-occupational health risks (e.g., Tuberculosis, HIV, etc.) through health and wellness seminars.

Aside from occupational safety and security measures, Eton also has a Code of Business Conduct & Ethics that sets the professional and ethical behavior that all employees must observe. This includes policies on minimum hiring age and rules to safeguard against harassment and discrimination. The code is shared with each employee on their first day so that employees are armed with the knowledge that discrimination and harassment - whether verbal, written, or through gestures - are not tolerated and will be reported to the HR department.

Likewise, Eton employees can also report any known or suspected misconduct violating the Human Resource Employee's Manual. The Compliance Officer would then determine if the suspected violation must be executed as a formal statement and could advise the complainant to refer the matter to the head of the HR Department - with disciplinary actions if the complaint were found false. Our Whistleblower Policy protects each employee from retaliation and encourages employees to report code violations.

At PNB, we create safe and supportive working environments while promoting overall health and well-being. Our health and safety policies cover all our employees and are based on the OSH Act, DOLE Provisions, Anti-Sexual Harassment Act of 2007, and the Safe Spaces Act. All our employees have access to non-occupational medical and health risk services through our HMO provider and are made aware of them through email blasts, virtual group meetings, or memoranda. Occupational hazards and risks are duly identified using parameters set by DOLE. Our Risk Management Group studies these risks to determine appropriate measures against them.

Beyond safety, PNB also provides numerous wellness packages targeted at the holistic health of each employee, particularly for mental health. Our Human Resources Group (HRG) conducted activities centered on spiritual nourishment, physical health, mental health, and financial wellness. Using online platforms, we were able to hold webinars on mental health and managing work relationships. Since online learning platforms were available, we were able to continuously offer these wellness and development programs even during the pandemic. We were also able to organize fun runs and cycling activities to promote physical health among employees.

To further advocate for mental health, we give PNB employees the option of remote or flexible working arrangements depending on the nature of their jobs and the employee's capabilities of working from home. We provide 10-day Mandatory Leave, Special Leave for Women, VAWC Leave, Birthday Leave, Solo Parenting Leave, Emergency Leave, and Bereavement Leave. We also have Flexible Leave Monetization, wherein employees with financial emergencies may apply for leave monetization even before reaching the leave credits threshold for monetization eligibility. Employees are encouraged to form social groups that PNB can recognize as a way for us to support social wellness.

PNB is meticulous in designing wellness programs and safety policies because, above all, we uphold human dignity. Our standards and ethics are even applicable to our main suppliers as part of our due diligence before accrediting vendors as part of the PNB supply chain.

To further protect human dignity, we uncover company code violations through audits, reports, complaints, or our whistleblower hotline/email. Violations are then reported for appropriate investigation to the PNB disciplinary authorities such as the Group or Sector head, HRG, or Ethical Standards Committee. We have a grievance mechanism in place for employees, suppliers and stakeholders. Suspected violations are investigated following due process. Once confirmed, the person who committed the offense is sanctioned in accordance with PNB's Code of Conduct. Otherwise, we also have mechanisms wherein non-adversarial issues at the CBA go through Alternative Dispute Resolution by HR Lawyers to prevent issues from escalating.

Tanduay's OSH programs faithfully comply with DOLE Department Order 198-08, other relevant DOLE policies, and IATF to promote workplace safety through providing personal protective equipment, OSH training, and mandatory seminars. All Tanduay employees are required to attend safety briefings hosted by DOLE. Our comprehensive OSH management program includes all employees, service providers, security personnel, and contractors. Our Safety Officers and OH Nurse identifies and investigate occupational hazards and risks.

Personal grievances from Tanduay employees can also be raised through the HR Office, where the complaint is coordinated or pursued if necessary. The employee can write a written explanation, and the Head of Office can convene a conference or hearing to evaluate the evidence presented. If suspected violations are confirmed, the Head of Office will execute appropriate disciplinary measures. All complaints from employees remain confidential to prevent retaliation.

To further promote health, Tanduay enforces our policies and programs on drug-free workplace and the prevention and control of HIV/AIDS, tuberculosis, and Hepatitis B. We promote overall health through mental health awareness seminars, sports activities, Zumba sessions, and weight loss contests.

Because of all the preventative and thorough health assessments and safety protocols, there have been no incidents, labor law violations, or company code violations reported at LTG in 2023. Faithfully observing the policies and standards set by national governing agencies, we are able to create a safe and secure working environment for all our employees and stakeholders. We believe that any sustainable business must adhere to respecting basic human rights and cultivating inclusive and collaborative cultures. We at LTG do not tolerate discrimination or harassment of any kind. We hope to continue developing our business along with supporting our employees that build it.

Work-related Injuries

GRI 403-9

	2023
Number of fatalities as a result of work-related injury	-
Rate of fatalities as a result of work-related injury	-
Number of high-consequence work-related injuries (excluding fatalities)	1
Rate of high-consequence work-related injuries (excluding fatalities)	**3.45**
Number of recordable work-related injuries	25
Rate of recordable work-related injuries	**8.61**
Number of hours worked	28,246,559
Safe man hours	29,006,929
Number of high-potential work-related incidents identified (optional)	-
Number of close calls identified (optional)	124

Labor Relations and Skills

GRI 2-7, 2-25, 3-3

LTG employees are the heartbeat of the Company. We carefully curate the entirety of an employee's experience in our Company. From hiring to training, we ensure to provide our employees with security and guidance in their careers. We take care to host dialogue sessions to promote communication in the workplace while also adhering to principles of diversity from the hiring processes all the way to employment. We recognize that programs that benefit our employees will also ultimately benefit LTG as we lessen overall turnover rate and continuously attract the best talents. This way, we are able to indefinitely grow our businesses and improve our services.

To attract the best employees, PNB actively participates in university and college career talks and job fairs to market our company and packages. We also offer internship programs for students to give them first-hand experiences in our work culture and mission. Our generous employee packages, competitive salary, culture of work-life balance, regularization and career opportunities, and wellness programs attract top candidates from all over the country.

Removing all barriers to hiring and highlighting diversity is another way to widen the talent pool at PNB. While there are no regulations mandating the adoption of diversity, we took the initiative to adopt policies on diversity and gender equality in the entirety of our business. Recruitment selection is based on skills and competencies measured through online reliable assessment tools and interviews - free from any bias. We also integrate diversity principles in our everyday work through virtual training programs such as InDiVisible LinkedIn Learning Modules on Celebrating Women and Collaborating in a Multigenerational Workplace. Gender mix for hiring, attrition, training, and administrative cases are some of the metrics reported to management.

