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)
389	**5/7**	**12/31**

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

LT GROUP, INC.

SEC FORM 17-A

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2025**

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:
₱40,990,761,842 as of December 31, 2025.

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; **2025 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, 2025 and 2024, 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 39% YTD share of the Philippine spirits market in 2025.

- **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 47.3% market share in the year 2025.

- **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) – 95.54%**
  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. In November 2025, TBI began selling the new brand **Torres** to its network of distributors.

Beverage

Asia Brewery, Incorporated (ABI)

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

The following companies are 100%-owned by ABI:

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

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

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

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

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

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

Tobacco

Fortune Tobacco Corporation (FTC)

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

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

Banking

Philippine National Bank (PNB), the country's first universal bank, is one of the largest privately owned Philippine commercial banks. PNB was established by the Government of the Philippines in 1916 and became fully privatized in 2007. As an instrument of economic development, PNB has led the industry through the years with its agricultural modernization program and trade finance support for the country's agricultural exports. In addition, the Bank pioneered efforts in the Overseas Filipino Worker (OFW) remittance business and introduced many innovations such as the "Bank on Wheels," computerized banking, Automated Teller Machine (ATM) banking, mobile money changing, domestic traveler's checks, and an electronic filing and payment system for large taxpayers and Unit Investment Trust Fund (UITF) ATMs. PNB has the largest number of overseas offices and one of the largest domestic branch networks among local banks.

PNB's principal commercial banking activities include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, fund transfers, remittance servicing, a full range of retail banking and trust services, and treasury operations. Through its subsidiaries and affiliates, the Bank engages in full banking services in China and the United Kingdom; banking services in Hong Kong; and a number of diversified financial and related businesses, such as remittance servicing in the United States, Canada, and Hong Kong, investment banking, life insurance, and stock brokerage.

The Bank provides a full range of banking and other financial services to its customers through its Head Office, 635 domestic branches, and 67 overseas branches, representative offices, remittance centers, and subsidiaries in 17 jurisdictions across the United States, Canada, Europe, the Middle East, and Asia. The Bank's customers include corporations, small and medium markets, and retail customers, as well as various government units and agencies.

The following companies are owned by PNB:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership	
				Direct	**Indirect**
Subsidiaries					
Allied Integrated Holdings, Inc. (AIHI) [(a)]	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 [(b)]	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(c)]	Remittance	- do -	USD	–	**100.00**
PNB RCI Holding Co. Ltd. (PNB RHCL) [(d)]	Holding Company	- do -	USD	–	**100.00**
PNB Remittance Co. (Canada) [(e)]	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) [(f)]	Leasing/Financing	Philippines	PHP	**75.00**	–
PNB-Mizuho Equipment Rentals Corporation (PMERC) [(g)]	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 [(h)]	Service	- do -	HKD	–	**51.00**
Oceanic Holding (BVI) Ltd. (OHBVI) [(i)]	Holding Company	British Virgin Islands	USD	**27.78**	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	Philippines	PHP	**44.00**	–

[(a)] *In the process of winding down and liquidation after shortening of corporate life until December 31, 2022*
[(b)] *Ceased operations on June 30, 2012 and license status became dormant thereafter*
[(c)] *Owned through PNB IIC*
[(d)] *Owned through PNB RCI*
[(e)] *Owned through PNB RHCL*
[(f)] *In the process of winding down and liquidation after shortening of corporate life until March 31, 2024*
[(g)] *Owned through PMLFC; In the process of winding down and liquidation after shortening of corporate life until December 31, 2024*
[(h)] *Owned through ABCHKL*
[(i)] *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, 2025, 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
18. Tanduay Rum White
19. Tanduay Heritage Rum
20. Tanduay Overproof
21. Tanduay 10 yrs

Brandy Products
1. Torres

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

Vodka Products
1. Cossack Vodka Red

Whiskey Products
1. Embassy Whiskey
2. Scottish Legacy Scotch Whiskey

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

Flavored Mixers
1. Tanduay Flavored Mixers-Daiquiri
2. Tanduay Flavored Mixers-Dark & Stormy

Medicinal Wine
1. Vino Agila

Bioethanol
The Company's distillery subsidiary, ADI is registered with the Department of Energy (DOE) as bioethanol producers with a registered capacity per year of 30 million liters. Under RA 9367 of 2006, otherwise known as the Biofuels Law, all liquid fuels for motors and engines sold in the Philippines shall contain locally-source

biofuels components. The mandated blend of bioethanol by volume into all gasoline fuel distributed and sold by local oil companies is 10% bioethanol.

ADI started commercial operation of its bioethanol plant in 2016 while AACs bioethanol started commercial operation in 2021. In the last quarter of 2022, operations of AAC were discontinued in order to stop incurring further losses due to high operating costs. In October 2024 Prior Holdings Corporation acquired AAC from TDI.

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

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

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

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

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

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

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

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

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

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

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*

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, 2025. TDI serves more than 225,000 points of sale throughout the Philippines through fifteen (9) 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 42 sales offices and 82 warehouses located throughout the Philippines. TDI through TBII 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, 3 depots and 58 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 various wholesalers, retailers, brand retail stores and e-commerce platforms throughout the Philippines. PMFTC segments its distribution into four separate channels:

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

Banking
PNB, through its Head Office and 635 domestic branches/offices, 1,730 ATMs nationwide and 67 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to corporations, small and medium markets, retail customers, various government units and agencies. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking, digital banking and other related financial services.

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

Retail Banking Sector
The core business of the Retail Banking Sector (RBS) focuses primarily on the Bank's deposit-taking activities by offering a wide range of deposit products and services, such as peso accounts and variants like interest-bearing savings, time deposits, current accounts, and US dollar and other third-currency accounts. The Sector also provides its broad customer base with other retail products such as credit cards, consumer loans, remittance services, and other banking services. While the primary objective is to generate lower-cost funding for the Bank's operations, RBS—as a sales-focused sector—also cross-sells trust, treasury, and bancassurance products (life and non-life) to existing as well as referred customers. In support of sustained deposit growth and an enhanced customer journey, RBS continues to strengthen customer engagement through branch modernization initiatives, improving service delivery and overall customer experience.

Mortgage and Auto Lending Group
Mortgage and Auto Lending Group represents a core banking business, providing a diversified portfolio of secured lending products that support residential homeownership and vehicle financing across the full credit lifecycle. Through the use of technology, data-driven insights, and strategic partnerships, the Group delivers financial services that are not only efficient but also highly customer-centric, largely attributed to improved decision-making and streamlined processes and leading to a faster turnaround time. Furthermore, these initiatives operate within a collaborative framework, with a fully integrated Sales Team working closely alongside the Sales Support unit, strengthened by the Documentation and Review unit and complemented by a specialized collections team. Each of these functions plays a vital role in ensuring accuracy, compliance, and consistency. The Group is also equipped with cross-functional capabilities that extend beyond mortgage and auto lending activities, thereby further enhancing customer relationships and fostering sustainability and long-term value for both clients and the organization.

Cards and Financial Solutions Group
The Cards and Financial Solutions Group (CFS) provides a comprehensive suite of card-based payment solutions serving both retail and corporate clients. The group delivers secure, reliable, and customer-centric financial services by leveraging innovation, data-driven insights, and strong strategic partnerships. CFS manages a diversified card portfolio across leading global and domestic payment networks, including Mastercard, Visa, UnionPay, BancNet, QRPh, and InstaPay, enabling customers to transact efficiently across both domestic and international channels. CFS operates through a unified structure encompassing Sales, Business Development, Finance & Accounting, Operations, and Collections, enabling the management of the end-to-end customer lifecycle—from acquisition and activation to servicing and portfolio optimization. Through this integrated approach, CFS is well-positioned to support the Bank's long-term growth objectives by delivering inclusive, innovative, and sustainable financial solutions.

International Banking and Remittance Group
PNB maintains the widest overseas network among Philippine banks, providing Global Filipinos with broad access to branches, representative offices, remittance centers, and subsidiaries across the United States, Canada, Europe, the Middle East, and Asia. Through its International Banking and Remittance Group (IBRG), the Bank expands its reach beyond physical locations by forging partnerships with OFW-related organizations, government institutions, manning agencies, global remittance providers, and payout partners.

IBRG extends PNB's services beyond its physical network by offering cross-selling opportunities that address the varied needs of Global Filipinos. In most jurisdictions, IBRG provides reliable remittance services alongside banking solutions such as bills payment, account opening, payroll processing, corporate credit, trade facilities, and consumer financing. The Group also supports Filipinos preparing for overseas employment through financial literacy programs and partnerships, while PNB's overseas offices foster community engagement and strengthen global ties.

Institutional Banking Sector
The Institutional Banking Sector (IBS) is the primary lending arm responsible for the establishment, expansion, and overall management of the Bank's relationships with corporate and commercial clients. The Corporate Banking Group (CBG) supports the Sector's large corporate and conglomerate clients, while the Commercial Banking Group oversees relationships with middle-market and SME customers located in Metro Manila and provincial areas. The Cash Management Division (CMD) provides transaction banking solutions that support clients' day-to-day liquidity, payments, and receivables management requirements, complementing the lending and relationship management efforts of the Sector.

The Commercial Banking Group (COMMBG) is geographically segmented into Metro Manila COMMBG, Luzon COMMBG, and VisMin COMMBG to deepen relationships with commercial clients and capitalize on growth opportunities in priority industries. CMD is also structured to support nationwide coverage and is backed by dedicated sales, product, and implementation teams to ensure seamless solution delivery.

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

Global Banking and Markets Sector
The Global Banking and Markets Sector (GBMS) is primarily tasked with the management of the Bank's liquidity and funding needs, as well as the execution of financial market transactions involving investments, trading of fixed income, foreign exchange, and derivatives, and providing hedging solutions for clients. The Sector capitalizes on opportunities in capital markets as the economy continues to recover. GBMS strategically deploys its excess funds in longer-dated, high-quality outlets in the midst of an interest rate easing cycle. The Sector provides a wide range of banking products and services to corporates, financial institutions, and individuals. Its functions include developing the Bank's wealth management proposition by providing both corporate and individual (retail and high-net-worth) clients access to financial markets, comprehensive solutions, and tailored investment strategies, while building long term trust that spans generations.

Trust Banking Group
The PNB Trust Banking Group (TBG) offers a comprehensive range of funds, spanning money market, fixed income, multi asset, local equity, and global feeder strategies, designed to meet varying client objectives, risk profiles, and time horizons. These portfolios are actively managed by experienced fund managers with strong professional credentials. Clients may conveniently invest in any of these funds through the UITF Online facility via PNB Digital.

Beyond pooled funds, TBG offers personal trust solutions such as the Personal Management Trust (PMT) and Investment Management Account (IMA), as well as corporate trust solutions including Corporate Fund Management and Employee Benefit Trust. The Bank remains a leading provider of escrow, facility agency, trust under indenture, and transfer agency services.

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

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

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

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

Property Development
The Company markets its projects to office locators and commercial tenants, and the residential market segment through various sales and marketing channels. The Company employs in-house leasing and sales teams which coordinates with business entities for sales and leasing opportunities in the Company's various projects.

Status of any publicly announced new product or services

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

Beverage
In 2025, ABI expanded its Pascual ready-to-drink yogurt drinks into tetra packaging formats and launched other flavor variants of Vitamilk soya milk drinks to cater to different customer preferences

Banking
In 2025 and 2024, PNB introduced the following new products, among others, for its customers:

2025

a. **Top Booster Promo Version 2**
Top Booster Promo is a low-cost CASA deposit campaign for new and existing clients to grow and maintain an incremental Year-to-Date Average Daily Balance (YTD -ADB) over a one-year period to earn corresponding cash credits.

b. **Tactical Incentive Program**
The Tactical Incentive Program aimed to broaden the Trust Banking Group's client base through the acquisition of new-to-trust accounts. The objective was to reward and recognize branches and other sales units with outstanding performances in the marketing of trust products and services.

c. **PNB Digital Happy Habits Promo**
A raffle promo aimed at enticing enrollment in the PNB Digital platform and building a habit of using the app for financial transactions.

d. **PNB Cashback Titanium Mastercard**
A credit card product with cashback proposition that targets a good mix of young family, millennials and the Gen Z market. The product has a cashback proposition, featuring year-round rewards and quarterly highlights.

e. **The Future is in Your Hands – Help Plant the Seeds of Change**
The Office of the Chief Financial Officer conducted an online sustainability survey among internal and external stakeholders to gather insights on the bank's ESG performance and sustainability practices, helping PNB create greener ways of doing business.

f. **PNB Global Hong Kong's "The Pangarap Loan VIP Promo**"
Designed to make the Pangarap Loan more attractive, this promo offers benefots such as VIP Lane access and a Voucher Booklet featuring discounts from popular merchants in Hong Kong,

g. **Reduction of InstaPay Service Fee**
A six-month promotional adjustment setting the InstaPay fee at P10.00 for transactions of P500.00 and below to promote financial inclusion and digital adaption. This supported BSP's call for accessible digital transaction pricing and encouraging wider adoption of digital payments.

h. **PNB JAPAN (JPY All-Purpose Assistance Now) Loan**
A new loan product launched for OFWs in Japan. Available to existing clients with Philippine Peso Time Deposit, it provides immediate credit options while keeping their savings intact.

i. **Enhancement of POS/QRPh Merchant Referral Program**
A model where the bank maintains merchant relationships and settlement while a service provider manages onboarding for QRPh. This enables seamless, secure payment solutions without the operational burden of direct onboarding.

j. **Miles to Home - Save, Send and Fly Promo**
The PNB Miles to Home Promo is an ongoing campaign for Global Filipinos in partnership with Philippine Airlines, offering participants a chance to win 50,000 PAL Mabuhay Miles for every eligible remittance transaction and PNB deposit account opened. The promo is available to customers in participating countries where PNB operates, along with its authorized partners, agents, and tie-up affiliates.

k. **Payroll via Incoming PESONet and/or InstaPay**
This initiative allows employees of corporate clients to receive their salaries, bonuses, and allowances directly in their PNB Payroll Debit Savings, Fast Cash ATM, or Payroll Checking accounts via PESONet or InstaPay, even if PNB is not the company's payroll-disbursing bank.

l. **PNB e-Send Launch**
The enhanced successor to PNB WebRemit, offering improved functionality and seamless user experience with optimized mobile-responsive features.

m. **Implementation of Zero ADB for Payroll Service**
This program removed the Average Daily Balance (ADB) requirement for payroll service to enhance market competitiveness and increase client acquisition. This also opens the opportunity for unlock cross-selling other bank products.

n. **Credit Card Promotions**
Various promotional tie-ups in the dining, shopping and entertainment categories were implemented. Some notable partners were Century Park Hotel, Bistro Group, Dusit, New World, Century, Admiral Club Manila Bay, Mugen Group, Flavors- Holiday Inn, SM Sale, Lazada and Shopee.

o. **PNB Global Hong Kong's 'The 12 Stickers of Christmas Promo - Level up!'**
The 12 Stickers of Christmas Promo (Level up!) is a rewards-based promotion for all PNB GHK remitters which aimed to increase OTC remittance transactions by allowing clients to earn stickers for every qualified transaction and exchanging the stickers for rewards.

2024

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

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

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

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

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

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

Tobacco
In 2025, the following were the product innovations and upgrades:

Combustible Cigarettes (CC):

1. *Chesterfield* Menthol XL (New Product Launch)
2. *Fortune* Core Pack Upgrade (Product Upgrade)
3. *Marlboro* Titanium (New Product Launch)
4. *Chesterfield* 10s (New Product Launch)
5. *Chesterfield* Pack and Stick Upgrade (Product Upgrade)

Heat not Burn (HnB):

1. Terea Oasis Pearl – Consumables (New Product Launch)
2. Iluma 4.1 – Device (Product Upgrade)

Nicotine Pouches:

1. Zyn 3.0 (Product Upgrade)
2. Zyn Bright Green (New Product Launch)

Competitive business condition/position in the industry

Distilled Spirits

Liquor Products

The Philippine liquor market increased by 3% in 2025 based on the retail audit of Nielsen, with Vismin outgrowing the other regions with its 16.5% growth. TDI's national market share rose 5ppts to end the year with 39% national market share. TDI posted a strong performance in Visayas and Mindanao, by growing at 10.2% and 25.6%, 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 2025 only 14 bioethanol's 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).

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 in the Cigarettes segment are JTI Philippines and Associated Anglo-American Tobacco (AATC). JTI offers several well-known brands such as *Mighty*, *Winston, Camel* and *Mevius*. Key brands of AATC, a local manufacturer, are *Winnsboro* and *Dallas*.

Banking

In the Philippines, the Bank faces competition in all its principal areas of business, from both local (private and government-owned) and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) 7721 in 1994 and R.A. 10641 in 2014, as well as the mergers and consolidations in the banking industry. As of December 31, 2025, based on data from the Bangko Sentral ng Pilipinas (BSP), there are 45 universal and commercial banks, of which 16 are private domestic banks, 3 are government banks and 26 are branches or subsidiaries of foreign banks. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Lucio Tan Group of Companies and builds on relationships with the Bank's other key customers.

The Bank also faces competition in its overseas operation. In particular, the Bank's stronghold in the remittance business in 17 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks.

As of December 31, 2025, the Bank has a distribution network of 635 domestic branches and offices and 1,730 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 2025, TDI imported most of its alcohol requirements due to the 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 2025, alcohol accounted for 19.91% of product cost, while excise tax accounted for 54.44% 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 LYL Marketing, Central Azucarera De Bais Inc., Tartessian Trading, Inc., La Filipina Uy Gongco Corporation, Biscom Inc., Universal Robina Corporation and Central Azucarera De San Antonio, Inc.

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

- **Water**
  The plants use significant amounts of demineralized water for blending liquor products. Each plant has its own deep wells, 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 10% 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 average cost of the secondhand bottles including the cost of cleaning is 60% lower than the average cost of purchasing new bottles.

- **Caps**
  All products are sealed with tamper-proof resealable aluminum caps, which average at 1% 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, 2025, 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, the use of diverse marketing channels, and an established distribution network.

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

Bioethanol
ADI's 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.

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

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

ADI is registered with the DOE as producer of bioethanol.

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

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

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

Beverage

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

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

Tobacco

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

Banking

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

Property Development

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

Year	Names and/or Devices
2008	a. Eton City b. Eton corporate name and device c. The Eton Residences Greenbelt d. Eton Baypark Manila e. Eton Centris f. Move-in Ready labels
2009	a. The Makati of the South b. Eton Emerald Lofts
2011	a. Centris Walk b. Eton Tower Makati c. Riverbend d. Eton Parkview Greenbelt e. Southlake Village f. Eton Cyberpod g. Centris Station h. 8 Adriatico i. Belton Place j. E-life k. West Wing Villas l. Green Podium m. Aurora Heights Residences n. West Wing Residences o. One Archers Place p. 68 Roces

2012	a. West Wing Tropics b. One Centris Place
2016	a. The Mini Suites b. Eton WestEnd Square
2017	a. Station Alley at Centris b. Arcada c. Eton Nexus Tower d. NXTower e. Eton "NXT" Tower f. The Courtyard at Eton City
2018	Marks applied for in 2018 which were issued Notice of Allowance, thus, considered registered marks: a. Centris Cyberpod b. Centris Elements c. Cyberpod Centris d. Cyberpod Centris One e. Cyberpod Centris Two f. Cyberpod Centris Three g. Cyberpod Centris Five h. Cyberpod One i. Cyberpod Two j. Cyberpod Three k. Cyberpod Five l. Eton City with different graphical representation
2024	All the marks below have been reapplied to the IPO and are currently in the second publication stage of approval. 1. Eton Properties Philippines, Inc. 2. EPPI without words 3. EPMC 4. The Mini Suites 5. Centris Cyberpod One 6. Centris Cyberpod Two 7. Centris Cyberpod Three 8. Centris Cyberpod Five 9. Centris Elements 10. Eton Centris 11. SouthLake Village at Eton City 12. Tierrabela at Eton City 13. The Eton Residences Greenbelt 14. Eton Baypark Manila 15. One Archers' Place 16. West Wing Residences at Eton City 17. 8 Adriatico 18. 68 Roces 19. Eton Cyberpod Corinthians 20. Belton Place Makati 21. Eton Parkview Greenbelt 22. The Manors 23. RiverBend @ Eton City

	24. Blakes Tower 25. Centris Station 26. Centris Walk 27. North Belton Communities 28. Eton City Square 29. Eton Emerald Lofts Ortigas 30. Eton City 31. Eton tower Makati 32. Eton Square Ortigas 33. Belton Communities, Inc. 34. West Wing Residences at NBC 35. Village Walk 36. West Wing Villas at NBC 37. Green podium 38. WestEnd Square 39. SouthLake Village 40. RiverBend 41. TierraBela

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

a) SouthLake Village
b) RiverBend
c) TierraBela

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

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

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

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

Need for any government approval of principal products

Distilled Spirits & Beverages

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

Tobacco

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

Banking

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

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

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

Effect of existing or probable governmental regulations on the business

Distilled Spirits
The increase in excise taxes will affect manufacturing costs, which may require an 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
Executive Order No. 26 (providing for the establishment of smoke-free environments in public and enclosed places) was signed by the President and became effective July 23, 2017. This imposes a nationwide ban on smoking in all enclosed public places and public transport.

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

RA 11346 likewise introduced two new categories of products for excise tax purposes: (1) heated tobacco products, and (2) vapor products. It imposed excise tax rates of ₱10.00 per pack 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 per pack and ₱37.00 per ml of nicotine salt e-liquid vapor products. The excise tax for heated tobacco products is set to increase by ₱2.50 per pack annually until 2023, and at a rate of 5% annually thereafter. Nicotine salt e-liquids, meanwhile, will increase by ₱5.00 per ml 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 authorized 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, R.A. No. 11900 also known as the "Vaporized Nicotine and Non-Nicotine Products Regulation Act", lapsed into law. This law regulates the importation, assembly, manufacture, sale, packaging, distribution, use, advertisement, promotion, and sponsorship of Vaporized Nicotine and Non-Nicotine Products ("**VNNPs**") and their devices.

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

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

In terms of packaging, the law requires VNNPs and NTPs to carry a text health warning prescribed in the law, together with graphic health warning templates to be prescribed by the Department of Health. In addition, RA 11900 prohibits flavor descriptors that are proven to unduly appeal particularly 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 DTI continues to closely regulate tobacco products, instead of imposing a total ban, which may lead to a proliferation of illicit tobacco products and promote illicit trade. This position also aligns 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% 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 DTI issued Department Administrative Order No. 22-16 titled Implementing Rules and Regulations of RA 11900. This was followed on June 4, 2024, by Department Administrative Order No. 24-02, which is a Supplemental Technical Regulation for Department Administrative Order No. 22-06 on the Mandatory Product Certification of VNNPs. DAO 24-02 clarified the requirements for products to secure registration and the Product Standard License from the DTI and set the deadlines for compliance by manufacturers, importers, distributors, wholesalers, and retailers. This was later further amended by the DTI through Department Administrative Order No. 24-11, issued on December 23, 2024. The DTI continues to issue, from time to time, administrative regulations covering various aspects of production, importation, marketing, and sale of VNNPs.

[i] *Novel Tobacco Products –refers 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.*

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
TDI remains committed to protecting occupational health, safety, and the environment by fully complying with all applicable regulatory requirements. The Company maintains strong environmental management systems that are regularly monitored, audited, and recognized by regulators for their effectiveness. In 2025, TDI further strengthened its environmental stewardship through the GSERM Department by conducting quarterly strategic meetings to assess compliance, address emerging risks, and set targets for continuous improvement.

Environmental Management Facilities
The Company continues to prioritize environmental protection and compliance across all its facilities. In 2025, all manufacturing sites maintained full compliance with applicable regulatory requirements, including those of the DENR, LLDA, DOLE-OSH, and local government units. Environmental audits conducted at the Head Office, Cabuyao Plant, Negros, El Salvador, and the Pinamucan Alcohol Storage Facility reported high compliance ratings. The Company operates wastewater treatment plants, air-emission control systems, hazardous-waste storage areas, and other environmental safeguards across its operations. Regular inspections and monitoring activities such as ambient air and stack testing, water sampling, and required waste-handling procedures were performed throughout the year to ensure continued adherence to regulatory standards. Facility improvements, including wastewater treatment repairs, lagoon desludging, energy audits, and infrastructure upgrades, were completed to further enhance environmental performance.

Bottle Recycling
Bottle return and recycling remain a key environmental initiative for TDI. The reuse of secondhand bottles reduces both raw material consumption and operational costs and minimizes environmental waste. The Company maintains partnerships with junk shops nationwide for bottle retrieval and continues to operate automated bottle-washing facilities across its bottling plants. This circular resource practice significantly reduces waste generation and supports sustainable packaging practices.

Wastewater Treatment Plants

Bottling Plants
All TDI bottling plants operate wastewater treatment facilities that screen, neutralize, and treat effluent prior to discharge. Wastes from bottle washing and production processes undergo full treatment in compliance with DENR and LLDA standards. In 2025, all sites passed regulatory inspections with no major findings. Facility upgrades—including pipe replacements, tank repainting, chlorination system improvements, and the construction of an additional WTP holding tank—were completed to ensure continued reliability and regulatory compliance.

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 a wastewater treatment digester and methane gas collector that reduces carbon emissions and serves as a secondary source of power for the distillation plant.

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

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

Tobacco
PMFTC's goal is to manufacture quality products while recognizing performance in environmental, health and safety (EHS) as an integral part of the business. Therefore, PMFTC is committed to reducing the environmental impact of its activities, as well as 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 all employees, resulting in maintaining the certification by Bureau Veritas of the Batangas and Marikina factories as compliant in accordance with ISO 9001 (Quality), ISO 45001 (Environment) AND ISO 45001 (Occupational Safety & Health).

Banking
PNB ensures that all its domestic and overseas offices and branches have the necessary business, labor, and environmental permits. The Bank also ensures that its personnel are updated on all applicable laws, rules, regulations, and policies that govern its business and operations through the regular release of environmental, social, and governance (ESG) bulletins via emails and trainings.

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

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

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

Human Resources and Labor Matters

LTG had 24 regular monthly employees as of December 31, 2025. The total workforce of the Group inclusive was as follows:

Distilled Spirits	1,524
Beverage	4,405
Tobacco	43
Banking	8,858
Property development	365
Total	15,195

Distilled Spirits

TDI has 1,195 employees as of December 31, 2025. Except for the Cagayan De Oro Plant, all regular daily employees of the TDI plants are unionized. TDI-Cabuyao' s regular daily employees have a Collective Bargaining Agreement (CBA) with the NAGKAKAISANG LAKAS MANGGAGAWA NG TDI-FSM, which is effective up to 2027. TDI Negros' regular daily employees assigned to its bottling operations have a CBA with the Labor Union of Tanduay Employees (LUTE) effective up to 2027.

As of December 31, 2025, ADI has 277 employees, ADI's registered labor union is Absolut Distillers, Inc. Employees Association. The current CBA is effective up to. TBI has 52 employees with no existing CBA.

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

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

Beverage

As of December 31, 2025, approximately out of the 4,405 (including contractual employees), ABI and its subsidiaries directly employed 3,002 people, of which about 83% were employed in manufacturing and logistics, 12% 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 is in force until June 30, 2026 and negotiations are ongoing for a new agreement that will cover the years 2026-2029. The CBA for ABI's El Salvador plant was signed on August 1, 2025 and shall be effective until January 31, 2028. The CBA for IPI's Cabuyao plant was signed on February 7, 2023 and shall be effective until January 31, 2027.

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

Tobacco

FTC had 43 regular monthly employees as of December 31, 2025. 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, 2025, the Bank has a total of 8,858 employees, comprised of 4,854 and 4,004 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 and has a Collective Bargaining Agreement which was renewed for a two-year period from July 1, 2025 to June 30, 2027.

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 365 and 339 employees at the close of the calendar year December 31, 2025 and 2024, respectively. The breakdown of the Company employees as of December 31, 2025, according to type are as follows:

Executive	15
Managers	96
Officers	74
Supervisors	53
Rank and File	127
Total	365

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 is lower-income consumers. Customers are classified into "economy" and "standard" markets, with monthly income levels of up to ₱22,000 and ₱100,000, respectively. According to the 2023 Family Income and Expenditure Survey released by the Philippine Statistics Authority (PSA) and 2024 Market Insights from NielsenIQ, the Philippines consumer base has undergone a structural shift. The traditional mass market now comprises approximately more than 50%of the population, accounting for 70% of the total spirit consumption. The preferences of these consumers are evolving rapidly, driven by demographic shifts, health and wellness trends, and digitalization. The entry of aggressive competitors and proliferation of substitute products addressing these evolving and sophisticated 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 its subsidiaries use for the production of their 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. TDI has established a diverse network of alcohol suppliers to safeguard against supply disruptions. It also has adopted an inventory management system that allows adequate inventory of critical raw materials without adversely impacting on the Company's working capital position.

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

Credit Risk
TDI relies on nine (9) 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 creditworthiness. The 9 distributors also have a wide range of retail outlets and there is no significant concentration of risk with any counterparty.

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

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

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

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

To address regulatory risks like the imposition of higher excise taxes, TDI would increase its selling prices and make efforts to reduce costs. Other regulatory risks are managed through close monitoring and coordination with the regulatory agencies on the application and renewal of permits. TDI closely liaises with appropriate regulatory agencies to anticipate any potential problems and directional shifts in policy.

TDI is a member of the Distilled Spirits Association of the Philippines and the Bioethanol Producers Association which acts as the medium for the presentation of the industry position in case of major changes in regulations.

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

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

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

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

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

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

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

Beverage

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

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

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

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

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

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

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

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

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

of permits or licenses held by ABI or required suspension or closure of operations. Strict compliance with environmental laws and regulations is continuously implemented by ABI to address the risk.

Tobacco

The tobacco or cigarette industry generally has the following risks:

Market / Competitor Risk

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

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

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

Regulatory Risk

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

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

Safety, Health and Environmental Laws Risk

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

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

Illicit and Counterfeiting Risk

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

The risk from illicit products, particularly counterfeit products, is continuously monitored and legal action are undertaken against violators.

Banking

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

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

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

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

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

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

There are nine (9) Board Committees, as follows:

- Executive Committee (EXCOM)
- Board Strategy & Policy Committee (BSPC)
- Board Audit & Compliance Committee (BACC)
- Board Oversight Related Party Transaction Committee (BORC)
- Corporate Governance & Sustainability Committee (CorGov)
- Board Information Technology Governance Committee (BITGC)
- Risk Oversight Committee (ROC)
- Board Overseas Offices Oversight Committee (BOOOC)
- Trust Committee (TrustCom)

PNB's ROC was created by the PNB Board of Directors to assist the Board in overseeing the risk profile and review the enterprise risk management framework. It was mandated to provide advice on the risk appetite and oversee senior management's adherence to the risk appetite statement, frameworks, policies, plans, programs, and processes for managing risk.

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 shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be 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 and adequate knowledge of the Bank's risk exposures. They must also meet the qualifications and compliance standards prescribed by the Securities and Exchange Commission (SEC), the Bangko Sentral ng Pilipinas (BSP), and other applicable laws, rules, and regulations, including but not limited to the Fit and Proper Rule, the SEC Corporate Governance Code, and expertise in risk management.

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

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

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

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

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

The second line roles are the support units who provide expertise and insight to the first line in managing risks. For the Bank, second line roles include the Enterprise Risk Management Group (ERMG) and Global Compliance Group (GCG). ERMG implements the risk management framework and assists risk owners in reporting adequate risk-related information to the ROC. GCG ensures that a strong compliance program is in place, effectively monitored, and aligned with the risks of the Bank's individual business processes. The second line roles may also recommend implementation of action plans, corrective actions or service recovery in managing the risk impact and prevent recurrence. ERMG reports to the ROC, while GCG reports to the BACC.

The third line role is the internal audit function which provides independent and objective assurance and advice on the adequacy and effectiveness of the Bank's control, governance and risk management processes. It reports its findings to Management and the BACC to promote and facilitate continuous improvement. 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 stakeholders. Alignment of activities is achieved through communication, cooperation, and collaboration. This ensures the reliability, coherence, and transparency of information needed for risk-based decision making.

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

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

ERMG also functions as Secretariat to the ROC, which meets monthly to discuss issues arising from material risks. Further, ERMG engages with all levels of the Bank's business and support groups, including domestic and overseas branches and offices, as well as 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 to the BOD for final approval.

In line with the integration of the BSP required ICAAP and risk management processes, PNB currently monitors 11 Material Risks (3 for Pillar 1 and 8 for Pillar 2). These material risks are as follows:

Pillar 1 Risks:
- Credit Risk (includes Counterparty and Country Risks);
- Market Risk; and
- Operational Risk

Pillar 2 Risks:
- Credit Concentration Risk;
- Interest Rate Risk in Banking Book (IRRBB);
- Liquidity Risk;
- Reputational Risk;
- Strategic Business Risk;
- Information Security/ Cyber Security / Data Privacy Risk;
- Information Technology Risk; and

- Human Resource Risk

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

Risk Categories and Definitions

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

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

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

The Bank broadly classifies and defines risks into the following categories and manages the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2025 program:

Risk Category	Risk Definition	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk that a Bank's borrower/ obligor/ customer or counterparty, will fail to meet its obligations in accordance with agreed terms thus subjecting the Bank to financial loss. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. (BSP Circ. 510, Series of 2006) Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a Bank's capital, total assets, or overall risk level, to threaten a financial institution's health or ability to maintain its core operations. It is inherent in a Bank's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. (BSP MORB Sec 301.6, Series of 2009; BCBS)	Enterprise-wide Tools Internal risk rating for corporate accounts Credit Scoring for consumer loans Credit limits (statutory/ regulatory & internal limits) Manual of Signing Authority (MSA) Updated & responsive credit policies Performance vs. target Pre-approval review of loan recommendations Post-approval review of booked loans Expanded Real Estate Exposure Reporting Uniform Stress Test BSP Report ERMG Tools Trend Analysis (Portfolio / Past Due and NPL Levels) Stress testing/Rapid Loan Portfolio Reviews Credit Risk Rating Migration Tracking the movements of loan portfolio Monitoring of large exposures Monitoring of credit risk concentration Capital Adequacy Ratio (quarterly report) Review of adequacy of loan loss reserves and impairment loss Specialized Credit Monitoring (REST/EREE for Real Estate and Industry Limits) Concentrations and Demographics Review Counterparty Limits Monitoring

Risk Category	Risk Definition	Risk Management Tools
Human Resource Risk	Human Resource Risk covers the Bank's risk of financial loss due to the inadequate training and inexperience or illegal activities of risk-taking behavior of personnel. This risk is closely related to operations risk and its internal control aspects. It highlights the human side of risk-taking and the role and adequacy of code of conduct, personnel policies, training and development programs, ability to recruit and retain employees through adequate compensation and benefits and ability to sustain adequate workforce through succession planning.	Talent Acquisition/Retention and Career Management; Remuneration Management; Performance Appraisal System Training and Development Labor Management Relations Code of Conduct/Personnel Policies Employee Welfare/Wellness Employee Engagement Program Rewards System Compensation Package Review Attendance Reports Performance Appraisal Report Monitoring of employee's deliberate non-submission of acknowledgement receipts of personnel policies issued by HRG Grievance Reports/Complaints Attrition rates, separation reports and exit interview forms Disciplinary Cases Report Recruitment Turnaround Time Report Number of Training Programs Conducted Report Hiring and Attrition Tracking
Information Security/ Cyber Security/ Data Privacy Risk	Information Security (Infosec) / Cyber Security risk is the risk to organizational operations (including mission, functions, image, and reputation), organizational assets, and individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). This covers data or information being processed, in storage or in transit. Cyber Risk is the risk associated with financial loss, disruption or damage to the reputation of an organization from failure, unauthorized or erroneous use of its information systems. (NIST IR 7298 Revision 2, Glossary of Key Information Security Terms, Page Numbers 98 & 100) Data Privacy Risk is the risk associated to potential loss due to unauthorized collection, processing, or access to personal data. It includes risks that the confidentiality, integrity and/or availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the general privacy principles (i.e., transparency, legitimate purpose, proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to financial losses. (Data Privacy Act of 2012 or RA 10173).	Information Security Risk Assessment (ISRA) Information Asset Register Information Security Management System Implementation RCO/BISO Checklist User Access and UAM Review Network Security Protection / Network monitoring tool Installation of firewalls, anti-virus, IPS/IDS, enterprise security solution (endpoint security, email and internet) Vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks Logs Review Incident Reporting Management Independent Operations Review and Quality Assurance Scanning of outbound and inbound digital traffic Continuous InfoSec/Cyber Risk awareness Enterprise-wide data privacy risk management framework which complies with both domestic and global requirements Conduct of Privacy Impact Assessment (PIA) as required by DPA of 2012 Institutionalization of data protection culture within the group through regular awareness program Data Privacy Management System
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	IT Risk Assessment (ITRA) Project Risk Assessment (PRA) Incident Reporting Management Patch Management Technology Operations Management Policies & Guidelines Maintenance and upgrades of disaster recovery sites Business Users / IT joint engagement for problem resolution

Risk Category	Risk Definition	Risk Management Tools
	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).	Formal Project Management Program adoption Maintenance and upgrades of disaster recovery sites Business Impact Analysis Change Management Process Capacity Monitoring Data Loss Prevention tool Privilege Access Management (PAM) Network Security Protection / Network monitoring tool Installation of firewalls, anti-virus, IPS/IDS, enterprise security solution (endpoint security, email and internet) IT Service Management tool Vulnerability assessments and penetration testing Logs Review
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)	EAR Limits Balance Sheet Profiling Interest Repricing Gap Analysis Delta Economic Value of Equity (EVE) Stress testing BSP Uniform Stress Testing
Liquidity Risk	Liquidity risk is the current and prospective risk to earnings or capital arising from a financial institution's (FI) inability to meet its obligations when they come due, without incurring unacceptable losses or costs. Liquidity risk includes inability to manage unplanned decreases or changes in funding sources. (BSP Cir. No. 981).	MCO Limits Liquidity Ratios Limits Liquid Assets Monitoring Large Fund Provider Analysis Funding Liquidity/ Contingency Planning Liquidity Stress testing Interbook Lending
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on/off-balance sheet. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities markets. (BSP Cir. No. 544, Series of 2006)	VaR Limits Stop Loss Limits Management Action Triggers for FVOCI cumulative losses Duration Report FX Position Limit ROP Exposure Limit Limit to Derivatives / Structured Products Exception Report on Traders' Limit Exception Report on Rate Tolerance TPR computation Monthly validation/ preparation of the Market Risk Weighted Exposures in the CAR Report Stress testing / Scenario analysis BSP Uniform Stress Testing Backtesting
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	Internal Control Risk and Control Self-Assessment (RCSA) Loss Events Report (LER) Board approved Product Manuals Board approved Operating Policies and Procedures Manuals Key Risk Indicators (KRI) Business Continuity Plan (BCP)

Risk Category	Risk Definition	Risk Management Tools
	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)	Disaster Recovery Plan (DRP) Business Continuity Playbooks Business Continuity Risk Assessment (BCRA) Business Impact Analysis (BIA) Crisis Management Plan (CMP) BCP Drills/Testing Incident Monitoring Vendor Risk Assessment (VRA) Vendor Risk Rating (VRR) Vendor Performance Evaluation (VPE) Materiality Determination template Statistical Analysis Awareness Campaign – Operational Risk, Business Continuity, Vendor Risk
Reputational Risk	Reputational risk is the risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the Bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding. (BSP Circ 1114, Series of 2011) Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in PNB's Policy on ICAAP, as the failure to find, attract, and win new clients, nurture and retain those PNB already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering PNB's products and services. Consumer Protection Risk is defined as failure of PNB to deliver its mandate to provide appropriate service and protection to its financial consumers.	Customer Engagement and Consolidated Complaints Report After Call and After Email Survey Security measures for Digital Banking Market research on digital trends and profiling of digital users, statistics on usage, and transactions to anticipate and respond to changes in overall trends related to demands of customers and clients in relation to digital services platforms Fraud Management Program Social Media Management Framework Social Media Risk Management Use of Social Media metrics / Social Media Analytics Website Management / Analytics Public Relations Campaign Mainstream media monitoring tool Products and Marketing Promotions Review
Strategic Business Risk	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes. (BSP Cir. No. 510, dated 03 Feb 2006).	Regular ALCO reports on latest Financials, monthly CAR, NPL & NIM projections, weekly performance on deposits, loans, treasury assets (levels, YTD, ADB) Regular updates on the status of sale of ROPA and other properties as well as NPL reduction Economic briefings for ALCO, Treasury and Senior Management by the Bank economist Corplan's banking, industry reports and research studies Research Division's regular economic reports and forecasting and equities reports Budget Performance Report (BPR) distributed to concerned sector/group heads and PNB President (Key Result Areas [KRA] actual performance against targets) Compliance updates on new, revised regulations Annual Strategic Planning activities Performance and monitoring reports and surveys on bank products and services

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

The Bank's Capital Adequacy Ratio as of December 31, 2025 stood at 20.12% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2025 amounted to ₱941.650 billion, composed of ₱828,583 billion (Credit Risk Weighted Assets – CRWA), ₱13.084 billion (Market Risk Weighted Assets – MRWA) and ₱99.983 billion (Operations Risk Weighted Assets – ORWA).

The Bank's regulatory requirements for the four quarters for 2025 are as follows:

Consolidated	Weighted Exposures (As of End of Every Quarter of 2025)			
(Amounts in ₱ millions)	Mar 31	June 30	Sep 30	Dec 31
CRWA	739,622	753,197	781,755	828,583
MRWA	19,967	15,870	6,646	13,084
ORWA	90,665	99,983	99,983	99,983
Total Risk-Weighted Assets	850,255	869,050	888,384	941,650
Common Equity Tier 1 Ratio	18.96%	19.28%	19.95%	19.31%
Capital Conservation Buffer	12.96%	13.28%	13.95%	13.31%
Total Capital Adequacy Ratio	19.83%	20.14%	20.79%	20.12%

Presented below is the full reconciliation of all regulatory capital elements back to the Parent Company balance sheet in the audited financial statements of the Bank as at December 31, 2025 (amounts in thousands):

Accounts	Balance in Financial Reporting Package	Accounting differences and other adjustments	Balance in Audited Financial Statements
Capital stock	₱61,030,594	₱–	₱61,030,594
Additional paid-in capital	32,106,560	–	32,106,560
Surplus reserves	5,170,727	–	5,170,727
Surplus	128,074,385	6,690,617	134,765,002
Net unrealized loss on available-for-sale investments	1,206,935	(186,422)	1,020,513
Remeasurement losses on retirement plan	(3,401,949)	1,225,785	(2,176,164)
Accumulated translation adjustment	3,242,826	169,353	3,412,179
Other equity reserves	2,166,533	(835,843)	1,330,690
Share in aggregate reserves on life insurance policies	–	(28,715)	(28,715)
TOTAL	₱229,596,610	₱7,034,775	₱236,631,386

Credit Risk-Weighted Assets as of December 31, 2025

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

In ₱ Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	20,817	–	20,817	20,817	–	–	–	–	–
Due from BSP	68,541	–	68,541	68,541	–	–	–	–	–
Due from Other Banks	25,736	–	25,736	–	12,678	10,018	–	3,040	–
Financial Asset at FVPL	–	–	–	–	–	–	–	–	–
Available for Sale	173,779	4,506	169,273	138,005	7,922	5,501	–	15,109	-
Held to Maturity (HTM)	129,675	2,820	126,855	100,230	8,038	16,065	–	2,523	-
Unquoted Debt Securities	–	–	–	–	–	–	–	–	–
Loans & Receivables	766,494	7,393	759,101	–	121,376	40,834	8,519	575,721	12,651

In ₱ Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	73,214	72,789	425	–	237	188	–	–	–
Sales Contracts Receivable	1,016	–	1,016	–	–	–	–	772	244
Real & Other Properties Acquired	11,113	–	11,113	–	–	–	–	–	11,113
Other Assets	25,604	–	25,604	817	–	–	–	24,787	–
Total On-Balance Sheet Asset	1,295,989	87,508	1,208,480	328,410	150,251	72,606	8,519	621,951	24,007
Total Risk Weighted Asset - On-Balance Sheet	–	–	–	–	30,050	49,913	6,390	624,687	36,011
Total Risk Weighted Asset - Off-Balance Sheet Asset	–	–	–	–	–	–	351	78,646	–
Counterparty Risk Weighted Asset in Banking Book	–	–	–	–	–	653	–	–	–
Counterparty Risk Weighted Asset in Trading Book	–	–	–	–	27	1,058	–	797	–

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

Market Risk-Weighted Assets as of December 31, 2025

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

Capital Requirements by Market Risk Type under the Standardized Approach

(Amounts in ₱ Millions)	Capital Charge (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	790.68	988.35	9,883.49
Specific Risk	18.75	23.43	234.34
General Market Risk	771.93	964.91	9,649.15
Equity Exposures	0.47	0.59	5.87
Foreign Exchange Exposures	255.59	319.48	3,194.84
Total	1,046.74	1,308.42	13,084.20

Notes:

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

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

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

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

Specific Risk

Specific Risk which reflects the type of issuer of the combined portfolio of financial assets designated at Fair Value through Profit or Loss (FVPL) is ₱18.75 million and is composed of securities with various tenors that are subject to risk weights ranging from 0% to 8%. Zero point forty-four percent (0.44%) of these securities are issued by Republic of the Philippines (ROP), allocated across the 0.25% and 1.60% risk-weighted buckets. Rated non-Philippine exposures account for around three point nineteen percent (3.19%) of the portfolio, comprising two point sixty-five percent (2.65%) in other sovereign issuers rated BBB- and above and zero point fifty-four percent (0.54%) in non-sovereign issuers rated AAA to BBB-. On the other hand, the Bank's holding in peso denominated securities which are estimated at ninety-six point thirty-seven percent (96.37%) 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	32,438.880					32,438.880
	Short						-
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		59.818		89.526		149.344
	Short						-
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long				892.735		892.735
	Short						-
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long						-
	Short						-
All other debt securities/derivatives that	Long				180.097		180.097
	Short						-

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ millions)							
	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
are below BBB- and unrated							
Subtotal	Long	32,438.880	59.818	-	1,162.358	-	33,661.055
	Short	_	_	_	_	_	_
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-	0.150	-	18.598	-	18.747
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		_	_	_	_	_	18.747

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is ₱631.241 million. In terms of weighted positions, the greater portion (32%) of the Bank's capital charge comes from the 5 to 7 years bucket at ₱200.863 million as well as Over 7 to 10 years bucket (25%) at ₱160.845 million or a combined capital charge of ₱361.709 million. The remaining weighted positions (43%) are distributed over the remaining buckets.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
			Total Individual Positions				
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	65,674.19	35,289.25	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	15,181.61	12,822.25	0.20%	30.363	25.645
	Over 3M to 6M	Over 3M to 6M	3,061.91	8,446.34	0.40%	12.248	33.785
	Over 6M to 12M	Over 6M to 12M	31.97	1,165.04	0.70%	0.224	8.155
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	802.08	200.00	1.25%	10.026	2.500
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	2,200.71	-	1.75%	38.512	-
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	2,309.54	675.70	2.25%	51.965	15.203
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	2,467.38	80.40	2.75%	67.853	2.211
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	6,409.91	229.51	3.25%	208.322	7.459
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	4,302.58	13.37	3.75%	161.347	0.501
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	1,115.53	-	4.50%	50.199	-
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	1,821.74	-	5.25%	95.642	-
	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

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
Total			105,379.15	58,921.86		726.700	95.460
Overall Net Open Position							631.241
Vertical Disallowance							6.599
Horizontal Disallowance							36.538
Total General Market Risk Capital Charge							239.734

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is ₱92.190 million. The exposure is concentrated under the Over 3 month to 6 months' time bucket with risk weight of 0.40% resulting in a capital charge of ₱22.109 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from ₱0.169 million to ₱33.991 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	37,023.794	54,157.711	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	13,802.238	14,528.228	0.20%	27.604	29.056
	Over 3M to 6M	Over 3M to 6M	8,172.769	2,645.550	0.40%	32.691	10.582
	Over 6M to 12M	Over 6M to 12M	1,157.679	31.570	0.70%	8.104	0.221
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	0.000	0.000	1.25%	0.000	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	0.000	0.000	1.75%	0.000	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	697.969	228.458	2.25%	15.704	5.140
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	83.011	0.000	2.75%	2.283	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	245.392	0.000	3.25%	7.975	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	906.433	0.000	3.75%	33.991	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	43.769	0.000	4.50%	1.970	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	33.580	0.000	5.25%	1.763	0.000
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000
		Over 12Y to 20Y	2.108	0.000	8.00%	0.169	0.000
		Over 20Y	0.000	0.000	12.50%	0.000	0.000
Total			62,168.742	71,591.517		132.254	45.000
Overall Net Open Position							87.254
Vertical Disallowance							4.355
Horizontal Disallowance							0.581
Total General Market Risk Capital Charge							92.190

General Market Risk – Third Currencies

The Bank is likewise exposed to various third currency contracts most of them are in less than 30 days that carries a 0% risk weight. The combined general market risk charge for contracts in Australian Dollar (AUD), Singaporean Dollar (SGD), Japanese Yen (JPY), Canadian Dollar (CAD), Korean Won (KRW), New Zealand Dollar (NZD), Euro (EUR), Pound Sterling (GBP) and Hong Kong Dollar (HKD), is ₱5.364 million with risk weight of 0.20% to 0.40%.