To continuously create an inclusive work environment at PNB, we manage our relations with our employees. We regularly hold dialogues with their employee association representatives to solve issues and concerns at the workplace. We conduct Labor Management Council (LMC) meetings to discuss issues and reach compromises, despite occasional conflicting viewpoints. From these meetings, employees are able to contribute to the realization of their own goals and objectives at PNB.

PNB is committed to inspiring a learning culture that is accessible to all employees. We encourage all our employees to have at least 32 hours of training every year, which will then form as part of their accomplishment in their performance reviews. We maximize LinkedIn Learning, especially due to the pandemic and hybrid work set-up, and use the platform to curate our Monthly Themed Learning Journeys and host special training content such as the AML and ISAT. There are also LinkedIn Learning paths customized for each career path. Overall, providing our employees with accessible and routine training has empowered our workers, improved productivity and performance in our company, and. increased our confidence in the integrity and accuracy of our processes. .

PNB has annual and semi-annual performance reviews of our employees and officers to evaluate the strengths and areas of improvement for overall career growth and development. We value performance-based merit and therefore reward consistent and exemplary performance. Qualified employees are recognized through promotions, performance-based increases, Service Excellence Award, What Outstanding Work award, Circle of Excellence Award, and through features on Living Our Values Everyday Bulletin. Our Succession Management Program ensures that our candidates for upward mobility are sufficiently equipped with skills and competencies in case vacant critical positions arise. There are also individual development plans for identified successors who are groomed to take over critical positions in the future. These individual development plans are closely monitored to address identified learning gaps.

At Asia Brewery, our benefit packages such as competitive salary, career opportunities, and overall conducive working environment attract new talent. While there have been difficulties with high salary expectations for potential hires, we found that dealing with these challenges also improves our abilities to retain talent and reduce employee turnover in the long run. We take care to remove all barriers or bias to hiring to ensure diversity in our talent pool. We continuously uphold principles of inclusivity in our work by educating and training our managers on diversity. Together with our Labor Management Committee (LMC), we also ensure open communication in our workplace by routinely holding dialogues with our employee association representatives to resolve issues and concerns.

Asia Brewery sees training as a means to achieve better performance, increased overall productivity, improved employee retention, and boosted employee morale. Investing in the training and development of our employees has resulted in saving management resources such as constant supervision because everyone is already sufficiently skilled in their tasks. Employees are trained in the basic operation and safety features of equipment to avoid accidents and costly mistakes. We maximize on-line training for employee development, especially during the pandemic. To ensure that all our supervisors are well-versed in distillery operations, we shuffle them regularly. These trainings contribute to Asia Brewery's annual performance review and appraisal. At the end of each year, we recognize the year's best employee from a list of candidates with great contributions, attitudes, and performance through promotion or monetary amounts.

Likewise, Eton also finds that providing employee training and development benefits Eton's operations because it improves employee performance. Admittedly, we struggled with lack of budget and manpower for staff training. We resolved this by negotiating for a budget for training and learning for

Total Number of Employees

GRI 2-7, 2-25

	MALE		FEMALE		
	Quantity	Percentage	Quantity	Percentage	2023 Total
Asia Brewery	2,304	**79%**	619	**21%**	**2,923**
Eton	105	**46%**	125	**54%**	**230**
LTG	10	**36%**	18	**64%**	**28**
PNB	2,827	**34%**	5,500	**66%**	**8,327**
Tanday	702	**85%**	123	**15%**	**825**
				Total number of employees	**12,333**

New Hires

GRI 401-1

	MALE			FEMALE			2023
Age	< 30 y.o.	30-50 y.o.	>50 y.o.	< 30 y.o.	30-50 y.o.	>50 y.o.	Total
Asia Brewery	158	91	3	56	27	-	**335**
Eton	29	21	2	35	24	2	**113**
LTG	-	3	-	2	-	-	**5**
PNB	234	131	10	502	183	9	**1,069**
Tanduay	53	71	12	15	4	1	**156**
						Total New Hires	**1,678**

Turnovers

GRI 401-1

	MALE			FEMALE			2023
Age	< 30 y.o.	30-50 y.o.	>50 y.o.	< 30 y.o.	30-50 y.o.	>50 y.o.	Total
Asia Brewery	114	151	50	48	57	-	**420**
Eton	11	25	1	11	16	2	**66**
LTG	-	-	-	-	3	-	**3**
PNB	133	151	72	260	330	142	**1,088**
Tanduay	12	8	6	8	5	2	**41**
						Total Turnovers	**1,618**

Benefits Breakdown

GRI 401-2

	2023	
	# of women who availed	# of male who availed
SSS	1,607	2,305
Philhealth	384	160
Pag-IBIG	732	2,120
Parental leave	325	108
Vacation Leave	4,501	4,046
Sick Leave	4,410	3,088
Medical benefits (aside from Philhealth)	1,607	3,089
Housing assistance (aside from Pag-IBIG)	9	5
Retirement fund (aside from SSS)	705	411
Further education support[1]	-	-
Company Stock options[2]	-	-
Telecommuting	1,142	748
Flexible working hours	664	480

1 Not being offered

2 Not being offered

Parental Leave

GRI 401-3

	2023	
	MALE	FEMALE
Total number of employees that were entitled to parental leave	150	349
Total number of employees that took parental leave in 2023	100	312
Total number of employees that returned to work in 2023 after parental leave ended	100	312
Return to work rate	**100%**	**100%**
Among those who availed the parental leave in 2022 how many of them returned and are still with the company in 2023	88	281
Total number of employees that took parental leave in 2022	99	291
Retention rate	**87%**	**97%**

Solo Parental Leave

GRI 401-3

	2023	
	MALE	FEMALE
Total number of employees that were entitled to parental leave	28	209
Total number of employees that took parental leave in 2023	26	182
Total number of employees that returned to work in 2023 after parental leave ended	26	182
Return to work rate	**100%**	**100%**
Among those who availed the parental leave in 2022 how many of them returned and are still with the company in 2023	12	145
Total number of employees that took parental leave in 2022	12	145
Retention rate	**100%**	**100%**

Training and Development

GRI 404-1

	TRAINING		
2023	Total Hours	Employees Trained	Ave. Training Hours
MALE			
Office	455	481	27
Managers	12,455	13,216	119
Supervisors	43,236	44,666	64
Rank and File	91,932	94,684	92
FEMALE			
Office	330	481	27
Managers	347	13,216	119
Supervisors	20	44,666	64
Rank and File	18,364	94,684	92
TOTAL	**417,023**	**428,496**	**527**

Community Relations and Development

GRI 3-3, 203-2, 413-1

As we strive to deliver more shared values to our stakeholders, we at LTG understand that our responsibility goes beyond financial success to also nurturing the communities within which we operate. The Tan Yan Kee Foundation, Inc. (TYKFI), our conglomerate's corporate social responsibility (CSR) arm, embodies our group's shared responsibility and commitment. In addition, our parent company, LT Group, and our various subsidiaries develop and manage CSR programs that complement TYKFI's.