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	78.743	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	0.000	0.20%	0.000	0.000				
TOTAL		0.000	78.743		0.000	0.000	0.000	–	–	0.000
CAD	1 month or less	0.000	94.608	0.00%	0.000	0.000				
TOTAL		0.000	94.608		0.000	0.000	0.000	–	–	0.000
SGD	1 month or less	0.000	478.225	0.00%	0.000	0.000				
TOTAL		0.000	478.225		0.000	0.000	0.000	–	–	0.000
JPY	1 month or less	75.110	172.753	0.00%	0.000	0.000	0.000			0.000
	Over 1 months to 3 months			0.20%						
	Over 6 months to 12 months			0.40%						
TOTAL		75.110	172.753		0.000	0.000	0.000			0.000
HKD	1 month or less	0.000	698.469	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	1,286.861	0.20%	0.000	2.574				
	Over 3M to 6M	0.000	697.607	0.40%	0.000	2.790				
TOTAL		0.000	2,682.937		0.000	5.364	5.364	0.00	–	5.364
NZD	1 month or less	0.000	17.111	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	0.000	0.20%	0.000	0.000				
TOTAL		0.000	17.111		–	0.000	–	–	–	–
EUR	1 month or less	0.000	103.855	0.00%	0.000	0.000				
	Over 1 months to 3 months			0.20%						
TOTAL		0.000	103.855		0.000	0.000			0.000	
GBP	1 month or less	–	158.780	0.00%	0.000	0.000				0.000
TOTAL		0.000	158.780		0.000	0.000	–	–	–	–
KRW	1 month or less	–	0.000	0.00%	0.000	0.000				
TOTAL		0.000	0.000		0.000	0.000	–	–	–	–
TOTAL THIRD CURRENCIES										5.364

Equity Exposures

The Bank's holdings are in the form of preferred stocks traded in the PSE, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is ₱0.470 million or total risk-weighted equity exposures of ₱5.870 million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	–
		Short	–
A.9	Others	Long	2.935
		Short	–
A.10	TOTAL	Long	2.935
		Short	–
B.	Gross (long plus short) positions (A.10)		2.935
C.	Risk Weights		8%
D.	Specific risk capital charges (B. times C.)		0.235
E.	Net long or short positions		2.935
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		0.235
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		0.470
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		0.587
J.	Total Risk-Weighted Equity Exposures (I. times 10)		5.870

Foreign Exchange Exposures

The Bank's exposure to FX Risk carries a capital charge of ₱255.587 million. This includes ₱129.338 million capital charge arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight while ₱126.249 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in U.S. Dollar (USD), and third currencies not limited to Japanese Yen (JPY), Swiss Franc (CHF), Pound Sterling (GBP), Euro (EUR), Canadian Dollar (CAD), Australian Dollar (AUD), Singapore Dollar (SGD) and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2025)						
	Closing Rate USD/₱:					58.790
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	15.565	1.890		17.455	1,026.184
A.2 Japanese Yen	JPY	0.224	-		0.224	13.168
A.3 Swiss Franc	CHF	0.941	-		0.941	55.314
A.4 Pound Sterling	GBP	1.189	(0.479)		0.710	41.750
A.5 Euro	EUR	4.418	0.001		4.419	259.815
A.6 Canadian Dollar	CAD	0.611	-		0.611	35.915
A.7 Australian Dollar	AUD	0.238	0.000		0.238	13.997
A.8 Singapore Dollar	SGD	1.501	0.000		1.501	88.262
A.9 Foreign currencies not separately specified above						
Arab Emirates Dirham	AED	0.080	0.000		0.080	4.724
Bahrain Dinar	BHD	0.001	0.000		0.001	0.057
Brunei Dollar	BND	0.000	0.000		0.000	0.021
Yuan Renminbi	CNY	0.493	0.000		0.493	29.001
Hongkong Dollar	HKD	0.140	(0.314)		(0.174)	(10.221)

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2025)						
	Closing Rate USD/₱:					58.790
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
Korean Won	KRW	0.013	0.000		0.013	0.738
Malaysian Ringgit	MYR	0.000	0.000		0.00	0.00
Norwegian Krone	NOK	0.000	0.000		0.00	0.00
New Zealand Dollar	NZD	0.048	0.000		0.048	2.843
Saudi Riyal	SAR	0.086	0.000		0.086	5.083
Thai Baht	THB	0.005	0.000		0.005	0.285
Taiwan Dollar	TWD	0.016	0.000		0.016	0.960
Indo Rupiah	INR	0.000	0.000		0.00	0.00
A.10 Sum of net long positions						1,578.116
A.11 Sum of net short positions						(10.221)
B. Overall net open positions 1/						1,578.116
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						126.249
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						157.812
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising from NDF Transactions (E. times 10)						1,578.116
G. Incremental Risk-Weighted Foreign Exchange Exposures Arising from NDF Transactions (Part IV.3A, Item F.)						1,616.725
H. Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)						3,194.841

Operational Risk-Weighted Assets as of December 31, 2025

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, 2025	Gross Income	Capital Requirement (15% x Gross Income)
2022 (Year 3)	47,232	7,085
2023 (Year 2)	53,619	8,043
2025 (Last Year)	59,122	8,868
Average for 3 Years	53,324	7,999
Adjusted Capital Charge (Average x 125%)		9,998
Total Operational Risk Weighted Asset		99,983

Property Development

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

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

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

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

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

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

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

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

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

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

Data Privacy Risk

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

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

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

Item 2. Properties

Distilled Spirits

TDI and its subsidiaries own the following real estate properties:

Location	Area (sqm)	Present Use
Owned by TDI		
Quiapo, Manila	26,587	Office
Jaro Iloilo	34,662	Investment
Talisay, Neg. Occ.	3,813	Bottle Storage
Davao City	3,000	Investment
San Mateo Rizal	11,401	Investment
68T Lot in Laurel Batangas	150,881	Investment
Cagayan De Oro	8,492	Investment
Lapaz Iloilo	12,299	Investment
Owned by ADI		
Pasong Tamo Makati		Investment
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	196,650	2,376,858	2033
Pinamucan, Batangas	Land rental	202,285	405,168.75	2033
Quiapo Manila	Head Office	4,987.60	186,013.91	2033
Murcia, Neg. Occ.	Production Plant	141,337	1,005,683	2033
El Salvador, Mis. Or.	Production Plant	151,079	998,390	2033
Pulupandan, Neg Occ	Ageing Facility		1,050,000	2033
Sucat	Warehouse	41,262	738,152.14	2033
Leased by ADI				
Lian, Batangas	Distillation Plant	50,000	50,000	2029
	Totals	**399,700**	**4,207,306**	

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

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

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

Beverage

ABI and its subsidiaries own the following real estate properties:

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

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

Location	Present Use	Area (sqm)	Monthly Rental	Lease Expiry Date
Leased by ABI				
Ayala Ave., Makati City	Head Office	1,745	₱1,570,716	May 2030
Cabuyao, Laguna	Production Plant	542,989	3,197,243	March 2027
Cabuyao, Laguna	Production Plant	59,006	247,815	December 2025
El Salvador, Mis. Or.	Production Plant	1,063,103	352,166	December 2026
El Salvador, Mis. Or.	Production Plant	25,030	148,572	December 2025
Leased by IPI				
San Fernando, Pampanga	Production Plant	85,000	930,797	December 2026
Leased by PWI				
Cabuyao, Laguna	Production Plant	82,600	788,794	January 2028
Leased by APBM				
Myanmar	Production Plant	9,318	US$34,307	December 2036
Myanmar	Warehouse	2,602	2,826	June 2026
Myanmar	Warehouse	2,007	3,220	November 2026
Myanmar	Staff House	387	1,638	Feb 2026/ Aug 2026

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.

Tobacco

The following comprises properties of FTC:

LOCATION	AREA (sq. m)	Present Use
Brgy. Punta, Calamba, Laguna	49,701	Investment
Bacoor, Cavite	121,767	Investment
Balagtas, Int.Malate, Manila	5,084	Investment
Brgy. Niugan, Cabuyao, Laguna	469,758	Investment
Cabuyao, Laguna	17,438	Investment
Dna Natividad, Quezon Ave., Quezon City	800	Investment
Dna. Natividad, Quezon Ave., Quezon City	1,626	Investment
Dna. Natividad, Quezon Ave., Quezon City	800	Investment
Dna. Natividad, Quezon Ave., Quezon City	1,118	Investment
Concepcion, Marikina	313	Investment
Tagdalit St., Brgy.Manresa, Quezon City	5,165	Warehouse Bldg.
Mandaue City	1,025	Investment
Baybay, Roxas City	2,396	Investment
Baybay, Roxas City	80	Investment
Filinvest Homes, Pagsanjan Cainta, Rizal	474	Investment
Marikina Greenheights, Brgy. Nangka	225	Investment
Antipolo, Rizal	400	Investment
Bo. Mayamot, Antipolo, Rizal	311	Investment
Pasay City	2,222	Investment

FTC leases its office located in Brgy. Kapitolyo, Pasig with a montly rental of P2,000,000 and lease contract will expire on December 31, 2024.

All properties are in good condition and are not covered by any existing mortgages, liens or encumbrances. On December 3, 2025 a parcel of property in Bacoor Cavite (3,505 sqm) was sold to DPWH.

Banking

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

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

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

Property Development

The Company's investment properties consist of:

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

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

The Company also entered into various lease agreements as follows:

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

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

The Company's real estate properties consist of :

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

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

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

Eton Emerald Lofts, NBC Manors and West Wing Residences at NBC are under a joint venture arrangement with the Company as the project developer. In December 2024, both parties mutually agreed to terminate the joint venture arrangement through a Memorandum of Agreement defining the final disposition of any undeveloped land and unsold units.

The Company acts as both land owner and developer with respect to its other developments.

All properties listed above are in good condition and are not covered by any mortgage, liens or encumbrances.

The Company's property and equipment, which consist of transportation equipment, furniture, fixtures and equipment, and leasehold improvements, are mainly used in operations and are located in the main office in Blakes Tower, Chino Roces Avernue, cor Yakal and Malugay Streets, Makati City, Metro Manila, Philippines. The Company did not renew its contract of lease with PNB Holdings Corporation as it moved its offices to its owned Blakes Tower end of June 2024.

Item 3. Legal Proceedings

Distilled Spirits

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

Excise Tax Refund Claim

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

To implement the said law, the Secretary of Finance issued Revenue Regulations No. 17-2012 (RR 17-2012), which, in one of its transitory provisions, disallowed the tax crediting of the excise taxes that were already paid under the old law on the raw materials inventory by the 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 (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 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 was 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. The 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 contested the disallowance of the tax credit and is undertook 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 the CTA Second Division. On November 16, 2020, a Motion for Reconsideration was filed by the legal counsel before the CTA En Banc which was also denied on March 22, 2021 for lack of merit. On July 29, 2021, TDI filed a Petition for Review on Certiorari at the Supreme Court.

On March 8, 2023, a public news article stated that the Supreme Court has upheld the CTA decision that denied TDI's tax refund claim. However, as of March 14, 2023, TDI and its legal counsel have not received a copy of the decision. On April 19,2023 TDI filed a Motion for Reconsideration to the Supreme Court which was also denied in August 14, 2023. The Supreme Court promulgated its resolution on August 14, 2023, denying our Motion for Reconsideration with FINALITY, which resolution was received by TDI on March 06, 2024.

Beverage

ABI maintains a legal department whose main function is to pursue collection cases and handle litigation arising from labor disputes. As of December 31, 2025, ABI does not have any significant legal proceedings either against it or in pursuit of another party besides those arising from the ordinary course of business.

Tobacco

Sandiganbayan case against Tan Companies

On June 6, 2011, a motion was submitted by the Government seeking to include PMFTC and its directors/officers as additional defendants in the forfeiture case pending before the Sandiganbayan against Mr. Lucio C. Tan, FTC, et al. since 1987. The Government claims that by transferring the assets owned by FTC to PMFTC as a result of the business combination, the FTC assets have been removed beyond the reach of the Government and the court. The Sandiganbayan denied this motion with finality in August 2011, ruling that they are not necessary or indispensable parties under the law. In a decision in June 2012, the Sandiganbayan also dismissed the forfeiture case against all the defendants for failure of the Government to prove that the assets that formed the subject of the case were ill-gotten wealth. The Government's motion for reconsideration was likewise denied in September 2012. On October 29, 2014, FTC received a resolution from the Supreme Court requiring it to submit its memorandum which was subsequently filed on January 30, 2015. The Supreme Court Denied the petition of the Republic and Affirmed the decision of Sandiganbayan promulgated last October 3, 2023.

Banking

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

Property Development

The Company does not have any pending legal proceedings as of December 31, 2025.

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
2023			
1st Quarter	9.90	10.56	9.19
2nd Quarter	9.51	10.62	9.35
3rd Quarter	9.00	9.87	8.84
4th Quarter	8.98	9.30	8.50
2024			
1st Quarter	9.99	10.30	8.90
2nd Quarter	9.75	10.48	9.36
3rd Quarter	10.02	10.28	9.18
4th Quarter	10.50	10.54	9.92
2025			
1st Quarter	12.18	12.50	10.40
2nd Quarter	12.86	13.00	11.00
3rd Quarter	15.24	15.58	12.50
4th Quarter	14.78	15.50	13.80
2026			
February 26, 2026*	15.78	16.04	15.78

*Latest practicable trading date before submission of report.

2. Holders

The number of shareholders of record as of December 31, 2025 was 389. Common shares outstanding as of December 31, 2025 were 10,821,388,889. The top 20 stockholders as of December 31, 2028 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)	1,379,434,011	12.7473
PCD Nominee Corporation (Non-Filipino)	611,252,128	5.6486
Dragon Castle Holdings Ltd.	198,535,900	1.8347
Hinner Resources Ltd.	157,195,600	1.4526
Advance Goal Ltd.	152,812,600	1.4121
Absolute Classic Ltd.	95,811,000	0.8854
Conqueror Vision Ltd.	81,913,000	0.7570
Conway Equities, Inc.	60,306,400	0.5573
La Filipina Uy Gongco Corporation	18,000,000	0.1663
Goldlabel Equities Corp.	5,039,800	0.0466
All Seasons Realty Corp.	5,002,294	0.0462

Dragonstar Management Corp.	1,773,900	0.0164
Eyes of Ibad Agriventures OPC	1,000,000	0.0092
Henry Ong Chusuey or Anna Lissa Chusuey	764,000	0.0071
Sy Lily C.	600,000	0.0055
Kentron Holdings & Equities Corp.	569,800	0.0053
Jianxi Li	395,400	0.0037
Hsiao Chin Wang	361,300	0.0033
Te Gillian Cindy T.	300,000	0.0028

*LTG has no preferred shares.

3. Dividends

a.) Dividend declarations

BOD Approval Date	Amount of Dividend Per Share		Record Date	Payment Date
	Regular	Special		
February 17, 2023	0.15	0.15	March 6, 2023	March 16, 2023
May 15, 2023	-	0.30	May 30, 2023	June 9, 2023
August 15, 2023	-	0.30	September 4, 2023	September 12, 2023
November 17, 2023	-	0.30	December 5, 2023	December 15, 2023
February 23, 2024	0.15	0.15	March 11, 2024	March 20, 2024
May 17, 2024	-	0.30	June 3, 2024	June 13, 2024
August 16, 2024	-	0.30	September 4, 2024	September 11, 2024
November 15, 2024		0.35	December 2, 2024	December 9, 2024
March 14, 2025	0.15	0.15	March 31, 2025	April 8, 2025
June 16, 2025	-	0.30	July 1, 2025	July 14, 2025
August 22, 2025	-	0.30	September 9, 2025	September 24, 2025
November 17, 2025	-	0.35	December 2, 2025	December 12, 2025

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, 2025, 2024 and 2023 included in this report.

2025 vs 2024

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2025	2024
Revenues	₱132,778	₱128,966
Cost of Sales	61,009	62,730
Equity in Net Earnings of Associates and Joint Ventures	9,992	8,867
Operating Expenses	38,636	39,453
Operating Income	43,125	35,649
Other income-net	8,015	9,508
Income Before Income Tax	51,141	45,157
Total Net Income	42,306	38,508
Net Income Attributable to Equity Holders of the Parent Company	30,976	28,921

LT Group, Inc. (LTG) reported a consolidated net income of ₱42.3 billion in 2025, 9.9% higher than the ₱38.5 billion reported in 2024.

The consolidated net income attributable to equity holders of LTG for 2025 was ₱31.0 billion, 7.1% higher than 2024's ₱28.9 billion. This is LTG's new record high, marking the fourth consecutive year of record earnings. This was due to improved operating results across major business segments. The banking segment's net income rose by 19.7% to ₱25.3 billion, driven by higher net interest income, fee-based and non-interest income as well as lower credit provisions compared to 2024. This resulted in LTG's share of net income from PNB reaching ₱14.3 billion, up from ₱11.9 billion in the same period last year. This represents PNB's fourth consecutive year of record income, excluding significant one-time gains. The net income of the distilled spirits segment amounted to ₱3.1 billion in 2025, a 45.2% increase from the ₱2.2 billion reported in 2024, due to increased profits from the liquor segment due to higher selling prices and lower production costs. This is TDI's 6th year of record-breaking profits. The beverage segment's net income increased by 4.3% to ₱877 million in 2025 from ₱841 million in 2024, driven by higher profit margins on energy drinks, increased sales of bottled water and commercial packaging. Property development segment's net income was ₱765 million, higher than the ₱212 million reported for 2024 on account of one-time gains supported by lower operating expenses. The tobacco segment's net income in 2025 was ₱11.3 billion, ₱1.5 billion lower than 2024's ₱12.8 billion. This decrease primarily reflects lower dividend income from PMFTC, partially offset by higher equitized earnings recorded in 2025. Equity in net earnings from VMC amounted to ₱354 million in 2025, lower than 2024's ₱492 million on account of higher raw material costs and operating expenses.

Consolidated revenues were ₱132.8 billion for 2025, 3.0% higher than the ₱129.0 billion in 2024, mainly driven by improved revenues from the banking, distilled spirits and property development segments.

Cost of sales and services decreased by 2.7% from ₱62.7 billion in 2024 to ₱61.0 billion in 2025, due mainly to lower net interest expense by the banking segment.

Operating expenses amounted to ₱38.6 billion in 2025, declining by 2.1% compared to the ₱39.5 billion in 2024. This was mainly due to lower general and administrative expenses, which decreased by 2.2% from ₱36.8 billion in 2024 to ₱36.0 billion in 2025. The decrease was mainly due to lower provision for credit losses from the banking segment. Selling expenses were relatively flat at ₱2.6 billion for 2025 and 2024.

Other income decreased from ₱9.5 billion in 2024 to ₱8.0 billion in 2025, due primarily to lower dividend income recorded after full investment recovery in PMFTC.

SEGMENT OPERATIONS

Banking

The banking segment's net income was ₱25.3 billion in 2025, 19.7% higher than the ₱21.1 billion in 2024. This represents PNB's fourth consecutive year of record earnings, excluding significant one-time gains.

Gross interest income in the current period of ₱69.70 billion was higher by 3.3% y-o-y driven by higher loan volume and yields on investment securities. Gross interest expense decreased by 5.4% at ₱17.1 billion due primarily to lower interest cost of deposit liabilities. This resulted to net interest income of ₱52.5 billion, 6.5% higher y-o-y. Net interest margin was at 4.5% in 2025 and 2024.

Net service fees and commission income increased by ₱316 million or 5.7% at ₱5.8 billion for 2025, mainly due to higher fees from bancassurance, interchange fees, deposits and trust-related products.

Trading and investment securities and net foreign exchange gains were higher at ₱3.0 billion in 2025 compared to 2024's ₱1.8 billion due to higher trading and investment securities profit.

Other income was higher at ₱3.9 billion for 2025 compared to ₱3.1 billion for 2024 primarily driven by increased ROPA sale gains.

Operating expenses decreased by 1.3% to ₱33.0 billion in 2025 from ₱33.5 billion in the prior period, mainly due to lower provisions for impairment and credit losses resulting from the bank's improved loan portfolio credit quality.

Tobacco

In 2025, the tobacco segment reported net income of ₱11.3 billion, an 11.6% y-o-y decrease from ₱12.8 billion in 2024. This decrease primarily reflects lower dividend income from PMFTC, partially offset by higher equitized earnings recorded in 2025. Equity in net earnings amounted to ₱8.7 billion in 2025, 15.4% higher than 2024's ₱7.6 billion. PMFTC's profitability benefited from the price increases implemented in November 2024.

Distilled Spirits

The distilled spirits segment posted a net income of ₱3.1 billion for 2025, a substantial 45.2% surge compared to the ₱2.2 billion achieved in 2024. This marks TDI's 6th consecutive year of record-breaking profits. This was driven by higher net revenues at ₱34.0 billion in 2025, 0.4% higher than the ₱33.9 billion reported in 2024. This, coupled with better pricing and lower production costs, compensated the lower sales volume in both liquor and bioethanol.

Cost of sales declined to ₱28.1 billion in 2025 compared to ₱28.9 billion in 2024, reflecting the impact of lower sales volume. This, coupled with higher selling prices and cost reduction programs, led to higher gross profit margin to 17.3% in 2025, up from 14.6% in 2024.

Operating expenses were lower at ₱2.0 billion in 2025 compared to ₱2.1 billion in 2024 due primarily to lower advertising, promotion and other expenses incurred.

Beverage

The beverage segment's net income was higher at ₱877 million for 2025 from ₱841 million in 2024.

Revenues of the beverage segment were at ₱17.9 billion in the current period, 1.5% lower than 2024, as sales volume decreased for Cobra Energy Drinks. Cost of sales decreased by 4.1% at ₱13.6 billion for 2025 driven by lower sales volume, packaging optimization efforts and refined product formulations. As a result, gross profit margin improved to 24.4% from 22.4% due primarily to favorable sales mix, reduction in discounts offered to distributors and decrease in manufacturing costs.

Operating expenses increased to ₱3.0 billion in 2025 from ₱2.9 billion in 2024 due to higher advertising expenses and personnel costs.

Property Development

The property development segment reported a net income of ₱765 million for 2025, higher than the ₱212 million for 2024 on account of strategic one-time gains and lower operating expenses.

Leasing revenues, representing 73% of total revenues declined by 5.1% to ₱1.9 billion in 2025, compared to ₱2.0 billion in 2024. Real estate sales grew by 45.9% to ₱731 million, from ₱501 million in 2024, driven by continued sales of remaining inventory in the 68 Roces (Quezon City) and Eton City (Laguna) projects.

Operating expenses decreased to ₱790 million due to lower taxes and licenses and other general and administrative expenses. Other income was higher due mainly due to the compensation received from right of way from the local government and higher marketing fees.

<u>2024 vs 2023</u>

CONSOLIDATED RESULTS OF OPERATIONS

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

LT Group, Inc. (LTG) saw a strong performance in 2024, with consolidated net income reaching ₱38.5 billion, a 13.2% increase compared to 2023.

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

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

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

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

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

SEGMENT OPERATIONS

Banking

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

Gross interest income in 2024 of ₱67.5 billion was higher by 13.2% y-o-y driven by higher yields and volume of loans, investment securities and interbank receivables. Gross interest expense increased by 20.8% at ₱18.1 billion due primarily to an increase in the interest cost of deposit liabilities driven by both higher interest rates and larger volume of deposits. This resulted in net interest income of ₱49.3 billion, 10.6% higher y-o-y as the net interest margin improved to 4.5% from 4.2%.

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

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

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

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

Tobacco

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

Distilled Spirits

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

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

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

Beverage

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

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

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

Property Development

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

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

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

2023 vs 2022

CONSOLIDATED RESULTS OF OPERATIONS

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

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

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

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

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

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

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

SEGMENT OPERATIONS

Banking

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

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

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

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

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

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

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.

Distilled Spirits

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

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

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

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

Beverage

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

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

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

Property Development

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

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

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

FINANCIAL CONDITION

2025
The Company's consolidated Total Assets as of December 31, 2025 amounted to ₱1.49 trillion, 8.7% higher than the end-2024 balance of ₱1.37 trillion. Current Assets increased by 3.1% or ₱22.4 billion while Noncurrent Assets were higher by ₱97.1 billion or 15.0%.

The consolidated Current Assets increased by 3.1% from ₱726.1 billion as of December 31, 2024 to ₱748.5 billion. The current portion of Loans and Receivables was higher at ₱370.1 billion versus end-2024 balance of ₱312.4 due to higher loan releases than collections in the current period. The current portion of Financial Assets at Fair Value through Profit or Loss was lower at ₱34.7 billion as of end-2025 compared to ₱18.0 billion as of end-2024 due to net additions and higher fair values in the current period. Inventories increased by ₱1.1 billion or 8.2% from ₱13.3 billion as of end-2024 to ₱14.4 billion as of December 31, 2025 due primarily to higher inventory level of the distilled spirits and property development segments. The current portion of Financial Assets at Amortized Cost and Financial Assets at Other Comprehensive Income was lower by 31.9% and 52.5%, respectively compared to end-2024 due primarily to the maturity of investments, net disposals and reclassifications to noncurrent. Cash and Cash Equivalents decreased from ₱223.6 billion as of end-2024 to ₱221.0 billion as of December 31, 2025, due primarily to additions in investments and loan releases by the banking segment. Due from Related Parties declined by 24.9% or ₱471 million on account of the collection from Tangent.

The 15.0% increase in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Loans and Receivables, Financial Assets at FVTOCI and Financial Assets at Amortized Cost. The noncurrent portion of Loans and Receivables was higher at ₱395.2 billion versus end-2024 balance of ₱349.1 due to higher loan releases than collections in the current period. Noncurrent portion of Financial Assets at FVTOCI and Financial Assets at Amortized Cost increased by ₱24.7 billion and ₱24.1 billion, respectively on account of net purchases higher than net disposals as of the current period. Property, plant and equipment at cost-net decreased by ₱781 million on account of the depreciation charges in 2025.

Consolidated Total Liabilities increased by 8.5% to ₱1.13 trillion as of December 31, 2025 from ₱1.04 trillion as of December 31, 2024. This was on account of the increase in Total Current Liabilities by 6.9% from ₱999.2 billion on December 31, 2024 to ₱1.07 trillion as of the end of the current period while Noncurrent Liabilities increased by 44.9% from ₱44.9 billion to ₱65.0 billion.

The current liabilities movement was due primarily to the higher Current portion of Deposit Liabilities and Accounts payable and accrued expenses. Current portion of Deposit Liabilities increased by ₱81.0 billion due primarily to growth in Time Deposit accounts in the current period. Accounts payable and accrued expenses increased to ₱21.8 billion in the current period on account of the higher trade payables of the banking and distilled spirits segment. On the other hand, Current portion of Bills and Acceptances Payable, Financial Liabilities at Fair Value Through Profit or Loss, Current Portion of Long-Term Debts, Current Portion of Due to Related Parties and Other current liabilities declined by ₱9.5 billion, ₱638 million, ₱254 million, ₱14 million and ₱2.9 billion, respectively due to payments made in the current period.

The increase in the Noncurrent Liabilities was on account of the bank's higher noncurrent portion of Deposits by ₱4.9 billion. Long-Term Debt net of current portion is higher at ₱38.6 billion as of end-2025 on account of the issuance of dual tranche bonds by the banking segment in December. Accrued retirement benefit balance of ₱765 million was higher versus end-2024 balance of ₱710 million due mainly on adjustments based on the recent estimates for the current period.

LTG's consolidated Total Equity improved by 9.2% to ₱360.7 billion as of December 31, 2025, on account of the net increase in the retained earnings brought about by the net income earned for the period ended December 31, 2025 of ₱31.0 billion less dividends declared amounting to ₱13.5 billion as well as higher other comprehensive income due to higher fair values of Financial Assets at Fair Value through Other Comprehensive Income, Cumulative Translation Adjustments and Revaluation Increment in Property.

2024

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

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

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

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

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

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

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

2023

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

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

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

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

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

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

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

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 2025 was 54.1% versus 51.4% in 2024.

2.) **Return on Equity**

Consolidated Net Income Attributable to Equity Holders of the Parent Company for 2025 amounted to ₱31.0 billion; higher by 7.1% from 2024's ₱28.9 billion. Ratio of net income to equity is 12.3% in 2025 and 12.5% in 2024.

3.) **Current Ratio**

Current Ratio for 2025 is 0.70:1 while last year's was 0.73:1.

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

Debt-to-equity ratio for 2025 is 3.14:1 as compared to last year's 3.16:1.

5.) **Earnings per share**

Earnings per share attributable to holders of the parent company for 2025 is ₱2.86 and ₱2.67 in 2024.

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

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

OTHER MATTERS

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

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

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

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

Distilled Spirits

TDI continues to implement its capital expenditure program, which includes the rehabilitation of its bottling lines, the replenishment of pallet inventories, and the acquisition of additional delivery vehicles. A major development for the period is the commencement of operations of the ageing facility in El Salvador.

Beverage

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

In 2025, ABI commenced expansion of its production capacity in its El Salvador plant for its carbonated soft drinks and bottled water business to capitalize on the robust growth in the market.

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

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

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

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

Results of our Horizontal (H) and Vertical (V) analyses showed the following material changes (+/- 5% and above) as of and for the years ended December 31, 2025 and 2024 (negative movement in parenthesis):

1. Financial assets at FVTPL – H, 93%
2. Financial assets at FVTOCI - current – H, (32%)
3. Financial assets at amortized cost – current – H, (53%)
4. Loans and receivables – current – H, 19%
5. Due from related parties – H, (25%)
6. Inventories – H, 8%
7. Loans and receivables – noncurrent – 13%
8. Financial assets at FVTOCI - noncurrent – H, 37%
9. Financial assets at amortized cost – noncurrent – H, 26%
10. Property, plant and equipment at cost-net - H, (7%)
11. Deposit Liabilities – current – H, 9%
12. Financial liabilities at fair value through profit or loss – current – H, (69%)
13. Bills and acceptances payable - current – H, (47%)
14. Accounts payable and accrued expenses – H, 6%
15. Income tax payable – H, 13%
16. Long-term debts-current – H, (13%)
17. Current portion of due to related parties – H, (22%)
18. Other current liabilities – H, (26%)
19. Deposit liabilities – noncurrent – H, 92%
20. Long-term debt – net of current portion – H, 63%
21. Net retirement benefits liability – H, 8%
22. Other comprehensive income – H, 7%
23. Other equity reserves – H, 29%
24. Retained earnings- H, 10%
25. Noncontrolling interests – H, 11%
26. Banking revenue – H, 5%
27. Equity in net earnings of associates and joint ventures – H, 13%
28. Finance costs – H, 13%
29. Finance income – H, 110%
30. Others-net – H, (22%)
31. Provision for income tax – current – H, 11%
32. Provision for income tax – deferred – H, 206%
33. Total Net Income – H, 10%
34. Net income attributable to equity holders of the company – H, 7%
35. Net income attributable to noncontrolling interests – H, 18%

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

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

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 2025 and 2024.

	2025	**2024**
	(in absolute amounts)	
LT Group, Inc.	₱1,169,000	₱1,169,000
Distilled Spirits	2,318,000	2,671,000
Beverage	4,748,000	4,748,000
Tobacco	474,000	474,000
Banking	41,284,000	31,429,000
Property Development	2,075,000	2,075,000
Others	2,978,000	2,243,100
Total	₱55,046,000	₱44,809,100

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

LT Group, Inc. and its subsidiaries incurred ₱6,284,000 in 2025 and ₱8,023,000 in 2024 for other assurance and related services.

b.) Tax Fees

LT Group, Inc. and its subsidiaries incurred ₱3,884,000 in 2025 and ₱2,332,000 in 2024 for tax services engagement.

c.) All Other Fees

LT Group, Inc. and its subsidiaries incurred ₱5,043,718 in 2025 and ₱7,470,075 in 2024 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, 2025 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	91	Filipino	Chairman of Absolut Distillers, Inc., Air Philippines Corporation, Allianz PNB Life Insurance, Inc., Allied Banking Corporation (Hongkong) Limited, Allied Commercial Bank (Xiamen), Alliedbankers Insurance Corporation, Asia Brewery, Inc., Asian Alcohol Corporation, Basic Holdings Corporation, Buona Sorte Holdings, Inc., Eton Properties Philippines, Inc., Foremost Farms, Inc., Fortune Tobacco Corporation, Grandspan Development Corporation, Himmel Industries, Inc., **LT Group, Inc.**, **MacroAsia Corporation**, **PAL Holdings, Inc.**, Philippine Airlines, Inc., PMFTC, Inc., PNB Holdings Corporation, Progressive Farms, Inc., Tanduay Brands International, Inc., Tanduay Distillers, Inc., Tangent Holdings Corporation, The Charter House, Inc., Trustmark Holdings Corporation, University of the East, and 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	85	Filipino	Vice Chairman of Philippine Airlines, Inc. and **LT Group, Inc.** She is also a Director of Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Dynamic Holdings, Ltd., Eton City, Inc., Foremost Farms, Inc., Fortune Tobacco Corporation, Himmel Industries, Inc., **MacroAsia Corporation**, Manufacturing Services and Trade Corporation, **PAL Holdings, Inc.**,	Vice Chairman/ 1 Year/ May 3, 2023 to present Director/ 1 Year/ May 5, 2010 to present

			Philippine Airlines, Inc., PMFTC, Inc., Progressive Farms, Inc., Saturn Holdings, Inc., Sipalay Trading Corporation, Tanduay Distillers, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation, Zuma Holdings and Management Corporation. She is also a Member of the Board of Advisors of **Philippine National Bank**.	
Lucio C. Tan III	33	Filipino	President and Chief Operating Officer of **LT Group, Inc.** and **PAL Holdings, Inc.** He is also the President of Dunman Holdings Corporation, Tanduay Distillers, Inc. and Tanduay Brands International, Inc. He also holds the position of Vice Chairman and President of Sabre Travel Network Phils. Inc. Mr. Tan is the Vice President of Dunmore Development Corporation. He is a Director of Air Philippines Corporation, Ali-Eton Property Development Corp., Allied Club, Inc., Allied Water Services, Inc., Asia Brewery, Inc., Asia's Emerging Dragon Corporation, Asian Cancer Center, Inc., Belton Communities, Inc., Dominium Realty & Construction Corporation, Dunman Holdings Corporation, Eton City, Inc., Eton Properties Philippines, Inc., First Homes, Inc., Fortune Land Equities and Resources Inc., Fortune Tobacco Corporation, Kaizer Chemical Industries, Inc., Lufthansa Technik Philippines, MacroAsia Airport Services Corp., MacroAsia Catering Services Inc., MacroAsia SATS Food Industries, MacroAsia SATS Inflight Services Corp., Philippine Airlines, Inc., **Philippine National Bank**, PMFTC, Inc., PNB Holdings Corporation, Prior Holdings Corp., Qualisure Holdings, Inc., REM Development Corporation, Sabre Travel Network Phils. Inc., Shareholdings, Inc., Silangan Holdings, Inc., Sipalay Trading Corporation, Tanduay Brands International, Inc., Tanduay Distillers, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation, 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	56	Filipino	Director and President of PNB Holdings Corporation and a Director of Allied Bankers Insurance Corporation, Dong-a Pharma Phils, Inc., Eton Properties Philippines, Inc., Eton Properties	Director/ 1 Year/ May 5, 2021 to present

			Management Corporation, and **LT Group, Inc.**	
Michael G. Tan	60	Filipino	President and Chief Operating Officer of Asia Brewery, Inc.; Director of Absolut Distillers, Inc., Allied Banking Corp (Hong Kong) Limited, Allied Commercial Bank – Xiamen, Asia Brewery, Inc., Asia's Emerging Dragon Corporation, Foremost Farms, Inc., **LT Group, Inc.**, **MacroAsia Corporation**, Pan-Asia Securities Corp., Paramount Land Equities, Inc., PMFTC Inc., PNB Global Remittance & Financial Company (HK) Ltd., Saturn Holdings, Inc., Shareholdings, Inc., Tanduay Brands International, Inc., Tanduay Distillers, Inc., Trustmark Holdings Corporation and Victorias Milling Company. Director and Treasurer of Zuma Holdings and Management Corporation. He is a member of the ASEAN Business Advisory Council (ASEAN BAC) representing the Philippines, Vice President of the Federation of Filipino Chinese Chambers of Commerce & Industry, Inc. He is also a Trustee of the Help Educate and Rear Orphans (HERO) Foundation, Inc.	Director/ 1 Year/ February 21, 2003 to present
Vivienne K. Tan	58	Filipino	Director of Air Philippines Corporation, Eton Properties Philippines, Inc., **LT Group, Inc.** and **Philippine National Bank**. She is also a Member of the Board of Trustees of University of the East and University of the East Ramon Magsaysay Memorial Medical Center, Founding Chairperson of Entrepreneurs School of Asia and Founding Trustee of Philippine Center for Entrepreneurship (Go Negosyo).	Director/ 1 Year/ May 7, 2019 to present
Juanita T. Tan Lee	83	Filipino	Director and Treasurer of Asia Brewery, Inc. and **LT Group, Inc.**; Director and Corporate Secretary of Fortune Tobacco Corporation; Director of Tanduay Distillers, Inc.; Corporate Secretary of Absolut Distillers, Inc., Asian Alcohol Corporation, Basic Holdings Corporation, Foremost Farms, Inc., Grandspan Development Corporation , Himmel Industries, Inc., Landcom Realty Corporation, PMFTC Inc., Progressive Farms, Inc., The Charter House, Inc., Total Bulk Corporation; Treasurer of **PAL Holdings, Inc.** and Philippine Airlines, Inc., and a member	Director/ 1 Year/ May 2, 2012 Treasurer/ 1 Year/ April 8, 2014

			of the Board of Trustees of the University of the East and the University of the East Ramon Magsaysay Memorial Medical Center Inc.	
Johnip G. Cua	69	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. Independent Director of Asia Brewery, Inc., Century Pacific Food, Inc., First Aviation Academy, **LT Group, Inc.**, MacroAsia Catering Services, Inc., MacroAsia Airport Services Corporation, MacroAsia SATS Food Industries Corporation, MacroAsia SATS Inflight Services Corporation, **PAL Holdings, Inc.**, Philippine Airlines, Inc., PhilPlans First, Inc., Tanduay Distillers, Inc., Tagaytay Highlands International Golf Club, Inc., The Spa & Lodge at Tagaytay Highlands. Also, he is a Director of Allied Botanical Corporation, Alpha Alleanza Manufacturing Inc., Interbake Marketing Corporation, Lartizan Corporation, Lufthansa Technik Philippines, Inc., **MacroAsia Corporation**, Teambake Marketing Corporation, and Zenori Corporation. He is also a 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	72	Filipino	Chief Executive Officer of H&E Group of Companies; an Independent Director of Alliedbankers Insurance Corporation, Eton Properties Philippines, Inc., and **LT Group, Inc.** She is also the Honorary President of the Packaging Institute of the Philippines, the Philippine Plastic Industrial Association of the Philippines, Inc. and the Association of Volunteer Fire Chiefs and Firefighters of the Philippines; President of the Philippine Interschool Sports Association Affiliate Member of ISF International Sports Federation; First woman Chairman of the ASEAN Federation of Plastic Industries (AFPI); Honorary Executive Vice President of Federation of Filipino-Chinese Chamber of Commerce and Industries; Former Department of Labor and Employment AMD Tripartite; Vice President of the Philippine Piak O Eng Chamber of Commerce and Philippine	Independent Director / 1 Year/ May 7, 2019 to present

			Piak O Eng Uy's Association; Director of Philippine Dongshi Townmate Association, Inc., Technical Educational and Skills Development Authority (TESDA), and Tripartite Member of National Tripartite Council.	
Raul M. Leopando	75	Filipino	Independent Director of **LT Group, Inc.**, Director of **UPSON International Corporation**, Liberty Flour Mills Inc. and Seafront Resources Corporation. F ormer Vice Chairman of the Board of Directors - RCBC Bankard Services Corporation Former Senior Consultant - Rizal Commercial Banking Corporation , Former Adviser to the Board of Directors - RCBC Capital Corporation, Former Member of the Board of Directors – Investment Houses Association of the Philippines, Former Member of the Board of Directors – Maibarara Geothermal Energy Corporation, and Former Member of the Board of Directors – PetroGreen Energy Corporation.	Independent Director/ 1 year/May 7, 2025 to present
Woochong Um	62	Korean	Independent Director of **LT Group, Inc.**, Chief Executive Officer – Global Energy Alliance for People and Planet (GEAPP), Trustee Emeritus – International School Manila, Former Managing Director General – Asian Development Bank, Former Director General – Asian Development Bank's Regional and Sustainable Development Department, Former Key leader in ADB's Mekong Department; led major infrastructure projects, including the Nam Theun 2 Hydroelectric Project (with the World Bank), Former Corporate Information System Specialist, Pfizer Inc. (New York), Former Lead Programming Analyst, Bowes Inc. (Stamford, Connecticut).	Independent Director/ 1 year/May 7, 2025 to present

2. Executive Officers

Name/Position	Age	Citizenship	Current Affiliations and Business Experiences in the last 5 years	Term of Office/ Period Served
Lucio C. Tan/ Chairman and Chief Executive Officer	91	Filipino	See above	1 Year/July 2, 1999 to present
Lucio C. Tan III/ President and Chief Operating Officer	33	Filipino	See above	1 Year/May 3, 2023 to present
Juanita T. Tan Lee/ Treasurer	83	Filipino	See above	1 Year/April 8, 2014 to present
Ma. Cecilia L. Pesayco/ Corporate Secretary/ Chief Legal Counsel	73	Filipino	Corporate Secretary of Asia Brewery, Inc., Buona Sorte Holdings, Inc., **PAL Holdings, Inc.**, Tangent Holdings Corporation, Trustmark Holdings Corporation, Zuma Holdings and Management Corporation. She is likewise the Chief Legal Counsel of the Tan Yan Kee Foundation.	1 Year/March 31, 1998 to present as Corporate Secretary 1 Year/May 3, 2024 to present as Chief Legal Counsel
Jose Gabriel D. Olives/ Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief Sustainability Officer (CSO) and ESG Officer/Data Privacy Officer	79	Filipino	Former Senior Vice President – Finance & Chief Financial Officer of Philippine Airlines, Inc., and Former Chief Finance Officer of Asia Brewery, Inc.	1 Year/August 09, 2012 to present as CFO 1 Year/July 9, 2019 to present as CRO 1 Year/May 9, 2023 to present as CSO and ESG Officer
Dioscoro Teodorico L. Lim/Chief Audit Executive	70	Filipino	Former Chief Audit Executive of Philippine National Bank.	1 Year/July 11, 2017 to present
Nestor C. Mendones/ Deputy Chief Financial Officer	70	Filipino	Senior Vice President-Finance and Chief Finance Officer of Tanduay Distillers, Inc.	1 Year/August 09, 2012 to present
Marivic T. Moya/ Assistant Corporate Secretary and Compliance Officer	66	Filipino	Corporate Secretary of the Philippine Airlines, Inc., and Assistant Corporate Secretary of PAL Holdings, Inc.; Corporate Secretary of MacroAsia SATS Food Industries Corporation, MacroAsia Airport Services Corp., Asia's Emerging Dragons Corp., Aqualink Resources Development Corporation, Tera Connectivity and Information Inc.; Senior Vice President (former Vice President) for Human Resources, Legal and External Relations, Chief Compliance Officer (former Compliance Officer) and Chief Information Officer of MacroAsia Corporation; Corporate Secretary	1 Year/June 09, 2014 to present

			and Director of MacroAsia Properties Development Corp., MacroAsia Air Taxi Services, Inc., MacroAsia Mining Corp., First Aviation Academy, Inc. Naic Water Supply Corporation; Corporate Secretary and former Director of MacroAsia Catering Services Inc., SNV Resources Development Corp., Boracay Tubi System, Inc., Summa Water Resources, Inc.; Former Corporate Secretary and Director of MacroAsia SATS Inflight Services Corporation; Director and Treasurer of Watergy Business Solutions Inc. and Cavite Business Resources Inc.; and Director of Alliedkonsult Eco-solutions Corporation and Cavite Alliedkonsult Services Corporation.	

Independent Directors and their qualifications:

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

Term of office – 1 year
Period served – 7 years

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

Positions held in the last 5 years:

- Chairman of the Board of Trustees - Xavier School, Inc.
- Chairman of the Board of Trustees - P&Gers Fund Inc.
- Chairman & President - Taibrews Corporation
- Trustee - Xavier School Educational & Trust Fund
- Trustee - MGCC Foundation Inc.
- Independent Director of Asia Brewery, Inc.
- Independent Director of Century Pacific Food, Inc.
- Independent Director of First Aviation Academy
- Independent Director of MacroAsia Catering Services, Inc.
- Independent Director of MacroAsia Airport Services Corporation
- Independent Director of MacroAsia SATS Food Industries Corporation
- Independent Director of MacroAsia SATS Inflight Services Corporation
- Independent Director of PAL Holdings, Inc.
- Independent Director of Philippine Airlines, Inc.
- Independent Director of PhilPlans First, Inc.
- Independent Director of Tanduay Distillers, Inc.
- Independent Director of Tagaytay Highlands International Golf Club, Inc
- Independent Director of The Spa & Lodge at Tagaytay Highlands
- Director of Allied Botanical Corporation
- Director of Alpha Alleanza Manufacturing Inc.
- Director of Interbake Marketing Corporation

- Director of Lartizan Corporation
- Director of Lufthansa Technik Philippines, Inc.
- Director of MacroAsia Corporation
- Director of Teambake Marketing Corporation
- Director of Zenori Corporation

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

Term of office – 1 year
Period served – 6 years

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

Positions held in the last 5 years:

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

3. Raul M. Leopando, elected as an Independent Director since May 7, 2025.

Term of office – 1 year
Period served – 1 year

Educational attainment:
Bachelor of Arts in Economics, University of the Philippines
Bachelor of Science in Accounting, San Beda Colleges
Master's in Business Administration, Ateneo de Manila-Graduate School of Business

Positions held in the last 5 years:

- Director of UPSON International Corporation
- Director of Liberty Flour Mills Inc.
- Director of Seafront Resources Corporation
- Former Vice Chairman of the Board of Directors - RCBC Bankard Services Corporation
- Former Senior Consultant - Rizal Commercial Banking Corporation
- Former Adviser to the Board of Directors - RCBC Capital Corporation
- Former Member of the Board of Directors – Investment Houses Association of the Philippines
- Former Member of the Board of Directors – Maibarara Geothermal Energy Corporation,

- Former Member of the Board of Directors – PetroGreen Energy Corporation

4. Woochong Um, elected as Independent Director since May 7, 2025.

Term of office – 1 year
Period served – 1 year

Educational Attainment:
Bachelor of Science in Computer Science and Management, Boston College
Master's in Business Administration Major in Finance and International Business, New York University

Positions held in the last 5 years:
- Chief Executive Officer of Global Energy Alliance for People and Planet (GEAPP)
- Trustee Emeritus of International School Manila
- Former Managing Director General of Asian Development Bank
- Former Director General of Asian Development Bank's Regional and Sustainable Development Department
- Former Key leader in ADB's Mekong Department; led major infrastructure projects, including the Nam Theun 2 Hydroelectric Project (with the World Bank)
- Former Corporate Information System Specialist, Pfizer Inc. (New York)
- Former Lead Programming Analyst, Bowes Inc. (Stamford, Connecticut)

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)	2026 (Estimate)	₱11,317,680	₱943,140	₱3,822,500
	2025	10,288,800	857,400	3,475,000
	2024	9,675,600	857,400	3,335,000
All other officers and directors as a group unnamed	2026 (Estimate)	-	-	13,750,000
	2025	-	-	12,500,000
	2024	-	-	10,550,000

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, 2025.

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, Mr. Lucio C. Tan III, Ms. Sheila T. Pascual and Mr. Harry C. 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, 2025

Title of Class	Name of Beneficial owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Beneficial Ownership
Common	Lucio C. Tan	2,200 R (direct)	Filipino	Nil
Common	Carmen K. Tan	2,200 R (direct)	Filipino	Nil
Common	Lucio C. Tan III	1,100 R (direct)	Filipino	Nil
Common	Michael G. Tan	1,151,996 R (direct)	Filipino	Nil
Common	Karlu T. Say	1,000 R (direct) and 530,000 (indirect)	Filipino	Nil
Common	Vivienne K. Tan	1,000 R (direct)	Filipino	Nil
Common	Juanita T. Tan Lee	1,100 R (direct)	Filipino	Nil
Common	Johnip G. Cua	1,000 R (direct)	Filipino	Nil
Common	Mary G. Ng	1,000 R (direct)	Filipino	Nil
Common	Raul M. Leopando	1,000 R (direct)	Filipino	Nil
Common	Woochong Um	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 2025 Sustainability Report.

PART V – EXHIBITS AND SCHEDULES

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

a. Exhibits - see accompanying Index to Exhibits (page 89)

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

b. Reports on SEC Form 17-C

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

LIST OF ITEMS REPORTED UNDER SEC FORM 17-C
(from January 2025 to December 2025)

Date of Report	Subject Matter Disclosed
February 18, 2025	Notice of the Annual Stockholders' Meeting
February 21, 2025	Notice of Analysts' Briefing
February 28, 2025	Press Release
March 14, 2025	Declaration of Cash Dividends
May 2, 2025	Notice of Analysts' Briefing
May 7, 2025	Results of Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors
May 13, 2025	Press Release
June 16, 2025	Declaration of Cash Dividends
August 1, 2025	Notice of Analysts' Briefing
August 12, 2025	Press Release
August 22, 2025	Declaration of Cash Dividends
August 27, 2025	Reply to Exchange's Query
November 6, 2025	Notice of Analysts' Briefing
November 13, 2025	Press Release
November 17, 2025	Declaration of Cash Dividends

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code (SRC) and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized in the City of Makati on Feb. 24, 2026.

By:

Lucio C. Tan
Chairman and Chief Executive Officer

Nestor C. Mendones
Deputy Chief Financial Officer

Lucio C. Tan III
President

Susan T. Lee
Principal Accounting Officer

Jose Gabriel D. Olives
Chief Financial Officer

Ma. Cecilia L. Pesayco
Corporate Secretary

SUBSCRIBED AND SWORN to before me this FEB 24 2026 at Makati City, affiants exhibiting to me their Passports, as follows:

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

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 10765433 / 1-5-2026 / Makati City
IBP Lifetime Member No. 00104 / 5-5-1993
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VIII-13506 /9-17-2024
Commission No. M-064 until 31 December 2026

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Book No. LXXXV
Series of 2026

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, 2025, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signed under oath by the following:
on February 24, 2026

Lucio C. Tan
Chairman and
Chief Executive Officer

Lucio C. Tan III
President

Jose Gabriel D. Olives
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this FEB 24 2026 at Makati City, affiants exhibiting to me their Passport numbers, as follows:

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

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Series of 2026

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 10765433 / 1-5-2026 / Makati City
IBP Lifetime Member No. 00104 / 5-5-1993
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VIII-13506 /9-17-2024
Commission No. M-064 until 31 December 2026

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

SEC Registration Number

P	W	-	0	0	0	0	0	3	4	3

C O M P A N Y   N A M E

LT GROUP, INC. AND
SUBSIDIARIES

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

11th Floor, Unit 3 Bench
Tower, 30th St. corner Rizal
Drive Crescent Park, West 5
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	(02) 8808-1266	+09566750228

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
389	5/7	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of LT Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

Adequacy of Allowance for Credit Losses on Finance Receivables

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

Allowance for credit losses on finance receivables as of December 31, 2025 and the provision for credit losses in 2025 amounted to ₱38.9 billion and ₱1.6 billion, respectively.

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

Audit Response

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

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

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

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

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

Accounting for Investment in PMFTC, Inc.

The Group has an investment in PMFTC. Inc. (PMFTC, an associate) that is accounted for under the equity method. For the year ended December 31, 2025, the Group's share in the net income of PMFTC amounted to ₱10.61 billion and accounts for 25% of the Group's consolidated net income. This matter is significant to our audit because of the materiality of the amount equitized by the Group.