By infusing our CSR efforts with the ethics and dedication that characterize our main business activities, we aim to substantially impact education, culture, sports, health, disaster response, the arts, and social welfare. Our broad engagement in CSR mirrors our business interests and celebrates the diversity of our volunteer employees and the communities we serve.

In 2023, our efforts spanned various educational, environmental, and social projects that significantly contributed to community welfare and development. A highlight of the year was Dr. Lucio Tan receiving the Golden Bell Award from the Cabuyao City Government, a recognition for his generous donation of land to facilitate road construction and improved mobility, accessibility, and economic growth in the main rice-producing region in Central Luzon.

Looking ahead, LTG is poised to enhance the cohesion of our CSR programs, from the TYKFI to the LTG parent company and its subsidiaries. Our evolving approach to CSR will be anchored in our group's sustainability framework toward a more integrated, impact-driven program that aligns with global sustainability goals and addresses the evolving and most pressing needs of our communities.

LT Group

The LT Group's community development initiatives touch on multiple facets of Filipino life. With education and economic growth as the building blocks for development, our initiatives focus on equipping communities with the tools to help one another, ensuring that resilience is built from the ground up.

The LT Group prioritizes safety to ensure that cities are secure in the long term. For this reporting year, we donated Php 148,800 for disaster-preparedness efforts of the Trauma Team Rescue Volunteers (TTRV), a non-profit organization. TTRV, based in Negros Oriental, received two chainsaws to trim and file trees that are high risks to nearby buildings, vehicles, and powerlines during typhoons, ensuring that communities remain safe from any potential hazards.

In addition to disaster preparedness, the LT Group has been active across several other critical areas of community support, focusing on education, judiciary reform, and livelihood enhancement.

PROGRAM NAME	OVERVIEW	BENEFICIARIES
Judicial Reform Initiative, Inc	In 2023, LT Group, Inc. (LTG) agreed to sponsor JRI. One of the recent activities of JRI was a forum on the Supreme Court – Justice Reform Initiative 2024 Justice Summit: Freedom Through Justice Reforms. There were 150 attendees, including prominent members of the judiciary, seven Supreme Court Associate Justices, and the guest of honor, Chief Justice Alexander G. Gesmundo.	150 attendees, including prominent members of the judiciary, seven Supreme Court Associate Justices and the guest of honor, Chief Justice Alexander G. Gesmundo.
Sponsorship of Washington SyCip National Education Summit	LTG sponsored the 2023 Washington SyCip National Education Summit on September 21 and 22. During the summit, Local Government Units (LGUs) shared best practices and planned programs responsive to children's needs.	Children
Go Negosyo Sponsorship	LTG annually sponsors Go Negosyo or the Center for Entrepreneurship (PCE), a non-profit organization that advocates entrepreneurship and changes the mindset and attitude of Filipinos. Go Negosyo believes that Filipinos can address poverty by engaging in entrepreneurship. The organization’s numerous programs are aimed at mentoring small and medium enterprises. LTG annually gives Php5 million to Go Negosyo, while Asia Brewery, Inc. (ABI) donates bottled water for various activities	Entrepreneurs
Lucio Tan Group of Companies with TYKFI Sign MOU as “BIDA Advocates	On May 23, the Department of Interior and Local Government headed by Secretary Benjamin Abalos Jr. and several private companies launched the BIDA (Buhay Ingatan, Droga’y Ayawan) Workplace Campaign by signing a memorandum of Understanding (MOU) to implement the program in various workplaces. The DILG Secretary urged participating companies to have their own anti-drug policies and conduct random testing of employees as a form of shared responsibility with the government.	Employees

Tan Yan Kee Foundation, Inc. (TYKFI)

Tan Yan Kee Foundation Inc. (TKYFI) strongly believes in the power of education to foster societal development and empower communities. The Foundation has actively engaged in programs to enhance educational opportunities across various regions, ranging from scholarships to teacher training sessions.

TKYFI offers financial assistance through scholarship programs to students from different sectors. One such program is the UE-TYKFI Scholarship, which grants financial aid to students while nurturing academic excellence. Other scholarship programs include the TYK-Foundation for Liberty and Prosperity (FLP) Scholars Program given to law students, the TYKFI College Scholarship Project for Agriculture and Forestry targeting 4th-year college students under the streams in Environmental Forestry and Social Forestry, and the Children of Farmers (STA Partnership) covering children under grades 7 to 12.

Beyond individual scholarships, TYKFI provides training and learning opportunities to both teachers and students. Under the Foundation for Upgrading the Standard of Education (FUSE) program, Filipino teachers and teacher-trainers can upgrade their skills through several teacher training sessions and general assemblies. These activities are held at the FUST Learning Center for Teachers located in the City of Manila. In addition, summer classes were held at the Tan Yan Kee Library for students aged 5 to 12 to learn Chinese literature, language, and culture. Also, the Dr. Lucio C. Tan Legacy Forest Farm hosts an immersion program for grade school scholars to guide and motivate young scholars to understand and appreciate the importance of agriculture as an art, science, and business.

Other TYKFI initiatives include distributing school supplies to public elementary schools, engaging in Brigada Eskwela, and rolling out scholarships in partnership with PNB and other LT Group business units.

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LEGACY

DR. LUCIO C. TAN GREETS TYKFI FAMILY A BLESSED 37TH ANNIVERSARY

Wishes the CSR Council success in projects and collaborations

This year is the 37th year of the Tan Yan Kee Foundation Inc. And I am proud of your foundation's continued commitment to our mission and vision.

The pressing challenges of our climate reality and the vulnerability of our world calls for determination and proper knowledge to create impactful change.

Looking back our story tells of not only continued projects in education but that also of helping our farmers — in different and sustainable ways, being agents of food security, protecting our forests and its biodiversity — one floral, one faunal life at a time, and sharing the care and commitment experience with your sister companies.

Thus, your dedication is seen not only through your decarbonization efforts, but also through your support to well over a thousand scholars to date, including those for young future leaders in forestry and the environment.

Looking ahead, may you leave a lasting legacy whilst creating a more secure, more inclusive, and sustainable world for your beneficiaries, and the generations to come to thrive in.

I would like to also thank the Board, the officers and staff for your continued work and belief in our mission and vision.

Once again I warmly congratulate your foundation on your 37th year.