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

Audit Response

We sent instructions to the statutory auditor of PMFTC to perform an audit of the relevant financial information of PMFTC for the purpose of the Group's consolidated financial statements. These audit instructions cover their scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with the statutory auditor of PMFTC their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2025. We reviewed the relevant working papers of the statutory auditor of PMFTC, focusing on the procedures performed on key audit areas, and discussed with them the results of their audit. We also obtained the financial information of PMFTC as of and for the year ended December 31, 2025 and recomputed the Group's share in net income for the year then ended.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 72557-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10765125, January 2, 2026, Makati City

February 24, 2026

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱221,048,843**	₱223,583,790
Financial assets at fair value through profit or loss (FVTPL) [Notes 6 and 21]	**34,652,714**	17,956,162
Financial assets at fair value through other comprehensive income (FVTOCI) [Notes 7 and 17]	**85,216,910**	125,189,186
Financial assets at amortized cost (Notes 7 and 17)	**9,062,675**	19,097,106
Loans and receivables - net (Note 8)	**370,117,621**	312,406,599
Inventories (Note 9)	**14,427,761**	13,328,520
Due from related parties (Note 22)	**1,418,498**	1,889,364
Other current assets (Note 10)	**12,601,951**	12,658,175
Total Current Assets	**748,546,973**	726,108,902
Noncurrent Assets		
Financial assets at FVTOCI (Notes 7 and 17)	**90,866,234**	66,179,663
Financial assets at amortized cost (Notes 7 and 17)	**118,913,311**	94,776,887
Loans and receivables - net of current portion (Note 8)	**395,188,341**	349,063,956
Investments in associates and joint ventures (Note 11)	**19,185,743**	18,382,496
Property, plant and equipment (Note 12):		
At appraised values	**58,923,401**	57,248,391
At cost	**10,890,345**	11,671,107
Investment properties (Note 13)	**39,200,697**	38,979,404
Deferred income tax assets - net (Note 29)	**7,716,173**	7,448,142
Other noncurrent assets (Notes 14, 23 and 37)	**4,467,045**	4,470,911
Total Noncurrent Assets	**745,351,290**	648,220,957
TOTAL ASSETS	**₱1,493,898,263**	₱1,374,329,859

LIABILITIES AND EQUITY		
Current Liabilities		
Deposit liabilities (Note 15)	**₱1,021,100,020**	₱940,057,144
Financial liabilities at FVTPL (Notes 16 and 21)	**285,562**	924,053
Bills and acceptances payable (Note 17)	**10,742,748**	20,208,451
Accounts payable and accrued expenses (Note 18)	**21,787,947**	20,655,439
Short-term debts (Note 19)	**3,700,000**	3,700,000
Current portion of long-term debts (Note 19)	**1,672,443**	1,926,643
Income tax payable	**375,373**	333,355
Due to related parties (Note 22)	**50,000**	64,001
Other current liabilities (Notes 20 and 37)	**8,428,939**	11,372,824
Total Current Liabilities (Carried Forward)	**1,068,143,032**	999,241,910

	December 31	
	2025	2024
Total Current Liabilities (Brought Forward)	**₱1,068,143,032**	₱999,241,910
Noncurrent Liabilities		
Deposit liabilities - net of current portion (Note 15)	**10,179,561**	5,290,562
Long-term debts - net of current portion (Note 19)	**38,552,987**	23,622,689
Net retirement benefits liability (Note 23)	**764,935**	710,000
Deferred income tax liabilities - net (Note 29)	**8,840,708**	8,475,269
Other noncurrent liabilities (Note 20)	**6,673,577**	6,777,227
Total Noncurrent Liabilities	**65,011,768**	44,875,747
Total Liabilities	**1,133,154,800**	1,044,117,657
Equity		
Attributable to equity holders of the Company (Notes 1, 7, 12, 23, 30 and 36):		
Capital stock	**10,821,389**	10,821,389
Capital in excess of par	**35,906,231**	35,906,231
Other comprehensive income, net of deferred income tax effect	**14,285,346**	13,327,515
Other equity reserves	**(2,954,800)**	(4,188,092)
Retained earnings	**193,029,365**	175,231,056
Shares of stock of the Company held by subsidiaries	**(12,519)**	(12,519)
	251,075,012	231,085,580
Non-controlling interests (Notes 1, 7, 12 and 30)	**109,668,451**	99,126,622
Total Equity	**360,743,463**	330,212,202
TOTAL LIABILITIES AND EQUITY	**₱1,493,898,263**	₱1,374,329,859

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Years Ended December 31		
	2025	2024	2023
REVENUE (Note 24)			
Banking	**₱79,069,186**	₱75,068,040	₱66,550,969
Distilled spirits	**33,930,360**	33,773,423	29,884,821
Beverage	**16,847,684**	17,193,576	16,414,006
Property development	**2,931,195**	2,930,483	2,449,140
	132,778,425	128,965,522	115,298,936
COST OF GOODS SOLD AND SERVICES (Note 24)	**61,008,669**	62,729,762	55,537,664
GROSS INCOME	**71,769,756**	66,235,760	59,761,272
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 11)	**9,991,814**	8,866,605	11,924,732
	81,761,570	75,102,365	71,686,004
OPERATING EXPENSES			
Selling expenses (Note 25)	**2,623,866**	2,641,879	2,516,285
General and administrative expenses (Note 26)	**36,012,292**	36,811,271	36,886,503
	38,636,158	39,453,150	39,402,788
OPERATING INCOME	**43,125,412**	35,649,215	32,283,216
OTHER INCOME (CHARGES)			
Foreign exchange gains - net	**1,455,446**	1,453,699	1,289,740
Finance costs (Note 27)	**(528,206)**	(607,760)	(691,456)
Finance income (Note 27)	**527,872**	251,569	84,958
Others - net (Note 28)	**6,560,040**	8,410,776	6,267,239
	8,015,152	9,508,284	6,950,481
INCOME BEFORE INCOME TAX	**51,140,564**	45,157,499	39,233,697
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**8,108,533**	7,336,125	5,665,437
Deferred	**725,552**	(686,358)	(447,620)
	8,834,085	6,649,767	5,217,817
NET INCOME	**₱42,306,479**	₱38,507,732	₱34,015,880

	Years Ended December 31		
	2025	2024	2023
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	**₱30,975,731**	₱28,920,989	₱25,421,454
Non-controlling interests	**11,330,748**	9,586,743	8,594,426
	₱42,306,479	₱38,507,732	₱34,015,880
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Company (Note 31)	**₱2.86**	₱2.67	₱2.35

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2025	2024	2023
NET INCOME	**₱42,306,479**	₱38,507,732	₱34,015,880
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Translation adjustments	**1,167,953**	312,089	(475,513)
Net changes in fair value of financial assets at FVTOCI, net of tax (Note 7)	**658,280**	3,464,603	2,505,660
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**1,826,233**	3,776,692	2,030,147
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Share in aggregate gains (losses) on life insurance policies	**(1,601,484)**	1,812,308	(111,850)
Net changes in fair value of financial assets at FVTOCI (Note 7)	**(69,415)**	(1,248,987)	2,378,381
Income tax effect	**17,354**	312,247	(594,595)
	(52,061)	(936,740)	1,783,786
Remeasurement losses on defined benefit plans (Note 23)	**(479,720)**	(430,285)	(2,655,046)
Income tax effect	**119,930**	107,571	663,762
	(359,790)	(322,714)	(1,991,284)
Share in remeasurement gains (losses) on defined benefit plans of associates	**(749,564)**	(786,405)	396,615
Net revaluation increase (decrease) on property, plant and equipment (Note 12)	**1,069,028**	122,686	(68,512)
Income tax effect	**(267,257)**	(30,671)	17,128
	801,771	92,015	(51,384)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	**(1,961,128)**	(141,536)	25,883
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(134,895)**	3,635,156	2,056,030
TOTAL COMPREHENSIVE INCOME	**₱42,171,584**	₱42,142,888	₱36,071,910
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	**₱33,516,168**	₱32,098,624	₱26,654,500
Non-controlling interests	**8,655,416**	10,044,264	9,417,410
	₱42,171,584	₱42,142,888	₱36,071,910

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(Amounts in Thousands)

	Attributable to Equity Holders of the Company (Notes 1, 7, 12, 23, 30 and 36)														
				Other Comprehensive Income (Loss)											
	Capital Stock	Capital in Excess of Par	Reserves of Disposal Group Classified as Held for Sale	Cumulative Translation Adjustments	Net Changes in Financial Assets at FVTOCI (Note 7)	Remeasurement Gains (Losses) on Defined Benefit Plans (Note 23)	Revaluation Increment on Property, Plant and Equipment (Note 12)	Remeasurement Gains on Defined Benefit Plans of an Associate (Note 11)	Total Other Comprehensive Income (Loss), Net of Deferred Income Tax Effect	Other Equity Reserves (Note 30)	Retained Earnings	Shares of Stock of the Company Held by Subsidiaries	Total	Non-controlling Interests (Notes 2, 7, 12 and 30)	Total
BALANCES AT JANUARY 1, 2023	**₱10,821,389**	**₱35,906,231**	**₱–**	**₱1,287,067**	**(₱2,208,547)**	**₱781,162**	**₱11,772,810**	**₱302,833**	**₱11,935,325**	**(₱5,529,303)**	**₱145,723,736**	**(₱12,519)**	**₱198,844,859**	**₱77,816,817**	**₱276,661,676**
Net income for the year	–	–	–	–	–	–	–	–	–	–	25,421,454	–	25,421,454	8,594,426	34,015,880
Other comprehensive income (loss)	–	–	–	(338,490)	2,444,953	(1,198,045)	(8,825)	396,615	1,296,208	(63,162)	–	–	1,233,046	822,984	2,056,030
Total comprehensive income (loss) for the year	–	–	–	(338,490)	2,444,953	(1,198,045)	(8,825)	396,615	1,296,208	(63,162)	25,421,454	–	26,654,500	9,417,410	36,071,910
Cash dividends declared (Note 30)	–	–	–	–	–	–	–	–	–	–	(12,985,667)	–	(12,985,667)	–	(12,985,667)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	528,534	528,534
Decrease in noncontrolling interest without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	(40,633)	(40,633)
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal (Note 12)	–	–	–	–	–	–	(812,609)	–	(812,609)	–	812,609	–	–	–	–
BALANCES AT DECEMBER 31, 2023	**10,821,389**	**35,906,231**	–	**948,577**	**236,406**	**(416,883)**	**10,951,376**	**699,448**	**12,418,924**	**(5,592,465)**	**158,972,132**	**(12,519)**	**212,513,692**	**87,722,128**	**300,235,820**
Net income for the year	–	–	–	–	–	–	–	–	–	–	28,920,989	–	28,920,989	9,586,743	38,507,732
Other comprehensive income (loss)	–	–	–	156,175	1,715,789	575,195	112,508	(786,405)	1,773,262	1,404,373	–	–	3,177,635	457,521	3,635,156
Total comprehensive income (loss) for the year	–	–	–	156,175	1,715,789	575,195	112,508	(786,405)	1,773,262	1,404,373	28,920,989	–	32,098,624	10,044,264	42,142,888
Cash dividends declared (Note 30)	–	–	–	–	–	–	–	–	–	–	(13,526,736)	–	(13,526,736)	–	(13,526,736)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	106,816	106,816
Realization of gain relating to financial assets at FVTOCI (Note 7)	–	–	–	–	(505,351)	–	–	–	(505,351)	–	505,351	–	–	–	–
Increase in noncontrolling interest without change in control	–	–	–	–	–	–	–	–	–	–	–	–	–	1,253,414	1,253,414
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal (Note 12)	–	–	–	–	–	–	(359,320)	–	(359,320)	–	359,320	–	–	–	–
BALANCES AT DECEMBER 31, 2024	**10,821,389**	**35,906,231**	–	**1,104,752**	**1,446,844**	**158,312**	**10,704,564**	**(86,957)**	**13,327,515**	**(4,188,092)**	**175,231,056**	**(12,519)**	**231,085,580**	**99,126,622**	**330,212,202**

(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, 2024	**₱10,821,389**	**₱35,906,231**	**₱–**	**₱1,104,752**	**₱1,446,844**	**₱158,312**	**₱10,704,564**	**(₱86,957)**	**₱13,327,515**	**(₱4,188,092)**	**₱175,231,056**	**(₱12,519)**	**₱231,085,580**	**₱99,126,622**	**₱330,212,202**
Net income for the year	–	–	–	–	–	–	–	–	–	–	30,975,732	–	30,975,732	11,330,748	42,306,480
Other comprehensive income (loss)	–	–	–	709,001	223,801	300,549	823,357	(749,564)	1,307,144	1,233,292	–	–	2,540,436	(2,675,332)	(134,896)
Total comprehensive income (loss) for the year	–	–	–	709,001	223,801	300,549	823,357	(749,564)	1,307,144	1,233,292	30,975,732	–	33,516,168	8,655,416	42,171,584
Cash dividends declared (Note 30)	–	–	–	–	–	–	–	–	–	–	(13,526,736)	–	(13,526,736)	–	(13,526,736)
Other equity reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	754,201	754,201
Increase in noncontrolling interest without change in control	–	–	–	–	–	–	–	–	–	–	–	–	–	1,132,212	1,132,212
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal (Note 12)	–	–	–	–	–	–	(349,313)	–	(349,313)	–	349,313	–	–	–	–
BALANCES AT DECEMBER 31, 2025	**₱10,821,389**	**₱35,906,231**	**₱–**	**₱1,813,753**	**₱1,670,645**	**₱458,861**	**₱11,178,608**	**(₱836,521)**	**₱14,285,346**	**(₱2,954,800)**	**₱193,029,365**	**(₱12,519)**	**₱251,075,012**	**₱109,668,451**	**₱360,743,463**

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱51,140,564**	₱45,157,499	₱39,233,697
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 11)	**(9,991,814)**	(8,866,605)	(11,924,732)
Depreciation and amortization (Notes 12, 13 and 14)	**6,410,414**	6,438,271	6,495,530
Provision for credit losses (Notes 8 and 26)	**1,598,267**	3,868,111	5,923,054
Movements in accrued retirement benefits (Note 23)	**(1,196,127)**	(1,510,888)	(2,056,686)
Finance costs (Note 27)	**528,206**	607,760	691,456
Finance income (Note 27)	**(527,872)**	(251,569)	(84,958)
Dividend income (Note 28)	**(35,455)**	(65,933)	(81,165)
Operating income before changes in working capital	**47,926,183**	45,376,646	38,196,196
Decrease (increase) in:			
Receivables	**(105,380,981)**	(25,781,174)	(30,775,247)
Financial assets at FVTPL	**(16,696,552)**	(7,405,567)	(3,171,469)
Inventories	**(1,099,241)**	380,597	1,301,656
Other current assets	**(131,259)**	(279,983)	1,118,934
Increase (decrease) in:			
Deposit liabilities	**88,676,707**	47,698,302	56,719,665
Other current and noncurrent liabilities	**(1,879,582)**	263,285	(4,287,594)
Financial liabilities at FVTPL	**(638,491)**	368,242	(483,965)
Accounts payable and accrued expenses	**149,063**	(2,335,489)	2,521,273
Cash generated from operations	**10,925,847**	58,284,859	61,139,449
Income taxes paid, including creditable withholding and final taxes	**(7,879,032)**	(5,464,441)	(5,872,620)
Interest received	**475,179**	379,593	179,761
Interest paid	**(302,878)**	(904,736)	(752,258)
Dividends received (Notes 11, 22 and 28)	**35,455**	65,933	81,165
Net cash from operating activities	**3,254,571**	52,361,208	54,775,497

(Forward)

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Financial assets at FVTOCI (Note 7)	**(₱580,339,387)**	(₱804,940,569)	(₱562,081,002)
Financial assets at amortized cost	**(31,549,240)**	(24,384,450)	(76,810,828)
Investment properties (Note 13)	**(5,017,224)**	(129,719)	(6,877,944)
Property, plant and equipment (Note 12)	**(3,569,300)**	(3,374,655)	(4,393,052)
Software (Note 14)	**(1,003,810)**	(946,940)	(1,224,566)
Proceeds from sale of:			
Financial assets at FVTOCI (Note 7)	**596,213,957**	759,833,262	559,938,659
Financial assets at amortized cost	**17,447,247**	33,710,884	64,078,361
Other assets (Notes 12 and 13)	**5,882,084**	796,605	749,996
Dividends received from joint venture and associates (Note 11)	**10,708,645**	13,640,829	16,748,650
Additional investment in joint venture and associates	**(3,121,562)**	(2,340,665)	(2,349,641)
Advances received from affiliates	**470,866**	449,359	1,217,753
Net cash from (used in) investing activities	**6,122,276**	(27,686,059)	(11,003,614)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Bill and acceptance payable (Note 17)	**327,939,661**	209,254,316	136,027,137
Long-term debts (Note 19)	**16,783,614**	–	–
Short-term debts (Note 19)	–	–	590,000
Payments of:			
Bill and acceptance payable (Note 17)	**(335,518,951)**	(207,848,238)	(130,357,006)
Dividends (Note 30)	**(13,526,736)**	(13,526,736)	(12,985,667)
Principal portion of lease liabilities	**(1,510,025)**	(1,127,583)	(1,314,516)
Long-term debts (Note 19)	**(1,479,357)**	(22,834,099)	(15,886,773)
Short-term debts (Note 19)	–	(580,000)	(800,000)
Settlement of LTNCDs (Note 15)	**(4,600,000)**	(8,220,000)	–
Net cash used in financing activities	**(11,911,794)**	(44,882,340)	(24,726,825)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,534,947)**	(20,207,191)	19,045,058
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**223,583,790**	243,790,981	224,745,923
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱221,048,843**	₱223,583,790	₱243,790,981

See accompanying Notes to Consolidated Financial Statements.

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

Corporate Information

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

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

As of December 31, 2025 and 2024, LTG is 74.36%-owned by its ultimate parent company, Tangent, which is also incorporated in the Philippines.

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

Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 were authorized for issue by the Board of Directors (BOD) on February 24, 2026.

2. Summary of Material Accounting and Financial Reporting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

	Percentage of Ownership						
	2025		2024		2023		Country of
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect	Incorporation
Distilled Spirits							
Tanduay Distillers, Inc. (TDI) and subsidiaries	100.0	–	100.0	–	100.0	–	Philippines
Absolut Distillers, Inc. (ADI)	–	96.0	–	96.0	–	96.0	Philippines
Asian Alcohol Corporation (AAC) [1]	–	–	–	–	–	95.0	Philippines
Tanduay Brands International, Inc. (TBI)	–	100.0	–	100.0	–	100.0	Philippines
Beverages							
Asia Brewery, Incorporated (ABI) and subsidiaries	99.9	–	99.9	–	99.9	–	Philippines
Agua Vida Systems, Inc.	–	99.9	–	99.9	–	99.9	Philippines
Interbev Philippines, Inc.	–	99.9	–	99.9	–	99.9	Philippines
Waterich Resources Corp.	–	99.9	–	99.9	–	99.9	Philippines
Packageworld, Inc.	–	99.9	–	99.9	–	99.9	Philippines
AB Nutribev Corp.	–	99.9	–	99.9	–	99.9	Philippines
Asia Pacific Beverage Pte. Ltd. (APB Singapore)	–	99.9	–	99.9	–	99.9	Singapore
Asia Pacific Beverages Myanmar Company Limited (APB Myanmar)	–	90.0	–	90.0	–	90.0	Myanmar
Tobacco							
Shareholdings, Inc. (Shareholdings)	97.7	–	97.7	–	97.7	–	Philippines
Fortune Tobacco Corporation (FTC)	82.7	16.9	82.7	16.9	82.7	16.9	Philippines
Property Development							
Saturn Holdings, Inc.	100.0	–	100.0	–	100.0	–	Philippines
Paramount Landequities, Inc. (PLI) and Subsidiaries	100.0	–	100.0	–	100.0	–	Philippines
Eton Properties Philippines, Inc. (Eton)	–	99.6	–	99.6	–	99.6	Philippines
Belton Communities, Inc. (BCI)	–	99.6	–	99.6	–	99.6	Philippines
Eton City, Inc. (ECI)	75.5	24.1	75.5	24.1	–	99.6	Philippines
FirstHomes, Inc. (FHI)	–	99.6	–	99.6	–	99.6	Philippines
Eton Properties Management Corporation (EPMC)	–	99.6	–	99.6	–	99.6	Philippines
Banking							
Bank Holding Companies (Note 22) [2]	80-100	–	80-100	–	80-100	–	Various
Philippine National Bank (PNB) and Subsidiaries[3]	–	56.5	–	56.5	–	56.5	Philippines
PNB Capital and Investment Corporation (PNB Capital)	–	56.5	–	56.5	–	56.5	Philippines
PNB Securities, Inc. (PNB Securities)	–	56.5	–	56.5	–	56.5	Philippines
PNB Corporation - Guam (PNB Guam)	–	56.5	–	56.5	–	56.5	United States of America (USA)
PNB International Investments Corporation (PNB IIC)	–	56.5	–	56.5	–	56.5	USA
PNB Remittance Centers, Inc. (PNB RCI)	–	56.5	–	56.5	–	56.5	USA
PNB RCI Holding Co. Ltd.	–	56.5	–	56.5	–	56.5	USA
PNB Remittance Co. (Canada)	–	56.5	–	56.5	–	56.5	Canada
PNB Europe PLC	–	56.5	–	56.5	–	56.5	United Kingdom
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	–	56.5	–	56.5	–	56.5	Hong Kong
Allied Integrated Holdings, Inc. (AIHI)	–	56.5	–	56.5	–	56.5	Philippines
PNB-Mizuho Leasing Finance Corporation (PMLFC)	–	50.8	–	50.8	–	50.8	Philippines
PNB-Mizuho Equipment Rentals Corporation (PMERC)	–	50.8	–	50.8	–	50.8	Philippines
Allied Commercial Bank (ACB)	–	55.9	–	55.9	–	55.9	Republic of China

(Forward)

	Percentage of Ownership						
	2025		2024		2023		Country of
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect	Incorporation
Allied Banking Corporation (Hongkong) Limited (ABCHKL)	–	51.0	–	51.0	–	51.0	Hong Kong
ACR Nominees Limited	–	51.0	–	51.0	–	51.0	Hong Kong
Oceanic Holdings (BVI) Ltd. (OHBVI)	–	27.8	–	27.8	–	27.8	USA
Other Investments							
PNB Holdings Corporation (PNB Holdings) (4)	–	56.5	–	56.5	–	56.5	Philippines
Mabuhay Digital Technologies, Inc. (MDTI)	100.0	–	100.0	–	100.0	–	Philippines
Mabuhay Digital Philippines, Inc. (MDPI)	100.0	–	100.0	–	100.0	–	Philippines
Asia's Emerging Dragon Corporation	60.0	40.0	60.0	40.0	60.0	40.0	Philippines

(1) *Classified as held for sale; Sold in 2024*

(2) *As of December 31, 2025, 2024 and 2023, the Bank Holding Companies consist of 27 entities with aggregate direct ownership interest of 59.83% in PNB, of which 20 companies are incorporated in the Philippines and seven (7) companies are incorporated in the British Virgin Islands (see Note 22).*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have any material impact on the consolidated financial statements of the Group.

- Amendments to PAS 21*, Lack of exchangeability*

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

  The Group adopted the amendments beginning January 1, 2025.

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

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*

  The amendments add illustrative examples to several PFRS Accounting Standards intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders' concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements.

  The examples address topics such as materiality judgements, significant judgements and estimates, and aggregation and disaggregation.

  The illustrative examples are not an integral part of PFRS Accounting Standards and, as such, do not have an effective date or transition requirements. However, an entity is expected to be entitled to sufficient time to implement any changes to align the information disclosed in its financial statements with the illustrative examples. Determining how much time is sufficient is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless, an entity would be expected to implement any changes on a timely basis.

The expected adoption will not materially affect the Group.

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

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

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

  The expected adoption will not materially affect the Group.

- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*

  The amendments only apply to contracts that reference nature-dependent electricity such as contracts to buy or sell nature-dependent electricity, as well as financial instruments that reference such electricity. This amendment cannot be applied by analogy to other contracts, items or transactions.
  The amendments clarify the application of the 'own-use' requirements for in-scope contracts, amend the designation requirements for a hedge item in a cash flow hedging relationship for in-scope contracts and include new disclosure requirements.

  The expected adoption will not materially affect the Group.

- Annual Improvements to PFRS Accounting Standards—Volume 11

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

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

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

- Amendments to PFRS 9
  a) Lessee Derecognition of Lease Liabilities

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

  b) Transaction Price

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

- Amendments to PFRS 10, *Determination of a 'De Facto Agent'*

  The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.

- Amendments to PAS 7, *Cost Method*

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

The expected adoption will not materially affect the Group.

Effective beginning on or after January 1, 2027

- PFRS 17, *Insurance Contracts*

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

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

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

  On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. Thereafter, on February 14, 2025, the FSRSC approved the amendment to PFRS 17 that further defers the date of initial application by an additional two (2) years, to annual periods beginning on or after January 1, 2027. This will provide more time for the insurance industry to fully prepare and assess the impact of adopting the said standard.

The adoption of PFRS 17 will have an impact on the Group's financial statements through the application of the equity method of accounting for its investment in the associate that issues insurance contracts.

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

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

  The Group is currently assessing the impact the standard will have on the primary financial statements and notes to the financial statements.

- PFRS 19, *Subsidiaries without Public Accountability*

  The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS Accounting Standards.

  In 2025, PFRS 19 was amended to provide reduced disclosure requirements for new or amended PFRS Accounting Standards adopted by the FSRSC from the issuances of the IASB between February 2021 and May 2024.

  The application of the standard is optional for eligible entities.

  The expected adoption will not materially affect the Group.

- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

  The amendments introduce translation requirements for entities translating their financial statements, or the results and financial position of a foreign operation, from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy.

  The expected adoption will not materially affect the Group.

Deferred effectivity

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

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

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

The expected adoption will not materially affect the Group.

The Group continues to assess the impact of the above new and amended accounting standards and Interpretations effective subsequent to 2024 on the Group's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Material Accounting Policies Applicable to the Group

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas (BSP)', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Investment securities at amortized cost', and 'Loans and receivables'.

The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for impairment, credit and other losses' in the consolidated statement of income.

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

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

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

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

<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 'Others - net' in the consolidated statements of income.

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

Impairment of Financial Assets

ECL methodology

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

Staging assessment

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

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

Definition of "default" and "cure"

The Group considers default to have occurred when:

- the obligor is past due for more than 90 days on any material credit obligation to the Group; or
- the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable.

The Group no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determining SICR

At each reporting date, the Group assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group's assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days ("backstop").

The Group assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management's close attention. Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

The Group looks at the quantitative element through statistical models or credit ratings process or scoring process that captures certain information, which the Group considers as relevant in assessing changes in credit risk. The Group also looks at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

Transfer between stages
The Group transfers credit exposures from Stage 1 to Stage 2 if there is an SICR from initial recognition date. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then the Group reverts them to Stage 1.

The Group transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:

- quantitative - characterized by payments made within an observation period; and
- qualitative - pertain to the results of assessment of the borrower's financial capacity.

Generally, the Group considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under *Derecognition of Financial Assets and Liabilities*.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans
The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL
ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) - an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) - an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.

- Exposure-at-default (EAD) - an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate - represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group applies a simplified ECL approach for its other loans and receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to product conditions over the span of a given observation period.

Offsetting of Financial Instruments
Financial instruments are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Other Current Assets
Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises mainly of prepaid importation charges and excise tax, prepaid rentals and insurance premiums and other prepaid items, and creditable withholding tax. Prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of income when incurred.

Prepaid importation charges are applied to respective asset accounts, i.e., inventories and equipment, as part of their direct cost once importation is complete. Prepaid excise taxes are applied to inventory as part of its cost once related raw material item is consumed in the production. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Investments in Associates and Joint Ventures
Investment in associates pertains to entities over which the Group has significant influence but not control. Investment in joint ventures pertains to the Group's interest in joint ventures, which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The joint venture arrangements requires unanimous

agreement for financial and operating decisions among the venturers. The Group recognizes its investments in associates and joint ventures using the equity method.

Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associates and joint ventures. The Group's share in the associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' and joint ventures' equity reserves is recognized directly in other comprehensive income. When the Group's share of losses in the associate and joint venture equals or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture. Profits and losses resulting from transactions between the Group and the associates and joint ventures are eliminated to the extent of the interest in the associates and joint ventures.

Where necessary, adjustments are made to the financial statements of the associates and joint ventures to bring the accounting policies used in line with those used by the Group.

For additional acquisitions resulting to a significant influence over an associate whose original investments were previously held at fair value through other comprehensive income, the changes in fair value previously recognized are reversed through equity reserves to bring the asset back to its original cost. The difference between the sum of consideration and the share of fair value of net assets at date the investment becomes an associate is recognized as goodwill which is retained in the carrying value of the investment or a gain in consolidated net income under "Equity in net earnings of associates and joint ventures".

Upon loss of significant influence over the associate or upon loss of joint control on the jointly controlled entity, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associates and joint ventures upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized either in the consolidated statement of income or in the consolidated statement of comprehensive income.

Property, Plant and Equipment

Property, plant and equipment, other than land and land improvements, plant buildings and building improvements, and machineries and equipment, are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation of that cost. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are expensed in the consolidated statement of income as incurred. Borrowing costs incurred during the construction of a qualifying asset is likewise included in the initial cost of property, plant and equipment.

Land and land improvements, plant buildings and building improvements, and machineries and equipment are stated at revalued amounts based on a valuation performed by professionally qualified, accredited and independent appraisers. Revaluation is made every three to five years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of reporting period. For subsequent revaluations, the accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals the revalued amount. Any resulting increase in the asset's carrying amount as a result of the revaluation is credited directly to "Revaluation increment on property, plant and equipment, net of related deferred income tax effect" (presented as part of "Other comprehensive income" in the equity section of the consolidated statement of financial position).

Any resulting decrease is directly charged against any related revaluation increment to the extent that the decrease does not exceed the amount of the revaluation increment in respect of the same asset. Further, the revaluation increment of depreciable property, plant and equipment is transferred to retained earnings as the asset is used by the Group. The amount of the revaluation increment transferred would be the difference between the depreciation and amortization based on the revalued carrying amount of the asset and depreciation and amortization based on the asset's original cost. In case the asset is retired or disposed of, the related remaining revaluation increment is transferred directly to retained earnings. Transfers from revaluation increment to retained earnings are not made through profit or loss.

Construction in progress consists of properties in the course of construction for production or administrative purposes, which are carried at cost less any recognized impairment loss. This includes cost of construction and equipment, and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Returnable containers (i.e., returnable bottles and crates) are stated at cost less accumulated depreciation and any impairment in value. Cost of manufactured containers comprises materials used and applicable allocation of fixed and variable labor and overhead cost. Amortization of returnable containers is included under "Selling expenses" account in the consolidated statement of income.

Deposit value for the containers loaned to customer is included as part of "Trade payable" under "Accounts payable and accrued expenses" account in the consolidated statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
At appraisal values:	
Land improvements	5 - 15
Plant buildings and building improvements	8 - 50
Machineries and equipment	5 - 30
Office and administration buildings	20 - 40
Leasehold improvements	3 - 30 or lease term, whichever is shorter
Transportation equipment	2 - 5
Returnable containers	5 - 7
Furniture, fixtures and other equipment	3 - 20

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Depreciation or amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the item is derecognized.

When assets are sold or retired, their cost and accumulated depreciation and amortization and any impairment in value are removed from the accounts, and any gain or loss resulting from their disposal is recognized in the consolidated statement of income.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term, as follows:

	Estimated useful life
ROU assets - branch premises	1 - 25
ROU assets - land	10 - 40
ROU assets - warehouse and warehouse equipment	5 - 15

ROU assets are subject to impairment.

Investment Properties

Investment properties are initially measured at cost, including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless the exchange lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. Any gain or loss on the exchange is recognized in “Net gains on sale or exchange of assets” and presented in the “Others - net” account in the consolidated statement of income. Foreclosed properties are classified under “Investment properties” upon:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (*dacion en pago*).

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Subsequent to initial recognition, depreciable investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is calculated on a straight-line basis using the estimated useful life from the time of acquisition of the investment properties.

The estimated useful life of the depreciable investment properties which generally include building and improvements ranges from 8 to 50 years.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in “Others - net” in the year of retirement or disposal.

Transfers are made to investment property only when there is a change in use evidenced by cessation of owner-occupation or of construction or development, or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Investment properties also include ROU assets involving real properties that are subleased to other entities.

For those ROU assets that qualify as investment properties, i.e., those land and buildings that are subleased by the Company, these are classified under investment properties in accordance with paragraph 48 of PFRS 16. Consistent with the Group’s policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Other Properties Acquired

Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Group applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the estimated useful life of five years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful/economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of the reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangibles with finite lives
Software costs, included in "Other noncurrent assets", are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over five years on a straight-line basis.

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Impairment of Noncurrent Nonfinancial Assets
Property, plant and equipment, investment properties, other properties, investments in associates and joint ventures, and software costs
At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating units') fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations or to the revaluation increment for assets carried at revalued amount, in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation or amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated (or to the aggregate carrying amount of a group of cash-generating units to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of the reporting period.

Revenue
Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Refer to the material accounting policies generally applicable to the consumer products, banking and property development for the specific recognition criteria that must also be met before revenue is recognized.

Costs and Expenses
Costs and expenses are recognized in the consolidated statement of income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Selling and general and administrative expenses
Selling expenses are costs incurred to sell or distribute merchandise, it includes advertising and promotions and freight and handling, among others. General and administrative expenses constitute costs of administering the business. Selling and general and administrative expenses are expensed as incurred.

Taxes and licenses
Taxes and licenses include all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees and are recognized as costs and expenses when incurred.

Retirement Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service cost
- net interest on the net defined benefit liability or asset
- remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refund from the plan or reduction in future contribution to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-based Payment
Employees of the Group receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The Group determines the cost of equity-settled transactions at fair value at the date when the grant is made, and recognizes as 'Compensation and fringe benefits', together with a corresponding increase in equity ('Other equity reserves'), over the

period in which the service is fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects to the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. Capitalization ceases when pre-selling of real estate inventories under construction commences. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are expensed as incurred.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Debt Issue Costs

Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVTPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the consolidated statement of financial position.

Leases

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

- Right-of-use assets

  At the commencement date of the lease (i.e, the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group presents the right-of-use assets in ‘Property, plant and equipment’ and subjects it to impairment in line with the Group’s policy on impairment of nonfinancial assets.

- Lease liabilities

  At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Group’s incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

  After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in ‘Cost of banking services’), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets

  The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under ‘Occupancy and equipment-related costs’ on a straight-line basis over the lease term.

Group as a lessor
For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the consolidated statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in ‘Interest income on loans and receivables’ in the consolidated statement of income.

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.

Foreign Currency-denominated Transaction and Translation

The Group's consolidated financial statements are presented in Philippine peso, which is also LTG's functional currency. Each of the subsidiaries determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the individual entities in the Group in their respective functional currencies at the foreign exchange rates prevailing at the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of income.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign Currency Deposit Unit (FCDU) and Overseas Subsidiaries

As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Group, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation shall be recognized in consolidated statement of income.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Deferred income tax

Deferred income tax is recognized using the balance sheet method on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carryforward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered. It is probable that sufficient future taxable profits will be available against which a deductible temporary difference can be utilized when there are sufficient taxable temporary difference relating to the same taxation authority and the same taxable entity which are expected to reverse in the same period as the expected reversal of the deductible temporary difference. In such circumstances, the deferred income tax asset is recognized in the period in which the deductible temporary difference arises.

Deferred income taxes relating to items recognized directly in OCI are also recognized in OCI and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Accounts payable and accrued expenses” in the consolidated statement of financial position.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Equity

Capital stock is measured at par value for all shares issued by the Group. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Capital in excess of par is the portion of the paid-in capital representing excess over the par or stated value.

Other equity reserves include effect of transactions with non-controlling interest and equity adjustments arising from business combination under common control and other group restructuring transactions.

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs. Other comprehensive income (loss) of the Group includes cumulative translation adjustments, net changes in fair values of financial assets at FVTOCI, remeasurement gains (losses) on defined benefit plans, revaluation increment in property, plant and equipment and share in other comprehensive income of associates.

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policies and other capital adjustments. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders after adjustments for any unrealized items which are considered not available for dividend declaration. Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Treasury shares are owned equity instruments that are reacquired. Where any member of the Group purchases the Company's capital stock (presented as "Shares of stock of the Company held by subsidiaries"), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effect, is included in equity attributable to the equity holders of the Company.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period after giving retroactive effect to stock dividends declared and stock rights exercised during the period, if any.

Diluted EPS is calculated by dividing the aggregate of net income attributable to common shareholders by the weighted average number of common shares outstanding during the period adjusted for the effects of any dilutive shares.

Dividends on Common Shares
Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Company. Stock dividends are treated as transfers from retained earnings to capital stock. Dividends for the year that are approved after the end of reporting period are dealt with as a non-adjusting event after the end of reporting period.

Events After the Reporting Period
Events after the end of reporting period that provides additional information about the Group's position at the end of reporting period (adjusting event) are reflected in the consolidated financial statements. Events after the end of reporting period that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

Segment Reporting
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 4 to the consolidated financial statements.

Material Accounting Policies Generally Applicable to Banking

Banking Revenue
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the banking segment expects to be entitled in exchange for those services.

The banking segment assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The banking segment has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Service Fees and Commission Income
The banking segment earns fee and commission income from diverse range of services it provides to its customers:

Fees from services that are provided over a certain period of time
The banking segment accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.

Bancassurance fees
The banking segment recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.

Fee income from providing transaction services
The banking segment recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or

components of fees that are linked to a certain performance, the banking segment recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

The banking segment recognizes loan syndication fees as revenue when the syndication has been completed and the banking segment retains no part of the loans for itself or retains part at the same EIR as the other participants.

<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.

<u>*Income from Sale of Properties*</u>
The banking segment recognizes income from sale of properties upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

The following are revenue streams of the banking segment, which are covered by accounting standards other than PFRS 15:

Interest income
Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVTOCI are recognized based on effective interest method of accounting to calculates the amortized cost of a financial asset or a financial liability and allocate the interest income or interest expense.

The banking segment records interest income using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. In calculating EIR, the banking segment considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The banking segment adjusts the carrying amount of the financial instrument through 'Interest income' in the consolidated statement of income based on the original EIR.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the banking segment calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the banking segment reverts to calculating interest income on a gross basis.

The banking segment defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as 'Interest income' over the expected life of the loan.

The banking segment recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables'. Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Trading and investment securities gains - net
The banking segment recognizes in 'Trading and investment securities gains - net' the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVTOCI.

Insurance premiums and commissions on reinsurance
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. The banking segment recognizes premiums from short-duration insurance contracts and reinsurance commissions as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The banking segment recognizes in the consolidated statement of income for the period the net changes in provisions for unearned premiums and deferred reinsurance premiums.

Commitment fees
The banking segment defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as revenue over the expected life of the loan.

Income on direct financing leases and receivables financed
The banking segment recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables'.

Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Financial Guarantees and Undrawn Loan Commitments
The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under 'Bills and acceptances payable' or 'Other liabilities' in the consolidated statement of financial position.

Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the consolidated statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position.

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

Fiduciary Activities
The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Material Accounting Policies Generally Applicable to Consumer Products

Sale of Consumer Goods
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements

against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The Group enters into a marketing and distributorship agreement in which the Group undertakes to sell the products specified including its quantity indicated in an approved purchased order exclusively to the marketing distributors. No other promised goods or services was specified in the contract or provided based on the customary business practice. This is considered as one performance obligation; hence, no allocation of transaction price is needed. The Group recognizes revenue at a point in time, once the goods are delivered.

- *Sale of goods.* Revenue from sale of goods is recognized at a point in time, once the goods are sold and delivered.

- *Sale of commercial bottles.* Revenue from sale of commercial bottles is recognized at a point in time, once goods are sold and delivered.

- *Revenue from services and tolling fees.* Revenue from services and tolling fees is recognized by the Group at a point in time when the services have been rendered.

<u>Cost of Consumer Goods Sold</u>
Cost of consumer goods sold is recognized as expense where the related goods are sold.

<u>Consumer Goods Inventories</u>
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

<u>Property Development Revenue and Cost Recognition</u>
Real estate sales
The Group derives its real estate sales from sale of residential lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on the physical proportion of work done on the real estate project which requires technical determination by the Group's project engineers. Based on the monthly project accomplishment report approved by the site project manager which integrates the surveys of performance to date of the construction activities.

Rental income
Rental income under non-cancellable leases of investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term or based on the terms of the lease contract or certain percentage of the gross revenue of the tenants, as applicable.

Charges and expenses recoverable from tenants
Income arising from expenses recharged to tenants in "Other income" account is recognized in the period in which the compensation becomes receivable.

Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of real estate sales recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage-of-completion used for revenue recognition purposes.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Cost of rental income
Cost of rental income is recognized in relation to the leasing activities of the Group. This includes general, administrative and selling expenses allocated to the leasing activities, rental expense on the property leased to tenants and depreciation of the investment properties.

Rooms and other operated departments
Revenue from room rentals and other ancillary services are recognized at point in time or when the services are rendered. Revenue from other ancillary services include, among others, business center related services and car rentals, food packages, laundry service, telephone service, and spa/gym services.

Costs of services
Costs of services include expenses incurred by the Group for the generation of revenue from room rentals and other ancillary services. Costs of services are expensed as incurred.

Real Estate Inventories
Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes: (a) acquisition cost of subdivision land; (b) amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units; (c) planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and (d) borrowing costs capitalized prior to start of pre-selling activities for the real estate project.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Customers' Deposits including Excess of Collections over Recognized Receivables
Customers' deposits represent payments from buyers of property development segment which will be applied against the related contracts receivables. This account also includes the excess of collections over the recognized contracts receivables, which is based on the revenue recognition policy of the Group.

Security Deposits
Security deposits, included in the "Other current liabilities" and "Other noncurrent liabilities" accounts in the liabilities section of the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determination of functional currency
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Group to use its judgment to determine the functional currency of the Group, including its foreign operations, such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to each entity or reporting unit.

In making this judgment, the Group considers the following:

- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Classification of financial assets
The Group classifies its financial assets depending on the results of the SPPI tests and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- Business objectives and strategies for holding financial assets
- Performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets
- Attendant risks and the tools applied in managing them
- Compensation structure, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions
- Frequency and timing of disposals

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP.

Fair valuation of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models. The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives. For the valuation of nonmarketable unquoted equity securities, the Group considers a discount for lack of marketability, which is applied to the values determined by an independent valuation company.

Revenue recognition on real estate sales
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) assessment of the probability that the entity will collect the consideration from the

buyer; (c) determination of the transaction price; (d) application of the output/input method as the measure of progress in determining real estate revenue; (e) determination of the actual costs incurred as cost of goods sold; and (f) recognition of cost to obtain a contract.

a) *Existence of a contract.* The Group's primary document for a contract with a customer is a signed contract to sell. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

b) *Revenue recognition method and measure of progress.* The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

   The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customer.

c) *Identifying performance obligation.* The Group has various contracts to sell covering residential lots and condominium units. The Group concluded that there is one performance obligation in each of these contracts because:(i) for residential lots, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract; (ii) for the contract covering condominium units, the developer has the obligation to deliver the house or condominium unit duly constructed on a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the customer.

Revenue recognition on sale of consumer goods
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint. (d) recognition of revenue as the Group satisfies the performance obligation.

a) *Existence of a contract.* The Group's primary document for a contract with a customer for each type of revenue stream is:

   - *Sale of goods.* The Group determined that an approved purchase order related to a signed marketing and distributorship agreement qualifies as a contract provided that each of the party's rights regarding the goods to be transferred is clearly identified including the product specification and payment terms.

- *Sale of commercial bottles.* The Group determined that an approved purchase order with terms clearly identified including the product specification and payment terms qualifies as a contract.

The Group also considers the probability that it will be able to collect the consideration to which it will be entitled in exchange for the goods sold or services rendered in determining if a contract exists.

b) *Determining the method to estimate variable consideration and assessing the constraint.* The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will be subjected to constraint.

Factors such as the following are considered:

- high susceptibility to factors outside the Group's influence;
- timing of the resolution of the uncertainty, and
- having a large number and broad range of possible outcomes.

Contracts from sale of goods and commercial bottles allow the customer to return spoiled or damaged goods which will be segregated and replaced. No adjustment to the amount originally billed to the customer. The right of return will be constrained since the amount of consideration is highly susceptible to factors outside of the Group's influence and the contract has a large number and broad range of possible consideration amounts.

c) *Recognition of revenue as the Group satisfies the performance obligation.* The Group recognizes its revenue for all revenue streams at a point in time, where the goods are sold and delivered and when services were already rendered.

Operating lease commitments - the Group as lessor
The Group has entered into commercial property leases on its investment properties and certain motor vehicles and items of machinery. The Group has determined, based on an evaluation of the terms and conditions of the lease agreements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties and so accounts for these leases as operating leases (see Note 37).

Determination of lease term for lease contracts with renewal and termination options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates
Upon adoption of the Philippine Interpretation IFRIC 23, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. The Group determined, based on its tax assessment, in consultation with its tax counsel, that it is probable that its uncertain tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have significant impact on the consolidated financial statements of the Group.

Classification of properties
The Group determines whether a property is classified as real estate inventory, investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flow largely independent of the other assets held by an entity.

Real estate inventory comprises of property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction. Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. Owner-occupied properties classified and presented as property, plant and equipment, generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of the financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Contingencies
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 37).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Credit losses on financial assets
For banking segment, the Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:

- Segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively.
- Quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages.
- Determination of expected life of the financial asset and expected recoveries from defaulted accounts.
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs.
- Selection of forward-looking information and determination of probability weightings to derive the ECL.

In response to the changing credit environment due to rising interest rates, inflation, and other 'black swan' events which may potentially occur, the Group reviews on a monthly basis its loan portfolio, particularly for accounts that have shown or are beginning to show increases in credit risk. The Group performs comprehensive review of the default profile of its accounts to determine if there are factors or indicators not captured in the risk rating model. If there are noted weaknesses in the model, where possible, the Group recalibrates the parameter estimates to the ECL models to incorporate internal default experience, as well as most recent available external data affecting each segment of the Group's loan portfolio.

The Group revisits the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassesses the framework for macroeconomic overlay, incorporating stress scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

For the other segments, provision matrix was used to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, property collaterals and coverage by letters of credit and other forms of credit insurance).

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Refer to Notes 8 and 14 for the carrying values of loans and receivables and receivables from Special Purpose Vehicle (SPV), respectively.

Recognition of deferred income tax assets
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates in assessing its taxable income forecast.

The Group reassesses its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook and effects on specific industries of the rising interest rates, inflation, and other 'black swan' events.

Details of the Group's recognized and unrecognized deferred income tax assets is disclosed in Note 29.

Present value of lease liabilities
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease). The carrying amount of lease liabilities is disclosed in Note 37.

Present value of retirement obligation
The Group determines the cost of defined benefit pension plan and other post-employment benefits using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group reviews all assumptions at each reporting date.

The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases are based on the Group's policy considering the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The present value of retirement obligation is disclosed in Note 23.

Measurement of NRV of inventories
The Group's estimates of the NRV of its consumer goods inventories and materials and supplies are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

With respect to the Group's real estate inventories, the Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of cost of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Details of the carrying value of the Group's inventories are disclosed in Note 9.

Valuation of property, plant and equipment under revaluation basis
The Group's land and land improvements, plant buildings and building improvements, and machineries and equipment are carried at revalued amounts, which approximate their fair values at the date of the revaluation, less any subsequent accumulated depreciation and amortization and accumulated impairment losses. The valuations of property, plant and equipment are performed by independent appraisers. Revaluations are made every three to five years to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of reporting period.

Book value of property, plant and equipment at appraised values are disclosed in Note 12.

Estimation of useful lives of property, plant and equipment and investment properties
The Group estimates the useful lives and residual values of property, plant and equipment and investment properties based on internal technical evaluation and experience with similar assets. Estimated useful lives and residual values of property, plant and equipment and investment properties are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment and investment properties would increase the recorded depreciation expenses and decrease the carrying value of property, plant and equipment and investment properties.

In 2025 and 2024, there were no significant changes made in the useful lives and residual values of the property, plant and equipment and investment properties. Details and the carrying value of depreciable property, plant and equipment, and investment properties as of December 31, 2025 and 2024 are disclosed in Notes 12 and 13.

Assessment of impairment of nonfinancial assets and estimation of recoverable amount
The Group assesses impairment on its investments in joint ventures and associates whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the Group considers the following triggers for an impairment review on its investments in joint ventures and associates:
- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its property, plant and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Except for investment properties and land and building where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value-in-use (VIU), which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The VIU calculation is most sensitive to the following assumptions: production volume, price, exchange rates, capital expenditures, and long-term growth-rates.

The carrying values of the Group's investments in joint ventures and associates, property, plant and equipment, investment properties, intangible assets, and other nonfinancial assets are disclosed in Notes 11, 12, 13 and 14, respectively.

4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's identified operating segments classified as business groups, which are consistent with the segments reported to LTG's BOD, its Chief Operating Decision Maker (CODM), are as follows:

- Banking, provides full range of banking and other financial services to corporate, middle-market and retail customers, the National Government (NG), local government units (LGUs) and government-owned and controlled corporations (GOCCs) and various government agencies, including deposit-taking, lending, bills discounting, foreign exchange dealing, investment banking, fund transfers or remittance servicing and full range of retail banking and trust services and other insurance services. The Group conducts its banking business through PNB and its subsidiaries.

- Distilled Spirits, which is involved in manufacturing, compounding, bottling, importing, buying and selling of rum, spirit beverages, liquor and bioethanol products. The Group conducts its distilled spirits business through TDI and its subsidiaries.

- Beverage, which is engaged in brewing and soft drinks and bottled water manufacturing in the Philippines. It also operates other plants, which includes commercial glass division and corrugated cartons and metal closures production facility, to support the requirements of its brewing, bottled water, non-beer products operations and to act as a service contractor and enter into service agreements for the supply of services. The Group conducts its beverage business through ABI and its subsidiaries, associate and joint venture.

- Tobacco, which is a supplier and manufacturer of cigarettes, casings, tobacco, packaging, labels and filters. The Group conducts its tobacco business through FTC's interest in PMFTC, Inc. (PMFTC).

- Property Development, which is engaged in ownership, development, leasing and management of residential properties, including but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; acquisition, purchasing, development and selling of subdivision lots. The Group conducts its property development business through Eton and its subsidiaries.

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

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

The Group's assets are located mainly in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. The Group's banking segment operates in key cities in the USA, Canada, Western Europe, Middle East and Asia. The distribution of assets and revenues of the banking segment outside the Philippines constitute 0.8% and 2.3% as of December 31, 2025, respectively, and 1.3% and 3.1% as of December 31, 2024 of the Group's consolidated assets and revenues, respectively.

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

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

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

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

The Group's distilled spirits segment derives liquor revenue from two major distributors which averaged 89%, 95% and 89% of the segment's total liquor revenue in 2025, 2024 and 2023, respectively. The other segments of the Group have no significant customer that contributes 10% or more of their segment revenues.

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

For the year ended December 31, 2025:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Segment revenue:							
External customers	**₱79,069,186**	**₱33,930,360**	**₱16,847,684**	**₱–**	**₱1,985,223**	**₱945,972**	**₱132,778,425**
Inter-segment	–	**71,701**	**1,083,968**	–	**669,925**	**(1,825,594)**	–
	79,069,186	**34,002,061**	**17,931,652**	–	**2,655,148**	**(879,622)**	**132,778,425**
Cost of goods sold and services	**18,834,342**	**28,119,545**	**13,561,703**	–	**1,934,622**	**(1,441,543)**	**61,008,669**
Gross profit	**60,234,844**	**5,882,516**	**4,369,949**	–	**720,526**	**561,921**	**71,769,756**
Equity in net earnings of associates and joint ventures	**496,001**	–	**79,838**	**8,733,439**	–	**682,536**	**9,991,814**
	60,730,845	**5,882,516**	**4,449,787**	**8,733,439**	**720,526**	**1,244,457**	**81,761,570**
Selling expenses	–	**991,916**	**1,532,028**	–	**99,922**	–	**2,623,866**
General and administrative expenses	**33,046,065**	**1,022,888**	**1,488,088**	**184,451**	**690,025**	**(419,225)**	**36,012,292**
Operating income (loss)	**27,684,780**	**3,867,712**	**1,429,671**	**8,548,988**	**(69,421)**	**1,663,682**	**43,125,412**
Foreign exchange gains - net	**1,153,652**	**4,733**	**668**	**289,286**	**1,763**	**5,344**	**1,455,446**
Finance costs	–	**(26,783)**	**(321,690)**	–	**(177,293)**	**(2,440)**	**(528,206)**
Finance income	–	**229,142**	**6,495**	**707,146**	**108,949**	**(523,860)**	**527,872**
Others - net	**3,394,546**	**33,213**	**83,552**	**1,908,485**	**1,217,348**	**(77,104)**	**6,560,040**
Income before income tax	**32,232,978**	**4,108,017**	**1,198,696**	**11,453,905**	**1,081,346**	**1,065,622**	**51,140,564**
Provision for income tax	**6,891,217**	**986,014**	**321,324**	**167,651**	**316,676**	**151,203**	**8,834,085**
Segment profit	**₱25,341,761**	**₱3,122,003**	**₱877,372**	**₱11,286,254**	**₱764,670**	**₱914,419**	**₱42,306,479**
Segment profit attributable to:							
Equity holders of the Company	**₱25,255,161**	**₱3,105,363**	**₱868,871**	**₱11,286,254**	**₱776,374**	**(₱10,316,292)**	**₱30,975,731**
Non-controlling interests	**86,600**	**16,640**	**8,501**	–	**(11,704)**	**11,230,711**	**11,330,748**
Depreciation and amortization expense	**3,450,564**	**835,004**	**2,047,826**	**32,006**	**528,441**	**(483,427)**	**6,410,414**

Other financial information of the operating segments as of December 31, 2025 is as follows:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
				(In Thousands)			
Assets:							
Current assets	**₱699,473,089**	**₱22,795,639**	**₱21,857,977**	**₱12,254,761**	**₱10,139,682**	**(₱17,974,175)**	**₱748,546,973**
Noncurrent assets	**670,968,064**	**11,655,533**	**15,144,729**	**4,542,885**	**20,591,100**	**22,448,979**	**745,351,290**
	₱1,370,441,153	**₱34,451,172**	**₱37,002,706**	**₱16,797,646**	**₱30,730,782**	**₱4,474,804**	**₱1,493,898,263**
Liabilities:							
Current liabilities	**₱1,083,360,810**	**₱3,792,937**	**₱8,184,732**	**₱307,818**	**₱3,080,457**	**(₱30,583,722)**	**₱1,068,143,032**
Noncurrent liabilities	**52,882,975**	**986,805**	**1,284,827**	**90,915**	**3,295,054**	**6,471,192**	**65,011,768**
	₱1,136,243,785	**₱4,779,742**	**₱9,469,559**	**₱398,733**	**₱6,375,511**	**(₱24,112,530)**	**₱1,133,154,800**
Investments in associates and joint ventures	**₱3,588,781**	**₱–**	**₱352,845**	**₱1,076,260**	**₱–**	**₱14,167,857**	**₱19,185,743**
Equity attributable to:							
Equity holders of the Company	**230,271,484**	**29,525,111**	**27,462,894**	**16,398,913**	**23,366,975**	**(75,950,365)**	**251,075,012**
Non-controlling interests	**3,925,884**	**146,319**	**70,253**	**–**	**988,296**	**104,537,699**	**109,668,451**
Noncurrent assets:							
Property, plant and equipment	**17,594,101**	**9,291,654**	**13,860,885**	**109,424**	**1,002,307**	**27,955,375**	**69,813,746**
Investment properties	**15,847,126**	**1,336,113**	**14,002**	**2,063,956**	**18,958,816**	**980,684**	**39,200,697**
Short-term debts	**–**	**–**	**3,700,000**	**–**	**–**	**–**	**3,700,000**
Long-term debts	**36,651,048**	**437,853**	**747,105**	**–**	**2,447,038**	**(57,614)**	**40,225,430**

For the year ended December 31, 2024:

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

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

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

For the year ended December 31, 2023:

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

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

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

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2025	2024
	(In Thousands)	
Cash and other cash items	**₱24,414,818**	₱22,004,267
Cash equivalents:		
Securities held under agreements to resell	**72,903,359**	103,480,119
Due from BSP (Note 15)	**68,529,550**	55,128,316
Interbank loans receivables*	**30,369,881**	22,787,194
Due from other banks	**24,831,235**	20,183,894
	₱221,048,843	₱223,583,790

**net of allowance for ECL*

a. Cash and other cash items consist of cash on hand and in banks and short-term investments. Cash in banks earn interest at bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group.

b. Securities held under agreements to resell bear interest ranging from 3.9% to 6.1% and from 4.4% to 6.9% in 2025 and 2024, respectively.