DR. LUCIO C. TAN
Chairman & President

PROGRAM NAME	OVERVIEW	BENEFICIARIES
Fortune Farm Sees Better Trained Farmers and Better Produce	In its ninth year, the Foundation has continued with its commitment to our environment through the various planting sites of the Dr. Lucio C. Tan Legacy Forest Project. The project saw the initial propagation of four bamboo species at the 930-hectare site. Planting bamboo can also help our environment as it has the following benefits, among others. Fortune Farm acknowledges that a farmer's personal growth is interlinked with the health of their land, animals, community, and themselves.	Farmers
One Barangay: One Mangrove Forest and a Thousand Reasons to Hope	In 2014 the Foundation, in partnership with the local government of Sta. Cruz, Ilocos Sur, headed by Hon. Mayor Teresita C. Valle, and Barangay Las- Ud, led by Barangay Captain Antonio J. Lozano, launched the "Las- Ud Mangroves Project", where the community came together to plant mangrove seedlings with the Foundation serving as its co-proponent, donating the initial seedling population and incentivizing the community to plant.	Local communities of Barangay Las-Ud
Dr. Lucio C. Tan Legacy Forest Project Agriculturists Attend Technical Training in Quezon	At the project's Fortune Farm, the Foundation continues to lead its farmers towards better skills for agricultural success.	Farmers
Health Services: Farmers' Families Receive Health-Boosting Vitamins and Food Supplements	There is an often-overlooked truth that farmers and their families often face health challenges due to the demanding nature of their work and limited access to nutritious food. This aims to deliver vital nutrients to farming households, foster better health, and empower families to thrive on and off the fields.	Farmers
TYKFI Offers Training to Sta. Fe, Nueva Vizcaya Community	On April 26, the Foundation conducted a training seminar for Sta. Fe, Nueva Vizcaya farmers at the Geonature, Inc. Compound in Carranglan, Nueva Ecija. The following topics were covered: 1) Vermiculture and Soil Micro-ecosystem 2) Sowing Media 3) Proper Pesticide Use Safety, Efficiency, and Effectivity. There were 27 farmers who participated, and each received a sack of rice from TYKFI.	Farmers
Small water impounding	Opening SWIP Total Assistance Address to Food Security 1.625 HA	Local community members

Asia Brewery

Asia Brewery embraces corporate social responsibility, focusing on community welfare and environmental sustainability as core pillars. The company aims to foster healthier, more inclusive communities through meaningful initiatives, particularly in community development and environmental protection.

In 2023, facing a cholera outbreak in Brgy. Taparak, Alubijid, Misamis Oriental, Asia Brewery took swift action in coordination with local government efforts. By deploying mobile water support units, the company was pivotal in addressing the urgent need for safe drinking water, effectively curbing the spread of waterborne diseases, and safeguarding community health. This response demonstrated Asia Brewery's commitment to immediate crisis intervention and reinforced its partnerships with local governments and communities. In other areas, Asia Brewery also engaged in health promotion, environmental conservation, and education, including partnerships for blood donations, tree planting activities, and educational support.

KEY PROGRAMS

PROGRAM NAME	OVERVIEW	BENEFICIARIES
Tree Planting Activities	Tree Planting in Brgy. Carmen, Silang Cavite As the current Vice-President of the Sta. Rosa Watershed Management Council, ABI led a tree planting effort on June 24, planting 800 seedlings with CENRO of Sta. Rosa, MENRO of Silang, and PENRO of Cavite. Excursion 2023 (Mangroves Tree Planting) ABI teams initiated a mangrove reforestation project to make a meaningful environmental impact, working in partnership with the Local Government Unit of Sinaloc and the City Local Environment and Natural Resources Office. Active partnership with LGUs and private organization in any environmental protection activities Engaging in multi-sectoral tree planting, cleanup drives, and other environmental activities to safeguard the environment, we actively participated in these efforts on June 25, 2023, marking our contribution to Environmental Month.	LGU's
Lakeshore and Coastal Clean-up Activities	Multi-sectoral Lakeshore Clean-up Activity The observance of World Water Day on the 22nd of March with the theme "Accelerating Change" is a worthy platform to increase the awareness among the people about the importance, need and conservation of water by involving them in clean up activities in the Brgy. Baclaran, City of Cabuyao. This is in line with the intention of the World Water Day campaign to inspire people to learn more about water-related issues and to take action to make a difference.	LGUs

	International Coastal Clean up Drive Asia Brewery Inc. participated in the International Coastal Clean-up (ICC) with the theme "Sea The Change". The event was conducted along the Laguna de Bay lakeside, Brgy. Aplaya, Sta. Rosa City, Laguna on September 16, 2023.	
Annual partnership to address the high demand for blood donations	Onsite bloodletting to help the Philippine National Red Cross manage the increased demand for blood supply	Philippines National Red Cross
Buntis Congress - Cabuyao Regional Health Unit	The yearly advocacy activity aims to increase expectant mothers' awareness of the importance of pre- and post-natal screening and promote breastfeeding	Mothers
Wellness Day	The activities enhanced the overall company strategy for a healthy workforce. Counseling, seminars/health talks and discussions to enhance nutrition and wellness were conducted with health providers	Employees
Earth Hour 2023	ABI supported Earth Hour 2023 in line with its commitment to reduce its greenhouse gas emissions by lowering its electric consumption. Lights were shut off from 8:30 – 9:30 PM on March 25	Local community members
Share the Joy Reading - Book Donation Drive	Share the Joy of Reading is an interactive CSR activity that will benefit both employees and children. A book donation drive is an activity that will help the public school by donating reading books and writing materials.	Employees and Children
Brigada Eskwela - Bayanihan Para Sa Paaralan	As we go back to a new normal life style and in connection with the Department of Education announcement that classes for Y2023 – Y2024 is now fully face to face. Interbev Philippines Inc. wanted to continue the support we extended to our school beneficiaries that was stop during the pandemic season.	Students and Teachers
Year 2023 Job Fair	Opportunity to develop brand image of the company and build strong relationships with government agencies and partnering schools/universities.	Students
In-House/Internal Training Program	To curate internal training among ABI employees and affiliated companies as well as offsite employees.	Employees

Eton

Eton is committed to developing inclusive communities that elevate the standard of living, champion Filipino talents, and safeguard our environmental heritage. Through its CSR programs on environmental stewardship, education, cultural development, and livelihood enhancement, Eton strives to catalyze sustainable economic growth. These initiatives benefit farmers, young learners, and communities, reflecting Eton's dedication to societal advancement.

As an advocate for agricultural innovation and sustainability, Eton has contributed to the TYKFI's Masaganang Palayan or Prosperous Rice Fields Project. In 2023, Eton donated approximately 567 kilograms of hybrid palay seeds to 20 farmers in Nueva Vizcaya. This strategic contribution substantially increases rice yields—potentially up to 120 sacks per hectare. Given the provision of seeds sufficient for 30 hectares, this initiative is set to produce approximately 3,600 sacks of palay. Such efforts not only bolster the economic well-being of individual farmers but also play a critical role in ensuring national food security.