   The fair value of the treasury bills pledged under these agreements as of December 31, 2025 and 2024 amounted to ₱74.38 billion and ₱104.9 billion, respectively, for the Group (Note 33).

c. Due from BSP is composed of interest-bearing short-term placements with BSP and a demand deposit account to support the regular operations of PNB, which consists of:

	2025	2024
	(In Thousands)	
Demand deposit	**₱45,439,550**	₱44,628,316
Overnight deposit facility (ODF)	**18,090,000**	10,500,000
Term deposit facility (TDF)	**5,000,000**	–
	₱68,529,550	₱55,128,316

   ODFs and TDFs bear annual interest rates range from:

	2025	2024	2023
ODF	**4.0% - 5.3%**	5.3% - 6.0%	5.0% - 6.0%
TDF	**4.5% - 6.0%**	6.0%-6.65%	6.3% - 6.8%

d. Interbank loans receivables bear annual interest ranging from 5.1% to 6.0% and 5.9% to 6.6% in 2025 and 2024, respectively, for peso-denominated interbank loans receivables and from 0.0% to 4.9% and from 0.0% to 5.6% in 2025 and 2024, respectively, for foreign currency-denominated interbank loans receivables.

e. Interest earned on cash and other cash items and cash equivalents are presented under "Banking revenue" and "Finance income", respectively (see Notes 24 and 27).

6. Financial Assets at FVTPL

Financial assets at FVTPL consist of:

	2025	2024
	(In Thousands)	
Government securities	**₱33,672,894**	₱16,181,821
Derivative assets (Notes 21 and 33)	**796,814**	1,087,107
Private debt securities	**180,071**	649,191
Unit investment trust fund (UITF)	–	35,177
Equity securities	**2,935**	2,866
	₱34,652,714	₱17,956,162

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

	2025	2024
Government securities	**2.6% - 8.6%**	0.6% - 8.6%
Private debt securities	**0.7% - 9.0%**	4.9% - 6.9%

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

Financial Assets at FVTOCI
This account consists of:

	2025	2024
	(In Thousands)	
Government securities (Note 17)	**₱148,980,601**	₱168,293,510
Private debt securities	**20,226,649**	15,609,027
Equity securities:		
Quoted	**3,858,366**	4,403,952
Unquoted	**3,017,528**	3,062,360
	176,083,144	191,368,849
Noncurrent portion	**(90,866,234)**	(66,179,663)
	₱85,216,910	₱125,189,186

a. For the years ended December 31, 2025, 2024 and 2023, the nominal interest rates of government securities range from 0.6% to 14.9%, 0.6% to 14.9% and 0.2% to 19.1%, respectively.

b. For the years ended December 31, 2025, 2024 and 2023, the nominal interest rates of private debt securities range from 1.4% - 14.0%, 0.5% to 6.9%, and 0.5% to 6.4%, respectively.

c. As of December 31, 2025 and 2024, the fair value of financial assets at FVTOCI in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions with foreign banks amounted to nil and ₱12.0 billion, respectively (see Note 17). The counterparties have an obligation to return the securities to PNB once the obligations have been settled. In case of default, the foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement.

d. Other debt securities consist of notes issued by private entities. As of December 31, 2025 and 2024, the ECL on debt securities at FVTOCI (included in 'Net unrealized gain (loss) on financial assets at FVTOCI') amounted to ₱71.1 million and ₱68.1 million, respectively.

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

Financial Assets at Amortized Cost

This account consists of:

	2025	2024
Government securities	**₱115,858,148**	₱96,817,380
Private debt securities	**12,271,950**	17,204,083
	128,130,098	114,021,463
Less allowance for expected credit losses	**(154,112)**	(147,470)
	127,975,986	113,873,993
Noncurrent portion	**(118,913,311)**	(94,776,887)
	₱9,062,675	₱19,097,106

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

	2025	2024	2023
Government securities	**0.8% - 7.5%**	0.8% - 7.5%	0.8% - 7.5%
Private debt securities	**1.0% - 8.3%**	1.0% - 8.3%	1.0% - 8.3%

In 2025 and 2024, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.

As of December 31, 2025 and 2024, the fair value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱1.3 billion and ₱2.4 billion, respectively (see Note 37).

As of December 31, 2025 and 2024, the Group set aside government securities booked under 'Investment securities at amortized cost' with total carrying value of ₱573.8 million and ₱363 million, respectively, as liquidity cover for 50.0% of the outstanding balances of electronic money (e-money) products in compliance with BSP Circular 1166, *Amendments to the Regulations on Electronic Money and the Operations of Electronic Money lssuers in the Philippines*. This is on top of the fund held in trust to cover for the other 50.0% of the outstanding e-money balances

8. **Loans and Receivables**

Loans and receivables consist of:

	2025	2024
	(In Thousands)	
Finance receivables (Notes 22)	**₱778,996,827**	₱681,024,766
Trade receivables	**22,186,884**	21,313,300
Other receivables	**3,380,909**	3,687,936
	804,564,620	706,026,002
Allowance for credit losses	**(39,258,658)**	(44,555,447)
	765,305,962	661,470,555
Noncurrent portion	**(395,188,341)**	(349,063,956)
	₱370,117,621	₱312,406,599

Finance Receivables

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

	2025	2024
	(In Thousands)	
Receivables from customers:		
Loans and discounts	**₱724,449,194**	₱629,547,599
Bills purchased (Note 20)	**21,426,761**	3,846,432
Customers' liabilities on acceptances, letters of credit and trust receipts	**15,857,701**	15,303,476
Credit card receivables	**1,800,857**	18,063,885
	763,534,513	666,761,392
Other receivables:		
Accrued interest receivable	**10,057,035**	8,959,032
Accounts receivable	**3,893,501**	4,106,411
Sales contract receivables	**1,879,112**	1,589,298
Miscellaneous	**542,726**	454,554
	16,372,374	15,109,295
	779,906,887	681,870,687
Unearned and other deferred income	**(910,060)**	(845,921)
	778,996,827	681,024,766
Allowance for credit losses	**(38,921,066)**	(44,205,142)
	740,075,761	636,819,624
Noncurrent portion	**(395,188,341)**	(349,052,823)
	₱344,887,420	₱287,766,801

a. Interest income on loans and receivables amounted to ₱45.8 billion, ₱43.8 billion and ₱40.8 billion in 2025, 2024 and 2023, respectively (see Note 24).

   As of December 31, 2025, 2024 and 2023, 72.2%, 72.6% and 69.6%, respectively, of the total receivable from customers of PNB were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% in 2025, 2024 and 2023 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2025, 2024 and 2023 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 5.0% to 12.0% in 2025 and 2024 and from 5.0% to 20.2% in 2023.

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

	2025				2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate Loans								
Beginning Balance	**₱2,246,029**	**₱3,159,548**	**₱26,955,332**	**₱32,360,909**	₱1,774,187	₱2,895,028	₱25,609,050	₱30,278,265
Newly originated assets which remained in Stage 1 at yearend	**774,193**	**–**	**–**	**774,193**	807,286	–	–	807,286
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**545,986**	**511,499**	**1,057,485**	–	704,905	397,431	1,102,336
Transfers to Stage 1	**470,825**	**(470,825)**	**–**	**–**	25,920	(25,799)	(121)	–
Transfers to Stage 2	**(109,603)**	**160,916**	**(51,313)**	**–**	(70,148)	839,542	(769,394)	–
Transfers to Stage 3	**(489)**	**(301,547)**	**302,036**	**–**	(280,840)	(346,220)	627,060	–
Accounts charged off	**–**	**–**	**(5,221,860)**	**(5,221,860)**	–	–	(686,290)	(686,290)
Loan settlement through dacion and assignment (Note 33)	**–**	**–**	**–**	**–**	–	–	–	–
Effect of collections, foreclosures, and changes in assumptions	**(1,173,846)**	**(316,327)**	**1,126,886**	**(363,287)**	(10,376)	(907,908)	1,777,596	859,312
Ending Balance	**2,207,109**	**2,777,751**	**23,622,580**	**28,607,440**	2,246,029	3,159,548	26,955,332	32,360,909
LGU								
Beginning Balance	**287**	**5,378**	**58,044**	**63,709**	391	6,684	63,216	70,291
Transfers to Stage 2	**–**	**–**	**–**	**–**	–	575	(575)	–
Effect of collections, foreclosures, and changes in assumptions	**(84)**	**(2,213)**		**(2,297)**	(104)	(1,881)	(4,597)	(6,582)
Ending Balance	**203**	**3,165**	**58,044**	**61,412**	287	5,378	58,044	63,709
Credit Cards								
Beginning Balance	**589,648**	**108,264**	**840,994**	**1,538,906**	508,446	109,883	696,782	1,315,111
Newly originated assets which remained in Stage 1 at yearend	**177,683**	**–**	**–**	**177,683**	78,851	–	–	78,851
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**36,763**	**47,607**	**84,370**	–	11,526	17,272	28,798
Transfers to Stage 1	**43,834**	**(30,614)**	**(13,220)**	**–**	49,370	(37,696)	(11,674)	–
Transfers to Stage 2	**(18,254)**	**20,426**	**(2,172)**	**–**	(16,596)	18,469	(1,873)	–
Transfers to Stage 3	**(20,383)**	**(5,332)**	**25,715**	**–**	(33,449)	(19,173)	52,622	–
Accounts charged off	**–**	**–**	**(1,672,820)**	**(1,672,820)**	–	–	(799,638)	(799,638)
Effect of collections, foreclosures, and changes in assumptions	**(49,646)**	**27,791**	**992,555**	**970,700**	3,026	25,255	887,503	915,784
Ending Balance	**722,882**	**157,298**	**218,659**	**1,098,839**	589,648	108,264	840,994	1,538,906
Retail SMEs								
Beginning Balance	**278,965**	**20,070**	**740,255**	**1,039,290**	188,665	10,116	788,816	987,597
Newly originated assets which remained in Stage 1 at yearend	**193,231**	**–**	**–**	**193,231**	114,737	–	–	114,737
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**4,588**	**127,261**	**131,849**	–	13,621	12,785	26,406
Transfers to Stage 1	**2,714**	**(2,714)**	**–**	**–**	946	(946)	–	–
Transfers to Stage 2	**(32)**	**1,912**	**(1,880)**	**–**	(115)	430	(315)	–
Transfers to Stage 3	**(856)**	**–**	**856**	**–**	(26,339)	(6,257)	32,596	–
Accounts charged off	**–**	**–**	**(38,329)**	**(38,329)**	–	–	(115,370)	(115,370)
Effect of collections, foreclosures, and changes in assumptions	**32,966**	**46,038**	**(191,397)**	**(112,393)**	1,071	3,106	21,743	25,920
Ending Balance	**506,988**	**69,894**	**636,766**	**1,213,648**	278,965	20,070	740,255	1,039,290
Housing Loans								
Beginning Balance	**96,394**	**58,793**	**3,199,179**	**3,354,366**	525,896	47,197	3,955,221	4,528,314
Newly originated assets which remained in Stage 1 at yearend	**30,367**	**–**	**–**	**30,367**	50,745	–	–	50,745
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**4,229**	**9,907**	**14,136**	–	2,016	13,444	15,460
Transfers to Stage 1	**291,724**	**(20,953)**	**(270,771)**	**–**	50,769	(3,234)	(47,535)	–
Transfers to Stage 2	**(7,123)**	**31,255**	**(24,132)**	**–**	(39,521)	53,677	(14,156)	–
Transfers to Stage 3	**(10,377)**	**(89,587)**	**99,964**	**–**	(60,880)	(25,729)	86,609	–
Effect of collections, foreclosures, and changes in assumptions	**(214,065)**	**199,441**	**83,498**	**68,874**	(430,615)	(15,134)	(794,404)	(1,240,153)
Ending Balance	**186,920**	**183,178**	**3,097,645**	**3,467,743**	96,394	58,793	3,199,179	3,354,366

(Forward)

	2025				2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Auto Loans								
Beginning Balance	**₱22,547**	**₱1,178**	**₱717,076**	**₱740,801**	₱25,693	₱686	₱1,078,920	₱1,105,299
Newly originated assets which remained in Stage 1 at yearend	**1,636**	**–**	**–**	**1,636**	5,154	–	–	5,154
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**621**	**2,318**	**2,939**	–	695	2,708	3,403
Transfers to Stage 1	**1,290**	**(103)**	**(1,187)**	**–**	188	(20)	(168)	–
Transfers to Stage 2	**(352)**	**352**	**–**	**–**	(459)	479	(20)	–
Transfers to Stage 3	**(265)**	**(732)**	**997**	**–**	(8,167)	(2,091)	10,258	–
Accounts charged off	**–**	**–**	**(321,617)**	**(321,617)**	–	–	(32,938)	(32,938)
Effect of collections, foreclosures, and changes in assumptions	**(21,042)**	**587**	**(123,282)**	**(143,737)**	138	1,429	(341,684)	(340,117)
Ending Balance	**3,814**	**1,903**	**274,305**	**280,022**	22,547	1,178	717,076	740,801
Other Loans								
Beginning Balance	**31,853**	**104,247**	**910,139**	**1,046,239**	71,794	264,708	928,528	1,265,030
Newly originated assets which remained in Stage 1 at yearend	**6,076**	**–**	**–**	**6,076**	4,194	–	–	4,194
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**360**	**27,415**	**27,775**	–	–	23	23
Transfers to Stage 1	**14,977**	**(1,527)**	**(13,450)**	**–**	3,029	(85)	(2,944)	–
Transfers to Stage 2	**(927)**	**5,067**	**(4,140)**	**–**	(1,894)	5,594	(3,700)	–
Transfers to Stage 3	**(1,085)**	**(236)**	**1,321**	**–**	(2,523)	(44,240)	46,763	–
Accounts charged off	**–**	**–**	**(89,186)**	**(89,186)**	–	–	(19,654)	(19,654)
Effect of collections, foreclosures, and changes in assumptions	**(13,190)**	**(74,467)**	**(405,877)**	**(493,534)**	(42,747)	(121,730)	(38,877)	(203,354)
Ending Balance	**37,704**	**33,444**	**426,222**	**497,370**	31,853	104,247	910,139	1,046,239
Other Receivables								
Beginning Balance	**180,614**	**39,163**	**3,841,145**	**4,060,922**	131,275	37,316	4,850,163	5,018,754
Newly originated assets which remained in Stage 1 at yearend	**16,953**	**–**	**–**	**16,953**	4,970	–	–	4,970
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**6,629**	**289,398**	**296,027**	–	2,971	5,511	8,482
Transfers to Stage 1	**2,420**	**(1,154)**	**(1,266)**	**–**	320	(268)	(52)	–
Transfers to Stage 2	**(257)**	**2,143**	**(1,886)**	**–**	(346)	2,209	(1,863)	–
Transfers to Stage 3	**(56,398)**	**(6,684)**	**63,082**	**–**	3,426	(3,615)	189	–
Accounts charged off	**–**	**–**	**(138,199)**	**(138,199)**	(876)	–	(1,270,544)	(1,271,420)
Effect of collections, foreclosures, and changes in assumptions	**(6,245)**	**(12,891)**	**(521,975)**	**(541,111)**	41,845	550	257,741	300,136
Ending Balance	**137,087**	**27,206**	**3,530,299**	**3,694,592**	180,614	39,163	3,841,145	4,060,922
Total Loans and Receivables								
Beginning Balance	**3,446,337**	**3,496,641**	**37,262,164**	**44,205,142**	3,226,347	3,371,618	37,970,696	44,568,661
Newly originated assets which remained in Stage 1 at yearend	**1,200,139**	**–**	**–**	**1,200,139**	1,065,937	–	–	1,065,937
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**599,176**	**1,015,405**	**1,614,581**	–	735,734	449,174	1,184,908
Transfers to Stage 1	**827,784**	**(527,890)**	**(299,894)**	**–**	130,542	(68,048)	(62,494)	–
Transfers to Stage 2	**(136,548)**	**222,071**	**(85,523)**	**–**	(129,079)	920,975	(791,896)	–
Transfers to Stage 3	**(89,853)**	**(404,118)**	**493,971**	**–**	(408,772)	(447,325)	856,097	–
Accounts charged off	**–**	**–**	**(7,482,011)**	**(7,482,011)**	(876)	–	(2,924,434)	(2,925,310)
Loan settlement through dacion and assignment (Note 33)	**–**	**–**	**–**	**–**	–	–	–	–
Effect of collections, foreclosures, and changes in assumptions	**(1,445,152)**	**(132,041)**	**960,408**	**(616,785)**	(437,762)	(1,016,313)	1,765,021	310,946
Ending Balance	**₱3,802,707**	**₱3,253,839**	**₱31,864,520**	**₱38,921,066**	₱3,446,337	₱3,496,641	₱37,262,164	₱44,205,142

Trade Receivables

Trade receivables consist of:

	2025	2024
	(In Thousands)	
Consumer goods	**₱21,271,324**	₱20,455,543
Contract receivables	**528,517**	734,239
Lease receivables	**387,043**	123,518
	22,186,884	21,313,300
Allowance for credit losses	**(317,571)**	(330,284)
	21,869,313	20,983,016
Noncurrent portion of contract receivables	**–**	(11,133)
	₱21,869,313	₱20,971,883

Trade receivables on consumer goods pertain to receivables from various customers of distilled spirits, beverages and tobacco segments, which are noninterest-bearing and generally have 30 to 90 days' terms.

Other Receivables

Other receivables are due and demandable and include accrued interest receivable pertaining to interest earned on cash and cash equivalents and unpaid utility charges to tenants and receivables from sale of various assets.

Movements of Allowance for Credit Losses

Details and movements of allowance for credit losses as follows:

	December 31, 2025			
	Finance Receivables	**Trade Receivables**	**Other Receivables**	**Total**
	(In Thousands)			
Balance at beginning of year	**₱44,205,142**	**₱330,284**	**₱20,021**	**₱44,555,447**
Provisions during the year (Note 26)	**1,598,267**	**–**	**–**	**1,598,267**
Accounts charged off, transfers and others	**(6,882,343)**	**(12,713)**	**–**	**(6,895,056)**
Balance at end of year	**₱38,921,066**	**₱317,571**	**₱20,021**	**₱39,258,658**

	December 31, 2024			
	Finance Receivables	Trade Receivables	Other Receivables	Total
	(In Thousands)			
Balance at beginning of year	₱44,568,661	₱345,306	₱36,784	₱44,950,751
Provisions during the year (Note 26)	3,868,111	–	–	3,868,111
Accounts charged off, transfers and others	(4,231,630)	(15,022)	(16,763)	(4,263,415)
Balance at end of year	₱44,205,142	₱330,284	₱20,021	₱44,555,447

9. Inventories

	2025	2024
	(In Thousands)	
At Cost:		
Consumer goods:		
Beverage	**₱4,331,310**	₱4,482,368
Alcohol	**3,620,583**	3,181,038
	7,951,893	7,663,406
Real estate inventories:		
Condominium and residential units for sale	**2,536,251**	465,564
Subdivision land under development	**1,347,239**	2,659,231
Land held for future development	**758,958**	758,958
	4,642,448	3,883,753
Fuel, materials and supplies	**1,227,820**	1,263,192
	13,822,161	12,810,351
At NRV - Materials and supplies	**605,600**	518,169
	₱14,427,761	₱13,328,520

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

	2025	2024
	(In Thousands)	
Finished goods	**₱3,154,734**	₱1,578,833
Work in process	**1,575,805**	1,384,805
Raw materials	**5,054,774**	6,481,129
	₱9,785,313	₱9,444,767

Cost of consumer goods inventories recognized as expenses under cost of goods sold amounted to ₱16.8 billion, ₱18.3 billion and ₱17.3 billion in 2025, 2024 and 2023, respectively (see Note 24).

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

	2025	2024
	(In Thousands)	
Balance at beginning of year	**₱3,883,753**	₱3,758,159
Construction/development costs incurred/reversals	**–**	(208,997)
Sales and others	**758,695**	334,591
Balance at end of year	**₱4,642,448**	₱3,883,753

c. Allowance for inventory obsolescence on materials and supplies amounted to ₱457.5 million and ₱439.3 million as of December 31, 2025 and 2024, respectively.

10. Other Current Assets

	2025	2024
	(In Thousands)	
Deferred charges	**₱4,696,068**	₱3,084,167
Creditable withholding taxes (CWT)	**1,554,688**	1,742,171
Prepaid expenses	**1,445,679**	1,128,680
Advances to suppliers	**1,402,877**	2,474,150
Input VAT	**1,197,189**	1,654,832
Stationeries, office supplies and stamps on hand	**800,059**	488,557
Miscellaneous cash and other cash items	**531,000**	432,026
Excise tax	**292,337**	423,094
Others	**682,054**	1,230,498
	₱12,601,951	₱12,658,175

a. CWTs pertain mainly to the amounts withheld from income derived from sale of consumer goods and real estate inventories. The CWTs can be applied against any income tax liability of a company in the Group to which the CWTs relate.

b. Prepaid expenses include prepaid importation charges amounting to ₱93.1 million and ₱65.5 million as of December 31, 2025 and 2024, respectively. Prepaid importation charges pertain to the purchases of raw materials by the distilled spirits.

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

d. Excise tax pertains to advance tax payments to the Bureau of Internal Revenue (BIR) on sale of alcoholic beverages.

e. Others include interoffice floats and advances to contractors.

11. Investment in Associates and Joint Ventures

Investments in Associates and Joint Ventures

The Group has the power to participate in the financial and operating policy decisions of PMFTC, Victorias Milling Company, Inc. (VMC), and APLII. The Group also has 50% interest in ABI Pascual Holdings Private Limited (ABI Pascual Holdings) and ALI-Eton Property Development Corporation (AEPDC) which are jointly controlled entities.

	Ownership		Amount	
	2025	2024	**2025**	2024
			(In Thousands)	
Associates:				
PMFTC	**49.6%**	49.6%	**₱–**	₱–
VMC	**30.9%**	30.9%	**4,818,280**	4,565,339
APLII	**44.0%**	44.0%	**3,588,781**	3,446,613
Joint Ventures:				
AEPDC	**50.0%**	50.0%	**10,425,837**	10,097,537
ABI Pascual Holdings	**50.0%**	50.0%	**352,845**	273,007
			₱19,185,743	₱18,382,496

Equity in net earnings consists of:

	2025	2024	2023
		(In Thousands)	
PMFTC	**₱8,733,438**	₱7,567,261	₱11,065,618
Others	**1,258,376**	1,299,344	859,114
	₱9,991,814	₱8,866,605	₱11,924,732

Investment in PMFTC

Details of investment in PMFTC are as follows:

	2025	2024
	(In Thousands)	
Acquisition cost	**₱13,483,541**	₱13,483,541
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**(14,296,963)**	(12,671,955)
Equity in net earnings	**8,733,438**	7,567,261
Cash dividends (Note 22)	**(10,606,961)**	(13,539,145)
Cash dividends received in excess of carrying amount of investment (Note 28)	**1,862,983**	4,346,876
Balance at end of year	**(14,307,503)**	(14,296,963)
Accumulated share in other comprehensive income	**823,962**	813,422
	₱–	₱–

In 2025 and 2024, the Group received dividends in excess of the share in the equity in net earnings of PMFTC amounting to ₱1.9 billion and ₱4.3 billion, respectively, which was presented as part of 'Other Income (Charges)' [Note 28] in accordance with the proper accounting treatment when an investor received dividends from an investment larger than the current book value under the equity method.

On February 25, 2010, FTC and PMPMI combined their respective domestic business operations by transferring selected assets and liabilities to PMFTC in accordance with the provisions of the Asset Purchase Agreement (APA) between FTC and its related parties and PMPMI. The establishment of PMFTC allows FTC and PMPMI to benefit from their respective, complementary brand portfolios as well as cost synergies from the resulting integration of manufacturing, distribution and procurement, and the further development and advancement of tobacco industry growing in the Philippines. FTC and PMPMI hold equal economic interest in PMFTC. Since PMPMI has majority of the members of the BOD, it has control over PMFTC. FTC considers PMFTC as an associate.

As a result of FTC's divestment of its cigarette business to PMFTC, FTC initially recognized the investment amounting to ₱13.5 billion, representing the fair value of the net assets contributed by FTC, net of unrealized gain of ₱5.1 billion. The transaction was accounted for similar to a contribution in a joint venture based on Standing Interpretations Committee (SIC) Interpretation 13, *Jointly Controlled Entities-Non-Monetary Contributions by Venturers*, where FTC recognized only that portion of the gain which is attributable to the interests of PMPMI amounting to ₱5.1 billion in 2010. The portion attributable to FTC is being recognized once the related assets and liabilities are realized, disposed or settled. FTC recognized a gain of about ₱293.0 million each year starting 2011 until 2017 and an outright loss of ₱2.0 billion in 2010, which are included in the "Equity in net earnings" in these periods. Further, as a result of the transfer of selected assets and liabilities, portion of the revaluation increment on FTC's property, plant and equipment amounting to ₱1.9 billion was transferred to retained earnings.

Also, as a result of the transaction, FTC has obtained the right to sell (put option) its interest in PMFTC to PMPMI, except in certain circumstances, during the period from February 25, 2015 through February 24, 2018, at an agreed-upon value. On December 10, 2013, the BOD of LTG approved the waiver by FTC of its rights under the Exit Rights Agreement entered into with PMI and confirmed the execution of the Termination Agreement.

Summarized financial information of PMFTC, based on its financial statements as at December 31, 2025 and 2024 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2025	2024
	(In Thousands)	
Current assets	**₱35,615,381**	₱32,835,052
Noncurrent assets	**31,164,479**	32,191,387
Current liabilities	**19,776,018**	20,554,058
Noncurrent liabilities	**3,775,534**	4,314,954
Equity	**43,228,308**	40,157,427
Equity interest of the Parent Company	**49.60%**	49.60%
Share in net assets of the acquiree	**21,441,241**	19,918,084
Fair value adjustments, adjustments relating to differences in accounting policies and others	**(21,441,241)**	(19,918,084)
Carrying value of investment	**₱–**	₱–

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

	2025	2024	2023
	(In Thousands)		
Revenue	**₱147,155,183**	₱133,035,061	₱145,412,540
Costs and expenses	**(123,968,488)**	(113,061,672)	(115,995,393)
Income before income tax	**23,186,695**	19,973,389	29,417,147
Provision for income tax	**(5,781,904)**	(4,983,529)	(7,373,888)
Net income	**17,404,791**	14,989,860	22,043,259
Other comprehensive income (loss)	**21,250**	(25,906)	15,441
Total comprehensive income	**₱17,426,041**	₱14,963,954	₱22,058,700
Group's share of total comprehensive income for the year	**₱8,733,439**	₱7,567,261	₱11,065,618

Investment in VMC

Details of investment in VMC are as follows:

	2025	2024
	(In Thousands)	
Acquisition cost	**₱1,459,768**	₱1,459,768
Accumulated equity in net earnings:		
Balance at beginning of year	**2,996,513**	2,606,088
Equity in net earnings	**354,236**	492,109
Cash dividends (Note 22)	**(101,684)**	(101,684)
Balance at end of year	**3,249,065**	2,996,513
Share in remeasurement gain on defined benefit plans	**50,987**	50,598
Balance of convertible notes	**58,460**	58,460
	₱4,818,280	₱4,565,339

On February 15, 2016, VMC approved the acquisition of its own shares. The sale agreement had been executed on February 18, 2016 and led to the acquisition of 300.0 million treasury shares. This resulted in an increase in the Parent Company's percentage of ownership from 22.5% to 25.1%. On the same date, the Group, through FTC, acquired additional shares of stock of VMC amounting to ₱660.3 million resulting to an increase in the Group's effective ownership in VMC to 30.2%.

On May 23, 2017, portions of the convertible notes amounting to ₱58.94 million were converted to shares of stock of VMC resulting to an increase in the Group's percentage of ownership to 30.9% as of December 31, 2017.

The summarized financial information of VMC as of August 31, 2025 and 2024 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2025	2024
	(In Thousands)	
Current assets	**₱5,864,950**	₱5,389,875
Noncurrent assets	**9,523,115**	9,014,658
Current liabilities	**1,228,268**	1,227,708
Noncurrent liabilities	**763,712**	806,045
Equity	**13,396,085**	12,370,780
Equity interest of the Parent Company	**30.90%**	30.90%
Share in net assets of the acquiree	**4,139,390**	3,822,571
Fair value adjustments and others	**678,890**	742,768
Carrying value of investment	**₱4,818,280**	₱4,565,339

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

	2025	2024	2023
		(In Thousands)	
Revenue	**₱13,039,689**	₱11,377,071	₱15,546,991
Costs and expenses	**(11,700,549)**	(9,652,082)	(13,823,398)
Income before income tax	**1,339,140**	1,724,989	1,723,593
Provision for (benefit from) income tax	**13,669**	(176,518)	(152,921)
Net income	**1,352,809**	1,548,471	1,570,672
Other comprehensive income (loss)	**1,258**	(29,252)	201,919
Total comprehensive income	**₱1,354,067**	₱1,519,219	₱1,772,591
Group's share of total comprehensive income for the year	**₱418,407**	₱469,439	₱547,731

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

Investment in APLII

On December 21, 2015, PNB entered into a 15-year exclusive partnership with Allianz SE under the following arrangements, subject to regulatory approvals:

- Allianz SE will acquire 12,750 shares representing 51% stockholdings of APLII and will have management control over the new joint venture company;
- The new joint venture company will operate under the name of "Allianz-PNB Life Insurance, Inc.";
- A 15-year distribution agreement which will provide Allianz an exclusive access to the branch network of PNB and PNB Savings Bank.

The sale of APLII was completed on June 6, 2016 for a total consideration of US$66.0 million (₱3.1 billion). Pursuant to the sale of APLII, PNB also entered into a distribution agreement with APLII where PNB will allow APLII to have exclusive access to the distribution network of PNB and its subsidiary, PNB Savings Bank, over a period of 15 years. Both the share purchase agreement and distribution agreement have provisions referring to one another, making the distribution agreement an integral component of the sale transaction. Accordingly, the purchase consideration of US$66.0 million (₱3.1 billion) was allocated between the sale of the 51% interest in APLII and the Exclusive Distribution Rights (EDR) amounting to US$44.9 million (₱2.1 billion) and US$21.1 million (₱1.0 billion), respectively.

PNB will also receive variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

The Group recognized gain on sale of the 51% interest in APLII amounting to ₱400.3 million, net of taxes and transaction costs amounting to ₱276.7 million and ₱153.3 million, respectively. The deferred revenue amounting to ₱976.2 million allocated to the EDR was presented as “Other deferred revenue” and will be amortized to income over 15 years from date of sale (see Note 20). Prior to the sale of shares to Allianz SE, PNB acquired additional 15% stockholdings from the minority shareholders for a consideration amounting to ₱292.4 million between June 2, 2016 and June 5, 2016.

Consequently, PNB accounted for its remaining 44% ownership interest in APLII as an associate. At the date of loss of control, PNB’s investment in APLII was remeasured to ₱2.7 billion based on the fair value of its retained equity. PNB recognized gain on remeasurement amounting to ₱1.6 billion in the 2016 consolidated statement of income.

The fair value of the retained equity was based on a combination of the income approach and market approach.

On September 21, 2016, the Philippine SEC approved the amendment of PNB Life Insurance, Inc.’s article of incorporation to reflect the change in corporate name to Allianz-PNB Life Insurance, Inc.

Summarized financial information of APLII as of December 31, 2025 and 2024 follows:

	2025	2024
	(In thousands)	
Current assets	**₱3,200,646**	₱3,045,524
Noncurrent assets	**166,637,077**	135,662,332
Current liabilities	**2,267,430**	2,136,824
Noncurrent liabilities	**163,026,309**	132,365,045
Equity	**4,543,984**	4,205,987
Equity interest of the Parent Company	**44%**	44%
Share in net assets of the acquiree	**1,999,353**	1,850,634
Fair value adjustments and others	**1,589,428**	1,595,979
Carrying value of investment	**₱3,588,781**	₱3,446,613

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

	2025	2024	2023
	(In Thousands)		
Revenue	**₱6,968,490**	₱7,900,955	₱6,867,294
Costs and expenses	**(5,870,563)**	(6,919,372)	(6,257,991)
Net income	**1,097,927**	981,583	609,303
Other comprehensive loss	**(494,747)**	(470,126)	(357,591)
Total comprehensive income	**₱603,180**	₱511,457	₱251,712
Group's share of total comprehensive income for the year	**₱265,399**	₱225,041	₱110,753

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

Information on the Company's investment to AEPDC follows:

Date of investment	Additional number of shares	**2025**	2024
		(In Thousands)	
April 15, 2016	20,000,000	**₱20,000**	₱20,000
July 5, 2017	25,200,000	**25,200**	25,200
July 5, 2017	226,800,000	**226,800**	226,800
November 20, 2017	370,000,000	**370,000**	370,000
January 1, 2018	1,534,000,000	**1,534,000**	1,534,000
July 16 and November 19, 2019	1,195,000,000	**1,195,000**	1,195,000
April 28 and July 27, 2020	1,083,500,000	**1,083,500**	1,083,500
February 22, 2021	150,000,000	**150,000**	150,000
May 11, 2021	377,000,000	**377,000**	377,000
December 13, 2021	306,000,000	**306,000**	306,000
April 29, 2022	1,250,000,000	**1,250,000**	1,250,000
November 25, 2022	849,000,000	**849,000**	849,000
May 9, 2023	820,000,000	**820,000**	820,000
December 6, 2023	1,100,000,000	**1,100,000**	1,100,000
		₱9,306,500	₱9,306,500

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

	2025	2024
	(In Thousands)	
Acquisition cost:	**₱9,306,500**	₱9,306,500
Accumulated equity in net earnings:		
Balance at beginning of year	**791,037**	463,541
Share in net income of a joint venture	**328,300**	327,496
Balance at end of year	**1,119,337**	791,037
Ending balance	**₱10,425,837**	₱10,097,537

Summarized financial information of AEPDC as of December 31, 2025 and 2024 follows:

	2025	2024
	(In Thousands)	
Current assets, including cash and cash equivalents (2025: ₱208,294; 2024: ₱152,745)	**₱26,991,158**	₱21,313,368
Noncurrent assets	**8,971,710**	12,363,750
Current liabilities	**10,134,461**	10,352,821
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Noncurrent liabilities	**5,241,930**	3,335,566
Noncurrent financial liabilities (excluding trade and other payables and provisions)	–	–
Revenue	**4,477,945**	4,452,343
Depreciation and amortization	–	–
Interest income	**1,442**	4,612
Interest expense	**177,634**	76,550
Income before income tax	**876,650**	822,933
Provision for income tax	**(220,048)**	(167,941)
Total comprehensive income	**656,602**	654,992

Investment in ABI Pascual Holdings
On February 15, 2012, ABI and Corporation Empresarial Pascual, S. L. (CEP), an entity organized and existing under the laws of Spain, agreed to form ABI Pascual Holdings, a jointly controlled entity organized and domiciled in Singapore. In accordance with the Agreement, ABI and CEP (the "venturers") will hold 50% interest in ABI Pascual Holdings. Further, the arrangement requires unanimous agreement for financial and operating decisions among venturers.

On November 21, 2012, ABI Pascual Holdings created ABI Pascual Foods Incorporated (ABI Pascual Foods), an operating company, incorporated and domiciled in the Philippines, that will develop a business of marketing and distributing certain agreed products. As part of the joint venture agreement, the venturers also agreed to execute a product distribution agreement.

As of December 31, 2012, ABI has an investment in ABI Pascual Holdings amounting to ₱20.1 million, while ABI Pascual Holdings has an investment in ABI Pascual Foods amounting to ₱40.2 million. The joint venture has started operations in September 2013.

The Group determined that its advances to ABI Pascual Foods represents the Group's long-term interest in ABI Pascual Holdings and its subsidiary that, in substance, form part of the Group's net investment in the joint venture.

The summarized financial information of ABI Pascual Holdings as of December 31 follows:

	2025	2024
	(In Thousands)	
Current assets, including cash and cash equivalents (2025: ₱18,299; 2024: ₱81,945)	**₱834,471**	₱628,165
Noncurrent assets	**8,619**	3,309
Current liabilities	**137,398**	87,211
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Noncurrent liabilities	**12,079**	11,194
Noncurrent financial liabilities (excluding trade and other payables and provisions)	–	–
Revenue	**1,066,960**	882,186
Depreciation and amortization	**831**	657
Interest income	**902**	2,178
Interest expense	**147**	153
Income before income tax	**211,544**	161,471
Provision for income tax	**(51,869)**	(41,003)
Other comprehensive income	**983**	276
Total comprehensive income	**160,658**	120,744

Disclosures on Subsidiary with Material Non-controlling Interest

Following is the financial information of PNB, which has material non-controlling interests of 43.53% as of and for the years ended December 31:

	2025	2024	2023
		(In Thousands)	
Accumulated balances of material non-controlling interest	**₱3,925,884**	₱3,781,968	₱3,508,745
Net income (loss) allocated to material non-controlling interest	**86,600**	125,069	(13,437)
Total comprehensive income (loss) allocated to material non-controlling interest	**147,462**	276,769	(37,064)

On February 9, 2013, PNB acquired 100% of the voting common stock of ABC. PNB accounted for the business combination with ABC under the acquisition method of PFRS 3. In the LTG consolidated financial statements, the merger of PNB and ABC and the acquisition of PNB through the Bank Holding Companies are accounted for under the pooling-of-interests method. Thus, the summarized financial information of PNB below is based on the amounts in the consolidated financial statements of PNB prepared under the pooling-of-interests method before the Group's intercompany eliminations.

Statements of Comprehensive Income:

	2025	2024	2023
		(In Thousands)	
Revenue	**₱79,069,186**	₱75,068,040	₱66,579,888
Cost of services	**(18,834,342)**	(19,565,356)	(16,268,299)
General and administrative expenses	**(33,046,065)**	(33,497,791)	(34,330,259)
Foreign exchange gains - net	**1,153,652**	1,169,286	1,367,409
Other income - net	**3,890,547**	3,103,518	5,681,054
Income before income tax	**32,232,978**	26,277,697	23,029,793
Provision for income tax	**(6,891,217)**	(5,099,732)	(4,007,375)
Net income	**25,341,761**	21,177,965	19,022,418
Other comprehensive income (loss)	**2,523,755**	4,305,868	3,280,769
Total comprehensive income	**₱27,865,516**	₱25,483,833	₱22,303,187
Net income attributable to:			
Equity holders of the Parent Company	**₱25,255,161**	₱21,052,896	₱19,035,855
Non-controlling interests	**86,600**	125,069	(13,437)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**27,718,054**	25,207,064	22,340,251
Non-controlling interests	**147,462**	276,769	(37,064)
Dividends declared to non-controlling interests	**3,546**	3,546	3,569

Statements of Financial Position:

	2025	2024
	(In Thousands)	
Current assets	**₱699,473,089**	₱677,548,246
Noncurrent assets	**670,968,064**	575,733,009
Current liabilities	**1,083,360,810**	1,010,012,336
Noncurrent liabilities	**52,882,975**	32,673,820
Equity attributable to:		
Equity holders of the Parent Company	**230,271,484**	206,813,131
Non-controlling interest	**3,925,884**	3,781,968

Statements of Cash Flows:

	2025	2024	2023
		(In Thousands)	
Operating	**₱1,726,829**	₱43,955,629	₱39,314,906
Investing	**(2,369,096)**	(28,070,353)	(6,986,603)
Financing	**(4,374,917)**	(35,049,174)	(12,937,150)
Net increase (decrease) in cash and cash equivalents	**(₱5,017,184)**	(₱19,163,898)	₱19,391,153

12. Property, Plant and Equipment

December 31, 2025

	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	**₱45,944,174**	**₱12,229,258**	**₱25,769,971**	**₱83,943,403**	**₱4,640,518**	**₱3,196,475**	**₱7,496,595**	**₱8,299,181**	**₱1,035,472**	**₱24,668,241**	**₱7,499,648**	**₱116,111,292**
Additions/transfers (Note 13)	**783,729**	**986,987**	**1,640,575**	**3,411,291**	**71,369**	**245,426**	**406,271**	**1,194,068**	**794,610**	**2,711,744**	**945,616**	**7,068,651**
Disposals/transfers/others (Note 28)	**950,210**	**(402,360)**	**(142,641)**	**405,209**	**(382,350)**	**(82,051)**	**(50,076)**	**(654,904)**	**(1,183,961)**	**(2,353,342)**	**(929,307)**	**(2,877,440)**
Balance at end of year	**47,678,113**	**12,813,885**	**27,267,905**	**87,759,903**	**4,329,537**	**3,359,850**	**7,852,790**	**8,838,345**	**646,121**	**25,026,643**	**7,515,957**	**120,302,503**
Accumulated Depreciation, Amortization and Impairment Losses												
Balance at beginning of year	**2,462,789**	**8,397,610**	**15,834,613**	**26,695,012**	**1,158,416**	**2,864,088**	**5,756,106**	**7,307,709**	**−**	**17,086,319**	**3,410,463**	**47,191,794**
Depreciation and amortization	**17,558**	**442,174**	**1,305,611**	**1,765,343**	**150,812**	**94,824**	**469,706**	**609,331**	**−**	**1,324,673**	**1,237,844**	**4,327,860**
Disposals/transfers/others (Note 28)	**534,262**	**(19,049)**	**(139,066)**	**376,147**	**249,090**	**(32,762)**	**(37,965)**	**(500,425)**	**−**	**(322,062)**	**(1,084,982)**	**(1,030,897)**
Balance at end of year	**3,014,609**	**8,820,735**	**17,001,158**	**28,836,502**	**1,558,318**	**2,926,150**	**6,187,847**	**7,416,615**	**−**	**18,088,930**	**3,563,325**	**50,488,757**
Net Book Value	**₱44,663,504**	**₱3,993,150**	**₱10,266,747**	**₱58,923,401**	**₱2,771,219**	**₱433,700**	**₱1,664,943**	**₱1,421,730**	**₱646,121**	**₱6,937,713**	**₱3,952,632**	**₱69,813,746**

December 31, 2024

	At Appraised Values				At Cost							
	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Subtotal	Office and Administration Buildings and Improvements	Transportation Equipment	Returnable Containers	Furniture, Fixtures and Other Equipment	Construction in Progress	Subtotal	Right-of-Use Assets	Total
						(In Thousands)						
Cost												
Balance at beginning of year	₱46,134,132	₱ 12,130,940	₱24,435,820	₱82,700,892	₱4,551,103	₱3,107,068	₱7,122,668	₱8,039,339	₱482,885	₱23,303,063	₱7,312,827	₱113,316,782
Additions/transfers (Note 13)	−	42,163	1,563,712	1,605,875	85,184	175,632	388,916	639,217	711,482	2,000,431	977,045	4,583,351
Disposals/transfers/others (Note 28)	(189,958)	56,155	(229,561)	(363,364)	4,231	(86,225)	(14,989)	(379,375)	(158,895)	(635,253)	(790,224)	(1,788,841)
Balance at end of year	45,944,174	12,229,258	25,769,971	83,943,403	4,640,518	3,196,475	7,496,595	8,299,181	1,035,472	24,668,241	7,499,648	116,111,292
Accumulated Depreciation, Amortization and Impairment Losses												
Balance at beginning of year	2,494,318	8,039,255	14,650,888	25,184,461	905,603	2,788,677	5,251,386	7,048,021	−	15,993,687	3,007,122	44,185,270
Depreciation and amortization	17,968	339,239	1,296,827	1,654,034	245,308	182,227	523,986	697,944	−	1,649,465	1,183,399	4,486,898
Disposals/transfers/others (Note 28)	(49,497)	19,116	(113,102)	(143,483)	7,505	(106,816)	(19,266)	(438,256)	−	(556,833)	(780,058)	(1,480,374)
Balance at end of year	2,462,789	8,397,610	15,834,613	26,695,012	1,158,416	2,864,088	5,756,106	7,307,709	−	17,086,319	3,410,463	47,191,794
Net Book Value	₱43,481,385	₱3,831,648	₱9,935,358	₱57,248,391	₱3,482,102	₱332,387	₱1,740,489	₱991,472	₱1,035,472	₱7,581,922	₱4,089,185	₱68,919,498

Right-of-Use Assets

December 31, 2025

	Bank Premises	Land and Land Improvements	Plant Buildings and Building Improvements	Machineries and Equipment	Total
Cost					
Balance at beginning of year	**₱5,925,697**	**₱1,364,450**	**₱160,659**	**₱48,842**	**₱7,499,648**
Additions/transfers	**811,650**	**–**	**133,966**	**–**	**945,616**
Transfers/others	**(772,017)**	**–**	**(157,290)**	**–**	**(929,307)**
Balance at end of year	**5,965,330**	**1,364,450**	**137,335**	**48,842**	**7,515,957**
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	**2,822,520**	**378,442**	**160,659**	**48,842**	**3,410,463**
Depreciation and amortization	**1,124,067**	**10,434**	**103,343**	**–**	**1,237,844**
Transfers/others	**(927,692)**	**–**	**(157,290)**	**–**	**(1,084,982)**
Balance at end of year	**3,018,895**	**388,876**	**106,712**	**48,842**	**3,563,325**
Net Book Value	**₱2,946,435**	**₱975,574**	**₱30,623**	**₱–**	**₱3,952,632**

December 31, 2024

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

Revaluation of Land and Land Improvements, Plant Buildings and Machineries and Equipment

The corresponding fair values of land and land improvements, plant buildings and building improvements, and machineries and equipment are determined based on valuation performed by Philippine SEC-accredited and independent appraisers. The fair value of the land was determined using the market data approach based on available market evidence and the fair values for land improvements, plant buildings, and machineries and equipment were derived using the depreciated replacement cost. The dates of the latest appraisal valuations were December 31, 2025, 2024, and 2023 (see Note 34).

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

	2025	2024
	(In Thousands)	
Revaluation increment on the property, plant and equipment, net of deferred income tax effect:		
Balance at beginning of year	**₱18,306,675**	₱18,573,980
Net revaluation increase	**801,771**	92,015
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal	**(349,313)**	(359,320)
Balance at end of year	**₱18,759,133**	₱18,306,675
Attributable to:		
Equity holders of the Company	**₱11,178,608**	₱10,704,564
Non-controlling interests	**7,580,524**	7,602,111
	₱18,759,132	₱18,306,675

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

	2025	2024
	(In Thousands)	
Cost		
Land and land improvements	**₱9,922,132**	₱9,138,403
Plant buildings and improvements	**22,473,845**	21,486,858
Machineries and equipment	**37,268,026**	35,627,451
	69,664,003	66,252,712
Accumulated depreciation		
Land and land improvements	**(5,192,012)**	(4,827,352)
Plant buildings and improvements	**(23,661,157)**	(20,407,660)
Machineries and equipment	**(27,606,777)**	(22,420,408)
	(56,459,946)	(47,655,420)
	₱13,204,057	₱18,597,292

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

	2025	2024	2023
		(In Thousands)	
Cost of goods sold and services, under "Cost of consumer goods sold" and "Cost of rental income" (Note 24)	**₱2,175,283**	₱2,056,908	₱2,007,399
Selling expenses (Note 25)	**664,228**	659,763	653,398
General and administrative expenses (Note 26)	**1,488,349**	1,770,227	1,898,148
	₱4,327,860	₱4,486,898	₱4,558,945

As of December 31, 2025 and 2024, the Group's "Construction in progress" under the "Property, plant and equipment" account pertains to TDI's construction of building.

Out of the total additions in 2025 and 2024, ₱0.9 billion and ₱1.1 billion, respectively, remained unpaid as of December 31, 2025 and 2024, which represent non-cash investing activities (see Note 35).

Certain property and equipment of the Group with carrying amount of ₱55.3 million and ₱79.9 million are temporarily idle as of December 31, 2025 and 2024, respectively.

Borrowing Costs
Borrowing costs capitalized as cost of property, plant and equipment in 2025 and 2024 amounted to nil.

13. Investment Properties

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

	December 31, 2025				
	Land	**Buildings and Improvements**	**Residential Unit**	**Construction in Progress**	**Total**
Cost					
Balance at beginning of year	**₱25,592,986**	**₱15,276,830**	**₱5,881,213**	**₱17,546**	**₱46,768,575**
Additions	**1,368,781**	**832,979**	**4,179,296**	**491,336**	**6,872,392**
Disposals/transfers/others	**(433,858)**	**(4,808,797)**	**(1,195,337)**	**(47,952)**	**(6,485,944)**
Balance at end of year	**26,527,909**	**11,301,012**	**8,865,172**	**460,930**	**47,155,023**
Accumulated Depreciation and Impairment Losses					
Balance at beginning of year	**2,501,903**	**5,123,556**	**163,712**	**–**	**7,789,171**
Depreciation	**–**	**762,226**	**106,186**	**–**	**868,412**
Disposals/transfers/reclassifications /others	**–**	**(861,659)**	**158,402**	**–**	**(703,257)**
Balance at end of year	**2,501,903**	**5,024,123**	**428,300**	**–**	**7,954,326**
Net Book Value	**₱24,026,006**	**₱6,276,889**	**₱8,436,872**	**₱460,930**	**₱39,200,697**

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

The Group's investment properties consist of parcels of land held for appreciation, residential and condominium units for lease and for sale, and real properties foreclosed or acquired in settlement of loans which are all valued at cost. Foreclosed investment properties that are still subject to redemption period by the borrowers amounted to ₱1.9 billion and ₱2.3 billion as of December 31, 2025 and 2024, respectively. The Group is exerting continuing efforts to dispose these foreclosed properties.

In 2016, the Group reclassified certain properties from "property, plant and equipment" to "Investment property" with aggregate carrying amount of ₱4.7 billion. These properties mainly consist of office spaces in the Allied Bank Center in Makati City leased out and land in Buendia, Makati City being held for future development.

As of December 31, 2025 and 2024, the Group's "Construction in progress" under the "Investment property" account pertains to the construction of building intended for leasing and which is expected to be completed in 2026 and 2025, respectively.