Eton further emphasizes its commitment to societal enrichment through other initiatives, including educational assistance, promoting Filipino arts, social campaigns like the anti-drug movement, and health-oriented events like the Bike to Work Festival.

PROGRAM NAME	OVERVIEW	BENEFICIARIES
Eton Joins Buhay Ingatan, Droga'y Ayawan (BIDA, Avoid Drugs and Care for Life)	On May 23, Eton joined 30 other private entities in signing a Memorandum of Understanding (MOU) with the Department of Interior and Local Government to implement BIDA in their workplaces. Eton pledged to promote the anti-drug campaign through one million pesos worth of highly visible outdoor media advertising opportunities in its flagship properties in Quezon City and Sta. Rosa, Laguna. The Company will also implement a drug policy and subject its employees to random drug tests	Local community members and employees

Educational Assistance	Eton, through Tan Yan Kee Foundation, Inc. (TYKFI), gave scholarships worth Php100,000 each to two children of construction workers who were victims of accidents in Eton construction sites.	Children
National Mango Festival at Eton Centris	In May, Eton Centris hosted the three-day 19th National Mango Festival led by the Department of Agriculture.	Children
Youth Creativity Festival	The Philippine Association for National Advertisers Foundation (PANAF) made waves as it successfully held the Youth Creativity Festival at Eton Centris from October 20 to 21. Renowned influencers and content creators shared valuable insights and experiences with the enthusiastic attendees. On the second day, the spotlight shifted to the PANAnaw Awards, where five finalist colleges presented their communication plans to clinch the coveted title.	Youth
Bike to Work Festival	In partnership with the Department of Health, the festival encouraged individuals to choose cycling as a practical and eco-friendly way to travel to their workplaces. Held in various cities, the Bike to Work Festival kicked off in Eton Centris and featured activities and initiatives to support and celebrate cycling commuters.	Community members and employees
Farmers Assistance Program	Eton continues with its commitment to improve the lives of the farming community and provide a sustainable food source. Eton buys fresh produce from farmers in Nueva Ecija and donates these to different foundations that support underprivileged communities. The fresh produce is also regularly offered for sale to all Eton employees.	Farmers in Nueva Ecija and Eton Employees
Concordia Children's Services, Inc.	Eton donated toys and hygiene kits to Concordia Children's Services, Inc., a child welfare agency based in Sta. Mesa, Manila. The agency provides residential and community-based programs for orphans and children of impoverished families.	Children

PNB

PNB has a long-standing commitment to supporting community development through financial inclusion, empowerment, and education.

For 2023, PNB focused its assistance to schools in Metro Manila, Region 4A, and Region 8. To support the advancement of education and empowerment of communities, PNB provided training and educational resources to different educational institutions in the country. By training five teacher-trainers and 1,240 teacher participants from 314 public and private schools, PNB has equipped them with the necessary tools and knowledge to enhance teaching practices in English, Science, and Math. This initiative aims to foster professional development among educators and directly influences the quality of education delivered to over 1,000 students in different regions.

To complement the training, PNB distributed 81 sets of learning materials to public and private schools to enhance the accessibility of essential resources and promote more learning opportunities. The combination of training and resource provision ensures that schools are supported toward improved teaching and effective learning.

KEY PROGRAMS

PROGRAM NAME	OVERVIEW	BENEFICIARIES
Chiang Kai Shek College	PNB donated Php35 million for the construction of a school building in the Chiang Kai Shek College South Forbes Campus in Silang, Cavite.	Students and Teachers
Partnership with FUSE	PNB donated Php5 million to Foundation for the Upgrading of Standards of Education (FUSE) for the training of teachers in English, Mathematics and Science.	Teachers
Financial Literacy, Wellness, and Sustainable Financing Learning Sessions for Existing and Potential Clients	An estimated 10,816 participants from existing and potential clients and employees participated in this year-round program. Participants included borrowers/lenders, OFWs along with their dependents, police officers, professionals, blue-collar workers, and entrepreneurs.	Borrowers/ lenders, OFWs along with their dependents, police officers, professionals, blue-collar workers, and entrepreneurs.

PNB CommuniTree	In celebration of PNB's 107th anniversary, 285 employees planted 1,425 trees in their backyards and communities nationwide from July to September. Meanwhile, 52 employees from North Metro Manila branches planted 1,200 trees in Brgy. Mamuyao, Tanay, Rizal. For the past three years, a total of 5,408 trees have been planted by employees under the yearly PNB CommuniTree Activity.	52 volunteer employees
PNB, PAL, and TYKFI Give Relief to Mindoro Oil Spill Victims	TYKFI's Hoira Dominguez, Evelyn Abao, Isidro de Castro, and Leonard Berdon joined forces with Philippine National Bank (PNB) personnel from various branches In Oriental Mindoro and Philippine Airlines (PAL) volunteer to distribute 10-kilogram rice, including PAL hygiene kits and activity kits for children to 500 families belonging to affected families from Calapan City.	Mindoro Oil Spill Victims
Access to Fresh Vegetables	PNB Employees and outsourced personnel continue to have access to fresh vegetables from the TYKFI Legacy Forest farmers in Nueva Ecija. Vegetables are delivered weekly and sold at low prices.	Employees
Project PLANET (Protect, Love, And Nurture the Environment Together)	Project PLANET is an internal environmental awareness and carbon footprint reduction campaign among bank employees focusing on energy efficiency, water conservation, banning single-use plastic, and proper waste management. It was formally launched in July 2019. In 2023, the campaign's message was on the observance of national and global activities such as World Environment Day and Earth Hour.	Community members
Environmental and Social Risk Management System (ESRMS)	In compliance with Bangko Sentral ng Pilipinas (BSP) Circular Numbers 1085 (Sustainable Finance Framework) and 1128 (ESRMS), PNB is developing its ESRMS. The BSP Circulars require the Bank to have a set of policies, procedures, and tools to identify, assess, monitor, and mitigate exposure of the Bank to environmental and social (E&S) risks, particularly on credit risk management and operational risk management. Among the significant work that the Bank is working on are: • Assessment of branches, infrastructures and collateral locations of borrowers for acute and chronic physical risks • Integration of ESG elements in the screening of existing and potential customers and vendors • Recalibration of the existing ESG Scorecard • Integration of E&S risk factors in the financial risk rating of loan accounts • Integration of sustainability elements in the new vision and mission statements, core values, and business strategy of the Bank • The development of an end-to-end loan originating process, which includes E&S risk factors, among others.	Stakeholders