Fair Values of Investment Properties
Below are the fair values of the investment properties as of December 31, 2025, which were determined by professionally qualified, SEC-accredited and independent appraisers based on market values:

Property	Approach	Fair Value	Valuation Report Date
Land	Market approach	₱112.6 billion	December 31, 2025
Building and improvements	Market approach	29.2 billion	December 31, 2025
		₱141.8 billion	

The estimated fair value of the land and building and improvements was arrived at using the Market Approach. In this approach, the value of the land and building were based on sales and listings of comparable property registered within the vicinity. The approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator.

The valuations were performed by Philippine SEC-accredited and independent valuer. The valuation model used in accordance with that recommended by the International Valuation Standards Council has been applied. These valuation models are consistent with the principles in PFRS 13.

The fair values of land and building and improvements were updated to reflect the value of comparable property registered within the vicinity as of December 31, 2025. The fair value of investment properties of the Group was determined using acceptable valuation approaches and both observable and unobservable inputs (see Note 34).

Rent Income and Direct Operating Expenses of Investment Properties
Rental income and direct operating expenses arising from the investment properties of property development segment amounted to ₱2,199.8 million and ₱2,497.6 million in 2025, ₱2,429.5 million and ₱1,890.3 million in 2024, and ₱2,330.8 million and ₱1,823.6 million in 2023, respectively (see Note 24). Rental income of the banking segment on its investment properties is presented under "Other income (charges)" (see Note 28).

Depreciation of investment properties charged to operations follows:

	2025	2024	2023
		(In Thousands)	
Cost of rental income (Note 24)	**₱456,352**	₱396,345	₱356,058
General and administrative expenses (Note 26)	**412,060**	394,436	362,176
	₱868,412	₱790,781	₱718,234

14. **Other Noncurrent Assets**

Other noncurrent assets consist of:

	2025	2024
	(In Thousands)	
Deferred and other charges	**₱2,749,333**	₱2,602,464
Software costs	**1,107,992**	1,314,599
Prepaid excise taxes	**771,713**	771,713
Creditable withholding taxes	**363,895**	413,864
Net retirement plan assets (Note 23)	**293,580**	271,802
Advances to suppliers	**231,482**	130,720
Distribution network access	**229,401**	200,726
Goodwill	**163,735**	163,735
Refundable and security deposits	**129,103**	231,508
Deferred input VAT	**123,830**	116,145
Chattel properties - net	**108,982**	75,431
	6,273,046	6,292,707
Allowance for probable losses	**(1,806,001)**	(1,821,796)
	₱4,467,045	₱4,470,911

a. Movements in software costs are as follows:

	2025	2024
	(In Thousands)	
Balance at beginning of year	**₱1,314,599**	₱1,562,119
Additions	**1,003,810**	946,940
Amortization (Note 26)	**(1,214,142)**	(1,160,592)
Other adjustments	**3,725**	(33,868)
Balance at end of year	**₱1,107,992**	₱1,314,599

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

b. Refundable deposits consist principally of amounts paid by the property development segment to its utility providers for service applications and guarantee deposit to Makati Commercial Estate Association (MACEA) for plans processing, monitoring fee and development charge of the Group’s projects. Deposits paid to utility companies will be refunded upon termination of the service contract while guarantee deposit paid to MACEA will be refunded upon project completion.

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

d. The Group recognized goodwill which pertains mainly to ADI amounting to ₱144.70 million. As of December 31, 2025 and 2024, the Group performed its annual impairment testing of goodwill related to its CGUs, ADI.

The recoverable amount of ADI is determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period.

The projected cash flows have been updated to reflect the increase in demand for products based on TDI's projected sales volume increase, selling price increase and cost and expenses increase. The pre-tax discount rate applied to the cash flow projection is 11.60% and 11.79% in 2025 and 2024, respectively. The growth rate used to extrapolate the cash flows of until beyond the five-year period is 6% as of December 31, 2025 and 2024. Management assessed that this growth rate is comparable with the average growth for the industry in which ADI operates. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of ADI to exceed its recoverable amount, which is based on value-in-use. As of December 31, 2025 and 2024, the recoverable amount of ADI is higher than its carrying value.

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

f. As of December 31, 2025 and 2024, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱327.3 million and ₱511.5 million, respectively. As of December 31, 2025 and 2024, the total recoverable value of certain chattel mortgage properties of PNB that were impaired is at ₱299.8 million and ₱396.5 million, respectively.

g. The Group has receivable from an SPV amounting to ₱500 million. This represents fully provisioned subordinated notes received by the Group from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.

h. Other assets mainly pertain to interoffice floats. The bank provided allowance for probable losses on floats which are long-outstanding.

i. Movements in the allowance for probable losses on noncurrent assets follow:

	2025	2024
	(In Thousands)	
Balance at beginning of year	**₱1,821,796**	₱1,717,765
Provisions (reversals)	**(15,795)**	104,031
Balance at end of year	**₱1,806,001**	₱1,821,796

15. **Deposit Liabilities**

	2025	2024
	(In Thousands)	
Demand	**₱242,739,640**	₱244,369,119
Savings	**528,233,759**	549,011,085
Time	**260,306,182**	151,967,502
	1,031,279,581	945,347,706
Presented as noncurrent liabilities	**(10,179,561)**	(5,290,562)
Presented as current liabilities	**₱1,021,100,020**	₱940,057,144

Of the total deposit liabilities of the Group, ₱28.0 billion and ₱26.8 billio n are non-interest bearing as of December 31, 2025 and 2024, respectively. Annual interest rates of the remaining deposit liabilities follow:

	2025	2024
Foreign-currency denominated deposit liabilities	**0.0% - 5.2%**	0.0% to 5.5%
Peso-denominated deposit liabilities	**0.1% - 6.6%**	0.1% to 6.1%

Under existing BSP regulations, non-FCDU deposit liabilities of PNB is subject to reserves equivalent to 9.5%, while peso-denominated LTNCDs are subject to reserves equivalent to 4.0%. As of December 31, 2025 and 2024, available reserves booked under "Due from BSP" amounted to ₱45.4 billion and ₱44.6 billion, respectively (see Note 5).

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

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2025	Carrying Value 2024
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱–**	₱4,598,770

Other significant terms and conditions of the above LTNCDs follow:

a. Issue price at 100.00% of the face value of each LTNCD.

b. The LTNCDs bear interest rate per annum on its principal amount from and including the Issue Date thereof, up to but excluding the Early Redemption Date or Maturity Date (as the case may be). Interest in respect of the LTNCD will be calculated on an annual basis and will be paid in arrears quarterly on the last day of each successive Interest Period.

c. Unless earlier redeemed, the LTNCDs shall be redeemed by PNB on maturity date at an amount equal to one hundred percent (100%) of the aggregate issue price thereof, plus any accrued and unpaid interest thereon. The LTNCDs may not be redeemed at the option of the holders.

d. The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of PNB, enforceable according to the related Terms and Conditions, and shall at all times rank paripassu and without any preference or priority among themselves and at least paripassu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

e. Subject to the "Events of Default" in the Terms and Conditions, the LTNCDs cannot be pre-terminated at the instance of any CD Holder before Maturity Date. In the case of an event of default, none of the CD Holders may accelerate the CDs on behalf of other CD Holders, and a CD Holder may only collect from PNB to the extent of the CD Holder's holdings in the CDs. However, PNB may, subject to the General Banking Law of 2000, Section X233.9 of the Manual of Regulations for Banks, Circular No. 304 Series of 2001 of the BSP and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding CDs on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

f. The LTNCDs are insured by the PDIC up to a maximum amount of ₱0.5 million subject to applicable laws, rules and regulations, as the same may be amended from time to time.

g. Each Holder, by accepting the LTNCDs, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by PNB arising under or in connection with the LTNCDs; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Interest expense on deposit liabilities presented under "Cost of banking services" amounted to ₱14.8 billion, ₱15.4 billion, ₱12.1 billion in 2025, 2024 and 2023, respectively (see Note 24).

In 2025, 2024 and 2023, interest expense on LTNCDs of the Group includes amortization of transaction costs amounting to ₱1.2 million, ₱15.2 million, ₱23.5 million, respectively. Unamortized transaction costs of the LTNCDs amounted to nil and ₱1.3 million as of December 31, 2025 and 2024, respectively.

16. Financial Liabilities at FVTPL

Financial liabilities at fair value through profit or loss consist of derivatives liabilities amounting to ₱285.5 million and ₱924.1 million as of December 31, 2025 and 2024, respectively (see Notes 21 and 33).

17. Bills and Acceptances Payable

Bills and acceptances payable consist of:

	2025	2024
	(In Thousands)	
Bills payable to:		
Foreign banks	**₱2,594,765**	₱11,828,038
BSP and local banks	**395**	2,324,404
	2,595,160	14,152,442
Acceptances outstanding	**8,147,588**	6,056,009
	₱10,742,748	₱20,208,451

Annual interest rates are shown below:

	2025	2024	2023
Peso-denominated	**4.5% - 5.9%**	5.8% - 6.6%	6.0% - 6.8%
Foreign currency-denominated	**1.3% - 4.6%**	0.0% - 5.6%	0.0% - 5.4%

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

	2025		2024	
	Carrying value	**Fair value**	Carrying value	Fair value
		(In Thousands)		
Financial assets at FVTOCI (Note 7)	**₱–**	**₱–**	₱12,011,450	₱11,859,179
Investment securities at amortized cost (Note 7)	**1,280,774**	**1,325,734**	2,392,401	2,397,775
	₱1,280,774	**₱1,325,734**	₱14,403,851	₱14,256,954

Interest expense on bills payable is included under "Cost of banking services" amounting to ₱0.6 billion in 2025, ₱0.5 billion in 2024, and ₱0.3 billion in 2023 (see Note 24).

18. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	2025	2024
	(In Thousands)	
Trade payables	**₱8,366,773**	₱6,784,067
Nontrade payables	**1,278,952**	757,286
Accrued expenses:		
Purchase of materials and supplies and others	**4,370,640**	5,225,651
Accrued interest	**2,371,922**	2,146,594
Taxes and licenses	**1,261,103**	1,203,413
PDIC insurance premiums	**1,105,702**	1,093,895
Advertising and promotional expenses	**1,072,885**	1,100,694
Information technology-related expenses	**402,015**	145,090
Rent and utilities payable	**116,320**	414,465
Other benefits - monetary value of leave credits	**113,871**	298,387
Output VAT	**689,144**	935,297
Due to government agencies	**355,637**	306,278
Retention payable	**175,839**	227,251
Professional Fees	**49,739**	–
Other payables	**57,405**	17,071
	₱21,787,947	₱20,655,439

Trade Payables
Trade payables are non-interest bearing and are normally settled on 30 to 60 days terms. Trade payables arise mostly from trade purchases of the banking group and purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts.

Retention Payable
Retention payable is the amount deducted from the total billing of the contractor which will be paid upon completion of the contracted services of Eton.

Accrued Project Development Costs
Accrued project development costs represent costs incurred by the Property Development segment in the development and construction of real estate projects.

Other Payables
Other payables include outside services, travel and transportation, employee benefits, management, director and other professional fees of the Group which are not individually material.

19. **Short-term and Long-term Debts**

Short-term Debts
As of December 31, 2025 and 2024, outstanding unsecured short-term debts amounted to ₱3.7 billion. The loans, which are subject to annual interest rates ranging from 5.6% to 6.95% in 2025 and 3.2% to 7.0% in 2024, are payable lump-sum on various dates within one year and subject to renewal upon agreement by the Group and counterparty banks.

Long-term Debts

	2025	2024
	(In Thousands)	
Bonds payable	**₱33,278,399**	₱17,304,421
Lease liabilities (Notes 35 and 37)	**4,995,548**	5,433,871
Unsecured term loans	**1,951,483**	2,811,040
	40,225,430	25,549,332
Current portion	**(1,672,443)**	(1,926,643)
	₱38,552,987	₱23,622,689

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

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

As of December 31, 2025 and 2024, the unamortized transaction cost of bonds payable amounted to ₱58.5 million and ₱49.1 million. Amortization of transaction costs amounting to ₱9.1 million and ₱38.7 million, respectively, was charged to 'Interest expenses - bonds payable' in the consolidated statements of income (see Note 27).

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

In 2018, Eton entered into an unsecured term loan agreement with Bank of the Philippine Islands (BPI) amounting to ₱5.0 billion. On July 31, 2018, ₱0.5 billion was initially drawn and an additional ₱1.0 billion on September 26, 2018. The term loan with BPI has a nominal rate of 6.8% and 7.9% for the first and second drawdown, respectively. In 2021 and 2020, Eton availed of loan drawdowns totaling to ₱1.7 billion and ₱1.8 billion, respectively, with a nominal rate of 5% for each of the drawdown. Principal repayments will commence a year from the date of initial borrowing and due quarterly, while interest payments are due quarterly.

Finance costs
Interest recognized on short-term and long-term debts, except for subordinated debts, are presented under "Finance costs" in the consolidated statements of income (see Note 27). Interest costs from subordinated debts are included in the "Cost of banking services" (see Note 24).

Compliance with debt covenants
Eton is required to comply with certain non-financial covenants and maintain certain financial ratios, such as current ratio, debt service coverage ratio and debt equity ratio. As at December 31, 2024, Eton did not meet the debt service coverage ratio (DSCR) requirement. Nonetheless, on December 31, 2024, Eton was able to obtain from the bank a waiver for compliance to maintain DSCR of not less than 1:1 until July 31, 2025. Consequently, the classification of the loan amortizations due beyond 12 months from December 31, 2024 remains as a non-current liability. The loan covenant does not include cross-default provision.

As of December 31, 2025 and 2024, other than the noncompliance of Eton as of December 31, 2024, the Group has complied with the financial and non-financial covenants of its long-term debts.

20. Other Liabilities

	2025	2024
	(In Thousands)	
Due to Treasurer of the Philippines	**₱1,683,320**	₱1,431,240
Dormant credits	**1,384,043**	1,630,120
Due to other banks	**1,296,555**	2,038,261
Managers' checks and demand drafts outstanding	**1,233,088**	1,383,750
Bills purchased - contra (Note 8)	**1,189,005**	3,196,612
Deferred revenue	**947,967**	952,667
Provisions (Note 37)	**707,133**	878,874
Miscellaneous tax securities	**669,137**	507,653
Customers' deposits	**541,844**	695,560
Interoffice floats	**537,628**	537,628
Withholding taxes payable	**444,515**	473,641
Tenants' rental deposits	**368,621**	469,487
Advance rentals	**342,224**	816,358
Payment order payable	**270,339**	180,883
Security deposit	**216,260**	190,391
Margin deposits and cash letters of credit	**82,225**	27,719
SSS, Medicare and EC payable	**74,537**	65,301
Deposit on lease contracts	**69,716**	72,975
Transmission liability	**49,455**	72,705
Deposit for key on safety deposit box	**15,276**	15,639
Others	**2,979,628**	2,512,587
	15,102,516	18,150,051
Noncurrent portion	**(6,673,577)**	(6,777,227)
	₱8,428,939	₱11,372,824

Customers' Deposits
Customers' deposits represent payments from buyers of residential units which will be applied against the corresponding contracts receivables which are recognized based on the revenue recognition policy of the Group. This account includes the excess of collections over the recognized receivables amounting to ₱541.8 million and ₱695.6 million as of December 31, 2025 and 2024, respectively.

Payables to Landowners
In various dates in 2014, Eton executed a ₱1.1 billion promissory note, subject to interest rate of PDSTF 3 years plus 0.50% spread, to various landowners in relation to its purchase of land located in Laguna with total purchase price of ₱1.3 billion. In June 2017, the payment of the various promissory notes were extended for another three years. In 2020, various landowners requested for extension, and the payment of the various promissory notes was extended for another three years. In 2022, the promissory note was further extended for another year using the same interest rate. In 2024, payable to landowners amounting to ₱0.9 billion was repaid.

Interest expense related to payables to landowners is nil in 2025, ₱51.0 million in 2024 and ₱62.5 million in 2023 [see Notes 12, 13 and 27].

Deposits, Deferred Credits and Others
Other liabilities of the property development segment include tenants' rental deposits, advance rentals, payable to landowners and other deferred credits. Security deposits pertain to the amounts paid by the tenants at the inception of the lease which is refundable at the end of the lease term. Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term depending on the lease contract. Deferred credits represent the excess of the principal amount of the security deposits over its fair value. Amortization of deferred credits is included in "Rental income" in the consolidated statements of income. Other liabilities also include banking segment's liabilities which include insurance retention payable, goods receipt, contract liabilities, accounts payable, bills purchased - contra, remittance-related payables, overages, and sundry accounts.

21. **Derivative Financial Instruments**

The table in the next page show the fair values of derivative financial instruments entered into by the Group, recorded as derivative assets or derivative liabilities (included under "Financial assets and liabilities at FVTPL") , together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding as of December 31, 2025 and 2024 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	2025			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱547,833**	**₱72,119**	**USD1.00**	**4,046,488**
PHP	**327**	**10,427**	**0.02**	**2,634,256**
SGD	**308**	**–**	**0.78**	**7**
JPY	**276**	**–**	**0.01**	**200,000**
GBP	**52**	**–**	**1.35**	**635**
EUR	**43**	**1**	**1.18**	**3,550**
HKD	**2**	**–**	**0.13**	**1,000**
SELL:				
USD	**244,071**	**195,608**	**1.00**	**1,553,967**
HKD	**3,388**	**22**	**0.02**	**2,774,967**
JPY	**514**	**443**	**0.78**	**460,000**
SGD	**–**	**3,664**	**0.01**	**4,062**
GBP	**–**	**1,512**	**1.35**	**2,000**
AUD	**–**	**601**	**1.18**	**2,000**
CAD	**–**	**545**	**0.13**	**2,200**
PHP	**–**	**300**	**0.02**	**588,200**
EUR	**–**	**221**	**0.73**	**1,500**
NZD	**–**	**99**	**0.14**	**500**
	₱796,814	**₱285,562**		

**The notional amounts pertain to original currencies.*

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

**The notional amounts pertain to original currencies.*

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

	2025	2024
	(In Thousands)	
Balance at beginning of year		
Derivative assets	**₱1,087,107**	₱749,198
Derivative liabilities	**924,053**	555,811
	163,054	193,387
Changes in fair value		
Currency forwards and spots*	**377,865**	(74,512)
Interest rate swaps and warrants**	**16**	(1,115)
	377,881	(75,627)
Net availments (settlements)	**(29,683)**	45,294
Balance at end of year		
Derivative assets	**796,814**	1,087,107
Derivative liabilities	**285,562**	924,053
	₱511,252	₱163,054

* *Presented as part of "Foreign exchange gains-net".*
** *Presented as part of "Trading and investment securities gains-net"*

The changes in fair value of the derivatives are included in "Trading and securities gains - net" presented as part of "Banking revenues" in the consolidated statements of income (see Note 24).

22. Related Party Transactions

The Company has transacted with its subsidiaries, associates and other related parties as follows:

Parent Company, Subsidiaries, Associates and Joint Ventures

Parent Company
Tangent

Subsidiaries
TDI and Subsidiaries
AAC
ADI
TBI
ABI and Subsidiaries
AB Nutribev
Agua Vida Systems, Inc.
Asia Pacific Beverage Pte Ltd
Asia Pacific Beverages Myanmar Company Limited
Interbev
Packageworld
Waterich
FTC
Shareholdings
Saturn
Paramount and Subsidiaries
Eton
BCI
ECI
EPMC
FHI
Bank Holding Companies:

Associates
APLII
AB HPI
PMFTC
VMC

Joint Ventures
ABI Pascual Holdings
ABI Pascual Foods
AEPDC

Entities Under Common Control
Basic Holdings Corporation
Cosmic Holdings Corp.
Foremost Farms Inc.
Grandspan Development Corp.
Harmonic Holdings Corp.
Himmel Industries Inc.
Lapu Lapu Packaging
Maxell Holdings, Corp.
Negros Biochem Corporation
Philippine Airlines, Inc.

Parent Company, Subsidiaries, Associates and Joint Ventures	
All Seasons Realty Corp.	Pol Holdings, Inc.
Allmark Holdings Corp.	Proton Realty & Development Corporation
Caravan Holdings, Corp.	Rapid Movers & Forwarders Co. Inc.
Dunmore Development Corp.	
Dynaworld Holdings Inc.	
Fil-Care Holdings Inc.	
Ivory Holdings, Inc.	
Kenrock Holdings Corp.	
Kentwood Development Corp.	
La Vida Development Corp.	
Leadway Holdings, Inc.	
Merit Holdings & Equities Corp.	
Multiple Star Holdings Corp.	
Pioneer Holdings & Equities, Inc.	
Profound Holdings Inc.	
Purple Crystal Holdings, Inc.	
Safeway Holdings & Equities Inc.	
Society Holdings Corp.	
Solar Holdings Corp.	
Total Holdings Corp.	
Donfar Management Ltd.	
Fast Return Enterprises Ltd.	
Fragile Touch Investments Ltd.	
Key Landmark Investments Ltd.	
Mavelstone International Ltd.	
True Success Profits Ltd.	
Uttermost Success, Ltd.	
PNB and Subsidiaries	
PNB Holdings Corporation	
Mabuhay Digital Philippines, Inc.	
Mabuhay Digital Technologies, Inc.	
Asia's Emerging Dragon Corporation	

The consolidated statements of income include the following revenue and other income-related (costs and other expenses) account balances arising from transactions with related parties:

	Nature	2025	2024	2023
			(In Thousands)	
Associates	Dividend income	**₱10,708,645**	₱13,640,829	₱16,748,650
	Purchases of inventories	**(286,587)**	(303,740)	(16,795)
	Service fee and commission income	**73,199**	73,199	431,287
	Leases	–	35,100	35,100
Entities Under Common Control	Banking revenue - interest on loans and receivables	**2,768,471**	1,621,730	1,997,271
	Rent income	**53,644**	69,560	97,556
	Interest income on loans and advances	–	–	9,834
	Sales of consumer products	–	1,968	2,085
	Other income	**58,749**	56,094	30,793
	Freight and handling	**(17,317)**	(11,816)	(11,435)
	Purchases of inventories	**(3,265)**	(2,607)	(161)
Entities Under Common Control	Management and professional fees	**(369,612)**	(528,000)	(503,100)
	Cost of banking services - interest expense on deposit liabilities	**(241,608)**	(1,678,513)	(1,644,192)
	Rent expense	–	(70,255)	(22,794)
	Cost of goods sold and services	–	(28,702)	(23,834)
Key Management	Short-term employee benefits	**(579,033)**	(527,036)	(526,038)
	Post-employment benefits	**(69,532)**	(60,916)	(53,041)

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

	Financial Statement Account	Terms and Conditions	Amount/Volume 2025	Amount/Volume 2024	Outstanding Balance 2025	Outstanding Balance 2024
			(In Thousands)			
Parent Company	Due from related parties	On demand; non-interest bearing Maturity terms ranging from 90 days to 3 years; 2.5% interest per annum	**(₱471,000)**	(₱418,000)	**₱25,000**	₱496,000
	Trade receivables	- do -	–	–	**–**	–
	Nontrade receivables	- do -	–	(2,595)	**–**	–
	Account payable and other liabilities	30 to 60 days terms; non-interest bearing	–	2,060	**–**	–
Entities Under Common Control	Finance receivables	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.20% to 9.70% with maturity terms ranging from 60 days to 12 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱9.6 billion	**2,768,471**	1,621,730	**59,563,219**	44,810,665
	Trade receivables	- do -	**(1,117)**	1,968	**17,344**	18,461
	Other receivables	- do -	**112,393**	56,094	**417,783**	67,439
	Due from related parties	On demand; non-interest bearing	**134**	(31,359)	**1,393,498**	1,393,364
	Advances to suppliers	- do -	**(32,245)**	31,871	**12,501**	44,746
	Deposit liabilities	With annual rates ranging from 0.10% to 1.50% and maturity ranging from 30 days to 365 days	**(40,049,103)**	(3,033,990)	**(89,416,556)**	(49,367,453)
	Account payable and other liabilitites	30 to 90 days terms; non-interest bearing	**(108,289)**	2,607	**(315,975)**	(207,686)
	Due to related parties	On demand; non-interest bearing	**14,001**	(14,001)	**(50,000)**	(64,001)

As of December 31, 2025 and 2024, the outstanding related party balances are unsecured and settlement occurs in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with Tangent, parent company

- In December 2021, Tangent obtained loans from the Group totaling ₱5.7 billion. In 2022, Tangent obtained additional loans amounting to ₱0.6 billion. Total payments of the loan amounted to ₱6.3 billion as of December 31, 2025.

- In 2025 and 2024, the Group declared cash dividends to stockholders, of which ₱10.1 billion were paid to Tangent.

Transactions with Associates

- Dividend income from PMFTC amounted to ₱10.6 billion in 2025 and ₱13.5 billion in 2024 (see Note 11).

- The Group purchases raw materials such as raw and refined sugar and molasses from VMC.

- ABI entered into an operating lease agreement with AB HPI to lease portions of its two breweries, in Cabuyao, Laguna and El Salvador, Misamis Oriental, subject to the terms and conditions of an asset lease agreement signed last November 15, 2016. The lease has a fixed yearly increase as specified in the contract. As of December 31, 2025, the lease has already expired and no renewal was made by both parties.

- In 2025 and 2024, ABI rendered services in favor of AB HPI related to supplies, both imported and locally-purchased, advertising expense, promotions, professional fees, engineering fee and shared expenses in the plant.

Transactions with Entities under Common Control

- Due to related parties include cash advances provided to the Group to support its working capital requirements.

- Several subsidiaries of the Group entered into management services agreements with Basic Holdings Corporation for certain considerations. Management fees are recorded under "Outside services" in "Cost of goods sold" and "Professional fees" in the "General and administrative expenses" (see Note 24).

- The property development segment purchases parcels of land from other related parties for use in its various projects.

- Several entities under common control maintain peso and foreign currency denominated deposits and short-term and long-term loans with PNB. Interest income and financing charges related to these transactions are reported under "Banking revenue" and "Cost of banking services", respectively (see Note 24).

23. **Retirement Benefits**

The Group has funded, noncontributory defined benefit retirement plans, administered by a trustee, covering all of its permanent employees. As of December 31, 2025 and 2024, the Group is in compliance with Article 287 of the Labor Code, as amended by Republic Act No. 7641.

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

	2025	2024
	(In Thousands)	
Net retirement plan assets:		
FTC	**₱271,691**	₱256,370
LTG	**11,381**	7,794
TBI	**10,508**	7,638
	₱293,580	₱271,802
Net retirement benefits liabilities:		
ABI and subsidiaries	**₱582,163**	₱573,614
ADI	**63,917**	52,565
Eton and subsidiaries	**52,187**	37,716
TDI	**38,484**	31,002
PNB and subsidiaries	**24,335**	9,456
PHC	**3,849**	5,647
	₱764,935	₱710,000

The following tables summarize the components of net retirement plan assets and net retirement benefits liability recognized in the consolidated statements of financial position, the net benefit expenses recognized in the consolidated statements of income and the remeasurement losses (gains) recognized in consolidated statements of comprehensive income.

Net retirement plan assets:

	2025			2024			2023		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
					(In Thousands)				
Beginning balance	**₱120,328**	**(₱392,130)**	**(₱271,802)**	₱79,516	(₱356,836)	(₱277,320)	₱106,151	(₱372,001)	(₱265,850)
Change in status of retirement plan	–	–	–	–	(143)	(143)	–	–	–
Net retirement benefits expense (income) in profit or loss:									
Current service cost	**14,912**	–	**14,912**	12,491	–	12,491	13,011	–	13,011
Net interest cost (benefit)	**9,809**	**(26,442)**	**(16,633)**	8,646	(25,467)	(16,821)	7,197	(23,734)	(16,537)
	24,721	**(26,442)**	**(1,721)**	21,137	(25,467)	(4,330)	20,208	(23,734)	(3,526)
Contributions	–	**(6,000)**	**(6,000)**	–	(18,899)	(18,899)	–	(9,149)	(9,149)
Benefits paid	**(6,915)**	**6,915**	–	(1,915)	1,915	–	(8,851)	8,851	–
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:									
Financial assumptions	**(5,826)**	**5,936**	**110**	(1,112)	–	(1,112)	(112)	20,174	20,062
Experience adjustments	**(15,423)**	–	**(15,423)**	22,702	–	22,702	(37,880)	12,269	(25,611)
Return of plan asset	–	**1,256**	**1,256**	–	7,300	7,300	–	6,754	6,754
	(21,249)	**7,192**	**(14,057)**	21,590	7,300	28,890	(37,992)	39,197	1,205
Ending balance	**₱116,885**	**(₱410,465)**	**(₱293,580)**	₱120,328	(₱392,130)	(₱271,802)	₱79,516	(₱356,836)	(₱277,320)

Net retirement benefits liabilities:

	2025			2024			2023		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
					(In Thousands)				
Beginning balance	**₱12,900,676**	**(₱12,190,676)**	**₱710,000**	₱10,853,682	(₱9,843,966)	₱1,009,716	₱8,961,190	(₱8,164,690)	₱796,500
Change in status of retirement plan	**–**	**–**	**–**	–	1,370	1,370	–	–	–
Net retirement benefits cost in profit or loss:									
Current service cost	**842,212**	–	**842,212**	773,131	–	773,131	1,734,534	–	1,734,534
Net interest cost (benefit)	**652,091**	**(629,665)**	**22,426**	623,327	(573,618)	49,709	800,670	(610,270)	190,400
Past service cost	**294,767**		**294,767**	1,793	–	1,793	–	–	–
	1,789,070	**(629,665)**	**1,159,405**	1,398,251	(573,618)	824,633	2,535,204	(610,270)	1,924,934
Contributions	–	**(1,128,312)**	**(1,128,312)**	–	(897,566)	(897,566)	–	(1,289,113)	(1,289,113)
Benefits paid from plan assets	**(1,129,338)**	**1,129,338**	–	823,809	(823,841)	(32)	(901,628)	901,628	–
Benefits paid directly from book reserves	**(38)**	–	**(38)**	(7,588)	21,594	14,006	(44,042)	44,042	–
Settlement benefits paid directly by the Group	**3,496**	–	**3,496**	–	–	–	508	–	508
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:									
Financial assumptions	**(67,949)**	**1,328**	**(66,621)**	47,118	–	47,118	(493,328)	–	(493,328)
Demographic assumptions	**8,225**	–	**8,225**	–	–	–	616,579	(5,317)	611,262
Experience adjustments	**131,612**	**(52,832)**	**78,780**	(214,596)	(74,649)	(289,245)	179,199	(720,246)	(541,047)
	71,888	**(51,504)**	**20,384**	(167,478)	(74,649)	(242,127)	302,450	(725,563)	(423,113)
Ending balance	**₱13,635,754**	**(₱12,870,819)**	**₱764,935**	₱12,900,676	(₱12,190,676)	₱710,000	₱10,853,682	(₱9,843,966)	₱1,009,716

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

	2025	2024
	(In Thousands)	
Cash and cash equivalents	**₱3,455,668**	₱3,108,020
Receivables	**1,278,724**	822,800
Equity investments:		
Financial institutions	**576,192**	1,084,032
Other	**2,953,874**	2,896,960
Debt investments:		
Investment in private debt securities	**3,584,182**	3,051,707
Investments in government securities	**546,222**	686,393
Others	**886,422**	932,894
Fair value of plan assets	**₱13,281,284**	₱12,582,806

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

	2025	2024
Cash and cash equivalents	**26%**	25%
Receivables	**10%**	7%
Equity investments	**27%**	32%
Debt investments	**31%**	30%
Others	**6%**	6%
Fair value of plan assets	**100%**	100%

The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The plan assets have diverse investments and do not have concentration risk.

The Group's defined pension plan are funded through the contributions made by the Group to the trust.

The principal assumptions used in determining pension benefit obligations for the Group's plans as of January 1 are shown below:

	2025	2024	2023
Discount rate	**6.00% - 6.50%**	6.05% - 7.11%	6.92% - 7.15%
Future salary increases	**5.00% - 10.00%**	5.00% - 10.00%	4.00% - 10.00%

As of December 31, 2025, the discount and future salary increase rates are 6.00% - 6.50% and 5.00% - 10.00% respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligations as of the end of the reporting period, assuming all other assumptions were held constant (in thousands):

	2025		2024	
	Change in rate	**Increase (Decrease) in Present Value of Defined Benefit Obligations**	Change in rate	Increase (Decrease) in Present Value of Defined Benefit Obligations
Discount rates	**+0.50%**	**(₱620,913)**	+0.50%	(₱694,324)
	-0.50%	**704,778**	-0.50%	745,174
Future salary increases	**+1.00%**	**675,065**	+1.00%	864,970
	-1.00%	**(610,910)**	-1.00%	(798,892)

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1% increment in salary increase rate, 0.5% decrement in the discount rate and a 10% improvement in the employee turnover rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1% decrement in salary increase rate, 0.5% increment in the discount rate and a 10% increase in the employee turnover rate but with reverse impact.

The Group employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan asset of the Group is allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's failure to contribute in accordance with its general funding strategy.

Shown below is the maturity analysis of the undiscounted benefit payments of the Group (in thousands):

	2025	2024
One year and less	**₱2,280,469**	₱2,115,372
More than one year up to five years	**5,975,342**	5,821,605
More than five years up to 10 years	**5,422,559**	5,052,214
More than 10 years up to 15 years	**6,669,062**	5,825,169
More than 15 years	**53,046,172**	89,402,376

The Group expects to contribute ₱571.56 million to the defined benefit pension plan in 2026. The average duration of the defined benefit obligations at the end of the reporting period is 12 and 7 years as of December 31, 2025 and 2024, respectively.

Transactions with Retirement Plans

Management of the retirement funds of the banking segment is handled by the PNB Trust Banking Group (TBG). The fair value of the plan assets as of December 31, 2025 and 2024 for the Group includes investments in the PNB shares of stock with fair value amounting to ₱435.6 million and ₱227.7 million classified as financial assets at FVTPL. No limitations and restrictions are provided and voting rights over these shares are exercised by a trust officer or any of its designated alternate officer of TBG.

As of December 31, 2025 and 2024, financial assets at FVTPL and at amortized costs include government and private debt securities and various funds. Deposits with other banks pertain to Special Deposit Accounts placement with BSP.

The retirement funds of the other companies in the Group are maintained by PNB, as the trustee bank. PNB's retirement funds have no investments in debt or equity securities of the companies in the Group.

24. **Revenue and Cost of Goods Sold and Services**

Revenue consist of:

	2025	2024	2023
	(In Thousands)		
Banking revenue (Note 5)	**₱79,069,186**	₱75,068,040	₱66,550,969
Sale of consumer goods	**50,778,044**	50,966,999	46,298,827
Rental income (Note 13)	**2,199,845**	2,429,482	2,330,775
Real estate sales	**731,350**	501,001	118,365
	₱132,778,425	₱128,965,522	₱115,298,936

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

2025:

	Goods/Services transferred at a point in time	**Services transferred over time**	**Revenues outside the scope of PFRS 15**	**Total**
Sale of consumer goods	**₱50,778,044**	**₱–**	**₱–**	**₱50,778,044**
Service fees and commission income	**7,532,179**	–	–	**7,532,179**
Real estate sales	–	**731,350**	–	**731,350**
Interest income	–	–	**69,680,054**	**69,680,054**
Rental income	–	–	**2,199,845**	**2,199,845**
Trading and securities gains - net	–	–	**1,856,953**	**1,856,953**
	₱58,310,223	**₱731,350**	**₱73,736,852**	**₱132,778,425**

2024:

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

2023:

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

Banking revenue consists of:

	2025	2024	2023
		(In Thousands)	
Interest income on:			
Loans and receivables (Note 8)	**₱45,845,171**	₱43,803,454	₱40,729,008
Trading and investment securities	**18,288,558**	17,373,719	12,860,064
Interbank loans receivable	**4,607,759**	4,644,161	3,368,565
Deposits with banks and others	**938,566**	1,637,256	2,607,973
	69,680,054	67,458,590	59,565,610
Service fees and commission income	**7,532,179**	6,961,870	6,591,256
Trading and securities gains (losses) - net	**1,856,953**	647,580	394,103
	₱79,069,186	₱75,068,040	₱66,550,969

Sale of consumer goods consists of:

	2025	2024	2023
		(In Thousands)	
Gross sales	**₱54,103,885**	₱54,248,602	₱48,692,069
Less sales returns, discounts and allowances	**(3,325,841)**	(3,281,603)	(2,393,242)
	₱50,778,044	₱50,966,999	₱46,298,827

Cost of goods sold and services consists of:

	2025	2024	2023
		(In Thousands)	
Cost of consumer goods sold:			
Materials used and changes in inventories (Note 9)	**₱16,805,916**	₱18,311,746	₱17,293,723
Taxes and licenses	**15,095,689**	14,784,597	13,414,629
Depreciation and amortization (Notes 12, 13 and 14)	**2,497,604**	1,890,312	1,823,560
Personnel costs	**1,690,554**	1,571,582	1,267,163
Fuel and power	**1,228,595**	1,267,396	936,516
Freight and handling	**1,202,186**	1,360,006	777,075
Communication, light and water	**864,698**	1,007,816	900,049
Repairs and maintenance	**638,702**	708,871	601,148
Outside services (Note 22)	**385,617**	333,772	353,314
Others	**1,425,277**	718,184	1,083,839
	41,834,839	41,954,282	38,451,016
Cost of banking services	**17,998,139**	18,560,675	15,386,569
Cost of rental income (Note 13)	**550,330**	1,780,430	1,644,152
Cost of real estate sales (Note 9)	**625,361**	434,375	55,927
Cost of goods sold and services	**₱61,008,669**	₱62,729,762	₱55,537,664

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

Cost of banking services consist of:

	2025	2024	2023
		(In Thousands)	
Interest expense on:			
Deposit liabilities (Note 15)	**₱14,781,958**	₱15,424,853	₱12,123,916
Bills payable and other borrowings (Notes 7 and 17)	**621,349**	450,938	335,847
Bonds payable	**894,095**	1,237,647	1,660,193
	16,297,402	17,113,438	14,119,956
Services fees and commission expense	**1,700,737**	1,447,237	1,266,613
	₱17,998,139	₱18,560,675	₱15,386,569

25. **Selling Expenses**

	2025	2024	2023
		(In Thousands)	
Advertising and promotions	**₱1,173,083**	₱1,095,612	₱1,095,612
Depreciation and amortization (Note 12)	**664,228**	659,763	659,763
Personnel costs	**170,304**	160,961	160,961

(Forward)

	2025	2024	2023
		(In Thousands)	
Royalties	**₱143,370**	₱155,731	₱150,299
Management, consulting and professional fees	**140,092**	190,538	190,538
Commissions	**114,359**	56,971	5,346
Travel and transportation	**54,028**	74,703	31,410
Membership fees and subscription	**21,388**	15,956	13,181
Occupancy	**20,802**	38,995	35,915
Communication, light and water	**20,355**	18,440	15,117
Outside services	**17,709**	16,175	12,354
Materials and consumables	**17,531**	21,525	33,585
Entertainment, amusement and recreation	**7,274**	5,922	4,360
Repairs and maintenance	**4,153**	3,117	2,608
Taxes and licenses	**3,830**	4,148	5,627
Fuel and oil	**3,262**	3,244	2,962
Insurance	**3,078**	2,869	5,048
Others	**45,020**	117,209	91,599
	₱2,623,866	₱2,641,879	₱2,516,285

26. **General and Administrative Expenses**

	2025	2024	2023
		(In Thousands)	
Personnel costs	**₱13,058,664**	₱11,793,721	₱11,377,863
Taxes and licenses	**6,185,474**	5,817,511	5,332,642
Depreciation and amortization (Notes 12, 13 and 14)	**3,114,550**	3,325,255	3,478,675
Outside services	**2,674,323**	2,352,585	2,153,673
Insurance	**2,072,986**	1,983,438	2,025,999
Provision for credit losses (Note 8)	**1,598,267**	3,868,111	5,923,054
Information technology	**1,302,322**	887,861	1,001,111
Occupancy	**1,160,141**	1,162,920	965,598
Management, consulting and professional fees (Note 22)	**1,111,159**	1,107,863	1,025,723
Marketing and promotional	**854,603**	1,487,066	843,794
Travel and transportation	**614,690**	574,805	423,594
Materials and consumables	**347,350**	328,924	259,688
Communication, light and water	**275,921**	231,951	240,547
Litigation and assets acquired expenses	**233,574**	492,334	662,610
Repairs and maintenance	**153,147**	153,483	154,286
Fuel and oil	**24,685**	26,822	25,858
Entertainment and representation	**21,793**	168,122	30,031
Others	**1,208,643**	1,048,499	961,757
	₱36,012,292	₱36,811,271	₱36,886,503

Others include expense items mainly relating to banking operations, which are individually not significant as to amounts.

27. **Finance Costs and Finance Income**

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

	2025	2024	2023
		(In Thousands)	
Finance costs:			
Short-term debts (Note 19)	**₱321,690**	₱176,294	₱364,211
Unsecured term loan and notes payable (Note 20)	**206,516**	431,466	327,245
	₱528,206	₱607,760	₱691,456
Finance income:			
Cash and other cash items (Note 5)	**₱527,872**	₱251,569	₱84,958

28. **Other Income (Charges)**

	2025	2024	2023
		(In Thousands)	
Net gains on sale or exchange of assets	**₱2,304,537**	₱2,188,192	₱4,540,535
Dividend income in excess of the carrying amount of investment (Note 11)	**1,862,983**	4,346,876	–
Rental income and dues (Note 13)	**877,861**	412,790	1,011,999
Recoveries from charged off assets	**274,495**	170,001	215,834
Rooms and other operated departments	**171,554**	456,335	192,849
Income from assets acquired	**106,100**	148,891	74,074
Management fees	**60,454**	242,381	75,202
Dividend income	**35,455**	65,933	81,165
Others	**866,601**	379,377	75,581
	₱6,560,040	₱8,410,776	₱6,267,239

a. Rental income and dues significantly pertain to income arising from charges and expenses recharged to tenants. Loss on cancelled contracts represents the loss incurred by the Group as a result of cancellation of contracts to sell by the buyer or the Group in general.

b. Net gains on sale or exchange of assets include sale of investment properties of the banking segment in 2025, 2024 and 2023 amounting to ₱1,564.9 million, ₱269.8 million, ₱3,048.6 million, respectively.

c. Others include income and expense items mainly include income from wire transfers, tellers' overages, and loan-related penalty payments received by the Group, and other income relating to loans, credit card and trade transactions.

29. **Income Taxes**

Income taxes include the corporate income tax, which is discussed below, and final taxes paid, which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as “Provision for income tax” in the consolidated statements of income.

Under Philippine tax laws, PNB and its certain subsidiaries are subject to percentage and other taxes (presented as “Taxes and Licenses” in the consolidated statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. Republic Act No. 9294, an act restoring the tax exemption of OBUs and FCDUs, provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% income tax.

a. Details of the Group’s deferred income tax assets and liabilities as of December 31 follow:

	2025		2024	
	Net Deferred Income Tax Assets(1)	**Net Deferred Income Tax Liabilities(2)**	Net Deferred Income Tax Assets(3)	Net Deferred Income Tax Liabilities(4)
	(In Thousands)			
Recognized directly in the consolidated statements of income:				
Deferred income tax assets on:				
Allowance for impairment loss on:				
Receivables	**₱9,105,978**	**₱55,135**	₱9,893,939	₱265,474
Inventories	**10,745**	**109,255**	41,841	12,873
Property, plant and equipment	–	**78,084**	7,722	6,435
Accumulated depreciation on investment properties	**659,626**		546,490	–
Net retirement benefits liabilities	**658,279**	**81,873**	152,248	979,874
Unamortized past service cost	**513,547**	**6,846**	11,350	19,815
Accrued expenses	**448,354**	**5,937**	444,217	71,059
Reserves and others	**345,344**	**14,529**	207,267	173,886
Difference between right-of-use assets and lease liabilities	**140,460**	**53,223**	145,929	636,987
Advance rentals	**86,253**	**8,677**	–	103,848
Deferred rent income	**66,898**	**4,230**	114,373	50,621
Allowance for probable losses on excise taxes	–	**199,283**	–	40,154
Unrealized losses on:				
Sale of property to a subsidiary	–	**177**	79,411	2,117
Inventories on hand	–	**150**	–	1,795
Unrealized forex losses	**1,071**	**1,529**	–	18,301
	12,036,555	**618,928**	11,644,787	2,383,239
Deferred income tax liabilities on:				
Fair value gain on investment properties	**(2,305,520)**	–	(1,917,719)	–
Gain on re-measurement of a previously held interest	**(246,651)**	–	(246,651)	–
Unrealized foreign exchange gains	**(197,440)**	**(29,520)**	(555,002)	(3,829)

(Forward)

	2025		2024	
	Net Deferred Income Tax Assets[(1)]	**Net Deferred Income Tax Liabilities[(2)]**	Net Deferred Income Tax Assets[(3)]	Net Deferred Income Tax Liabilities[(4)]
	(In Thousands)			
Excess of fair values over carrying values of property, plant and equipment acquired through business combination	**(₱117,306)**	**(₱28,428)**	(₱119,659)	(₱16,684)
Net retirement plan assets	**(73,643)**	**(3,691)**	(78,674)	(107,631)
Net changes in fair values of FVTPL financial assets	**–**	**(6,043,521)**	(70,700)	(5,973,172)
Gain on asset share swap	**–**	**(449,117)**	–	(443,110)
Borrowing cost capitalized to property, plant, and equipment	**–**	**(209,213)**	(118,193)	(697,699)
Difference between tax and book basis of accounting for real estate transactions	**–**	**(150,761)**	–	(250,658)
Deferred rental income	**–**	**(43,650)**	(54,129)	(244,494)
Unamortized debt cost	**–**	**(58)**	(3,606)	(4,262)
Others	**(297,679)**	**(708,105)**	(31,906)	(613,515)
	(3,238,239)	**(7,666,064)**	(3,196,239)	(8,355,054)
	8,798,316	**(7,047,136)**	8,448,548	(5,971,815)
Recognized directly in equity:				
Deferred income tax assets on:				
Remeasurement losses on retirement benefits	**16,457**	**–**	5,546	–
Deferred income tax liabilities on:				
Revaluation increment on property, plant and equipment	**(1,041,998)**	**(1,452,502)**	(961,156)	(1,679,192)
Remeasurement gains on defined benefit plans	**(52,651)**	**(295,014)**	(44,294)	(608,881)
Unrealized gains on changes in fair value of financial assets at FVTOCI	**(3,951)**	**(46,056)**	(502)	(215,381)
	(1,098,600)	**(1,793,572)**	(1,005,952)	(2,503,454)
	(1,082,143)	**(1,793,572)**	(1,000,406)	(2,503,454)
	₱7,716,173	**(₱8,840,708)**	₱7,448,142	(₱8,475,269)

[(1)] Pertain to IPI, PWI, ABNC, AVSI, ADI, Eton and PNB
[(2)] Pertain to LTG, Saturn, PLI, AAC, TDI, ABI and FTC
[(3)] Pertain to IPI, ADI, Eton and PNB
[(4)] Pertain to LTG, Saturn, PLI, AAC, TDI, ABI, PWI and FTC

Details of the Group's net deferred income tax assets and liabilities are as follows:

	2025	2024
	(In Thousands)	
Net deferred income tax assets:		
PNB and subsidiaries	**₱7,135,782**	₱7,246,077
Eton and subsidiaries	**416,111**	79,411
PHC	**78,053**	–
ABI and subsidiaries	**67,501**	32,622
TDI and subsidiaries	**18,726**	17,194
Bank holding companies	**–**	72,838
	₱7,716,173	₱7,448,142
Net deferred income tax liabilities:		
PNB and subsidiaries	**₱7,249,905**	₱7,263,772
Eton and subsidiaries	**523,675**	245,714
Paramount	**443,110**	443,110
TDI and subsidiaries	**339,404**	154,263
PHC	**113,255**	114,218

(Forward)

	2025	2024
	(In Thousands)	
FTC	**₱90,915**	₱84,910
Bank holding companies	**54,251**	64,584
LTG	**18,320**	18,946
ABI and subsidiaries	**7,873**	85,752
	₱8,840,708	₱8,475,269

b. Provision for current income tax consists of:

	2025	2024	2023
		(In Thousands)	
Final tax	**₱4,406,954**	₱4,228,277	₱3,073,051
RCIT	**3,625,133**	3,066,724	2,561,791
MCIT	**76,446**	41,124	30,595
Provision for current income tax	**₱8,108,533**	₱7,336,125	₱5,665,437

c. As of December 31, 2025 and 2024, the Group has not recognized deferred income tax assets on certain deductible temporary differences such as NOLCO, excess MCIT and other items based on the assessment that sufficient taxable profit will not be available to allow the deferred income tax assets to be utilized as follows:

	2025	2024
	(In Thousands)	
Allowance for credit losses	**₱5,070,360**	₱4,989,949
NOLCO	**3,122,981**	3,218,028
Unamortized past service cost	**2,105,706**	2,101,775
Unrealized foreign exchange loss	**278,114**	11,940
Net retirement benefits liability	**166,924**	25,178
Excess MCIT	**113,902**	96,347
Allowance for inventory obsolescence	−	10,294
Others	**710,668**	588,694

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

Year Incurred	December 31, 2024	Additions	Expired	December 31, 2025	Expiry Year
2021	₱1,046,192	₱–	₱–	₱1,046,192	2026
2022	334,371	−	334,371	−	2025
2023	984,313	−	−	984,313	2026
2024	853,152	−	−	853,152	2027
2025	−	239,324	−	239,324	2028
	₱3,218,028	₱ 239,324	₱334,371	₱3,122,981	

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2021 and 2022 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2024, the Group has incurred NOLCO in taxable years 2020 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act.

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

Year Incurred	December 31, 2024	Addition	Expired	December 31, 2025	Expiry Year
2022	₱120	₱–	₱120	₱–	2025
2023	26,841	–	–	26,841	2026
2024	69,386	–	–	69,386	2027
2025	–	796	–	796	2028
	₱96,347	₱ 796	₱120	₱97,023	

d. A reconciliation of the Group's provision for income tax computed based on income before income tax at the statutory income tax rates to the provision for income tax shown in the consolidated statements of income is as follows:

	2025	2024	2023
		(In Thousands)	
Provision for income tax at statutory income tax rate	**₱12,785,141**	₱11,289,375	₱9,808,424
Adjustments resulting from:			
Nontaxable income	**(4,530,730)**	(4,689,955)	(4,797,970)
Equity in net earnings of associates and joint ventures	**(2,197,145)**	(2,216,651)	(2,981,183)
Non-deductible expenses	**2,133,448**	309,240	2,938,953
Income subjected to final tax	**(187,629)**	(91,256)	(176,430)
NOLCO and other deductible temporary differences for which no deferred income tax assets were recognized in current year	**71,071**	(35,789)	2,179,126
Others - net	**759,929**	2,084,803	(1,753,103)
Provision for income tax	**₱8,834,085**	₱6,649,767	₱5,217,817

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

30. **Equity**

Capital Stock

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

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

a. Capital stock is held by a total of 389 and 380 stockholders as of December 31, 2025 and 2024, respectively.

b. Track record of registration:

Date	Number of Shares Licensed	Issue/Offer Price
August 1948	100,000	₱1.00
November 1958	500,000	1.00
December 1961	1,000,000	1.00
March 1966	2,000,000	1.00
March 1966	6,000,000	1.00
October 1995	247,500,000	1.00
October 2011	398,138,889	4.22
April 2013	1,840,000,000	20.50

In April 2013, LTG issued 1,840.0 million shares for ₱37.7 billion, where excess over par value amounting to ₱35.9 billion was recorded as capital in excess of par. Stock issue costs amounting to ₱1.1 billion were charged against capital in excess of par in 2013. Other offering-related expenses amounting to ₱59.0 million were charged directly to “General and administrative expenses”.

Retained Earnings and Dividends

a. The Company’s BOD approved the declaration and distribution of the following cash dividends:

Date of declaration	Date of record	Date of payment	Dividend per share	In Absolute Amount
2025:				
March 14, 2025	March 31, 2025	April 11, 2025	₱0.30	**₱3,246,416,667**
June 16, 2025	July 1, 2025	July 15, 2025	0.30	**3,246,416,667**
August 22, 2025	September 9, 2025	September 26, 2025	0.30	**3,246,416,667**
November 17, 2025	December 2, 2025	December 16, 2025	0.35	**3,787,486,111**
				₱13,526,736,112

Date of declaration	Date of record	Date of payment	Dividend per share	In Absolute Amount
2024:				
February 23, 2024	March 11, 2024	March 22, 2024	₱0.30	₱3,246,416,667
May 17, 2024	June 3, 2024	June 14, 2024	0.30	3,246,416,667
August 16, 2024	September 4, 2024	September 13, 2024	0.30	3,246,416,667
November 15, 2024	December 2, 2024	December 9, 2024	0.35	3,787,486,111
				₱13,526,736,112
2023:				
February 17, 2023	March 6, 2023	March 16, 2023	₱0.30	₱3,246,416,667
May 15, 2023	May 30, 2023	June 9, 2023	0.30	3,246,416,667
August 15, 2023	September 4, 2023	September 12, 2023	0.30	3,246,416,667
November 17, 2023	December 5, 2023	December 14, 2023	0.30	3,246,416,667
				₱12,985,666,668

b. Retained earnings include undistributed earnings amounting to ₱142.7 billion, ₱127.4 billion, ₱112.3 billion as of December 31, 2025, 2024 and 2023, respectively, representing accumulated earnings of subsidiaries and equity in net earnings of associates and joint ventures, which are not available for dividend declaration until received in the form of dividends from the combining entities and associates. Retained earnings available for dividend declaration as at December 31, 2025 amounted to ₱50.34 billion.

   Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury (shares of stock of the company held by subsidiaries), unrealized foreign exchange gains except those attributable to cash and cash equivalents, fair value adjustment or gains arising from mark-to-market valuation, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of December 31, 2025 and 2024.

Other Equity Reserves

Other equity reserves as at December 31 consist of:

	2025	2024
	(In Thousands)	
Equity adjustments arising from business combination under common control (Note 1)	**₱445,113**	₱445,113
Equity adjustments from sale of the Company's shares of stock held by a subsidiary	**(6,448,518)**	(6,448,518)
Equity adjustment in aggregate reserves on life insurance policies	**2,695,720**	1,462,428
Effect of transaction with non-controlling interest	**66,658**	66,658
Effect of sale of a subsidiary to the Company	**99,655**	99,655
Effect of sale of direct interest in a subsidiary	**186,572**	186,572
	(₱2,954,800)	(₱4,188,092)

Shares of Stock of the Company Held by Subsidiaries
Shares held by subsidiaries include ₱5.0 million shares owned by All Seasons amounting to ₱12.5 million as of December 31, 2025 and 2024. As of December 31, 2011, Saturn owned ₱76.5 million shares of the Company. On July 25, 2012, the shares of stocks owned by Saturn were sold to Tangent at ₱4.50 per share. As a result, the excess of the selling price over the cost of the treasury shares amounting to ₱193.2 million is presented as an addition to other equity reserves.

Non-controlling Interests
Below are the changes in non-controlling interests:

	2025	2024	2023
		(In Thousands)	
Balance as of January 1	**₱99,126,622**	₱87,722,128	₱77,816,817
Net income attributable to non-controlling interests	**11,330,748**	9,586,743	8,594,426
Share in other comprehensive income, net of deferred income tax effect:			
Net change in aggregate reserves on life insurance policies	**(2,834,776)**	407,935	(48,688)
Disposal (acquisition) of shares of subsidiaries to (from) the Controlling Shareholders	**1,132,212**	1,253,414	(40,633)
Remeasurement gains (losses) on defined benefit plans (Notes 2 and 23)	**(660,339)**	(897,909)	(793,240)
Cumulative translation adjustments	**458,952**	155,914	(137,023)
Net changes in financial assets at FVTOCI (Note 7)	**382,418**	812,074	1,844,494
Revaluation increment on property plant and equipment	**(21,587)**	(20,493)	(42,559)
Other equity reserves	**754,201**	106,816	528,534
Balance as of December 31	**₱109,668,451**	₱99,126,622	₱87,722,128

31. **Basic/Diluted Earnings Per Share**

The following tables reflect the net income and share data used in the earnings per share computations:

Basic/diluted earnings per share were calculated as follows:

	2025	2024	2023
		(In Thousands)	
Net income attributable to equity holders of the Company	**₱30,975,731**	₱28,920,989	₱25,421,454
Divided by weighted-average number of shares	**10,821,389**	10,821,389	10,821,389
Basic/diluted EPS for net income attributable to equity holders of the Company	**₱2.86**	₱2.67	₱2.35

Net income from continuing operations is attributable to:

	2025	2024	2023
	(In Thousands)		
Equity holders of the Company	**₱30,975,731**	₱28,920,989	₱25,421,454
Non-controlling interests	**11,330,748**	9,586,743	8,594,426
	₱42,306,479	₱38,507,732	₱34,015,880

There are no potential common shares with dilutive effect on the basic earnings per share in 2025, 2024 and 2023.

32. Financial Risk Management Objectives and Policies

The Group's financial risk management strategies are handled on a group-wide basis, side by side with those of the other related companies within the Group. The Group's management and the BOD of the various companies comprising the Group review and approve policies for managing these risks. Management closely monitors the funds and financial transactions of the Group.

Financial Risk Management Objectives and Policies of the Banking Segment

Risk Management Framework

The banking segment's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the banking segment's BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by the banking segment's senior management.

The banking segment's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the banking segment's continuing profitability.

The banking segment defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Bank's capital position to drop below its desired level; resulting in either an increase in risk-weighted assets or a reduction in earnings and/or qualifying capital which translate into a reduction in Capital Adequacy Ratio (CAR) by 20 basis points (bps).

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

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

Resulting from the assessments based on the premise identified above, the banking segment's Parent Bank agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2020-2022, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the Internal Capital Adequacy Assessment Process (ICAAP) document and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

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

Pillar 2 Risks:
4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational Risk
8. Strategic Business Risk
9. Information Security / Cyber Security / Data Privacy Risk
10. Information Technology
11. Human Resource Risk

The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:
- implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- establishing recommended limits based on the results of its analysis of exposures.

Credit Risk

For the banking segment, credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The banking segment manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial sector and credit management sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management, as applicable.

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

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the CAR report;
- Monitoring of breaches in regulatory and internal limits;
- Credit risk management monitoring and reporting;
- Diversification;
- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify the following: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The bank segment follows the BOD-approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward looking conditions.

Credit-related commitments
The exposures represent guarantees, standby letters of credit (LCs) issued by the banking segment's Parent Bank and documentary/commercial LCs which are written undertakings by banking segment's Parent Bank. To mitigate this risk, the banking segment's Parent Bank requires hard collaterals for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Collateral and other credit enhancement
As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The banking segment follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

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

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The banking segment is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group's banking segment is shown below:

	2025			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
	(In Millions)			
Securities held under agreements to resell	**₱72,903**	**₱74,380**	**₱–**	**₱72,903**
Loans and receivables:				
Receivables from customers:				
Corporates	**655,876**	**184,427**	**544,723**	**111,153**
Local government units (LGU)	**1,152**	**–**	**1,152**	**–**
Credit Cards	**20,088**	**–**	**20,088**	**–**
Retail small and medium enterprises (SME)	**5,266**	**4,639**	**2,815**	**2,451**
Housing Loans	**28,162**	**35,220**	**10,809**	**17,353**
Auto Loans	**6,217**	**13,007**	**753**	**5,464**
Others	**10,994**	**7,962**	**6,555**	**4,439**
Other receivables	**12,263**	**–**	**12,263**	**–**
	₱812,921	**₱319,635**	**₱599,158**	**₱213,763**

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

	2024			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
	(In Millions)			
Securities held under agreements to resell	₱103,480	₱104,910	₱–	₱103,480
Loans and receivables:				
Receivables from customers*				
Corporates	567,369	168,918	474,139	93,230
Local government units (LGU)	1,656	–	1,656	–
Credit Cards	16,525	–	16,525	–
Retail small and medium enterprises (SME)	4,442	2,413	2,764	1,678
Housing Loans	22,988	27,775	8,021	14,967
Auto Loans	5,580	8,986	1,286	4,294
Others	7,516	4,816	4,323	3,193
Other receivables	10,744	–	10,744	–
	₱740,300	₱317,818	₱519,458	₱220,842

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

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

Credit risk concentration
The banking segment's credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The banking segment analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and investment securities. To mitigate risk concentration, the banking segment constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty

For each CRR, the banking segment sets limits per client or counterparty based on the regulatory Single Borrowers Limit. For trading and investment securities, the banking segment limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration

The table below shows the banking segment's credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	2025				
	Loans and receivables		**Trading and investment securities**	**Other financial assets***	**Total**
	Amount	**%**			
			(In Millions)		
Philippines	**₱694,695**	**93.87**	**₱301,556**	**₱121,839**	**₱1,118,090**
Asia (excluding the Philippines)	**26,549**	**3.59**	**6,493**	**33,069**	**66,110**
USA and Canada	**16,775**	**2.26**	**15,610**	**10,775**	**43,160**
Other European Union Countries	**1,612**	**0.22**	**3,055**	**17,198**	**21,865**
United Kingdom	**63**	**0.01**	**159**	**14,122**	**14,344**
Middle East	**49**	**0.01**	**3,761**	**2**	**3,812**
Oceania	**275**	**0.04**	**–**	**180**	**455**
	₱740,018	**100.00**	**₱330,634**	**₱197,185**	**₱1,267,836**

**Loans and receivables exclude residual value of the leased asset*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets'*

	2024				
	Loans and receivables		Trading and investment securities	Other financial assets*	Total
	Amount	%			
			(In Millions)		
Philippines	₱590,193	92.68	₱327,198	₱126,004	₱1,043,395
Asia (excluding the Philippines)	27,502	4.32	5,544	43,064	76,110
USA and Canada	17,025	2.67	1,343	6,943	25,311
Other European Union Countries	1,780	0.28	4,731	3,185	9,696
United Kingdom	98	0.01	164	22,766	23,028
Middle East	53	0.01	3,106	8	3,167
Oceania	169	0.03	–	57	226
	₱636,820	100.00	₱342,086	₱202,027	₱1,180,933

**Loans and receivables exclude residual value of the leased asset*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets'*

c. Concentration by Industry

The tables in the next page show the industry sector analysis of the banking segment's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	2025				
	Loans and receivables		Trading and investment securities	Other financial assets**	Total
	Amount	%			
			(In Millions)		
Government	**₱1,146**	**0.15**	**₱297,022**	**₱89,950**	**₱388,118**
Financial intermediaries	**98,451**	**13.30**	**4,049**	**106,689**	**209,189**
Electricity, gas and water	**150,513**	**20.34**	**13,752**	**–**	**164,265**
Wholesale and retail	**125,912**	**17.01**	**7,267**	**–**	**133,179**
Real estate, renting and business activities	**132,411**	**17.89**	**–**	**15**	**132,426**
Manufacturing	**65,906**	**8.91**	**2**	**–**	**65,908**
Construction	**39,600**	**5.35**	**–**	**–**	**39,600**
Transport, storage and communication	**31,330**	**4.23**	**–**	**7**	**31,337**
Agriculture, hunting and forestry	**5,107**	**0.69**	**–**	**–**	**5,107**
Public administration and defense	**1,704**	**0.23**	**–**	**–**	**1,704**
Others*	**87,938**	**11.90**	**8,543**	**532**	**97,013**
	₱740,018	**100.00**	**₱330,635**	**₱197,186**	**₱1,267,846**

* *Loans and receivables exclude residual value of the leased asset (Note 8).*
** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
*** *Other financial assets include the following financial assets: "Due from BSP", "Due from other banks", "Interbank loans receivable", "Securities held under agreements to resell" and other financial assets booked under "Other Assets".*

	2024				
	Loans and receivables		Trading and investment securities	Other financial assets**	Total
	Amount	%			
			(In Millions)		
Government	₱1,656	0.26	₱281,477	₱58,013	₱341,146
Financial intermediaries	95,403	14.98	1,697	143,572	240,673
Electricity, gas and water	100,473	15.78	8,251	–	108,725
Wholesale and retail	110,725	17.39	16,310	–	127,035
Real estate, renting and business activities	105,532	16.57	236	14	105,781
Manufacturing	62,255	9.78	70	–	62,325
Construction	37,949	5.96	–	–	37,949
Transport, storage and communication	34,461	5.41	–	–	34,461
Agriculture, hunting and forestry	5,424	0.85	–	–	5,424
Public administration and defense	1,554	0.24	–	–	1,554
Others*	81,388	12.78	34,044	428	115,861
	₱636,820	100.00	₱342,085	₱202,027	₱1,180,934

* *Loans and receivables exclude residual value of the leased asset (Note 8).*
** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
*** *Other financial assets include the following financial assets: "Due from BSP", "Due from other banks", "Interbank loans receivable", "Securities held under agreements to resell" and other financial assets booked under "Other Assets".*

The internal limit of the banking segment based on the Philippine Standard Industry Classification sub-industry is 12% for priority industry, 8% for regular industry, 30% for power industry and 25% for activities of holding companies versus total loan portfolio.

Credit quality per class of financial assets

<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*

Credit quality	26-grade CRR system
	Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low. *BRR 4-6 Good* Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low. *BRR 7-9 Satisfactory* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low. *BRR 10-12 Adequate* Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	*BRR 13-15 Average* Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility. *BRR 16-18 Acceptable* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility. *BRR 19-20 Vulnerable* Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility.
Substandard S&P Equivalent Global Rating: B+ to CCC-	*BRR 21-22 Weak* Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility. *BRR 23-25 Watchlist* Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating: D	*BRR 26 Default* Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

For the Retail segment of the portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the banking segment's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31:

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
		(In Millions)		
Subject to CRR				
Non-Retail - Corporate				
High	**₱280,719**	**₱1,025**	**₱–**	**₱281,744**
Standard	**307,209**	**719**	**–**	**307,928**
Substandard	**31,508**	**20,173**	**–**	**51,681**
Impaired	**–**	**–**	**32,208**	**32,208**
	619,436	**21,917**	**32,208**	**673,561**
Subject to Scoring and Unrated				
Non-Retail	**9,721**	**101**	**543**	**10,365**
Corporate	**8,571**	**87**	**485**	**9,143**
LGU	**1,150**	**14**	**58**	**1,222**
Retail	**57,541**	**1,860**	**6,850**	**66,251**
Auto Loans	**5,876**	**102**	**348**	**6,326**
Housing Loans	**26,028**	**887**	**5,149**	**32,064**
Retail SME	**5,546**	**180**	**709**	**6,435**
Credit Card	**20,091**	**691**	**644**	**21,426**
Others	**10,009**	**1,216**	**453**	**11,678**
	77,271	**3,177**	**7,846**	**88,294**
	₱696,707	**₱25,094**	**₱40,054**	**₱761,856**

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

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

	2025				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
			(In Millions)		
Housing Loans	**₱616**	**₱118**	**₱145**	**₱4,618**	**₱5,497**
Auto Loans	**86**	**41**	**37**	**284**	**448**
Retail SME	**26**	**5**	**17**	**682**	**730**
Credit Card	**621**	**571**	**534**	**188**	**1,914**
LGU	**8**	**–**	**–**	**50**	**58**
Others	**136**	**93**	**8**	**344**	**581**
Total	**₱1,493**	**₱828**	**₱741**	**₱6,166**	**₱9,228**

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

Trading and Investment Securities and Other Financial Assets

In ensuring quality investment portfolio, PNB uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e., Moody's Investors Service) as follows:

- Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.
- A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.
- Baa1 and below - represents those investments which fall under any of the following grade:
  - Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
  - Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
  - B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
  - Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
  - Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
  - C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the banking segment, excluding receivables from customers, which are monitored using external ratings.

	2025					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
			(In Millions)			
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱68,530**	**₱68,530**
Due from other banks	**5,384**	**15,835**	**311**	**21,530**	**3,307**	**24,837**
Interbank loans receivables	**1,966**	**22,171**	**4,000**	**28,137**	**2,243**	**30,380**
Securities held under agreements to resell	**–**	**19,462**	**23,825**	**43,287**	**29,664**	**72,951**
Financial assets at FVOCI						
Government securities	**12,075**	**3,173**	**130,042**	**145,289**	**3,231**	**148,52**
Private debt securities	**–**	**278**	**303**	**581**	**19,561**	**20,142**
Investment securities at amortized cost						
Government securities	**728**	**–**	**103,178**	**103,906**	**11,952**	**115,858**
Private debt securities	**1,296**	**1,516**	**1,001**	**3,812**	**7,803**	**11,616**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**16,228**	**16,228**

[1/] *'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of PNB.*

[2/] *Loans and receivables - Others is composed of accrued interest receivable, accounts receivable, sales contracts receivable and other miscellaneous receivables, net of allowances (see Note 8)*

	December 31, 2024					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
			(In Millions)			
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱55,128	₱55,128
Due from other banks	4,915	11,127	1,038	17,080	3,108	20,188
Interbank loans receivables	3,241	17,814	–	21,055	1,738	22,793
Securities held under agreements to resell	–	12,582	12,356	24,938	78,589	103,527
Financial assets at FVTOCI						
Government securities	1,640	2,933	135,511	140,084	27,741	167,825
Private debt securities	949	203	292	1,444	14,134	15,578
Quoted equity securities	89	–	-	89	2,743	2,832
Unquoted equity securities	–	–	–	–	25,509	25,509
Investment securities at amortized cost						
Government securities	438	805	81,099	82,342	14,475	96,817
Private debt securities	753	523	714	1,990	13,762	15,752
Financial assets at amortized cost						
Loans and receivables - Others [2/]	–	–	–	–	14,791	14,791

1/ *'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of PNB.*

2/ *Loans and receivables - Others is composed of accrued interest receivable, accounts receivable, sales contracts receivable and other miscellaneous receivables, net of allowances (see Note 8)*

<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 banking segment's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The banking segment's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the banking segment's business operations or unanticipated events created by customer behavior or capital market conditions. The banking segment seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the banking segment on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The tables below show the banking segment's financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	December 31, 2025					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
			(In Millions)			
Financial Assets						
COCI	**₱20,869**	**₱–**	**₱–**	**₱–**	**₱–**	**₱20,869**
Due from BSP and other banks	**95,573**	**–**	**–**	**–**	**–**	**95,573**
Interbank loans receivable	**27,934**	**1,852**	**36**	**675**	**–**	**30,497**
Securities held under agreements to resell	**61,205**	**12,059**	**66**	**–**	**–**	**73,330**
Financial assets at FVTPL:						
Government securities	**11,341**	**706**	**643**	**644**	**30,348**	**43,682**
Private debt securities	**3**	**–**	**3**	**7**	**296**	**309**
Equity securities	**3**	**–**	**–**	**–**	**–**	**3**
Derivative assets:						
Gross contractual receivable	**77,892**	**18,014**	**5,555**	**276**	**1,030**	**102,767**
Gross contractual payable	**(77,486)**	**(17,852)**	**(5,437)**	**(269)**	**(927)**	**(101,971)**
Financial assets at FVOCI:						
Government securities	**54,664**	**1,394**	**1,998**	**2,727**	**117,742**	**178,525**
Private debt securities	**144**	**1,769**	**744**	**1,368**	**21,570**	**25,595**
Equity securities	**–**	**–**	**–**	**–**	**27,869**	**27,869**
Investment securities at amortized cost						
Government securities	**9**	**1,112**	**5,047**	**6,349**	**145,919**	**158,436**
Private debt securities	**5**	**102**	**2,281**	**1,705**	**11,850**	**15,943**
Financial assets at amortized cost:						
Receivables from customers	**290,549**	**47,743**	**11,276**	**13,478**	**577,051**	**940,097**
Other receivables	**13,250**	**1,476**	**529**	**90**	**883**	**16,228**
Other assets	**531**	**–**	**–**	**–**	**20**	**551**
Total financial assets	**₱576,486**	**₱68,375**	**₱22,741**	**₱27,050**	**₱933,651**	**₱1,628,303**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱243,069**	**₱–**	**₱–**	**₱–**	**₱–**	**₱243,069**
Savings *	**412,455**	**–**	**–**	**–**	**–**	**412,455**
Time and LTNCDs *	**271,658**	**96,143**	**21,005**	**10,798**	**10,242**	**409,846**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**49,483**	**9,502**	**5,635**	**920**	**436**	**65,976**
Gross contractual receivable	**(49,335)**	**(9,423)**	**(5,594)**	**(913)**	**(428)**	**(65,693)**
Bills and acceptances payable	**2,362**	**6,424**	**1,670**	**258**	**–**	**10,714**
Bonds payable	**–**	**–**	**–**	**–**	**36,715**	**36,715**
Accrued interest payable and accrued other expenses payable	**3,742**	**115**	**184**	**41**	**2**	**4,084**
Other liabilities	**9,511**	**66**	**–**	**71**	**1,379**	**11,027**
Total financial liabilities	**₱942,945**	**₱102,827**	**₱22,900**	**₱11,175**	**₱48,346**	**₱1,128,193**

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

	December 31, 2024					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
			(In Millions)			
Financial Assets						
COCI	₱20,638	₱–	₱–	₱–	₱–	₱20,638
Due from BSP and other banks	79,665	–	–	–	–	79,665
Interbank loans receivable	14,392	8,270	–	237	–	22,899
Securities held under agreements to resell	86,336	17,442	46	–	–	103,824
Financial assets at FVTPL:						
Government securities	6,020	37	328	3,429	10,851	20,665
Private debt securities	2	501	162	-	3	668
Equity securities	3	–	–	–	–	3
Derivative assets:						
Gross contractual receivable	63,016	17,487	4,696	1,178	719	87,096
Gross contractual payable	(62,349)	(17,225)	(4,631)	(1,149)	(657)	(86,011)
Financial Assets at FVTOCI:						
Government securities	45,163	23,773	3,595	27,002	96,699	196,232
Private debt securities	103	1,612	339	2,077	14,917	19,048
Equity securities	–	–	–	–	28,340	28,340
Investment securities at amortized cost						
Government securities	1,783	3,146	4,701	3,261	121,299	134,190
Private debt securities	5,935	160	640	4,502	7,709	18,946
Financial assets at amortized cost:						
Receivables from customers	129,354	112,114	39,252	36,803	485,625	803,148
Other receivables	12,220	1,255	433	65	818	14,791
Other assets	427	–	–	–	20	447
Total financial assets	₱402,708	₱168,572	₱49,561	₱77,405	₱766,343	₱1,464,589
Financial Liabilities						
Deposit liabilities:						
Demand	₱244,799	₱–	₱–	₱–	₱–	₱244,799
Savings *	392,374	–	–	–	–	392,374
Time and LTNCDs *	184,635	119,952	22,109	9,754	5,045	341,495
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	30,063	17,447	12,618	1,356	–	61,484
Gross contractual receivable	(29,925)	(17,133)	(12,163)	(1,339)	–	(60,560)
Bills and acceptances payable	974	2,537	3,611	8,058	15	15,195
Bonds payable	–	–	–	–	21,573	21,573
Accrued interest payable and accrued other expenses payable	3,736	20	160	46	–	3,962
Other liabilities	11,511	–	–	–	1,627	13,138
Total financial liabilities	₱838,167	₱122,823	₱26,335	₱17,875	₱28,260	₱1,033,460

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

BSP Reporting for Liquidity Positions and Leverage
To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the banking segment computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2025 and 2024, LCR reported to the BSP with certain adjustments is 259.98% and 254.47%, respectively.

The banking segment also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2025 and 2024, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2025	2024
Available stable funding	**₱1,033,503**	₱953,256
Required stable funding	**671,425**	596,764
NSFR	**153.93%**	159.74%

Market Risks
Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the banking segment's trading and structural portfolios.

Trading Market Risk
Trading market risk exists in the banking segment as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The banking segment is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risk in the trading portfolio, the banking segment uses the Value-at-Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation methodology (with 99% confidence level) to measure the banking segment's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 400-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the banking segment's BOD. The VaR figures are back-tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are also reported to the ROC.

The parametric VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be under estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

The validity of the assumptions underlying the banking segment’s VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The banking segment adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The banking segment uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results.

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

To complement the VaR approximations, the banking segment conducts stress testing on a quarterly basis, the results of which are being reported to the banking segment’s BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

Since VaR is an integral part of the banking segment’s market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the banking segment.

The table below shows the trading VaR:

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 29, 2025	**₱7.20**	**₱273.41**	**₱–**	**₱280.61**
Average Daily	**6.87**	**358.78**	**–**	**365.65**
Highest	**21.43**	**638.22**	**–**	**645.38**
Lowest	**1.12**	**106.89**	**–**	**114.15**

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2024	₱15.74	₱239.88	₱–	₱255.63
Average Daily	8.45	171.61	–	180.06
Highest	24.10	425.89	–	443.69
Lowest	1.31	70.83	–	73.49

** FX VaR is the bankwide foreign exchange risk*
*** The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Non-trading Market Risk

Interest rate risk
The banking segment seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the banking segment to interest rate risk. PNB measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the banking segment an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Group BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the banking segment:

	2025					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
			(In Millions)			
Financial Assets*						
Due from BSP and other banks	**₱53,615**	**₱6,360**	**₱2,063**	**₱3,283**	**₱28,040**	**₱93,361**
Interbank loans receivable and securities held under agreements to resell	**84,560**	**17,857**	**187**	**670**	**–**	**103,274**
Receivables from customers and other receivables - gross	**177,082**	**85,343**	**49,570**	**24,783**	**130,565**	**467,343**
Total financial assets	**₱315,257**	**₱109,560**	**₱51,820**	**₱28,736**	**₱158,605**	**₱663,978**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱130,613**	**₱64,175**	**₱28,393**	**₱54,270**	**₱280,707**	**₱558,158**
Time	**185,000**	**47,047**	**8,901**	**4,952**	**14,406**	**260,306**
Bonds payable					**33,279**	**33,279**
Bills and acceptances payable	**8,355**	**–**	**1,420**	**–**	**968**	**10,743**
Total financial liabilities	**₱323,968**	**₱111,222**	**₱38,714**	**₱59,222**	**₱329,360**	**₱862,486**
Repricing gap	**(₱8,711)**	**(₱1,662)**	**₱13,106**	**(₱30,486)**	**(₱170,755)**	**(₱198,508)**
Cumulative gap	**(8,711)**	**(10,373)**	**2,733**	**(27,753)**	**(198,508)**	

	2024					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
			(In Millions)			
Financial Assets*						
Due from BSP and other banks	₱38,456	₱7,682	₱3,454	₱4,416	₱21,304	₱75,312
Interbank loans receivable and securities held under agreements to resell	108,224	17,801	–	242	–	126,267
Receivables from customers and other receivables - gross**	157,139	68,585	21,367	61,473	104,245	412,809
Total financial assets	₱303,819	₱94,068	₱24,821	₱66,131	₱125,549	₱614,388

	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
			(In Millions)			
Financial Liabilities*						
Deposit liabilities:						
Savings	₱158,682	₱72,693	₱27,725	₱51,339	₱264,897	₱575,336
Time***	82,980	40,903	6,700	5,023	11,763	147,369
Bonds payable	–	–	–	–	17,304	17,304
Bills and acceptances payable	7,869	2,324	2,295	7,720	–	20,208
Total financial liabilities	₱249,531	₱115,920	₱36,720	₱64,082	₱293,964	₱760,217
Repricing gap	₱54,288	(₱21,852)	(₱11,899)	₱2,049	(₱168,414)	(₱145,829)
Cumulative gap	54,288	32,436	20,537	22,586	(145,829)	

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

The following table sets forth, for the year indicated, the impact of changes in interest rates on the banking segment's repricing gap for the years ended December 31:

	2025		2024	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱38,066)**	**(₱38,066)**	₱135,755	₱135,755
-50bps	**38,066**	**38,066**	(135,755)	(135,755)
+100bps	**(76,131)**	**(76,131)**	271,509	271,509
-100bps	**76,131**	**76,131**	(271,509)	(271,509)

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

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

As of December 31, 2025 and 2024, the maximum negative Delta EVE is at ₱15.8 billion or 10.0% and ₱10.5 billion or 7.85% of CET1, respectively.

Foreign currency risk
Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The banking segment takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the banking segment's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the banking segment's Parent Bank and foreign currency-denominated borrowings appearing in the regular books of the banking segment's Parent bank.

Foreign currency deposits are generally used to fund the banking segment's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the banking segment's Parent Bank has additional foreign currency assets and liabilities in its foreign branch network.

The banking segment's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The banking segment believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the banking segment is involved.

The table below summarizes the banking segment's exposure to foreign exchange rate risk excluding those under FCDU (amounts in Philippine peso equivalent).

	December 31, 2025			December 31, 2024		
	USD	**Others***	**Total**	USD	Others*	Total
			(In Millions)			
Assets						
COCI and due from BSP	**₱88**	**₱702**	**₱790**	₱118	₱823	₱941
Due from other banks	**13,338**	**7,142**	**20,480**	11,387	4,193	15,580
Interbank loans and securities held under agreements to resell	**2,023**	**5,725**	**7,748**	1,993	3,683	5,676
Loans and receivables	**19,961**	**12,690**	**32,651**	18,941	11,722	30,663
Financial Assets at FVTPL	**7**	**-**	**7**	1	–	1
Financial Assets at FVTOCI	**1,030**	**1,775**	**2,805**	975	1,580	2,555
Financial assets at amortized cost	**556**	**576**	**1,132**	382	622	1,004
Other assets	**14,657**	**958**	**15,615**	13,372	964	14,336
Total assets	**51,660**	**29,568**	**81,228**	47,169	23,587	70,756
Liabilities						
Deposit liabilities	**₱10,136**	**₱10,544**	**₱20,680**	₱8,741	₱8,643	₱17,384
Derivative liabilities		**3**	**3**	2	–	2
Bills and acceptances payable	**9,163**	**285**	**9,448**	8,222	79	8,301
Accrued taxes, interest and other expenses	**98**	**31**	**129**	41	2	43
Other liabilities	**2,196**	**2,680**	**4,876**	7,719	2,302	10,021
Total liabilities	**21,593**	**13,543**	**35,136**	24,725	11,026	35,751
Net Exposure	**₱30,067**	**₱16,025**	**₱46,092**	₱22,444	₱12,561	₱35,005

* *Other currencies include UAE Dirham (AED,) Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), PHP, Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso were ₱58.79 to USD1.00 as of December 31, 2025 and ₱57.85 to USD1.00 as of December 31, 2024.

The following tables set forth the impact of the range of reasonably possible changes in the USD:PHP exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2025 and 2024:

	2025		2024	
	Income Before Income Tax	**Equity**	Income Before Income Tax	Equity
		(In Millions)		
+1.00%	**₱290**	**(₱301)**	₱215	(₱225)
-1.00%	**(290)**	**301**	(215)	225

The Group does not expect the impact of the volatility on other currencies to be material.

Financial Risk Management Objectives and Policies of the Companies in the Group other than the Banking Segment

Risk Management Strategies
The Group's principal financial instruments comprise of short-term and long-term debts and COCI. The main purpose of these financial instruments is to ensure adequate funds for the Group's operations and capital expansion. Excess funds are invested in available-for-sale financial assets with a view to liquidate these to meet various operational requirements when needed. The Group has various other financial assets and financial liabilities such as receivables and accounts payable and accrued expenses which arise directly from its operations.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risks (consisting of foreign exchange risk, interest rate risk and equity price risk).

Credit Risk
The Group manages its credit risk by transacting with counterparties of good financial condition and selecting investment grade securities. The Group trades only with recognized, creditworthy third parties. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. Management closely monitors the fund and financial condition of the Group.

In addition, credit risk of property development segment is managed primarily through analysis of receivables on a continuous basis. The credit risk for contracts receivables is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

Concentration risk
Concentrations arise when a number of counterparties are engaged in similar business activities having similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

Concentration risk per business segment could arise on the following:

- Distilled spirits segment's annual sales pertain mainly to two trusted parties with sales to them comprising about 95% of the total segment revenue.
- Beverage segment annual sales pertain mainly to 13 parties with sales to them comprising about 100% of the total beverage sales.

Credit quality per class of financial assets
"Standard grade" accounts consist of financial assets from trusted parties with good financial condition. "Substandard grade" accounts, on the other hand, are financial assets from other counterparties with relatively low defaults. The Group did not regard any financial asset as "high grade" in view of the erratic cash flows or uncertainty associated with the financial instruments. "Past due but not impaired" are items with history of frequent default, nevertheless, the amount due are still collectible. Lastly, "Impaired financial assets" are those that are long-outstanding and have been provided with allowance for doubtful accounts.

Set out below is the information about the credit risk exposure on the Group's financial assets using provision matrix (in millions):

As of December 31, 2025:

	Cash in Banks	Due from related parties	Trade and other receivables					
				Days past due				
			Current	< 30 days	30-60 days	61-90 days	> 90 days	Total
Expected credit loss rate	**–%**	**–%**	**0.13% - 82.00%**	**0.13% - 78.9%**	**0.13% - 36.00%**	**0.13% - 93.06%**	**5.00% - 47.00%**	
Estimated total gross carrying amount at default	**₱221,048.8**	**₱1,418.5**	**₱9,583.4**	**₱2,060.0**	**₱3,310.6**	**₱1,982.2**	**₱4,247.7**	**₱21,183.90**
Expected credit loss			**₱1.25**	**₱21.44**	**₱23.17**	**₱9.91**	**₱424.77**	**₱480.54**

As of December 31, 2024:

	Cash in banks	Due from related parties	Trade and other receivables					
				Days past due				
			Current	< 30 days	30-60 days	61-90 days	> 90 days	Total
Expected credit loss rate	–%	–%	0.13% - 82.00%	0.13% - 78.9%	0.13% - 36.00%	0.13% - 93.06%	5.00% - 47.00%	
Estimated total gross carrying amount at default	₱223,583.8	₱1,889.4	₱9,205.9	₱2,942.4	₱3,180.2	₱1,904.1	₱4,080.4	₱21,313.0
Expected credit loss	₱–	₱–	₱1.2	₱20.6	₱22.3	₱9.5	₱276.7	₱330.3

<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)*:

	2025			2024		
	< 1 year	**1 to 5 years**	**Total**	< 1 year	1 to 5 years	Total
Financial assets:						
Cash and other cash items	**₱221,041**	**₱–**	**₱221,041**	₱223,584	₱–	₱223,584
Trade receivables	**22,187**	**–**	**22,187**	21,313	–	21,313
Other receivables	**3,381**	**–**	**3,381**	3,805	–	3,805
Due from related parties	**1,418**	**–**	**1,418**	1,889	–	1,889
Refundable deposits	**129**	**–**	**129**	232	–	232
Financial assets at FVTPL	**34,653**	**–**	**34,653**	17,956	–	17,956
	₱282,809	**₱–**	**₱282,809**	₱268,779	₱–	₱268,779
Financial liabilities:						
Short-term debts	**₱3,700**	**₱–**	**₱3,700**	₱3,700	₱–	₱3,700
Accounts payable and other liabilities*	**21,788**	**–**	**21,788**	19,414	–	19,414
Long-term debts	**1,672**	**39,606**	**41,278**	1,927	23,623	25,550
Due to related parties	**50**	**–**	**50**	64	–	64
Other liabilities	**7,887**	**6,674**	**14,561**	11,373	6,777	18,150
	₱35,097	**₱46,280**	**₱81,377**	₱36,478	₱30,400	₱66,878

**Excluding non-financial liabilities amounting to ₱12.7 million and ₱1.2 million as of December 31, 2025 and 2024, respectively.*

Market Risks of the Group other than the Banking Segment

The Group's operating, investing, and financing activities are directly affected by changes in foreign exchange rates and interest rates. Increasing market fluctuations in these variables may result in significant equity, cash flow and profit volatility risks for the Group. For this reason, the Group seeks to manage and control these risks primarily through its regular operating and financing activities.

Management of financial market risk is a key priority for the Group. The Group generally applies sensitivity analysis in assessing and monitoring its market risks. Sensitivity analysis enables management to identify the risk position of the Group as well as provide an approximate quantification of the risk exposures. Estimates provided for foreign exchange risk, cash flow interest rate risk, price interest rate risk and equity price risk are based on the historical volatility for each market factor, with adjustments being made to arrive at what the Group considers to be reasonably possible.

Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of changes in the levels of equity indices and value of individual stocks. In 2025, 2024 and 2023, changes in fair value of equity instruments held as equity instruments at FVTOCI due to a reasonable possible change in equity interest, with all other variables held constant, will increase profit by ₱130.9 million, ₱578.0 million, ₱320.0 million, respectively, if equity prices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. As of December 31, 2025 and 2024, the Group's long-term debts are not exposed to the risk in changes in market interest rates since the debts are issued at fixed rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly at interval of three months or six months.

Foreign currency risk
The non-banking segment of the Group is not significantly affected by foreign currency risk since the Group has no significant foreign currency transactions.

33. Offsetting of Financial Assets and Financial Liabilities

The Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

Financial assets recognized at end of reporting period by type	Gross carrying Amounts (before offsetting)	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, 2025:						
Derivative assets (Notes 6 and 21)	**₱102,767,311**	**₱101,970,497**	**₱796,814**	**₱204,001**	**₱–**	**₱592,813**
Securities sold under agreements to repurchase (Note 5)	**72,903,359**	**–**	**72,903,359**	**–**	**74,379,685**	**–**
	₱175,670,670	**₱101,970,497**	**₱73,700,173**	**₱204,001**	**₱74,379,685**	**₱592,813**
December 31, 2024:						
Derivative assets (Notes 6 and 21)	₱87,097,900	₱86,010,793	₱1,087,107	₱104,745	₱–	₱983,909
Securities sold under agreements to repurchase (Note 5)	103,480,119	–	103,480,119	–	104,909,516	–
	₱190,578,019	₱86,010,793	₱104,567,226	₱104,745	₱104,909,516	₱983,909

Financial liabilities

Financial assets recognized at end of reporting period by type	Gross carrying Amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the consolidated statement of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of Financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
			(In Thousands)			
December 31, 2025:						
Derivative liabilities (Notes 16 and 21)	**₱65,978,632**	**₱65,693,070**	**₱285,562**	**₱18,225**	**₱–**	**₱267,337**
Securities sold under agreements to repurchase (Note 17)*	**1,175,218**	**–**	**1,175,218**	**–**	**1,325,734**	**–**
Total	**₱67,153,850**	**₱65,693,070**	**₱1,460,780**	**₱18,225**	**₱1,325,734**	**₱267,337**
December 31, 2024:						
Derivative liabilities (Notes 16 and 21)	₱61,485,068	₱60,561,015	₱924,053	₱350,702	₱–	₱573,331
Securities sold under agreements to repurchase (Note 17)*	12,338,999	–	12,338,999	–	14,221,461	–
Total	₱73,824,067	₱60,561,015	₱13,263,052	₱350,702	₱14,221,461	₱573,331

** Included in bills and acceptances payable in the consolidated statement of financial position.*

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, excluding the extent of over-collateralization.

34. Fair Value Measurement

The Group has assets and liabilities that are measured at fair value on a recurring and non-recurring basis in the consolidated statements of financial position after initial recognition. Recurring fair value measurements are those that another PFRS Accounting Standards requires or permits to be recognized in the consolidated statements of financial position at the end of each reporting period. These include financial assets and liabilities at FVTPL and FVTOCI. Non-recurring fair value measurements are those that another PFRS Accounting Standards requires or permits to be recognized in the consolidated statement of financial position in particular circumstances. These include land and land improvements, buildings and building improvements and machineries and equipment measured at revalued amount and investment properties measured at cost but with fair value measurement disclosure.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties, land and land improvements, plant buildings and building improvements and machineries and equipment. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

As of December 31, the carrying values of the Group's financial assets and liabilities approximate their respective fair values, except for the following financial instruments:

	2025		2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets:				
Financial assets at amortized cost	**₱127,975,987**	**₱128,512,691**	₱113,873,993	₱111,787,159
Loans and receivables:				
Receivables from customers	**749,623,690**	**800,602,418**	763,877,135	677,644,755
	₱877,599,677	**₱929,115,109**	₱877,751,128	₱789,431,914
Financial Liabilities:				
Financial liabilities at amortized cost:				
Deposit liabilities:				
Time deposits	**₱260,306,182**	**₱260,291,457**	₱151,967,502	₱147,368,732
Bills payables	**2,595,160**	**2,595,160**	14,152,442	14,073,175
Long-term debts:				
Unsecured term loan	**1,331,682**	**1,331,682**	2,811,040	2,811,040
Bonds payable	**33,898,199**	**34,052,881**	17,304,421	17,001,745
LTNCD	–	–	4,598,770	4,541,491
Other liabilities:				
Payable to landowners	–	–	192,400	192,400
Tenants' rental deposits	**368,621**	**368,621**	469,487	469,487
	₱298,499,844	**₱298,639,801**	₱191,496,062	₱186,458,070

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

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

Debt securities. Fair values for quoted securities are based on market prices from debt exchanges. For unquoted securities, fair value are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

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

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

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

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

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

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

Derivative instruments. Fair values are estimated based on quoted market prices, prices provided by independent parties or prices derived using acceptable valuation models.

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

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following assets and liabilities measured at fair value and at cost but which fair values are disclosed and their corresponding level in fair value hierarchy:

	2025				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total-**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱33,672,894**	**₱19,769,214**	**₱13,903,680**	**₱–**	**₱33,672,894**
Derivative assets	**796,814**	**–**	**796,814**	**–**	**796,814**
Private debt securities	**180,071**	**180,071**	**–**	**–**	**180,071**
Equity securities	**2,935**	**2,935**	**–**	**–**	**2,935**
Financial assets at FVTOCI:					
Government securities	**148,980,601**	**79,217,226**	**69,763,375**	**–**	**148,980,601**
Equity securities	**6,875,894**	**151,831**	**1,263,007**	**5,461,056**	**6,875,894**
Private debt securities	**20,226,649**	**10,363,895**	**9,862,754**	**–**	**20,226,649**
	₱210,735,858	**₱109,685,172**	**₱95,589,630**	**₱5,461,056**	**₱210,735,858**

(Forward)

	2025				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total-**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱285,562**	**₱–**	**₱285,562**	**₱–**	**₱285,562**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱127,975,987**	**₱73,270,962**	**₱55,241,729**	**₱–**	**₱128,512,691**
Receivables from customers**	**749,623,690**	**–**	**–**	**800,602,418**	**800,602,418**
	₱877,599,677	**₱73,270,962**	**₱55,241,729**	**₱800,602,418**	**₱929,115,109**
Nonfinancial Assets					
Investment property:					
Land***	**₱24,026,006**	**₱–**	**₱–**	**₱137,674,775**	**₱137,674,775**
Buildings and improvements***	**5,024,123**	**–**	**–**	**32,794,254**	**32,794,254**
	₱29,050,129	**₱–**	**₱–**	**₱170,469,029**	**₱170,469,029**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱260,306,182**	**₱–**	**₱–**	**₱260,291,457**	**₱260,291,457**
Bonds payable	**33,898,199**	**–**	**34,052,881**	**–**	**34,052,881**
Bills payable	**2,595,160**	**–**	**–**	**2,595,160**	**2,595,160**
	₱296,799,541	**₱–**	**₱34,052,881**	**₱262,886,617**	**₱296,939,498**

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

	2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱16,181,821	₱9,280,986	₱6,900,835	₱–	₱16,181,821
Private debt securities	1,087,107	–	3,042	1,084,065	1,087,107
Derivative assets	649,191	646,996	2,195	–	649,191
Unit investment trust fund (UITF)	35,177	35,177	–	–	35,177
Equity securities	2,866	2,866	–	–	2,866
Financial assets at FVTOCI:					
Government securities	168,293,511	84,801,352	83,492,159	–	168,293,511
Equity securities	7,466,312	2,390,053	671,154	4,405,105	7,466,312
Private debt securities	15,609,027	8,144,021	7,465,006	–	15,609,027
	₱209,325,012	₱105,301,451	₱98,534,391	₱5,489,170	₱209,325,012
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱924,053	₱–	₱924,053	₱–	₱924,053
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱113,873,993	₱44,628,009	₱67,159,150	₱–	₱111,787,159
Receivables from customers**	650,003,142	–	–	677,644,755	677,644,755
	₱763,877,135	₱44,628,009	₱67,159,150	₱677,644,755	₱789,431,914
Nonfinancial Assets					
Investment property:					
Land***	₱ 23,091,083	₱–	₱–	₱338,776,000	₱338,776,000
Buildings and improvements***	10,153,274	–	–	24,121,543	24,121,543
	₱33,244,357	₱–	₱–	₱362,897,543	₱362,897,543

(Forward)

	2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱151,967,502	₱–	₱–	₱151,967,502	₱151,967,502
LTNCDs	4,598,770	–	4,541,491	–	4,541,491
Bonds payable	17,304,421	–	17,001,745	–	17,001,745
Bills payable	14,152,442	–	–	14,073,175	14,073,175
	₱188,023,135	₱–	₱21,543,236	₱166,040,677	₱187,583,913

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

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

The unquoted debt securities fair values are estimated based on the market data approach that makes use of market multiples derived from a set of comparable. Multiples were determined that is most relevant to assessing the value of the unquoted securities (e.g., earnings, book value). The selection of the appropriate multiple within the range is based on qualitative and quantitative factors specific to the measurement.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Significant input used in determining fair values of financial instruments under Level 2 comprises of interpolated market rates of benchmark securities. For investments in UITFs, fair values are determined based on published NAVPU as of reporting date.

As of December 31, 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of property, plant and equipment and investment properties held by the Group:

	Valuation Techniques	**Significant Unobservable Inputs**	**Range of Estimates**
Property, plant and equipment:			
Land and land improvements	Market Data Approach	Price per square meter	₱6,000 - ₱6,200
Plant buildings and building improvements			
Building	Replaceable Fixed Asset Valuation Approach	Replacement cost Estimated total floor area	₱4,287 - ₱10,000 24 - 1,548 sq.m
Building improvements	Replaceable Fixed Asset Valuation Approach	Replacement cost Estimated number of components	₱2.8 million - 26.5 million 315 - 723 components
Machineries and equipment	Replaceable Fixed Asset Valuation Approach	Replacement cost Estimated number of components	₱3,200 - ₱8.6 million 465 - 1,162 components
Investment properties:			
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence	₱800 - ₱100,000
Land and building	Market Data Approach and Replacement Cost Approach	New Reproduction Cost	

Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land. Significant increases (decreases) in the current replacement cost would result in significantly higher (lower) appraised values whereas significant increase (decrease) in the remaining useful life of the property, plant and equipment over their total useful life would result in significantly higher (lower) appraised values.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's property, plant and equipment and investment properties are as follows:

	Description
Valuation Techniques	
Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Replaceable Fixed Asset Valuation Approach	This method requires an analysis of the buildings and other land improvements by breaking them down into major components. Bills of quantities for each component using the appropriate basic unit are prepared and related to the unit cost for each component developed on the basis of current costs of materials, labor, plant and equipment prevailing in the locality to arrive at the direct costs of the components. Accrued depreciation was based on the observed condition.
Replacement Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of Reproduction Cost New of the improvements.
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

35. Notes to Consolidated Statements of Cash Flows

Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2025 and 2024 follow:

	2025			
	Beginning balance	**Net cash Flows**	**Others**	**Ending balance**
Bills and acceptances payable (Note 17)	**₱20,208,451**	**(₱7,579,290)**	**(₱1,886,413)**	**₱10,742,748**
Short-term debts (Note 19)	**3,700,000**	**–**	**–**	**3,700,000**
Bonds payable and unsecured loans (Note 19)	**20,115,461**	**15,304,257**	**(189,837)**	**35,229,881**
Lease liabilities (Notes 19 and 37)	**5,433,871**	**(1,510,025)**	**1,063,099**	**4,986,945**
	₱49,457,783	**₱6,214,942**	**(₱1,013,151)**	**₱54,659,574**

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

Others include the effects of foreign exchange revaluations, amortization of transaction costs, and accretion of interest.

Non-cash Transactions

The Group applied creditable withholding taxes against its income tax payable amounting to ₱0.2 billion, ₱2.0 billion, ₱1.2 billion in 2025, 2024 and 2023, respectively.

The Group acquired investment properties through foreclosure and rescission amounting to ₱1.9 billion, ₱2.1 billion, ₱3.0 billion in 2025, 2024 and 2023, respectively.

Non-cash Investing Activities

As of December 31, 2025 and 2024, unpaid additions to property, plant and equipment amounted to ₱0.9 billion and ₱1.1 billion, respectively, which is included as part of "Accounts payable and accrued expenses" (see Note 12).

36. Capital Management

The main thrust of the Group's capital management policy is to ensure that the Group complies with externally imposed capital requirements, maintains a good credit standing and has a sound capital ratio to be able to support its business and maximize the value of its shareholders equity. The Group is also required to maintain debt-to-equity ratios to comply with certain loan agreements and covenants in 2025 and 2024.

The Group's dividend declaration is dependent on the availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change were made in the objectives, policies or processes in 2025 and 2024.

The Group considers its total equity reflected in the consolidated statements of financial position as its capital. The Group monitors its use of capital and the Group's capital adequacy by using leverage ratios, specifically, debt ratio (total debt/total equity and total debt) and debt-to-equity ratio (total debt/total equity). Included as debt are the Group's total liabilities while equity pertains to total equity as shown in the consolidated statements of financial position.

The table below shows the leverage ratios of the Group:

	2025	2024
	(In Thousands, except ratios)	
Total liabilities	**₱1,133,154,800**	₱1,044,117,657
Total equity	**360,743,463**	330,212,202
Total liabilities and equity	**₱1,493,898,263**	₱1,374,329,859
Debt ratio	**0.76:1**	0.76:1
Debt-to-equity ratio	**3.14:1**	3.16:1

Regulatory Qualifying Capital for the Banking Segment

The banking segment is subject to the regulatory requirements of the BSP. PNB manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods. PNB has complied with all externally imposed capital requirements throughout the year.

BSP reporting for capital management

Under existing BSP regulations, the determination of PNB's compliance with regulatory requirements and ratios is based on the amount of PNB's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on Regulatory Accounting Principles (RAP), which differ from PFRSs in some respects. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (PNB and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of PNB, provided that the same shall be excluded for dividend purposes.

PNB considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, PNB maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. PNB has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. PNB complies with the required annual submission of updated ICAAP.

BSP Reporting for Basel III Leverage Ratio
BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%. BLR is computed based on RAP.

37. Leases, Provision and Contingencies and Other Matters

Leases
The Group as lessor
The Group entered into lease agreements with third parties covering its investment property portfolio, certain motor vehicles and items of machinery. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenues, whichever is higher. The Group records rental income on a straight-line basis over less non-cancellable lease term. Any difference between the calculated rental income and amount actually received is recognized as "Deferred rent" (see Note 8).

The Group has tenants' rental deposits and advance rentals which are presented under "Other noncurrent liabilities". Tenants' rental deposits pertain to the amounts paid by the tenants at the inception of the lease which is refundable at the end of the lease term. Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term depending on the lease contract.

The Group as lessee
The Group has entered into commercial leases for its branch sites/premises, land where the related investment property or property, plant and equipment is build/constructed, warehouse and warehouse equipment, ATM offsite location and other equipment. These non-cancellable leases have lease terms of 1 to 40 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group's ROU asset is composed of the PNB's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy' in the consolidated statements of income) amounted to ₱317.4 million, ₱395.6 million, ₱264.1 million in 2025, 2024 and 2023, respectively, for the Group, of which ₱221.9 million, ₱291.7 million, ₱187.0 million in 2025, 2024 and 2023, respectively, pertain to the PNB. Rent expense in 2025 and 2024 pertains to expenses from short-term leases and leases of low-value assets.

As of December 31, 2025 and 2024, the Group has no contingent rent payable.