PROGRAM NAME	OVERVIEW	BENEFICIARIES
Reduction of Energy and Water Consumption, and Carbon Footprint	The Bank has fully converted all lighting fixtures at the PNB Financial Center in Pasay and the Makati Center to energy-efficient LED lights. The Bank continues to update its outdated equipment and acquired energy-efficient devices to reduce and manage its energy consumption and emissions in all its domestic offices and branches. Fuel consumption is implemented with a trip maximization policy and regular maintenance of generator sets. In addition, the Bank continues to conduct virtual activities, meetings, and trainings, implement hybrid work arrangements; and promote the "Share-A-Ride" Program among the employees. These resulted in savings of Php7.2 million in 2023. Meanwhile, the Bank conducts regular maintenance to ensure sufficient water supply, inspects water supply equipment for wear and tear, and repairs water leakages, as needed. Water-efficient fixtures and fittings were also implemented to help conserve water. These resulted in savings of Php546 thousand in 2023.	Stakeholders
Employee Voluntarism	In 2023, 738 employees rendered an estimated 2,697 volunteer man-hours in their respective communities. An estimate of 2,750 individuals from 795 families and 39 communities benefited from these activities, which include: • Packing and distributing relief goods • Planting trees • Coastal and community clean-ups • Bloodletting • Medical and dental missions	2,750 individuals from 795 families and 39 communities
Donation of Decommissioned Computers	PNB donated 10 decommissioned desktop computers and two laptops to the Cavite State University. Since 2019, PNB has donated a total of 196 decommissioned computers to non-governmental organizations (NGOs) and public schools.	Students
Recognition of Employees' Excellence	Employees were recognized through different activities, including: • Living Our Values Everyday (L.O.V.E.) is released at least once a week to showcase stories of actual events/activities/acts of employees. • The Hybrid Service Excellence Awards and Recognition Night recognizes loyal employee awardees, as well as employees who have gone above and beyond their line of work. In 2023, 29 individuals and 38 teams were recognized for their excellent service.	Employees

Gender Equality and Inclusion Initiative	The Bank organized a webinar and a month-long learning calendar for employees on topics such as Gender Equality and Diversity and Inclusion in LinkedIn Learning in March.	Employees
Wellness and Sustainability Fair	PNB organized a fair with the theme, "Achieving Strength and Solidarity through Wellness and Sustainability." The week-long fair offered webinar sessions on holistic proper nutrition, the benefits of proper sleep, the impact of social media and technology on mental health, financial wellness, and proper waste management. Wellness and sustainability merchants to set up their booths at PNB Financial Center in Pasay City, while an onsite medical consultation station was also organized for employees during the event. In addition, there was a 107-kilometer virtual cycling challenge for employees.	Employees
Digital Innovation and Transformation	PNB continues to work towards automating its operations. These include: • Continue to shift customers to automated bank forms. • Shorten turnaround time. • Further improve its mobile banking offering, PNB Digital • Enhancements in the corporate internet platform called the PNB C@shnet Plus. As of the end of 2023, the PNB Digital app had 1,105,231 enrolled users. The bank invested Php145.1 million for PNB Digital App, Php137.6 million for C@shNet Plus and Php389.3million for Investment Banking Sector - Loan Evaluation and Decision System (IBS LEADS) Project.	Employees
Financing Green and Sustainable Businesses and Projects	PNB provides financing or support for sustainable businesses and projects such as food manufacturing, agricultural production, water distribution and supply, energy generation and distribution, construction and operation of tolls roads and bridges, telecommunications infrastructure, construction of green buildings and, health facilities that promote nation building and countryside development. As of the end of 2023, the Bank had an outstanding balance of such loans amounting to Php313 billion.	Stakeholders

Tanduay

Tanduay is committed to enhancing community welfare through various initiatives. In 2023, the company underscored its commitment to community development by donating 26,000 liters of water to Taytay Elementary School, coinciding with the Northern Mindanao Regional Athletic Association (NMRAA) event. This donation is part of Tanduay's broader support for educational and sporting events, promoting youth engagement in sports.

The company's dedication to community welfare extends beyond community events, with various programs to foster environmental stewardship, educational advancement, and emergency response readiness. For this reporting year, the company has also made significant community contributions, including donating essential supplies like alcohol, bottled water, and plastic drums to schools and public offices, enhancing operational support and hygiene practices.

KEY PROGRAMS

PROGRAM NAME	OVERVIEW	BENEFICIARIES
Donation of alcohol bottled water to the OVM, Murcia	Tanduay Distillers, Inc. generously contributed by donating 35 boxes of bottled water to the Office of the Vice Mayor, exemplifying its commitment to community support and hydration initiatives. This act of generosity reflects the company's dedication to fostering positive relationships and making a meaningful impact on the well-being of the local community.	Students and Teachers
Plastic Drums Donation	Tanduay Distillers, Inc. contributed 3 plastic blue drums to Molugan National High School. This thoughtful donation reflects the company's dedication to supporting educational institutions and fostering a positive impact on the local community. Tanduay Distillers, Inc. extended its community support by donating 5 plastic blue drums to the Bureau of Jail Management and Penology (BJMP) in El Salvador. This contribution showcases the company's commitment to social responsibility and its dedication to assisting local institutions in their operational needs. On August 23, 2023, Tanduay Distillers, Inc. donated 10 plastic blue drums to the Philippine National Police (PNP) in Cagayan de Oro.	Teachers and Students of Molugan National High School Personnel of Bureau of Jail Management and Penology (BJMP), El Salvador City PNP CDO employees

Computers Donation	Tanduay Distillers, Inc. made a donation of five (5) computers to Ramon Avanceña High School, aiming to contribute to the advancement of education and technological literacy in support of the school's mission and the development of its students.	Teachers and Students of Ramon Avanceña High School
Donation	Tanduay Distillers, Inc. demonstrated its commitment to a cleaner and more sustainable environment by making a generous donation of 10 sets of trash bins and 50 pcs of flyboards to Molugan National High School in El Salvador City on June 15, 2023.	Teachers and Students of Molugan National High School
Coastal Clean-Up Drive	Tanduay Distillers, Inc. actively participated in the celebration of World Oceans Day by joining the Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB) in a coastal cleanup activity at Barangay Poblacion, El Salvador City on June 8, 2023.	Residents of Barangay Poblacion, El Salvador City
Multisectoral Clean Up Activity	In celebration of World Water Day 2023, TDI-Cabuyao participated in the Multisectoral Clean-up together with Cabuyao River Protection Advocates (CaRPA) members at Brgy. Baclaran, Cabuyao, Laguna. Thirty (30) sacks of trash consisted mostly of plastic wastes had been collected in the shoreline of Brgy. Baclaran by TDI Team.	Residents of Brgy. Baclaran
Quarterly Creek Cleaning at Murcia, Negros Occidental	Tanduay Distillers, Inc. Negros Plant has actively participated in the Adopt-An-Estero Program initiated by the Department of Environment and Natural Resources (DENR), affirming its commitment to environmental stewardship. The company is dedicated to cleaning the creek on a quarterly basis, contributing to the preservation and enhancement of local ecosystems.	Residents of Barangay Blumentritt, Murcia
International Coastal Clean-Up	Tanduay Distillers, Inc. took an active role in the simultaneous clean-up activities held on September 16, 2023 at H2O Hotel, Manila Ocean Park, Roxas Boulevard, City of Manila. We graciously accepted the invitation from the Environmental Management Bureau NCR, aligning our commitment to environmental sustainability, and collaborated with esteemed agencies like DPWH, MMDA, and the local barangay office in celebration of the 2023 International Coastal Cleanup Day.	Employees of Manila Ocean Park