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

	2025	2024
	(In Thousands)	
Balance at beginning of year	**₱5,433,871**	₱5,408,720
Additions	**923,936**	1,084,117
Interest expense	**418,808**	268,916
Payments	**(1,774,207)**	(1,312,536)
Transfers	**(6,860)**	(15,346)
Balance at end of year	**₱4,995,548**	₱5,433,871

Future minimum lease liabilities under finance leases are as follows:

	2025	2024
	(In Thousands)	
Within one year	**₱1,353,835**	₱1,313,875
Beyond one year but not more than five years	**3,466,157**	3,791,198
More than five years	**1,141,475**	1,199,929
Total	**5,961,467**	6,305,002
Less amounts representing finance charges	**–**	–
Present value of minimum lease payments	**₱5,961,467**	₱6,305,002

Trust Operations

Securities and other properties held by PNB in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of PNB. Such assets held in trust were carried at a value of ₱226.3 billion and ₱190.6 billion as of December 31, 2025 and 2024, respectively. In connection with the trust functions of PNB, government securities amounting to ₱2.5 billion and ₱1.9 billion (included under 'Financial assets at amortized cost') as of December 31, 2025 and 2024, respectively, are deposited with the BSP in compliance with trust regulations.

In compliance with existing banking regulations, PNB transferred from surplus to surplus reserves the amounts of ₱38.0 million, ₱14.5 million, ₱29.9 million in 2025, 2024 and 2023, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital.

Provisions and Contingencies

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the consolidated financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

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

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

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

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

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

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

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

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

**INDEPENDENT AUDITOR'S REPORT
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, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, included in this Form 17-A, and have issued our report thereon dated February 24, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 72557-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10765125, January 2, 2026, Makati City

February 24, 2026

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE A. – Financial Assets
DECEMBER 31, 2025
(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	-	11,357,300	11,335,802	-
Fixed Rate Treasury Notes	-	16,110,419	16,479,739	763,368
Republic of the Philippines (ROP) Bonds	-	155,670	149,344	12,705
Retail Treasury Bonds	-	4,131,470	4,169,220	75,365
Treasury Bills	-	651,396	646,054	-
US Government	-	881,850	892,735	15,366
	-	**33,288,105**	**33,672,894**	**866,804**
Private debt securities				
Petron Preferred Shares	-	179,920	180,071	7,050
San Miguel Global Power Holdings Corp.	-	-	-	5,685
SM Prime Holdings, Inc.	-	-	-	91
Vista Land & Lifescapes, Inc.	-	-	-	3,936
	-	**179,920**	**180,071**	**16,762**
Equity securities				
GT Capital Pref Series B	1,000	824	1,000	-
San Miguel Corp - Pref 2I	25,970	1,909	1,935	-
	26,970	**2,733**	**2,935**	**-**

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				
Add Vantage Global Holdings Inc	-	29,865	2,253	1,542
Allied Banking Corporation Hongkong	-	-	6,777	-
Australia and New Zealand Bank - Manila	-	1,065,220	4,533	621
Australia and New Zealand Bank - Melbourne	-	592,110	4,008	-
Banco de Oro Private Bank	-	2,998,290	35,898	-
Banco de Oro Universal Bank	-	18,336,610	131,982	-
Bank of China - Manila	-	146,995	20	-
Bank of Commerce	-	295,110	987	-
Bank of the Philippine Islands	-	3,380,548	27,874	2,159
Chase Manhattan Bank - Singapore	-	428,703	1,101	-
China Banking Corporation	-	1,119,905	2,940	-
Chinatrust Phils Commercial Bank Corp.	-	587,900	6,802	-
Citibank N.A. - London	-	2,649,770	8,026	-
Citibank N.A. - Manila Branch	-	1,633,400	48,011	1,474
Cosmos Economic and Cultural Foundation Inc	-	25,396	291	-
Deutsche Bank AG - Manila Branch	-	411,550	111	-
Deutsche Bank - London	-	470,890	1,256	-
Expedition Mining Blasting and Drilling Inc	-	51,850	457	-
Gicar Construction Inc	-	24,104	2,107	1,294
Goldman Sachs International	-	3,786,198	24,383	-
Hongkong and Shanghai Banking Corp.	-	118,598	977	-
Hongkong and Shanghai Banking Corp. - Manila	-	3,059,128	6,491	-
Individuals	-	5,581,966	157,510	42,143
Insular Oil Corporation	-	498,575	1,257	-
Internationale Nederlanden Bank - Manila	-	2,710,040	5,193	-
Isaac T. Robillo Hospital Corporation	-	16,754	556	-
JM Realty Development Corporation	-	202,114	182	-
JPMorgan Chase Bank - Manila Branch	-	1,768,400	4,141	1,007

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
Landbank of the Philippines	-	1,293,390	20,487	-
M.G. Salazar Construction Corp	-	194,175	5,472	-
Maybank Philippines Incorporated	-	1,537,015	8,534	-
Metropolitan Bank & Trust Company	-	3,714,570	42,850	-
Mindanao Nobles Foundation Inc	-	10,111	123	-
Mixed - Load Distribution Network Inc	-	45,862	3	-
Monark Equipment Corporation	-	60,778	51	-
MUFG Bank LTD - Manila	-	2,718,460	12,623	-
Nicoles 22 Corporation	-	20,987	274	-
Petron Corporation	-	6,205,770	27,709	-
Philippine Business Bank, Inc A Savings Bank	-	58,790	50	-
Philippine National Bank Europe Plc	-	50,413	52	-
Republic of the Philippines	-	16,171,659	-	-
River Valley Distribution Inc	-	153,087	144	-
Rizal Commercial Banking Corp	-	13,037,550	63,863	-
SANVIC1977 Enterprises Corporation	-	50,969	401	-
Security Bank Corporation	-	2,185,900	7,540	3,361
Souley MD Service Inc DBA Christ the Healer Hospital	-	22,281	114	-
Standard Chartered Bank - London Branch	-	8,603,763	31,341	-
Standard Chartered Bank - Manila Branch	-	3,645,615	71,083	3,311
Sterling Bank of Asia Inc	-	117,580	30	-
Terra Solar Philippines Inc	-	2,661,773	9,088	-
Transprint Corporation	-	43,738	574	-
UBS AG Zurich	-	2,324,048	7,839	-
Union Bank of the Philippines	-	158,805	144	1,720
Wells Fargo Bank N.A	-	301	301	-
	-	**117,077,379**	**796,814**	**58,632**
Total Financial Assets at Fair Value through Profit or Loss	**26,970**	**150,548,137**	**34,652,714**	**942,198**

(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	-	42,000,000	41,883,046	2,667,760
Fixed Rate Treasury Notes	-	67,099,031	68,767,211	4,579,356
Kingdom of Saudi Arabia	-	3,115,870	3,172,806	97,182
Monetary Authority of Singapore Bills	-	45,497	45,565	5,243
Republic of Indonesia	-	225,330	224,880	1,249
Republic of the Philippines (ROP) Bonds	-	9,198,054	9,055,110	399,034
Retail Treasury Bonds	-	14,170,229	14,045,214	1,525,219
US Government	-	10,640,990	10,628,076	40,870
US Treasury Bills	-	1,164,883	1,158,693	69,332
-	**-**	**147,659,884**	**148,980,601**	**9,385,245**

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	561,337	29,665
AC Energy Finance International Limited	-	2,516,212	1,721,366	137,362
Ayala Land Inc	-	1,124,530	1,137,931	33,841
Banco de Oro	-	50,000	50,004	-
First Pacific Company Limited	-	911,245	907,427	29,740
Globe Telecoms, Inc.	-	3,774,083	3,318,422	172,453
International Container Terminal Services Inc.	-	1,775,458	1,709,540	121,792
Jollibee Food Worldwide PTE LTD	-	1,998,860	2,063,323	61,213
Manila Water Company, Inc.	-	1,968,995	1,953,479	106,935
Megaworld Corporation	-	17,637	17,483	955
Metropolitan Bank & Trust Co.	-	-	-	24,547
Petron Corporation	-	4,065,773	4,133,561	208,794
Rizal Commercial Banking Corp	-	293,950	302,904	16,057
Sinopec Corp	-	-	-	954
SM Prime Holdings	-	646,690	647,007	5,195
SMC Tollway Corp	-	1,500,000	1,366,528	103,997
State Bank of India	-	293,950	301,325	14,810
Toyota Financial Services Philippines Corporation	-	30,000	30,000	-
Unionbank of the Philippines	-	5,000	5,012	-
	-	**21,534,683**	**20,226,649**	**1,068,310**

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Equity securities				
Allied Banker Insurance	25,000,000	20,000	20,000	-
Alphaland Balesin Island Resort Corp.	1	2,500	2,500	-
Apo Golf & Country Club	1	100	315	-
Asia Pacific Trust & Development	-	1,500	-	-
Bacnotan Steel Industries	3,345,000	-	-	-
Bacolod Country Club	-	-	300	-
Baguio City Country Club	1	60	6,000	-
Bancnet, Inc.	49,999	5,000	5,000	-
BAP Credit Guaranty Corporation	29,800	1,138	1,138	-
Bayan Telecommunication	8,244	8	-	-
Bayan Telecommunication 31% Tranche B.	83,997	14,851	-	-
Buona Sorte	25,000,000	6,250	-	-
Camp John Hay	1	650	450	-
Camp John Hay Golf Club	2	160	900	-
Capitol Hills Golf and Country Club, Inc.	10	400	2,500	-
Cebu Country Club, Inc.	1	29	18,000	-
Club Filipino	2	112	762	-
Cosmic	5,000,000	5,000	-	-
Cruz Tel Co.	30	3	-	-
Development Academy of the Philippines	1,500	1,500	-	-
Eagle Ridge Golf & Country Club	30	3,450	27,000	-
Eastridge Golf Course & Village (A)	2	1,800	1,369	-
Evercrest Golf	2	500	-	-
Evercrest Golf Club-A	2	1,000	1,000	-
Fairways & Bluewater Resort	294	359,695	51,760	-
Fastech Synergy	1,337,807	8,519	-	-
Fil-Am Resources	2,500,000	27	-	-

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
Foremost	92,990	93	62	-
Forest Hills Golf and Country Club	1	170	170	-
Grandspan	3,000,000	30,000	20,706	-
Heavenly Garden Development Corporation	5,000	500	500	-
Himmel	73	7	6	-
Iligan Golf & Country Club	1	1	-	-
Iloilo Golf & Country Club	1	88	14	-
Inco Mining Corp	46,875	2	-	-
Infanta Minerals	1,000,000	10	-	-
Lepanto Consolidated Mining Co."A"	4,973	1	-	-
Lepanto Consolidated Mining Co."B"	1,776	-	-	-
LGU Guarantee Corp.	100,000	10,000	2	-
LT Group, Inc.	-	-	-	-
Luisita Golf & Country Club	1	840	450	-
Macroasia	205,140,000	363,202	890,308	22,565
Makati Sports Club-A	1	210	1,786	-
Manila Electric Cooperative	8,884	89	1	-
Manila Golf & Country Club Inc-Corporate	4	40,727	970,000	-
Manila Polo Club	1	2,600	50,000	-
Manila Southwoods Golf & Country Club A	1	850	5,000	-
Manila Southwoods Golf & Country Club B	2	1,500	12,000	-
Marikudo Country Club of Iloilo City	1	18	-	-
Mimosa Golf & Country Club	1	827	400	-
Mount Malarayat Golf & Country Club	15	35,380	41,591	-
Mount Malarayat Golf Club C	1	-	2,500	-
Mount Malarayat I	1	1,512	2,773	-
Negros Occidental Golf & Country Club	5	100	150	-
Northern Telephone Cooperative	1,800	18	-	-

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
Orchard Golf & Country Club	2	2,200	4,600	-
Others	-	1,714,946	1,714,946	-
PAL Holdings Inc.	322,102,299	1,908,069	1,191,968	-
Palicpican Beach and Sport Club	2	170	170	-
Paper Industries Corporation of the Philippines	13,525	19	-	-
Petron Corporation	-	84,340	83,497	-
Philex Mining Corporation	151	-	1	-
Philippine Central Depository & Trust Corp.	31,690	2,392	6,431	-
Philippine Clearing House Corporation	42,000	4,200	2,101	-
Philippine Columbian Association	1	40	90	-
Philippine Electric Corporation	202,440	95	-	-
Philippine Long Distance Company	401	4	1	-
Philippine National Bank	-	-	-	-
Philippine Oil Development Co., Inc.	500,000	13	-	-
Philippine Overseas Drilling & Oil Dev’t	695,625	31	5	-
Philippine Racing Club	30,331,103	319,083	151,656	-
Philippine Telegraph & Telephone Corporation	5,000,000	-	-	-
PhilStar Daily, Inc.	10,000	1,000	1,000	1,403
PICOP Resources Incorporated	19,008,000	798	-	-
PLDT Communications & Energy Ventures Inc. (Piltel)	650	10	-	-
PLDT Preferred Shares	108,375	1,084	-	-
PNB Holding Corporation	-	-	-	-
Primo Oleo Chemicals	6,638,151	66,382	66,382	-
Proton Chemical Industries Common Shares	44,419	-	-	-
Pueblo De Oro Golf Country Club	2	1,411	718	-
Puerto Azul Sports & Beach Club	2	170	500	-
Quezon City Sports Club	1	32	1,500	-
Republic Telephone Company	6,052	5	-	-

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
Riviera Golf & Country Club	4	2,627	7,870	-
Rural Bank of Ibajay	340	11	16	-
Santa Elena Golf & Country Club	1	852	20,512	-
Santa Elena Golf Club-A	4	4,600	83,024	-
Sierra Grande Country Club, Inc.	100	32	32	-
Southern Iloilo Telephone Co.	20	2	-	-
Subic Bay Golf & Country Club	1	950	-	-
Subic Bay Yatch Club	58	93,000	8,700	-
Tagaytay Highlands	268	64,580	136,104	-
Tagaytay Midlands	1	500	2,278	-
Tayud Golf & Country Club	1	6	-	-
United Doctors Service Corp	789,895	3,730	10,502	-
Universal Rightfield Prop. Inc.	2,883,000	69	-	-
University of the East	1,226,531	26,250	21,747	-
Valle Verde Country Club, Inc.	1	-	450	-
Valley Golf & Country Club	5	106	21,559	-
Victoria Golf & Country Club	1	110	120	-
Wack Wack Golf & Country Club	15	222,240	1,200,000	-
Western Minolco Corporation	11,382,000	17	-	-
	672,776,271	**5,449,173**	**6,875,894**	**23,968**
Total Financial Assets at Fair Value through Comprehensive Income	**672,776,271**	**174,643,740**	**176,083,144**	**10,477,523**

(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	-	235,160	252,176	8,815
China National Offshore Oil LTD	-	-	-	14,076
Fixed Rate Treasury Notes	-	61,492,325	64,397,322	3,738,466
Kingdom of Saudi Arabia	-	587,900	588,276	19,913
Landbank of the Philippines	-	109,082	103,764	5,766
Power Sector Assets and Liabilities Management Corporation	-	1,146,405	1,262,784	56,008
Republic of Indonesia	-	1,587,330	1,609,684	65,809
Republic of the Philippines (ROP) Bonds	-	13,489,449	13,661,856	401,677
Retail Treasury Bonds	-	33,077,196	33,361,050	1,808,750
Treasury Bills	-	-	-	1,663
US Government	-	176,370	172,438	4,833
US Government E-money	-	-	-	2,120
US Treasury Notes	-	-	555,733	19,027
-	**-**	**111,901,217**	**115,965,083**	**6,146,923**
Private debt securities				
Aboitiz Power Corp	-	-	67,230	-
AT&T Inc.	-	1,175,800	1,006,590	13,207
Ayala Land Inc	-	601,900	601,348	37,296
Banco de Oro	-	5,000	167,888	-
Bank of China - Hongkong	-	-	-	6,854
Export- Import Bank of Korea	-	2,480,938	2,474,251	96,890
Filinvest Development Cayman Islands	-	-	-	60,439
Hutchison Whampoa Limited	-	1,499,145	1,744,057	31,439
International Container Terminal Services Inc.	-	-	-	605
Jollibee Worldwide PTE LTD - Singapore	-	-	-	13,872
Korea Development Bank	-	293,950	289,310	14,616

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**
Maynilad Water Services	-	479,680	479,663	34,024
Pilipinas Hino Incorporated	-	6,988	-	-
Security Bank	-	-	71,585	-
Sinopec Corp	-	117,580	117,273	3,789
SMC Tollways Corporation	-	3,500,000	3,494,222	242,659
Toyota Financial Services Philippines Corporation	-	-	100,000	-
Verizon Communications Inc	-	1,469,750	1,397,488	29,776
Vista land and Lifescapes Inc	-	-	-	160,416
	-	**11,630,731**	**12,010,905**	**745,882**
Total Investment Securities at Amortized Cost	**-**	**123,531,948**	**127,975,987**	**6,892,805**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE B. – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
DECEMBER 31, 2025
(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	496,000	-	(471,000)	-	25,000	-	25,000
	496,000	**-**	**(471,000)**	**-**	**25,000**	**-**	**25,000**

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, 2025
(in thousands Php)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Allmark Holdings Corp.	7,535	-	(7,535)	-	-	-	-
Caravan Holdings Corp.	12,830	-	(12,830)	-	-	-	-
Eton Properties Philippines, Inc.	-	-	-	-	-	-	-
Fil-Care Holdings, Inc.	12,930	-	(12,930)	-	-	-	-
Ivory Holdings, Inc.	8,945	-	(8,945)	-	-	-	-
Kenrock Holdings Corp.	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.	-	-	-	-	-	-	-
Solar Holdings Corp.	20,300	-	(20,300)	-	-	-	-
Tanduay Distillers, Inc.	-	4,928	-	-	4,928	-	4,928
	100,969	**4,928**	**(76,650)**	**-**	**29,247**	**-**	**29,247**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE D. – Intangible Assets – Other Assets
DECEMBER 31, 2025
(in thousands Php)

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Other changes, additions (deductions)	Ending Balance
Goodwill	₱163,735	–	–	–	–	₱163,735
Software	1,314,599	1,003,810	(1,214,142)	–	3,725	1,107,992

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

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE E. – Long term debts
DECEMBER 31, 2025
(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		₱-	₱33,278,399
2. Lease liabilities (PFRS 16)		1,052,643	3,942,905
3. Unsecured term loan		619,800	1,331,683
TOTAL		**₱1,672,443**	**₱38,552,987**

LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE F. – Indebtedness to Related Parties (Long-term Loans from Related Parties)
DECEMBER 31, 2025
(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, 2025
(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, 2025

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, 2025

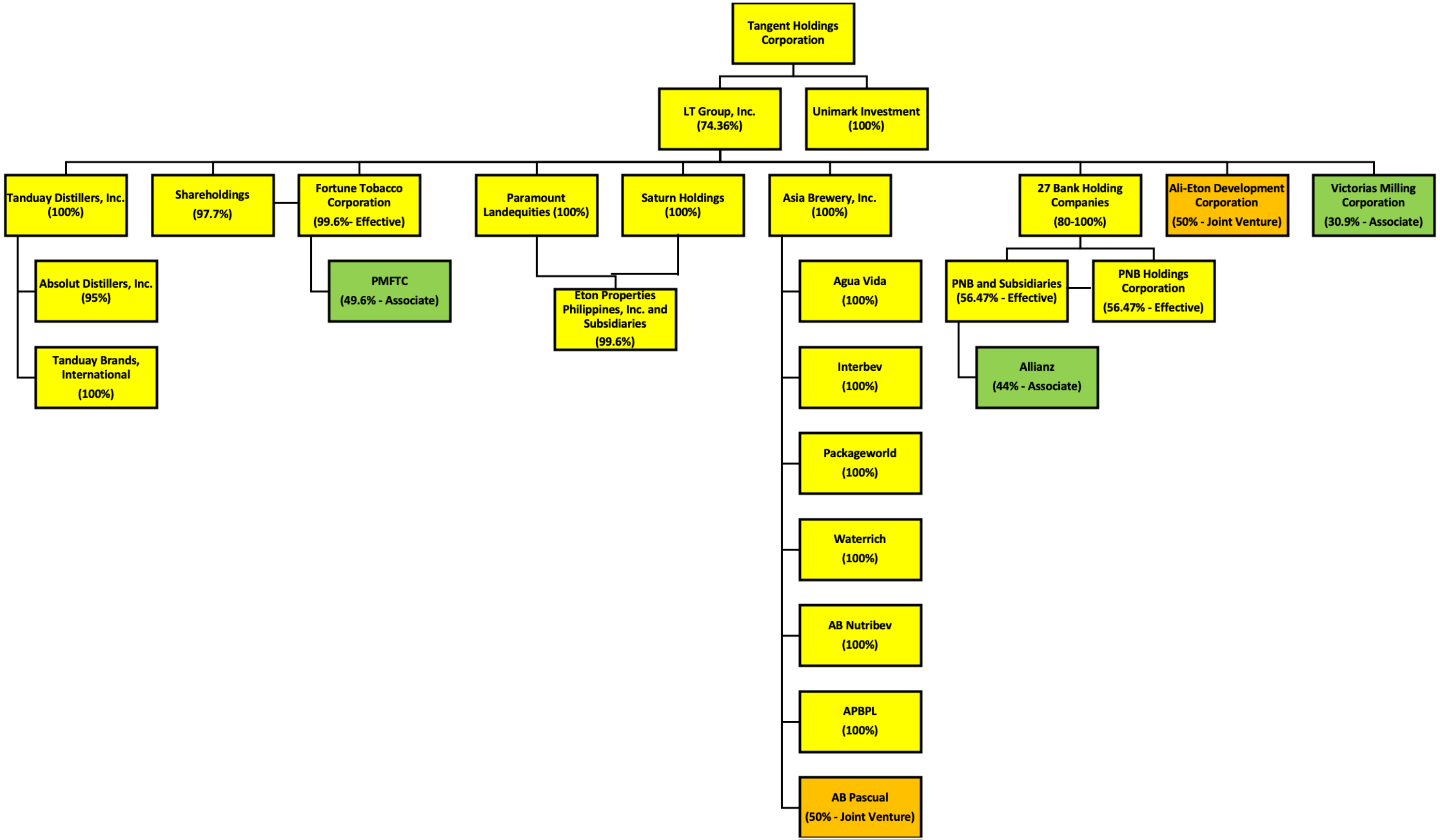
Unappropriated retained earnings, beginning of reporting period				**₱47,820,908,176**
Add:	**Category A:**	**Items that are directly credited to unappropriated retained earnings**		
		Reversal of retained earnings appropriations	–	
		Effect of restatements or prior-year adjustments	–	
		Others (describe nature)	–	–
Less:	**Category B:**	**Items that are directly debited to unappropriated retained earnings**		
		Dividend declaration during the reporting period	**13,526,736,112**	
		Retained earnings appropriated during the reporting period	–	
		Effect of restatements or prior-year adjustments	–	
		Others (describe nature)	–	**(13,526,736,112)**
Unappropriated retained earnings, as adjusted				**34,294,172,064**
Add/Less: Net income (loss) for the current year				**16,050,117,806**
Less:	**Category C.1:**	**Unrealized income recognized in the profit or loss during the reporting period (net of tax)**		
		Equity in net income of associate/joint venture, net of dividends declared	–	
		Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
		Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
		Unrealized fair value gain of investment property	–	
		Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	–
Add:	**Category C.2:**	**Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**		
		Realized foreign exchange gain, except those attributable to cash and cash equivalents	–	
		Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	–	
		Realized fair value gain of investment property	–	
		Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	–
Add:	**Category C.3:**	**Unrealized income recognized in the profit or loss in prior periods but reversed in the current reporting period (net of tax)**		
		Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
		Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	–	
		Reversal of previously recorded fair value gain of investment property	–	
		Reversal of previously recorded other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	–
Add:	**Category D:**	**Non-actual losses recognized in profit or loss during the reporting period (net of tax)**		
		Depreciation on revaluation increment (after tax)	–	–
Add/ (Less)	**Category E:**	**Adjustments related to relief granted by the SEC and BSP**		
		Amortization of the effect of reporting relief	–	
		Total amount of reporting relief granted during the year	–	
		Others (describe nature)	–	–
Add/ (Less)	**Category F:**	**Other items that should be excluded from the determination of the amount of available for dividends distribution**		
		Net movement of treasury shares (except for reacquisition of redeemable shares)	–	
		Net movement of deferred tax asset not considered in the reconciling items under the previous categories	–	
		Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	–	
		Adjustment due to deviation from PFRS/GAAP - gain (loss)	–	
		Others (describe nature)	–	–
Adjusted net income				**16,050,117,806**
Total retained earnings, end of reporting period available for dividend declaration				**₱50,344,289,870**

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

LT GROUP, INC. AND SUBSIDIARIES

SCHEDULE J – Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

As of DECEMBER 31, 2025



LT GROUP, INC. AND SUBSIDIARIES
SCHEDULE K – Index to Exhibits
SEC FORM 17-A

These exhibits are either not applicable to the Group or require no answer.

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT 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, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 24, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan
Partner
CPA Certificate No. 72557
Tax Identification No. 102-089-397
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 72557-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10765125, January 2, 2026, Makati City

February 24, 2026

LT GROUP, INC. AND SUBSIDIARIES
ANNEX 68-E

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
as of December 31, 2025 and 2024

Ratio	Formula	2025	2024
Current ratio	Current Assets / Current Liabilities	0.70	0.73
Acid test ratio	(Current Assets – Inventories – Prepaid Expenses) / Current Liabilities	0.69	0.71
Solvency ratios	(Net income after tax + Depreciation) / (Short term debt + Long-term Debt)	1.11	1.54
Debt-to-equity ratio	(Short term debt + Long-term Debt) / Equity attributable to equity holders of the Parent Company	0.17	0.13
Asset-to-equity ratio	Total Assets / Total Equity	4.14	4.16
Interest rate coverage ratio	EBITDA / Interest expense	109.96	85.89
Return on equity	Net income attributable to equity holders of the Company / Equity attributable to equity holders of the Parent Company	0.123	0.125
Return on assets	Net income attributable to equity holders of the Parent Company / Total Assets	0.021	0.021
Net profit margin	Net income attributable to equity holders of the Parent Company / Revenues	0.23	0.22

EXHIBIT 18 Subsidiaries of the Registrant

LT GROUP, Inc. has the following subsidiaries as of December 31, 2025:

Distilled Spirits	Jurisdiction
1. TDI and subsidiaries	Philippines
a. Absolut Distillers, Inc.	
b. Tanduay Brands Int'l Inc.	

Beverages

ABI and subsidiaries	Philippines
a. Agua Vida Systems, Inc.	
b. Packageworld, Inc.	
c. Interbev Philippines, Inc.	
d. AB Nutribev, Inc.	
e. Waterich Resources Corporation	
f. Asia Pacific Beverage Pte. Ltd.	

Tobacco

Fortune Tobacco Corp.	Philippines

Banking

a. PNB and subsidiaries (see page 8)	Philippines
b. Bank Holding Companies (see page 8)	Philippines

Property Development

a. Saturn	Philippines
b. Paramount	Philippines
1. Eton	Philippines
i. Belton Communities, Inc. (BCI)	
ii. Eton City, Inc. (ECI)	
iii. Eton Hotels and Leisure, Inc. (EHLI) [formerly FirstHomes, Inc. (FHI)]	

LT GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
For the Year Ended December 31, 2025 and 2024

	2025	2024
	(In Thousands)	
Total Audit Fees (Section 2.1a)[1]	**₱55,046**	₱44,809
Non-audit services fees:		
Other assurance services	**6,284**	8,023
Tax services	**3,884**	2,332
All other services	**5,044**	7,470
Total Non-audit Fees (Section 2.1b)[2]	**15,212**	17,825
Total Audit and Non-audit Fees	**₱70,258**	₱62,634

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

	2025	2024
	(In Thousands)	
Audit fees	**₱–**	**₱–**
Non-audit services fees:		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total Non-audit Fees	–	–
Total Audit and Non-audit Fees	**₱–**	**₱–**

Notes:

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

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

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

LT GROUP, INC.

Driving New Possibilities

2025 Sustainability Report

How to Read This Report

This Sustainability Report is designed to guide readers through LT Group, Inc.'s (LTG) sustainability performance and disclosures in a clear and accessible manner. It follows the Global Reporting Initiative (GRI) Standards 2021 and the International Sustainability Standards Board (ISSB) frameworks, i.e., IFRS S1, IFRS S2, and relevant SASB metrics. Each section corresponds to one of LTG's sustainability pillars, and indicators are referenced throughout the text using their respective disclosure codes (e.g., GRI 302-1, IFRS S2 – Metrics and Targets).

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

About the Theme

Driving New Possibilities represents LT Group Inc. ("LTG," the "Group," "Company)'s ensuring commitment to redefine growth through innovation, resilience and shared value. This is our forward-looking mindset anchored in sound governance, strategic foresight, and a deep responsibility towards society and the environment, embodying our vision of a future where every step forward contributes to lasting, inclusive, and transformative growth.

Reporting Scope and Boundaries

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

This Sustainability Report covers the period January 1 to December 31, 2025, and presents the sustainability performance of LT Group, Inc. (LTG) and its major subsidiaries: Asia Brewery, Inc. (Asia Brewery), Eton Properties Philippines, Inc. (Eton),Philippine National Bank (PNB), PNB Holdings Corporation (PNB Holdings), and Tanduay Distillers, Inc. (Tanduay). Select disclosures from Tan Yan Kee Foundation, Inc. (TYKFI) and PMFTC, Inc., are included to the extent applicable. PMFTC, which operates under the management of Philip Morris International Inc. (PMI), maintains its own sustainability reporting, and its broader environmental and social disclosures are published separately by PMI.

Reporting Guidelines and Standards

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

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

- Global Reporting Initiative (GRI) Standards 2021
- Sustainability Accounting Standards Board (SASB) metrics
- IFRS S1 – *General Requirements for Disclosure of Sustainability-related Financial Information*
- IFRS S2 – *Climate-related Disclosures*
- Securities and Exchange Commission (SEC) Sustainability Reporting Guidelines for Publicly Listed Companies
- United Nations' Sustainable Development Goals (SDGs)

Reporting Process and Methodology

1 Identification of Material Topics

The foundation of this report lies in LTG's materiality assessment, which identifies the economic, environmental, social, and governance topics most relevant to the Group's operations and stakeholders. Material issues were reviewed against global sustainability standards and the Group's strategic priorities to ensure that disclosures reflect both the significance of impacts and their influence on enterprise value. This process also considered stakeholder expectations and emerging sustainability risks across LTG's diverse business portfolio. More information can be found under page 22.

2 Data Collection and Validation

Each subsidiary contributed quantitative and qualitative information through standardized reporting templates. These inputs were consolidated by the LTG sustainability team. The data collection process was supported by collaboration among sustainability focal points, compliance teams, and management representatives from all operating units.

3 Financial and Non-Financial Data Disclosure

The financial data presented in this report are based on LTG's audited consolidated financial statements audited by SGV & Co. The non-financial data, while not externally assured, underwent systematic internal verification to confirm reliability and completeness. These disclosures encompass key performance indicators covering environmental efficiency, social responsibility, and governance practices.

4 Validation and Review

All reported information was subjected to internal validation by LTG's business units, with oversight from the Corporate Governance and Sustainability Committee. This multi-level review process ensures alignment with LTG's reporting boundaries, governance principles, and strategic objectives, reinforcing the integrity of the information presented.

5 Publication

This report is prepared in reference with the international reporting standards and frameworks as well as local reporting guidelines aforementioned in the previous section. It is published annually to communicate LTG's sustainability performance, progress, and direction with transparency and accountability to its stakeholders.

Contents

About the LT Group

GRI 2-1

Vision

To be a world-class conglomerate at the forefront of Philippine economic growth, successfully maintaining a strong presence and dominant position in key Philippine industries while driving sustainable progress. We aim to create lasting value for our consumers, communities, employees, partners, and shareholders through responsible leadership, environmental stewardship, and inclusive practices that benefit both current and future generations.

Mission

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

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

Our Logo

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

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

Organization and Individual Memberships and Associations

GRI 2-28

Asia Brewery

1. Cabuyao River Protection Advocates (CaRPA), *Member*
2. ALPrESH - Advocates, Leaders and professionals in Environment, Safety and Health under Association of Safety and Heath Practitioner (ASPPI), *Member*
3. People Management Association of the Philippines (PMAP), *Member*
4. Employers Confederation of the Philippines (ECOP), *Member*
5. Philippine Society for Training and Development (PSTD), *Member*
6. Semiconductor and Electronics Industries in the Philippines (SEIPI), *Member*
7. International Bottled Water Association Certificate of Membership, *Member*

Eton

1. Philippine Society for Talent and Development, *Member*
2. Employees Confederation of the Philippines, *Member*
3. Philippine Association of National Advertisers, *Member*
4. IT & Business Process Association of the Philippines, *Member*
5. Urban Land Institute, *Member*
6. Net Zero Carbon Alliance, *Member*

PNB

1. ACI Philippines, The Financial Markets Association Inc.
2. Analytics and Artificial Intelligence Association of the Philippines (AAIAP)
3. Asian Bankers Association (ABA)
4. Association of Bank Remittance Officers (ABROI)
5. Association of Bank Compliance Officers (ABCOMP)
6. Association of Certified Anti-Money Laundering Specialists (ACAMS)
7. Association of Certified Fraud Examiners (ACFE)
8. Association of Philippine Correspondent Bank Officers, Inc. (APCBOI)
9. Bank Marketing Association of the Philippines (BMAP)
10. Bank Security & Management Association Inc. (BSMA)
11. Bankers Association of the Philippines (BAP)
12. Bankers Institute of the Philippines (BAIPHIL)
13. BAP Credit Bureau, Inc (BAPCBI)
14. BAP Data Exchange, Inc. (BAPDEX)
15. British Chamber of Commerce Philippines (BCCP)
16. Business Continuity Managers Association of the Philippines (BCMAP)
17. Business for Sustainable Development
18. Butuan City Bankers Club
19. Cebu Chamber of Commerce & Industry, Inc.
20. Chamber of Commerce of the Philippine Islands (CCPI)
21. CFA Institute
22. Clearing Officers Club Inc. (COCI)
23. Credit Card Association of the Philippines (CCAP)
24. Credit Management Association of the Phils., Inc. (CMAP)
25. Employers Confederation of the Philippines (ECOP)
26. European Chamber of Commerce of the Philippines (ECCP)
27. Federation of Philippine Industries, Inc. (FPI)
28. Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII)
29. Financial Executives Institute of the Philippines (FINEX)
30. Fintech Alliance Ph
31. Fund Managers Association of the Philippines (FMAP)
32. Good Governance Advocates and Practitioners of the Philippines (GGAPP)
33. Information Systems Audit and Control Association (ISACA)
34. Institute of Corporate Directors
35. Institute of Internal Auditors of the Philippines
36. Institute of Internal Controls Audit (IICA)
37. Integrated Bar of the Philippines (IBP)
38. International Association of Privacy Professionals (IAPP)
39. Japanese Chamber of Commerce & Industry of the Philippines, Inc.
40. Malaybalay Bankers Association
41. Management Association of the Philippines (MAP)
42. Money Market Association of the Philippines (MART)
43. National Association of Securities Broker Salesmen, Inc. (NASBI)
44. People Management Association of the Philippines, Inc. (PMAP)
45. Philippine Association of National Advertisers, Inc. (PANA)
46. Philippine Business Coalition for Women Empowerment (PBCWE)
47. Philippine Chamber of Commerce & Industry (PCCI)
48. Philippine Dealing & Exchange Corporation (PDEX)
49. Philippine Institute of Certified Public Accountants (PICPA)
50. Philippine Payments Management, Inc. (PPMI)
51. Philippine Women's Economic Network
52. Pampanga Chamber of Commerce
53. Southern Bukidnon Bankers Association
54. Tax Management Association of the Philippines (TMAP)
55. Trust Officers Association of the Philippines (TOAP)

PNB Holdings

1. Makati Central Estate Association, Inc. (MACEA), *Member*
2. Financial Executives Institute of the Philippines (FINEX), *Member*
3. Urban Land Institute Philippines, *Member*

Tanduay

1. Employers Confederation of the Philippines (ECOP), *Member*
2. Management Association of the Philippines, *Member*
3. Distilled Spirits Association of the Philippines, *Member*
4. Ethanol Producers Association of the Philippines, *Member*

Awards and Recognition

LTG (Parent Company)

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

Asia Brewery

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

Eton

1. 2025 FIABCI Philippines Property and Real Estate Excellence Awards Mixed Use Category GOLD - Eton Tower Makati
2. 2025 FIABCI Philippines Property and Real Estate Excellence Awards Retail Category GOLD - Eton City Square
3. 2025 FIABCI Philippines Property and Real Estate Excellence Awards Master-planed Community Category SILVER - Eton City
4. 2025 FIABCI Philippines Property and Real Estate Excellence Awards Office Category SILVER - Centris Cyberpod Five
5. Hubexo Awards Top Ten Developers 2025
6. 2025 Lion Awards for Business in Sta. Rosa, Laguna, Eton City, Inc. (ECI) #1 Taxpayer
7. 2025 Lion Awards for Business in Sta. Rosa, Laguna, Belton Communities, Inc. (BCI) #9 Taxpayer.
8. Top 7 Largest Office Developer in Metro Manila
9. 2025 Carousell Property Awards – Special Award for Sustainability Leadership in Real Estate (Beyond Green Initiative)
10. 2025 Carousell Property Awards – Excellence in Brand Transformation (Eton Beyond18 Anniversary Campaign)

PNB

1. 4-Golden Arrow Awardee - ASEAN Corporate Governance Scorecard (ACGS) 2025 Golden Arrow Awards
2. Best Bank for Investment Research in the Philippines - Euromoney Private Banking Awards 2025
3. PNB Capital and Investment Corporation, Renewable Energy Deal of the Year-Solar - The Asset Country Awards 2025
4. PNB Capital and Investment Corporation, Renewable Energy Deal of the Year-Rooftop Solar - The Asset Country Awards 2025
5. Best Sustainability Bond: Financial Institution Award for US$300 million Sustainability Bond - The Asset Triple A Awards 2025
6. PNB Capital and Investment Corporation, Best IPO for Citicore Renewable Energy Corporation (CREC) 5.3 billion pesos IPO - The Asset Triple A Awards 2025
7. Intermediate Term Bond Fund Category: PNB Profit Peso Bond Fund - Chartered Financial Analyst Society of the Philippines Best Managed Fund 2025
8. Top 100 Learning and Development Teams Awardee – Recognized with Microsoft, PepsiCo, American Airlines, and Deloitte
9. Top 50 Learning & Development Team Winners (OnCon Icon Awards 2025) – Featured alongside Apple, Amazon, 7-Eleven, and Grant Thornton)
10. THE ASSET Benchmark Research Awards 2025
    - Ranked #1 Fixed Income Individual (G3 Bonds Category) – Albert Joseph Hampton, Trading Head, PNB Trust Banking Group
    - Ranked #2 Fixed Income Individual (Local Currency Bonds Category) – Albert Joseph Hampton, Trading Head, PNB Trust Banking Group
    - Ranked #3 Fixed Income Investment House (G3 Bonds Category) – PNB Trust Banking Group
    - Highly Commended Investment House (Local Currency Bonds Category) – PNB Trust Banking Group
11. International Business Magazine Awards 2025
    - Best Mobile Banking Experience Philippines for PNB Digital
    - Best Sustainability Bond Offering Philippines for the US$300 million Sustainability Bond

PNB Holdings

1. Gold and Silver Awards, *BusinessWorld Best Places to Work for 2025*

Tanduay

1. San Francisco World Spirits Competition
    - Silver Medal – Tanduay 10 Year Old Rum
2. Miami Global Spirits Awards
    - Gold Medal – Tanduay Asian Rum Silver
    - Silver Medal – Tanduay Asian Rum Gold
    - Silver Medal – Tanduay 10 Year Old Rum
    - Silver Medal – Tanduay Double Rum
    - Bronze Medal – Tanduay Especia Spiced Rum
3. Asia Spirits Ratings
    - Double Gold Medal – Tanduay Especia Spiced Rum
    - Commendation: Rum of the Year – Tanduay Especia Spiced Rum
    - Commendation: Best Spirit by Value – Tanduay Especia Spiced Rum
    - Silver Medal – Tanduay Double Rum
    - Silver Medal – Tanduay Asian Rum Gold
    - Silver Medal – Tanduay 10 Year Old Rum
    - Bronze Medal – Tanduay Overproof Rum
    - Bronze Medal – Tanduay Asian Rum Silver
    - Bronze Medal – Embassy Premium Whisky
    - Bronze Medal – Tanduay Rum 1854
    - Bronze Medal – Tanduay Superior Rhum
    - Bronze Medal – Tanduay Select Blended Rum
    - Bronze Medal – Tanduay Rhum Light
    - Bronze Medal – Tanduay Dark Rhum

4. International Spirits Competition by Enthusiast Magazine
    - Double Gold Medal – Tanduay Double Rum
    - Gold Medal – Tanduay 10 Year Old Rum
    - Gold Medal – Tanduay Asian Rum Gold
    - Gold Medal – Tanduay Overproof Rum
    - Silver Medal – Tanduay Asian Rum Silver
5. World Spirits Competition by Cigar & Spirits
    - Gold Medal – Tanduay Double Rum
    - Gold Medal – Tanduay 10 Year Old Rum
6. Proof Awards
    - Gold Medal – Tanduay Overproof Rum
    - Double Gold Medal (Design Competition) – Tanduay Overproof Rum
    - Silver Medal – Tanduay 10 Year Old Rum
    - Gold Medal (Design Competition) – Tanduay 10 Year Old Rum

ISO and Other Certifications

Asia Brewery

- ISO 9001:2015

1. Good Manufacturing Practice Certificate

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

PNB

- ISO/IEC 27001:2022

Tanduay

- Cabuyao Plant: ISO 9001 :2015 Certificate Registration No.
  TUV 100 05 3932
  FDA : Certificate of Current Good Manufacturing Process

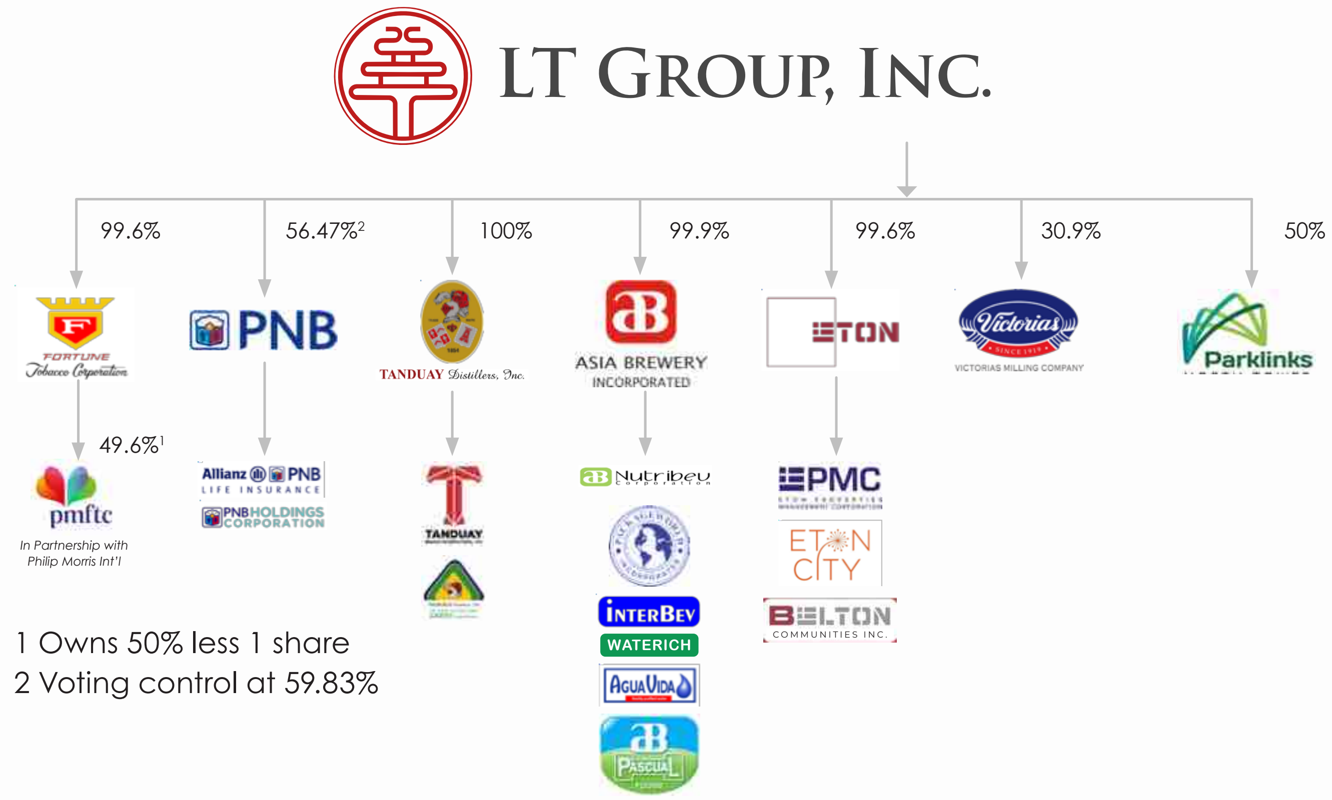
- Murcia Plant: ISO 9001 :2015 Certificate Registration No.
  TUV 100 05 5042
  FDA : Certificate of Current Good Manufacturing Process

- El Salvador Plant: ISO 9001 2015 Certificate Registration No.
  TUV 100 05 5082

Inside LTG's Value Chain

GRI 2-6

Our operations as a diversified conglomerate span banking and financial services, beverages, distilled spirits, real estate, and tobacco, a structure that enables collaboration, efficiency, and resilience across multiple industries. This integrated network allows each subsidiary to operate independently while contributing to the collective strength and sustainability of the Group.



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

Group Structure and Integration

1

The corporate framework emphasizes close coordination between the parent company and its subsidiaries, ensuring consistent governance and strategic direction. Each subsidiary, except Victoria Milling Company, Inc. and ALI-Eton Development Corporation, manages its own network of sub-entities, extending operational reach and influence across the Philippine economy.

Several business units have adopted vertically integrated systems, combining sourcing, production, and distribution under unified management. This integration enhances supply chain efficiency, strengthens quality control, and reduces operational risks, reflecting the Group's commitment to resilience and streamlined performance.

Evolution and Expansion

2

The Group's transformation into a multi-industry enterprise began in 2012, when the company, then known as Tanduay Holdings, Inc. (THI), diversified its portfolio through strategic acquisitions, including Fortune Tobacco Corporation (FTC), Philippine National Bank (PNB), Allied Banking Corporation, Asia Brewery, Inc. (ABI), and Eton Properties Philippines, Inc. (EPPI). This pivotal move led to its rebranding as LT Group, Inc., marking its emergence as one of the Philippines' largest conglomerates.

Ownership remains primarily within the Lucio C. Tan Group, with Tangent Holdings Corporation serving as the ultimate parent company, holding a 74.36% ownership stake. The majority of LTG's shares are held by Dr. Lucio C. Tan, his family, and assignees.

Subsidiary Roles Across the Value Chain

3

Philippine National Bank (PNB): Provides banking and financial services that promote inclusion, stability, and economic development.

Asia Brewery, Inc. (ABI): Produces and distributes beverages with a focus on operational efficiency, responsible sourcing, and packaging innovation.

Tanduay Distillers, Inc.: Manufactures world-renowned spirits using quality-driven and customer-focused production processes that undergo continuous improvement to attain a high level of operating efficiency.

Eton Properties Philippines, Inc. (EPPI) and **PNB Holdings Corporation:** Develop and manage commercial, residential, and mixed-use properties, with a focus on resilient operations, customer experience, and progressive integration of sustainability measures across existing assets.

PMFTC, Inc.: Operate in the tobacco manufacturing and distribution sector under the management of Philip Morris International (PMI), whose sustainability disclosures are published separately.

Operational Synergy and Outlook

4

Through its interconnected structure and vertically integrated supply chains, the Group achieves efficiency, agility, and strategic cohesion across its businesses, reinforcing our ability to adapt to shifting economic landscapes, manage risks effectively, and maintain operational excellence.

Creating Lasting Impact Through Value Creation

Our Value Creation Model illustrates how the Group transforms its diverse capital of financial, manufactured, intellectual, human, social, and natural capital into long-term value for our stakeholders. It reflects the interconnection between governance, strategy, and operations, showing how inputs are converted into outputs and outcomes that sustain both business growth and societal progress.

Our Value Creation Model

Input

Financial
- Php 46.07 billion operating costs
- Php 30.98 billion net income

Intellectual
- Php 519.68 million total investment for Digital Transformation Initiatives
- Php 2.95 billion total IT-related CAPEX Budget
- PNB Holdings completed foundational digital initiatives by migrating to SAP S/4HANA Cloud
- PNB conducted 27 batches of training through the AI Proficiency and Excellence Academy (APEX)
- Eton digitalized property management and marketing through MyEPMC, the DMC Hub, and migration to Microsoft Azure.

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

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

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

Social and Relationship
- Php 77.81 million total investments on the Local Communities

Business Activities

Vision

To be a world-class conglomerate at the forefront of Philippine economic growth, successfully maintaining a strong presence and dominant position in key Philippine industries while driving sustainable progress. We aim to create lasting value for our consumers, communities, employees, business partners, and shareholders through responsible leadership, environmental stewardship, and inclusive practices that benefit both current and future generations.

Mission

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

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

Sustainability Framework

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

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

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

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

Output

Long Term Growth
- **Php 151.31 billion Economic value Generated**
- **Php 122.53 billion Economic Value Distributed**

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

Responsible Operations
- **2,408 Total of trees and seedlings planted in 2025**
- **0.02% decrease of energy consumption**
- **79,619.89 GJ renewable energy**
- **3,272.29 ML water consumption**
- **7,776.92 MT waste generated**
- **1,609 total hectares of trees planted**
- **234,019.73 tCO_2e total carbon footprint**
- **ZERO significant negative impacts in biodiversity across all subsidiaries**

Welfare of employees and communities
- **1,325 New hires**
- **1,679 Average training hours for Employees**
- **11,881 total employees trained**
- **25,857,619 Safe man hours**
- **Supported 20 farmers; 35 hectares cultivated using 561 kg hybrid rice seeds and 95 sacks of fertilizers; harvest reached 239,720 kg palay (avg. 6.85 MT/ha).**
- **1,044 educators trained for FUSE Training Program**
- **28 new scholars; continued support for 21 existing scholars (farmers' children program) for SY 2025–2026**
- **495 employees successful blood donors for year 2025**

Impact on SDG's

8 DECENT WORK AND ECONOMIC GROWTH

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

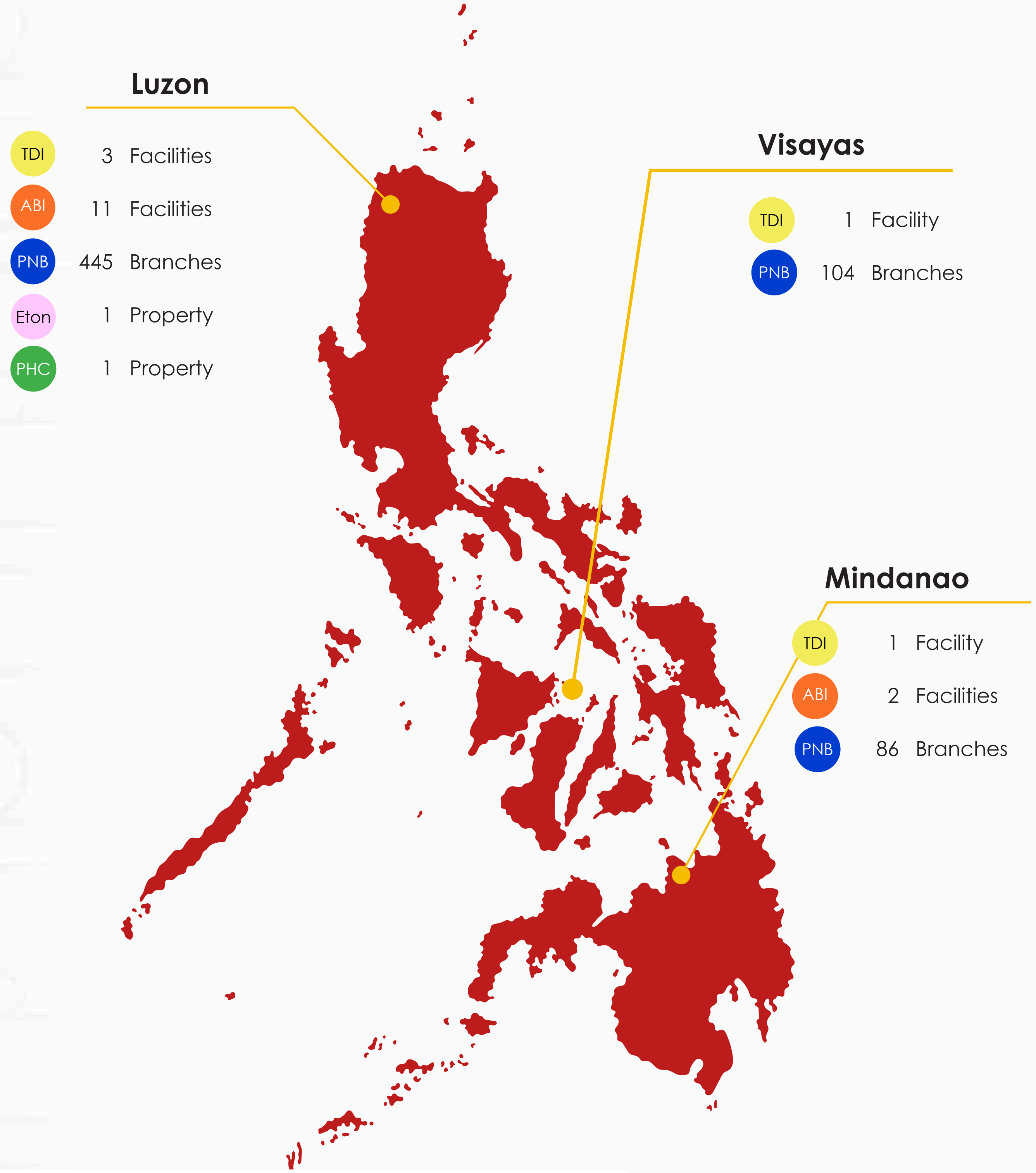
7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
17 PARTNERSHIPS FOR THE GOALS

Our Operational Footprint

Our operational footprint reflects the breadth and reach of the Group's businesses across key sectors of the Philippine economy. Each subsidiary contributes distinct expertise and value while operating under shared principles of efficiency, integrity, and sustainability.