PROGRAM NAME	OVERVIEW	BENEFICIARIES
Coastal Clean Up At Baseco Beach	Tanduay Distillers, Inc. participated in the event, joining forces with the Environmental Management Bureau NCR, DPWH, MMDA, and the local barangay office for the simultaneous clean-up activities held on March 18, 2023 at Baseco, Brgy. 649, Manila City, in celebration of the 2023 World Water Day.	Residents of Baseco, City of Manila
Adopt-An-Estero Program At El Salvador, Misamis Oriental	Tanduay Distillers, Inc. has actively participated in the Adopt-An-Estero Program initiated by the Department of Environment and Natural Resources (DENR), affirming its commitment to environmental stewardship. The company is dedicated to cleaning the Bolobolo creek on a quarterly basis, contributing to the preservation and enhancement of local ecosystems.	Residents of Purok 7, El Salvador City, Misamis Oriental
Lake Seeding Activity	The Cabuyao Agriculture Office, in collaboration with the City Environment and Natural Resources Office, Tanduay Distillers, Inc., Rotary Club of Cabuyao Circle, Cabuyao BJMP, PNP Maritime, Bantay-Lawa, National Irrigation Administration, Laguna Lake Development Authority, Ginebra San Miguel Inc., Universal Robina Corporation, and Multi-Mix International Manufacturing Corp. has seeded 10,000 pcs of excel black Tilapia Fingerlings in Laguna Lake (Marinig Fishing Port). The said activity is in celebration of the 60th Fish Conservation Week 2023 with a theme of "Masaganang Pangisdaan, Maunlad na Ekonomiya".	Residents of Marinig, Cabuyao, Laguna

Multisectoral Environmental Community Engagement	With the theme “Maglinis at Mag-aral para sa Kalikasan at Pamayanan”, Tanduay Distillers, Inc. – Cabuyao Plant participated in the Multisectoral Environmental Community Engagement together with the Cabuyao River Protection Advocates (CaRPA) members at the Riverside, Brgy. Banlic, Cabuyao, Laguna. Fifty (50) seedlings of marang, rambutan and santol were planted and distributed to the community. Twenty (20) sacks of trash which consist mostly of non-biodegradable wastes were collected by TDI Team. Environment education awareness was also discussed by the CaRPA members to the community.	Residents of Brgy. Banlic, Cabuyao, Laguna
Tree Planting Activity	Tanduay Distillers, Inc. actively participated in a tree-planting activity on June 24, 2023, at Barangay Himaya, El Salvador City, in celebration of National Arbor Day.	Residents of Barangay Himaya, El Salvador City
Fire Prevention Month 2023	Tanduay Distillers, Inc. enthusiastically joined the Bureau of Fire Protection in its Motorcade for the Fire Prevention Month Kick-Off, echoing the theme "Sa Pag-iwas sa Sunog, Hindi ka Nag-iisa!"	Bureau of Fire Protection employees
World Day For Safety And Health At Work	Tanduay Distillers, Inc. actively participated in the World Day for Safety and Health at Work 2023, reinforcing its commitment to ensuring a safe and healthy working environment for its employees.	Tanduay employees
Turnover Of Streetlights	Tanduay Distillers, Inc. proudly facilitated the turnover of 2 streetlights equipped with PEMS (Photovoltaic Energy Management System) to Barangay Sambulawan.	Residents of Barangay Sambulawan

GRI Content Index

Statement of use	LT Group, Inc. has reported in accordance with the GRI Standards for the period 1 January 2023 to 31 December 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	None

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirements (s) Omitted	Reason	Explanation	
General Disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	7				
	2-2 Entities included in the organization's sustainability reporting	1				
	2-3 Reporting period, frequency and contact point	1, 2				
	2-4 Restatements of information	5, 30, 32, 33, 35				
	2-5 External assurance	1				
	2-6 Activities, value chain and other business relationships	9-12, 17, 25				
	2-7 Employees	48-50				
	2-8 Workers who are not employees		2-8-a to 2-8-c	Information unavailable	Collection of this information has not been initiated	
	2-9 Governance structure and composition	21, 25				
	2-10 Nomination and selection of the highest governance body	21				
	2-11 Chair of the highest governance body	21				
	2-12 Role of the highest governance body in overseeing the management of impacts	21				
	2-13 Delegation of responsibility for managing impacts	22-23				
	2-14 Role of the highest governance body in sustainability reporting	22-23				
	2-15 Conflicts of interest	22-23				
	2-16 Communication of critical concerns	22-23				
	2-17 Collective knowledge of the highest governance body	22-23				
	2-18 Evaluation of the performance of the highest governance body	22-23				
	2-19 Remuneration policies	22-23				
	2-20 Process to determine remuneration	22-23				
	2-21 Annual total compensation ratio		2-21-a to 2-21-c	Confidentiality constraints	Owing to the sensitivity of the information, the Company deems the salary of the highest paid individual as confidential. Nevertheless, compensation is based on performance.	
	2-22 Statement on sustainable development strategy	22-23				
	2-23 Policy commitments	45				
	2-24 Embedding policy commitments	45				
	2-25 Processes to remediate negative impacts	45, 48-50				
	2-26 Mechanisms for seeking advice and raising concerns	45				
	2-27 Compliance with laws and regulations	24				
	2-28 Membership associations	13-14				
	2-29 Approach to stakeholder engagement	16				

Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	15, 16
	3-2 List of material topics	15, 16
Economic and Governance		
GRI 3: Material Topics 2021	3-3 Management of material topics	18, 37-38
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	18
	201-2 Financial implications and other risks and opportunities due to climate change	37-38
GRI 3: Material Topics 2021	3-3 Management of material topics	53-68
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	53-68
GRI 3: Material Topics 2021	3-3 Management of material topics	19-20
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	19-20
	205-3 Confirmed incidents of corruption and actions taken	19-20
GRI 3: Material Topics 2021	3-3 Management of material topics	25-26
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	25-26
Environment		
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33
GRI 302: Energy 2016	302-1 Energy consumption within the organization	33
GRI 3: Material Topics 2021	3-3 Management of material topics	35-36
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	35-36
	303-2 Management of water discharge-related impacts	35-36
	303-3 Water withdrawal	36
	303-4 Water discharge	36
	303-5 Water consumption	36
GRI 3: Material Topics 2021	3-3 Management of material topics	38
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	38
GRI 305: Emissions 2016	3-3 Management of material topics	32-33
GRI 3: Material Topics 2021	305-1 Direct (Scope 1) GHG emissions	34
	305-2 Energy indirect (Scope 2) GHG emissions	34
GRI 3: Material Topics 2021	3-3 Management of material topics	29-30
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	29-30
	306-2 Management of significant waste-related impacts	29-30
	306-3 Waste generated	30
	306-4 Waste diverted from disposal	31
	306-5 Waste directed to disposal	31

Employees				
GRI 3: Material Topics 2021	3-3 Management of material topics	48-49		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	50		
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	51		
	401-3 Parental leave	51-52		
GRI 3: Material Topics 2021	3-3 Management of material topics	45-47		
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	45-47		
	403-2 Hazard identification, risk assessment, and incident investigation	45-47		
	403-3 Occupational health services	45-47		
	403-4 Worker participation, consultation, and communication on occupational health and safety	45-47		
	403-5 Worker training on occupational health and safety	45-47		
	403-6 Promotion of worker health	45-47		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	45-47		
	403-8 Workers covered by an occupational health and safety management system	100% Employ-ees		
	403-9 Work-related injuries	48		
GRI 3: Material Topics 2021	3-3 Management of material topics	48-49		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	52		
	404-3 Percentage of employees receiving regular performance and career development reviews	100% Employ-ees		
GRI 3: Material Topics 2021	3-3 Management of material topics	45-47		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	45-47		
Customers				
GRI 3: Material Topics 2021	3-3 Management of material topics	41		
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	41		
GRI 3: Material Topics 2021	3-3 Management of material topics	39		
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	39		
	417-2 Incidents of non-compliance concerning product and service information and labeling	39		
	417-3 Incidents of non-compliance concerning marketing communications	39		
Society				42
GRI 3: Material Topics 20 21	3-3 Management of material topics	53-68		
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	53-68		

SASB Content Index

LT Group, Inc. has also prepared this report following the industry-specific ESG guidance framework of SASB Standards Food and Beverage Sector - Alcoholic and Non-Alcoholic Beverages 2018, Infrastructure Sector - Home Builders and Real Estate 2018, and Financials Sector - Commercial Banks 2018. This content index provides an overview of LTG's Environmental, Social, and Governance data that align with these standards. Other SASB codes are omitted due to lack of applicability, confidentiality, or unavailability of data.

Topic	Code	Accounting Metrics	Location/ Response
Food & Beverage Sector - Alcoholic and Non-Alcoholic Beverages			
Energy Management	FB-AB-130a.1 FB-NB-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	33
Water Management	FB-AB-140a.1 FB-NB-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	36
	FB-AB-140a.2 FB-NB-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	35-36
Responsible Drinking & Marketing	FB-AB-270a.1	Percentage of total advertising impressions made on individuals at or above the legal drinking age	Omitted
	FB-AB-270a.2	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	39
	FB-AB-270a.3	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	39
Product Labeling & Marketing	FB-NB-270a.1	Percentage of advertising impressions (1) made on children and (2) made on children promoting products that meet dietary guidelines	Omitted
	FB-NB-270a.3	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	39
	FB-NB-270a.4	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	39
Financials Sector - Commercial Banks			
Data Security	FN-CB-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	43
	FN-CB-230a.2	Description of approach to identifying and addressing data security risks	42

TCFD Content Index

Recommended Disclosures	Location/Response
Governance Disclose the organization's governance around climate-related risks and opportunities	
a) Describe the board's oversight of climate-related risks and opportunities	21-23
b) Describe management's role in assessing and managing climate- related risks and opportunities	21-23
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	The organization is actively identifying climate-related risks and opportunities across short, medium, and long-term horizons, emphasizing ongoing progress in this critical area of focus.
b) Describe the impact of climate- related risks and opportunities on the organization's businesses, strategy and financial planning.	The organization is presently engaged in assessing the impact of climate-related risks and opportunities on its businesses, strategy, and financial planning, underscoring the ongoing efforts to integrate sustainability considerations into key operational aspects.
c) Describe the resilience of the organization's strategy, taking into consideration different climate- related scenarios including a 2°C or lower scenario	LT Group is rigorously examining the resilience of its strategy, meticulously factoring in various climate-related scenarios, such as a 2°C or lower trajectory, in accordance with legal frameworks and strategic objectives, thus exemplifying a proactive stance in addressing potential environmental impacts.
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks	
a) Describe the organization's processes for identifying and assessing climate- related risks	37-38
b) Describe the organization's processes for managing climate- related risks	37-38
c) Describe how processes for identifying, assessing, and managing climate- related risks are integrated into the organization's overall risk management	37-38
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate- related risks and opportunities where such information is material	
a) Disclose the metrics used by the organization to assess climate- related risks and opportunities in line with its strategy and risk management process	The organization is currently developing the disclosure of metrics utilized to assess climate-related risks and opportunities, ensuring alignment with its overarching strategy and robust risk management processes.
b) Describe the targets used by the organization to manage climate- related risks and opportunities and performance against targets	The organization is in the process of detailing the targets employed to manage climate-related risks and opportunities, along with the ongoing assessment of performance against these targets.

Philippine SEC Sustainability Reporting for Publicly Listed Companies Content Index

DISCLOSURE	SECTION	PAGE No.
Contextual Information	About this Report; About the Theme; Reporting Scope and Boundary; Reporting Approach; Sustainability Reporting Guidelines and Standards; Sustainability Report Feedback; Message from the Chairman; Message from the President; Our Organizational Profile; The LT Group, Inc. logo; Our Business Strategy; Our Corporate Structure; Our Businesses, Markets, and Geographical Reach; Awards and Recognition; Membership in Associations	1-14
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Water consumption within the organization	Resource Efficiency (Water Management)	35-36
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Occupational health and safety	Safety, Security, and Well-being	45-47
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Supply Chain Management	Supply Chain Management; Illicit Trade	25-27
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LT Group, Inc.