Through a nationwide presence and selected international ventures, the Group's operations are positioned to serve millions of customers and communities. This geographic and sectoral diversity strengthens resilience, enables resource optimization, and supports the Group's long-term commitment to inclusive growth and sustainable development.



Advancing Our Sustainability Path

Our Sustainability Framework

GRI 2-6

LTG's Sustainability Framework is anchored in the Group's purpose, mission, and core values, and is informed by regular materiality assessments that identify the sustainability topics most relevant to our business model and stakeholder expectations. The framework provides a clear structure for translating sustainability commitments into concrete actions across our diversified portfolio.

At its core, the framework is organized around the objective of ensuring continuous benefits for our stakeholders, guided by four interrelated pillars:

Long-Term Growth

Focused on economic performance, ethical operations, and good governance, this pillar underscores LTG's commitment to sustainable profitability, prudent risk management, and integrity in decision-making. It ensures that growth is pursued responsibly and in a manner that supports resilience over time.

Value Through Products and Services

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

Responsible Operations

Covering resource efficiency, supply chain management, and climate change adaptation, this pillar reflects LTG's responsibility to minimize environmental impacts and strengthen operational resilience. It guides efforts to use resources efficiently, engage responsibly with suppliers, and respond proactively to climate-related risks and opportunities.

Welfare of Employees and Communities

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

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

Ensuring continuous benefits for our stakeholders

Approach to Materiality

GRI 3-1, 3-2

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

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

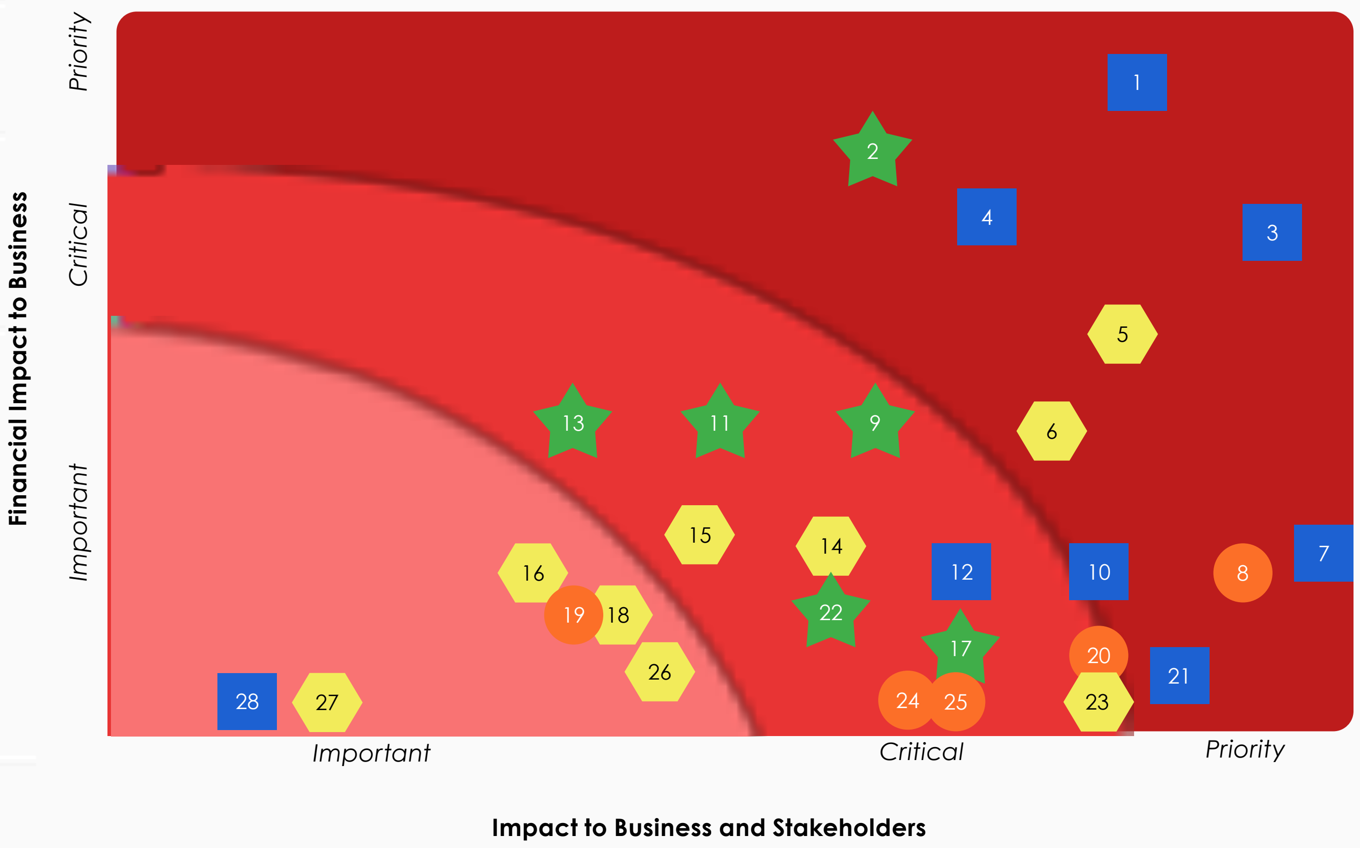
Long-Term Growth	Responsible Operations
Value Through Products and Services	Welfare of Employees and Communities

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

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

The results were consolidated and prioritized to determine LTG's 2025-2028 material topics under the materiality matrix below, which are mapped across the four sustainability pillars. This prioritization guides the focus of the Sustainability Report and informs the development of targets, KPIs, and action plans.

LT GROUP MATERIALITY MATRIX



Long Term Growth

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

Responsible Operations

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

Welfare of Employees and Communities

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

Value Through Product and Services

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

Stakeholder Management

GRI 2-29

Effective stakeholder management is central to LT Group, Inc.'s sustainability approach. As a diversified holding company, LTG engages a broad range of stakeholders whose expectations, concerns, and influence vary across sectors and geographies. The Group's stakeholder management practices are designed to ensure transparency, responsiveness, and constructive dialogue, while supporting informed decision-making and long-term value creation.

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

Stakeholder Segment	Key Concerns	Our Mode of Engagement	Strategic Response
Government Agencies and Regulators	• Socio-economic and environmental compliance • Ethical operations • Good governance • Economic Performance • Illicit Trade • Human rights protection • Resource efficiency • Climate change/GHG emissions	• Policy dialogues, consultations and meetings, and legislative hearings • Regular reportorial requirements and other official correspondence • Briefings, forums, webinars and conferences (primarily online) • Annual audits • Formal proceedings • Membership in committees organized by the government • Periodic examinations • Emails / Correspondences • Virtual Meetings • Webinars	→ Community Relations and Development → Ethical Operations → Good Governance → Responsible Operations → Adapting to Climate Change
Customers	• Customer data privacy and security • Marketing and labeling • Ethical operations • Good • Resource efficiency • Climate change/GHG emissions • Customer Engagement and Satisfaction	• Email • Calls/SMS • Social Media Platforms • Messaging Apps • Websites • Retail Partners • Customer Survey Forms	→ Customer Satisfaction → Data Privacy and Security → Innovation and Digitization → Resource Efficiency → Adapting to Climate Change

Stakeholder Segment	Key Concerns	Our Mode of Engagement	Strategic Response
Communities	• Supply chain management • Human rights protection • Community relations	• Corporate Social Responsibility Activities • Investors' Conference • Plant Visits • Virtual Financial Literacy/ Financial Wellness sessions • Virtual meetings and events/ activities (i.e., donations, turnovers, etc.) • Charitable/ Philanthropic Contributions • Environmental and sustainability-related projects or initiatives • Partnerships with credible NGOs, Foundations, academic institutions, LGUs, or Civil Society Organizations	→ Community Relations and Development → Organization and Individual Memberships and Associations
Employees	• Employment • People, safety, security, and well-being • Employee skills and competency development • Labor relations and diversity • Customer engagement and satisfaction • Community relations	• Consultation • Tool box meetings • Employee-related activities • Labor union • Annual Shareholders' Meeting • Annual Press Briefing • Quarterly Analysts' Briefing • Consultation Meetings with the government institutions • Conference/telephone calls • Regular virtual meetings with relationship managers and branch personnel • Website updates • Email communication • Social Media Updates and Messaging Apps (Facebook, Messenger, Twitter, Instagram, Viber, WhatsApp) • Virtual Events • Yearly outing/ team building	→ Safety, Security, and Well-being → Labor Relations and Skills → Diversity, Equality, and Inclusion → Labor-management relations
Supplier	• Ethical operations • Good governance • Climate change/ GHG emissions • Resource efficiency • Illicit Trade • Supply chain management	• Supplier Performance Evaluation • Consignment Program (Partnership) • Electronic/Physical Letters • Virtual meetings • Phone calls/SMS	→ Supply Chain Management → Human Rights → Illicit Trade → Resource Efficiency → Adapting to Climate Change

Stakeholder Feedback Mechanism

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

Amplifying Our Commitments to International Agreements

While LTG is not a direct signatory to international sustainability or human rights compacts at the corporate level, the Group recognizes its responsibility to operate in a manner that supports the Philippines' commitments to global agreements and frameworks.

The Philippines is a signatory to key international accords under the United Nations, including those relating to sustainable development, climate action, human rights, labor standards, and environmental protection. As a Philippine-based holding company with diversified operations, LTG aligns its policies, practices, and sustainability priorities with the spirit and intent of these international commitments as they are translated into national laws, regulations, and policy frameworks.

Our approach is grounded in compliance with applicable local regulations that give effect to international agreements, such as environmental laws, labor standards, governance requirements, and climate-related policies. Beyond compliance, the Group seeks to reinforce these commitments through responsible business conduct, ethical operations, and long-term value creation across its subsidiaries.

In particular, LTG's Sustainability Framework and materiality-driven priorities support national and global objectives related to:

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

A Look Into Our Sustainable Progress and Milestones

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

2022

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

2023

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

2024

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

2025

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

Long-Term Growth

Economic Performance

GRI 3-3

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

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

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

For the year ended 2025, the Group generated a consolidated net income attributed to the Parent Company of ₱30.98 billion, representing a 7% year-on-year change. Consolidated revenues amounted to ₱151.31 billion, while total assets reached ₱1.49 trillion as of year-end. These results reflect stable performance across core business segments, prudent cost management, and continued focus on operational efficiency.

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

Capital expenditures totaling ₱7.30 billion were directed toward investments that support operational continuity, digital capabilities, and long-term competitiveness, while preserving balance sheet strength. Liquidity and leverage metrics remained within internally defined thresholds, reinforcing financial flexibility amid external uncertainties.

GRI 201-1

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

In PHP billions

Feature Story

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

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

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

Strong Operating Performance Positions LT Group for Continued Momentum in 2025

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

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

Feature Story

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

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

Performance was reinforced by Tanduay's continued leadership in the domestic distilled spirits market, with further expansion of its presence nationwide, particularly across Visayas and Mindanao. Prudent management of operating expenses, especially marketing and promotional spend, supported margin improvement while maintaining strong brand visibility and consumer engagement. The company's ability to balance commercial growth with disciplined cost management enabled it to sustain profitability while reinforcing competitive positioning.

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

Ethical Operations

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

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

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

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

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

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

11,850 Employees
Received anti-corruption training in 2025

ZERO
Major incidents of corruption in 2025

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

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

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

Feature Story

Strengthening Integrity Through a More Robust Whistleblower Policy

As part of its continuing efforts to strengthen governance, transparency, and accountability, LT Group, Inc. significantly enhanced its Whistleblower Policy to reflect evolving regulatory expectations, international standards, and the Group's expanding ESG and risk governance framework. Central to the enhancement is the establishment of a formal whistleblowing management system aligned with COSO Enterprise Risk Management (ERM) and ISO 37002:2021, ensuring consistency with leading governance and risk management practices.

The revised policy significantly broadens both coverage and scope, extending protection beyond directors and employees to include suppliers, contractors, consultants, community partners, and other external stakeholders. Reportable concerns now cover fraud, bribery, ESG-related violations, data privacy breaches, environmental and safety risks, and obstruction of investigations. Multiple secure reporting channels—including dedicated email, sealed submissions, and an optional third-party hotline—support confidential and anonymous reporting, with strengthened non-retaliation and data privacy safeguards. Oversight and investigations are conducted through clearly defined governance mechanisms, with structured timelines, escalation pathways to the Board or Risk Management Committee when warranted, and enhanced recordkeeping and analytics. These improvements align the policy with GRI 2-26, Philippine SEC corporate governance requirements, and the OECD Anti-Bribery Guidelines, embedding whistleblowing as a core element of LTG's ESG, risk, and sustainability governance.

Good Governance

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

Strong governance is fundamental to the Group's ability to operate responsibly, manage risk effectively, and deliver sustainable long-term value. The Group's governance framework is designed to promote transparency, reinforce accountability, and support sound decision-making across a diversified portfolio of businesses. This framework reflects established international governance principles and aligns with the expectations of regulators, investors, and sustainability rating agencies. The Board of Directors retains overall responsibility for oversight and direction, supported by a structured committee system that enables focused supervision of key areas. Through committees such as the Audit Committee, Risk Management Committee, and Corporate Governance and Sustainability Committee, the Board exercises informed oversight of financial performance, internal controls, risk exposures, and ethical conduct. Matters related to sustainability, regulatory compliance, and risk are integrated into Board deliberations to ensure that non-financial considerations are assessed alongside financial performance.

Stakeholder considerations form an integral part of governance oversight. As a holding company, LTG enables its operating subsidiaries to engage directly with stakeholders on economic, environmental, and social matters through structured channels such as consultations, surveys, and regular communications. These engagements are managed by designated officers within the subsidiaries, ensuring that stakeholder insights are systematically captured and assessed. Relevant feedback is communicated to senior management and, where appropriate, elevated to Board-level committees to inform oversight and strategic direction.

Potential concerns relating to economic, environmental, social, or governance matters are assessed through established risk management processes. Issues identified at the subsidiary level are reviewed by management and, if deemed material, referred to the Risk Management Committee for evaluation and escalation to the Board. This disciplined process supports timely awareness and effective oversight of material risks. In 2025, no material or critical governance-related issues were escalated for Board consideration.

The Board of Directors, through its five key committees, including the Audit Committee, Risk Management Committee, and Corporate Governance and Sustainability Committee, actively oversees LTG's operations. These committees play a vital role in shaping strategies, managing risks, and ensuring strong governance practices.

Nomination and Compensation Committee

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

Dr. Lucio C. Tan
Chairman

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

Audit Committee

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

Johnip G. Cua
Chairman

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

Risk Management Committee

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

Mary G. Ng
Chairman

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

Executive Committee

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

Dr. Lucio C. Tan
Chairman

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

Corporate Governance and Sustainability Committee

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

Raul M. Leopando
Chairman

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

Sustainability Governance

GRI 2-14, 2-15, 2-16, 2-17, 2-18, 2-19, 2-20, IFRS S1.27(b)(i)(ii), IFRS S2.6(b)(i)(ii)

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

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

Asia Brewery
Dr. Alberto Rivera
Senior Vice President, Supply Chain

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

PNB
Ms. Jean Marie Baruelo
Senior Vice President, Division Head-Corporate Sustainability and Social Responsibility

PHC
Atty. Michael Delos Reyes
Senior Vice President, Chief Risk and Compliance Officer

Tanduay
Mr. Nestor Mendones
Senior Vice President, Chief Risk and Sustainability Officer

Risk Management

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

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

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

Governance and Oversight

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

Risk Appetite and Tolerance

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

Risk Identification

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

Risk Assessment and Prioritization

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

Risk Response and Mitigation

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

Control Activities

Controls are embedded in operations to ensure consistent execution of risk responses. These may include approval processes, segregation of duties, preventive and detective controls, cybersecurity measures, compliance protocols, and operational safeguards.

Information, Data, and Reporting

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

Data Monitoring and Review

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

Integration with Strategy and Planning

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

Continuous Improvement

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

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

Risk Category	Sustainability Risk Area	Potential Impacts	Opportunities / Mitigation Levers	Management Approach
Long-Term Growth & Financial Resilience	Financial Loss and Earnings Volatility	Increased operating and compliance costs; exposure to regulatory changes (e.g., excise taxes, banking regulations); cash flow pressure from delayed payments or credit defaults; potential erosion of investor confidence	Portfolio diversification across sectors; strengthened credit and liquidity management; cost efficiency, automation, and digitalization initiatives	Risks are monitored through the Group's ERM framework, with capital allocation decisions calibrated to identified risks and aligned with the Group's risk appetite; financial stress testing and scenario analysis support resilience planning
	Credit and Counterparty Risk	Cash flow instability arising from defaults or financial distress among business partners, distributors, or suppliers	Enhanced credit assessment, tighter collection controls, and diversification of counterparties	Embedded within financial risk governance at the subsidiary and Group levels, with oversight through audit and risk committees
Supply Chain & Vendor Management	Supply Chain and Vendor Risks	Production and distribution disruptions; reputational exposure from unethical labor practices or environmental non-compliance; cost increases due to supplier concentration or logistics inefficiencies	Supplier screening, ESG due diligence, and strengthened local supplier partnerships; capacity-building for key suppliers	Development and implementation of group-wide supply chain and procurement policies, integrating ESG criteria and vendor monitoring
	Disaster-Related Supply Volatility	Raw material shortages due to climate events, disease outbreaks, or trade restrictions	Supplier diversification and local sourcing strategies; contingency planning	Incorporated into business continuity planning and supplier risk assessments
	Food Safety and Labor Standards Non-Compliance	Product safety incidents; legal exposure; reputational damage linked to modern slavery, child labor, or unsafe working conditions	Supplier audits, contractual safeguards, and awareness programs	Oversight through compliance functions and periodic audits; escalation protocols for non-compliance

Risk Category	Sustainability Risk Area	Potential Impacts	Opportunities / Mitigation Levers	Management Approach
Value Through Products & Services	Regulatory Compliance (Product Quality, Safety, Labeling)	Fines, recalls, license suspension, and loss of consumer trust	Robust quality assurance systems; certification maintenance; regular testing and compliance training	Compliance governance embedded in operational controls, internal audits, and regulatory monitoring
	Customer Safety and Transparency	Health risks from inaccurate product information; erosion of brand trust	Clear labeling standards; grievance and feedback mechanisms; consumer awareness initiatives	Managed through product governance structures and customer protection policies
	Cybersecurity and Data Privacy	Data breaches, service disruption, legal liabilities, and reputational harm	Strengthened IT security, privacy-by-design practices, employee awareness programs	Cyber and data privacy risks integrated into ERM; alignment with Data Privacy Act, BSP, and NPC requirements
Responsible Operations	Energy Consumption and Carbon Emissions	Higher energy costs; exposure to future carbon pricing; reputational risk	Energy efficiency initiatives; gradual adoption of low-carbon technologies; emissions monitoring	Environmental risks managed through operational controls, capital planning, and long-term sustainability roadmaps
	Water Use and Waste Management	Water scarcity impacting operations; regulatory penalties from improper waste or wastewater management	Conservation measures; recycling and waste diversion; partnerships with LGUs and treatment providers	Environmental compliance managed at operational level, with Group oversight on environmental risk exposure
	Climate Change – Physical and Transition Risks	Asset damage from extreme weather; rising cooling costs; shifts in customer preferences; regulatory transition risks	Climate risk assessments; resilience measures; green financing and adaptation initiatives	Climate risks progressively integrated into ERM and business continuity planning, with forward-looking alignment to IFRS S2

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

Our Outlook and Future Commitments

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

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

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

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

Value Through Products and Services

Our Businesses

GRI 2-26

Beverages

ASIA BREWERY INCORPORATED

Since its establishment in 1982, Asia Brewery, Inc. has become a prominent name in the beverage industry, known for delivering quality and affordable products to a wide audience. Initially breaking into the market by challenging the beer industry monopoly with a pioneering brand, the company has since evolved into a diversified enterprise offering a wide range of beverages. With a robust distribution network of exclusive distributors, Asia Brewery ensures its products reach nationwide mass consumers efficiently.

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

Property Development

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

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

Banking

Established in 1916 and privatized in 2007, the Philippine National Bank (PNB) is one of the Philippines' oldest and largest financial institutions, proudly known as the "Bangko ng Bayan" or the people's bank. Over its 110-year history, PNB has remained resilient, evolving to meet the changing needs of its customers through continuous innovation and service excellence. With a strong domestic network of 635 branches and offices and 67 overseas locations, PNB serves a diverse clientele ranging from individuals to corporations and government entities, offering traditional banking services alongside digital solutions. From pioneering rural banking in the 1920s to opening its first international branch in New York in 1917, PNB continues to play a vital role in both the local and global financial landscape.

Tobacco

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

Distilled Spirits

Tanduay Distillers Inc. is a leading distilled spirits producer in the Philippines, known for its extensive product line and robust distribution network, which spans over 220,000 points of sale and 15 exclusive distributors nationwide. Tanduay was established in 1854 and acquired by the Lucio Tan Group in 1988. Tanduay manufactures a variety of spirits, including rhum, brandy, whiskey, and gin, and exports its products globally through Tanduay Brands International, Inc. (TBII). TBII, fully acquired in 2006, strategically markets Tanduay's products, enhancing its visibility in the competitive spirits industry. Tanduay's subsidiary, Absolut Distillers Inc. (ADI), specializes in high-quality ethyl alcohol and sustainable production practices, supporting both alcoholic and non-alcoholic beverage sectors while championing employee empowerment and stakeholder engagement.

Customer Satisfaction

GRI 3-3

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

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

Customer Health and Safety

Protecting customer health and safety remains a priority across our Group's diversified businesses. Each subsidiary applies controls and safeguards appropriate to its products and services, guided by regulatory requirements, internal quality standards, and customer feedback. The Group continues to strengthen preventive measures, response mechanisms, and inclusive practices to ensure that customer well-being is protected across manufacturing, property, and financial services operations. In 2025, we recorded zero incidents of non-compliance relating to Customer Health & Safety.

ZERO
Incidents of Non-compliance relating to Customer Health & Safety

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

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

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

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

GRI 416-2

Customer Health and Safety	2025	2024
Total no. of incidents of non-compliance with regulations resulting in a fine or penalty	0	0
Total no. of incidents of non-compliance with regulations resulting in a warning	0	0
Total no. of incidents of non-compliance with voluntary codes	0	0
Total no. of substantiated complaints	0	66*
Total no. of complaints addressed	0	66*

2024 complaints for ABI only

Marketing and Labeling

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

ZERO
Incidents of Non-compliance relating to Marketing and Labeling

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

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

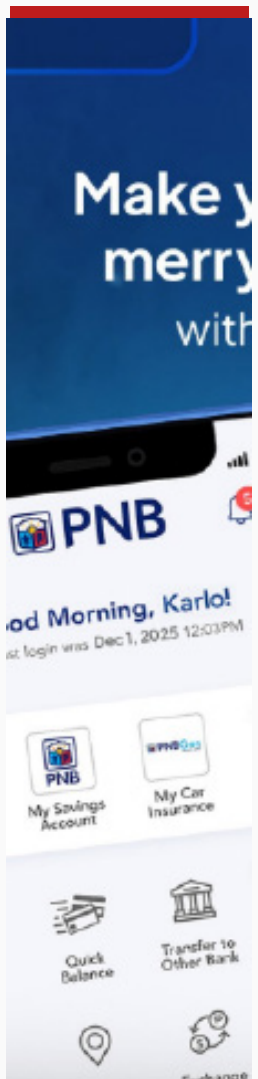
Eton, on the other hand, manages marketing and communications under defined brand guidelines and a Code of Ethics that require compliance with relevant regulatory bodies. A mix of digital platforms, community engagement, events, and sales collaterals is used to communicate product features, sustainability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

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

GRI 417-1, 417-2, 417-3, FB-NB-270a.3, FB-NB-270a.4, FB-AB-270a.2, FB-AB-270a.3

Marketing and Labeling	2025
Total no. of incidents of non-compliance with regulations resulting in a fine or penalty	0
Total no. of incidents of non-compliance with regulations resulting in a warning	0
Total no. of incidents of non-compliance with voluntary codes	0
Total no. of substantiated complaints	0
Total no. of complaints addressed	0
Number of significant product or service categories offered	0
Number of significant product or service categories covered by and assessed for compliance with information and labeling procedures	0
Percentage of significant product or service categories covered by and assessed for compliance with information and labeling procedures	0

**No sustained complaints for 2025 as per ABI and TDI*



Feature Story

Driving Digital Adoption Through Customer-Focused Innovation

In 2025, PNB advanced digital adoption through customer-focused initiatives designed to encourage regular use of mobile banking and expand access to electronic payments. The Happy Habits Promo, which ran from February 3 to May 4, 2025, motivated both active and previously inactive PNB Digital users to increase transaction frequency. The campaign drove strong year-on-year growth in peer-to-peer, person-to-merchant, person-to-business InstaPay, and cardless withdrawal transactions, exceeding promo targets. A total of 220 users were rewarded through tiered cash prizes, reinforcing positive digital banking behaviors.

Complementing this effort, PNB launched the InstaPay Fee Reduction Promo from July 2025 to January 2026, reducing fees to ₱10.00 for transactions of ₱500.00 and below. The initiative aligns with the Bangko Sentral ng Pilipinas' call for affordable digital transaction pricing and directly supports price-sensitive customers, including unbanked and underbanked segments.

Feature Story

Beyond 18 Anniversary Campaign at Eton

Eton marked its 18th anniversary with the "Beyond 18" campaign, a milestone initiative that reflects the company's evolution and forward-looking ambition. Anchored on the theme "Beyond Limits, Beyond Today, Beyond Innovation," the campaign celebrates nearly two decades of growth while reinforcing Eton's commitment to purposeful development, adaptability, and long-term value creation in the Philippine real estate sector. It highlights how the company has progressed beyond its early foundations to become a diversified property developer with residential, commercial, and mixed-use developments.

More than a retrospective, the Beyond 18 Anniversary Campaign positions Eton for the future by strengthening its brand narrative around innovation, resilience, and relevance. The campaign underscores Eton's focus on creating communities that respond to changing lifestyles, advancing sustainable and efficient design, and delivering developments that remain responsive to market needs.

Enabling Responsible Consumption Through Product Innovation

We continue to promote responsible consumption across its beverage portfolio by combining clear consumer communication with product innovation. Through prominent "Drink Responsibly" messaging, transparent labeling, and compliance with regulatory standards, the Group supports informed decision-making and moderation, particularly for alcoholic beverages. Both Asia Brewery and Tanduay integrate responsible drinking reminders across marketing materials and point-of-sale communications, reinforcing age-appropriate consumption and consumer awareness.

At the same time, the Group is responding to evolving consumer preferences by expanding access to healthier and more flexible choices. Asia Brewery and Tanduay are exploring opportunities to introduce low- and no-alcohol alternatives, alongside beverage options with reduced or no sugar, to complement existing product lines. These initiatives reflect a long-term commitment to providing greater choice, supporting wellness-oriented lifestyles, and encouraging moderation without compromising quality or enjoyment.

Data Privacy and Security

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

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

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

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

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

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

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

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

Customer Privacy	2025	2024	2023
Number of substantiated complaints on customer privacy	6	0	1
Number of complaints addressed	6	0	1
Number of customers, users, and account holders whose information is used for secondary purposes	0	0	0
No. of data breaches, including leaks, thefts, and losses of customer data	2	0	0
Percentage of data breaches in which personally identified information (PII) was subject to a data breach	100%	0	0
No. of customers affected by data breaches	558	0	0

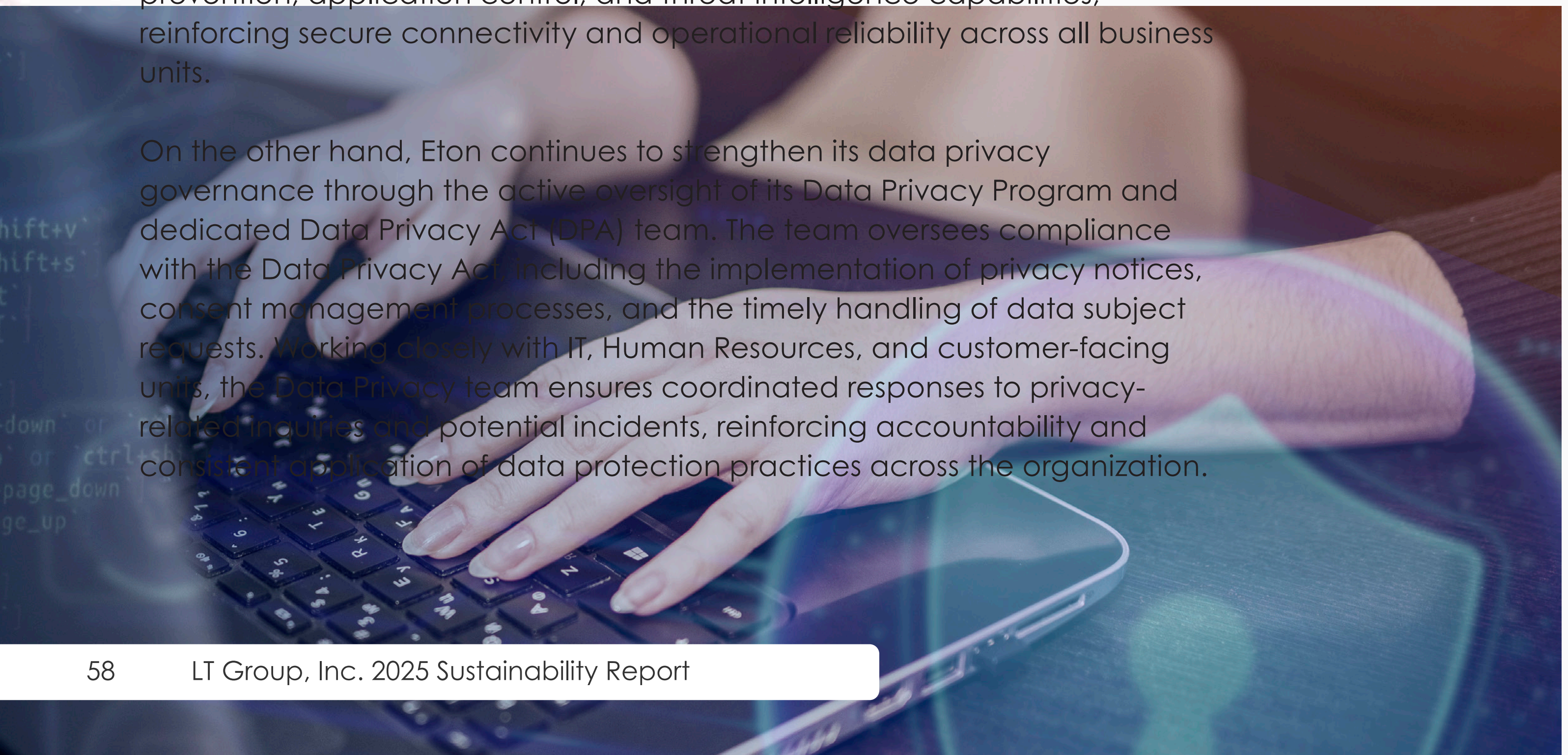
For PNB customer privacy complaints only

Feature Story

Strengthening Cyber Resilience Through Proactive Security Investments at Asia Brewery and Eton

Asia Brewery has strengthened its cybersecurity posture through targeted initiatives aimed at protecting critical systems and safeguarding stakeholder data. The company engaged an independent third-party firm to conduct a comprehensive Vulnerability Assessment and Penetration Testing (VAPT) across key systems, enabling the identification and remediation of potential security gaps. To further enhance resilience, Asia Brewery subscribed to Managed Security Operations Center (SOC) and Managed Detection and Response (MDR) services, providing 24/7 threat monitoring, advanced detection, and rapid incident response. These efforts were complemented by the deployment of a Next-Generation Firewall (NGFW) with intrusion prevention, application control, and threat intelligence capabilities, reinforcing secure connectivity and operational reliability across all business units.

On the other hand, Eton continues to strengthen its data privacy governance through the active oversight of its Data Privacy Program and dedicated Data Privacy Act (DPA) team. The team oversees compliance with the Data Privacy Act, including the implementation of privacy notices, consent management processes, and the timely handling of data subject requests. Working closely with IT, Human Resources, and customer-facing units, the Data Privacy team ensures coordinated responses to privacy-related inquiries and potential incidents, reinforcing accountability and consistent application of data protection practices across the organization.



Innovation and Digitization

Our effort to strengthen our operational efficiency, resilience, and long-term competitiveness are backed by our innovation and digitization initiatives. Across the Group, 2025 initiatives focused on modernizing core systems, enhancing cybersecurity, improving data-driven decision-making, and enabling more agile and scalable operations, while maintaining alignment with governance, risk, and sustainability priorities.

PNB Holdings completed a series of foundational digital initiatives, including the full migration of finance and materials management to SAP S/4HANA Cloud, enabling real-time reporting, improved analytics, and streamlined financial operations. Cyber resilience and IT efficiency were strengthened through cloud-based Microsoft 365 backups, web application firewall deployment, DNS filtering, remote IT monitoring tools, and enhanced endpoint management. Collaboration and productivity were further supported by cloud-based telephony, an IT helpdesk system, and the rollout of AI-powered tools such as automated meeting transcription and cybersecurity awareness training, all fully implemented during the year.

100%
Completion rate across all digitization projects at PNB Holdings

Meanwhile, PNB piloted advanced digital productivity tools through its Copilot Lab Program, demonstrating measurable efficiency gains across key support and governance functions. The initiative improved knowledge retrieval, customer service responsiveness, and automation of time-intensive tasks, reinforcing the Bank's focus on operational excellence and innovation at scale.

Php 519.68 million
Total digital and innovation investments at PNB in 2025

Php 2.95 billion
Total IT-related CAPEX Budget

On the other hand, Asia Brewery advanced digitization across supply chain, finance, human resources, and IT infrastructure. Key initiatives included centralized identity and access management, automated integration of distributor purchase orders, digitized workflows for import payments and cash advances, cloud migration of file storage systems, and the deployment of in-house learning and collaboration platforms. Several initiatives reached full implementation in 2025, while others remain in advanced development stages, supporting improved efficiency, data accuracy, and governance. In parallel, investments in endpoint security, asset management, and digital HR systems continue to strengthen operational discipline.

Thirteen
Digital and innovation projects for 2025 at Asia Brewery

Eton advanced the digitalization of property management and marketing operations in 2025. The continued rollout of the MyEPMC platform supported stronger coordination and reporting for property management processes. The Digital Marketing & Creatives Hub (DMC Hub) was implemented as a centralized repository of approved marketing and creative materials for Sales, Leasing, and other internal stakeholders, improving version control, turnaround time, and consistency. In parallel, ICT progressed the migration of Eton's environment to cloud-based Microsoft Azure to strengthen availability, security, and scalability of core systems.

Finally, Tanduay invested in infrastructure upgrades to support digitized manufacturing and supply chain operations. Initiatives included a comprehensive network refresh, enhanced physical access controls, inter-plant communication systems, upgraded CCTV coverage, strengthened data privacy oversight through an outsourced Data Protection Officer, and expanded cybersecurity awareness and remote-access protection.

100%
Completion of DMC Hub deployment and Microsoft Azure cloud migration

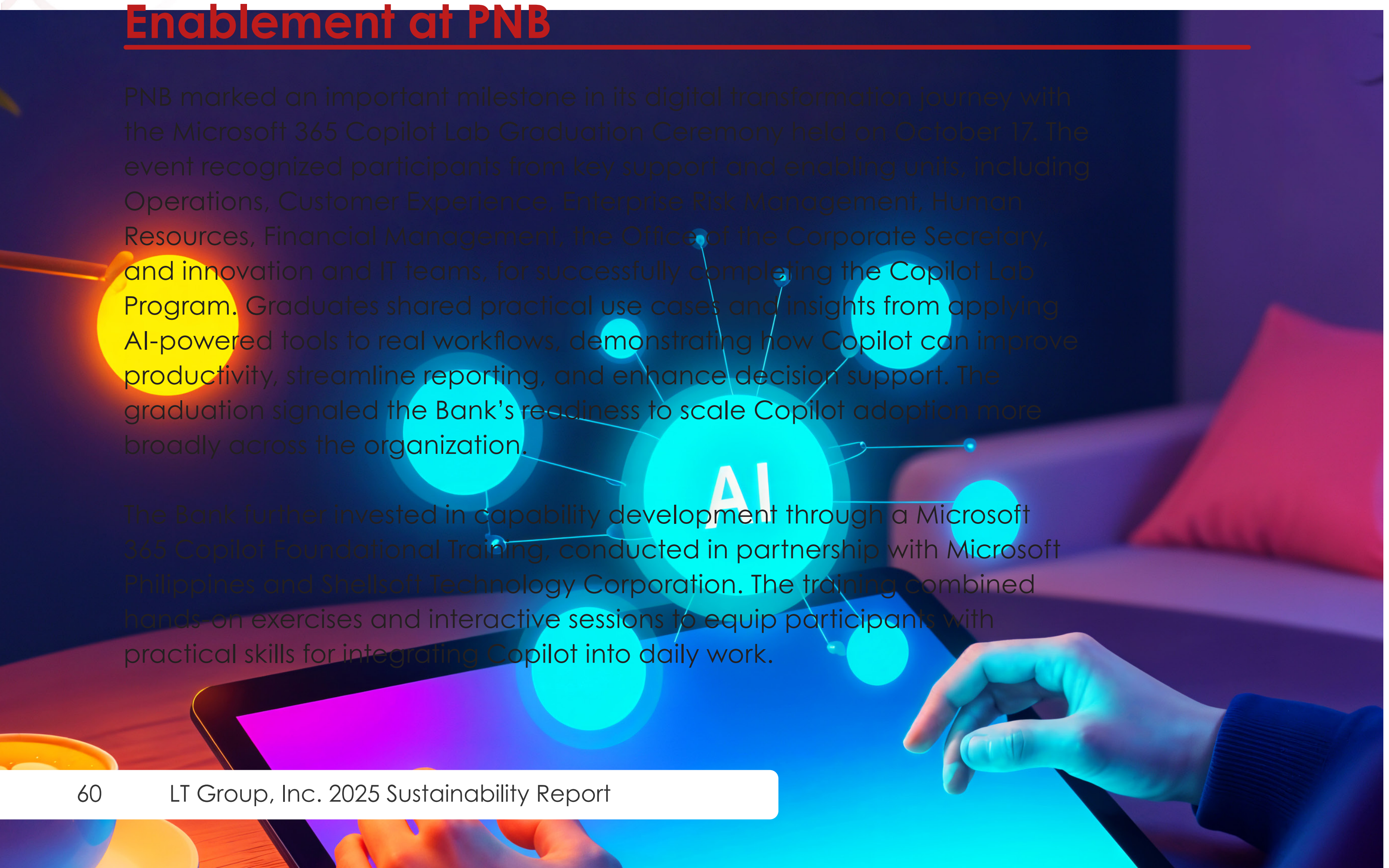
100%
Completion rate across all digitization projects at Tanduay

Feature Story

Boosting Workplace Innovation Through AI Enablement at PNB

PNB marked an important milestone in its digital transformation journey with the Microsoft 365 Copilot Lab Graduation Ceremony held on October 17. The event recognized participants from key support and enabling units, including Operations, Customer Experience, Enterprise Risk Management, Human Resources, Financial Management, the Office of the Corporate Secretary, and innovation and IT teams, for successfully completing the Copilot Lab Program. Graduates shared practical use cases and insights from applying AI-powered tools to real workflows, demonstrating how Copilot can improve productivity, streamline reporting, and enhance decision support. The graduation signaled the Bank's readiness to scale Copilot adoption more broadly across the organization.

The Bank further invested in capability development through a Microsoft 365 Copilot Foundational Training, conducted in partnership with Microsoft Philippines and Shellsoft Technology Corporation. The training combined hands-on exercises and interactive sessions to equip participants with practical skills for integrating Copilot into daily work.



Feature Story

Banking Reimagined: How PNB Is Building a Digital-First Future

PNB accelerated its transformation into a digitally enabled, customer-centric bank through major investments in technology, talent, and infrastructure. The launch of the APEX Academy equipped over 1,000 employees with capabilities in AI-driven banking, data protection, and agile operations, while the integration of Microsoft 365 Copilot improved productivity and decision-making across the organization. Digital services expanded significantly through upgrades to PNB Digital, including mobile account opening, enhanced payments functionality, and stronger platform reliability, complemented by improvements to core banking and ATM systems. At the same time, the Bank balanced digital growth with physical expansion, opening new branches and deploying mobile banking units to ensure accessibility for underserved communities, underscoring its strategy of combining innovation with inclusive service delivery.

Feature Story

Finance as a Force for Inclusive Growth

PNB continued to play a meaningful role in economic development by expanding support for corporate, SME, and institutional clients while strengthening its advisory and financing capabilities. Organizational restructuring within institutional and commercial banking broadened market reach and deepened relationships across emerging and middle-market segments. Trust banking operations delivered strong client acquisition and investment performance, while digital innovations such as simplified onboarding for retirement accounts improved financial inclusion nationwide. These gains were complemented by industry recognition, including being named Best Bank for Investment Research in the Philippines for the fifth consecutive year by Euromoney at the 2025 Private Banking Awards, alongside citations as a Top Investment House by The Asset (2024-2025), reinforcing the Bank's growing stature in investment research, asset management, and capital market participation as it advances economic progress.

Feature Story

Sustainability Moves from Commitment to Execution

Sustainability initiatives gained further traction as PNB advanced environmental and social risk management, strengthened sustainability governance, and enhanced reporting transparency. The Bank improved emissions measurement across operations and investments, refined methodologies for resource efficiency monitoring, and expanded climate risk assessments covering both physical and transition risks. Stakeholder engagement deepened through materiality assessments and sustainability summits, while thematic workshops prepared business units for compliance with emerging sustainability reporting standards. Independent assurance of proceeds from PNB's USD 300 million Sustainability Bond issuance, alongside the successful ₱15.7 billion dual-tranche ASEAN Sustainability Bond offering, reinforced the Bank's commitment to financing projects that support renewable energy and climate resilience, demonstrating how financial performance and sustainability objectives increasingly move in tandem.

Feature Story

Smarter Resource Use and Material Optimization in Production at Tanduay

Tanduay strengthened resource efficiency in 2025, bottle inputs are largely sourced through retrieval (second-hand bottles), accounting for 54.33% in 2025. Material consumption is tracked through direct measurement using the Company's SAP S/4HANA ERP system, enabling real-time monitoring of production and inventory flows with high accuracy and reduced manual error. Inventory is managed on a FIFO basis to minimize spoilage and dead stock, supported by storage facilities designed to meet safety and environmental requirements. Where direct metering is not yet fully automated for minor consumables, conservative estimates based on historical average daily usage are applied to maintain data integrity.

The Company also advanced its energy transition by prioritizing renewable bio-energy and circular feedstocks. Distillation operations are partially powered by biogas generated from on-site digesters, displacing fossil fuel use and providing a stable, internally sourced energy supply, with plans to install solar panels across sites. Tanduay sources molasses, a byproduct of sugar production, as its primary raw material and applies a waste-to-value approach by converting distillery effluent into liquid fertilizer for farmers while capturing methane for energy generation.

Advancing Digital Banking and Customer Engagement at PNB

The Bank continues to strengthen its digital banking capabilities in 2025 by accelerating initiatives that expand user adoption, improve service quality, and enhance customer experience. Guided by a multi-year digital strategy aligned with the Bank's enterprise vision, mission, and regulatory environment, PNB remains focused on delivering a secure, reliable, and convenient digital banking experience. The strategy is endorsed by the Board Strategy and Policy Committee (BSPC) and overseen by the Board IT Governance Committee (BITGC), ensuring strong governance, strategic alignment, and accountability in execution.

	2025	2024	2023
ATMs	1,585	1,572	1,535
CAMs	145	143	145
Corporate CAMs (CCAMs)	102	63	29
POS Terminals	6,953	6,152	7,876

Digital initiatives are prioritized through a dedicated Projects Prioritization Committee to ensure alignment with business objectives, while implementation is monitored through steering committees and the Technology Committee. PNB continues to comply with Bangko Sentral ng Pilipinas (BSP) regulations, including the Digital Payments Transformation Roadmap under the National Retail Payment System (NRPS), and actively supports platforms such as InstaPay, PESONet, and the Open Finance Framework. Process automation initiatives, including digital bank forms and electronic statements of account (e-SOA), have further improved operational efficiency, supported sustainability objectives, and enhanced customer convenience.

Building on strong momentum in prior years, PNB Digital continued to grow in 2025, supported by enhancements in security, expanded transaction capabilities, and access to a wider range of financial products and services. Targeted customer engagement initiatives, including promotional campaigns and digital education efforts, helped increase transaction activity and platform usage. The Bank also leveraged digital communication channels, such as social media, email, SMS, and in-app messaging to strengthen awareness, engagement, and adoption.

	2025	2024	2023
Enrolled Users	1,824,005	1,449,058	1,105,231

**Mobile Banking Application*

Responsible Operations

Supply Chain Management

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

We continue to strengthen supply chain governance as a critical enabler of operational resilience, value-for-money sourcing, and responsible business conduct.
In 2025, the Group drafted a Supply Chain Management Policy targeted for rollout in 2026. While still subject to final approval, the policy is designed to embed ESG and sustainability considerations, enhance supplier accreditation mechanisms, introduce supplier ESG and risk scoring, and formalize a Supplier Code of Conduct applicable across subsidiaries, with respect to their current processes and policies.

At PNB Holdings, they manage procurement with a focus on quality, timeliness, and cost efficiency for both existing properties and new developments. While prioritizing local suppliers to reduce carbon footprint and logistics risks, PHC recognizes challenges such as higher costs, supply constraints, and variable quality. These risks are mitigated through supplier diversification, early procurement planning, inventory management, and continuous vendor engagement, including dialogues to improve specifications and performance. Supplier compliance with fair labor, ethical business, and environmental practices is assessed during accreditation through the Vendor Code of Ethics.

For PNB, the Bank applies a structured and highly governed procurement process anchored on vendor accreditation, competitive bidding, and multi-level approval thresholds extending to Board oversight for significant transactions. The Bank prioritizes local suppliers where feasible to manage geographic and operational risks, while allowing exceptions under defined conditions. Enhanced vendor due diligence incorporates ESG criteria, environmental and social scorecards, business continuity readiness, information security, and data privacy compliance. Supplier risks are monitored through regular evaluations, audits, and escalation mechanisms, with clear rules governing non-compliance, risk acceptance, and disqualification.

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

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

Human Rights

We uphold a firm commitment to respecting and protecting human rights across its operations and supply chain, guided by the Group's Human Rights Policy.

The policy reinforces zero tolerance for forced labor, child labor, harassment, discrimination, and other abusive practices, while promoting fair labor standards, safe and healthy working conditions, and ethical business conduct.

These principles are embedded in supplier accreditation, due diligence, and ongoing engagement processes to help ensure that human rights considerations are integrated throughout the value chain. For more information on the Group's Human Rights Policy, please click here.

Illicit Trade

GRI 2-27

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

This share is projected to increase further, potentially reaching 25% by 2030 if left unaddressed.

The growth of illicit trade is largely driven by price disparities arising from tax evasion. Legal cigarettes are subject to excise taxes amounting to ₱66.15 per pack, while illicit products evade all taxes and regulatory costs, allowing them to be sold for as low as ₱40 per pack. This creates a strong incentive for price-sensitive consumers, particularly younger adults and low-income groups, to shift toward illegal alternatives. Beyond lost revenues, counterfeit products that imitate legitimate brands also undermine consumer trust and damage brand equity, while creating an uneven playing field where compliant manufacturers bear the full burden of taxation, regulation, and health standards.

Prevention, Enforcement, and Market Protection

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

The company also provides specialized training programs for law enforcement agencies and internal sales teams, equipping them with the skills to identify counterfeit and illicit tobacco products. These initiatives are complemented by continuous information-sharing with government stakeholders, supported by research and data on the health, social, and economic impacts of illicit trade.

Education and Public Awareness

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

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

Collaboration and Policy Engagement

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

At the policy level, PMFTC advocated for consistent nationwide enforcement of key legislation, including the Tax Code, the Vape Law (RA 11900), and the Anti-Agricultural Economic Sabotage Act (RA 12022). The company emphasized the importance of active prosecution to deter repeat offenses and ensure that all market participants comply with tax and regulatory obligations.

Operationally, PMFTC collaborates with enforcement agencies such as the Bureau of Customs (BOC), Bureau of Internal Revenue (BIR), Philippine National Police (PNP), and the National Bureau of Investigation (NBI). These partnerships have contributed to nationwide seizures, factory closures, arrests related to smuggling and tax evasion, and the dismantling of large-scale counterfeit operations. PMFTC also monitors illicit tobacco and vape listings on e-commerce platforms and reports violations to the Department of Trade and Industry for appropriate takedown actions.

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

Strategic Objective

The company's objective is to reduce illicit trade to manageable levels through sustained local and international coordination with other PMI affiliates and stakeholders. Demand-side efforts focus on retailer engagement and consumer awareness among legal-age smokers, encouraging a return to legitimate products. On the supply side, PMFTC continues to invest in supply-chain security, due diligence on customers, and demand-aligned product distribution. These actions are reinforced through ongoing collaboration with government and law enforcement partners, supporting a whole-of-society approach to protecting public health, legitimate business, and government revenues.

Resource Efficiency

Energy and Emissions

GRI 3-3, IFRS S1.46(a)(b), IFRS S2.29(a)(i),(ii),(iv)

We have institutionalized measures to promote energy efficiency and conservation across our businesses, recognizing energy management as a key lever for reducing operational costs, lowering carbon footprint, and improving environmental performance. Across the Group, emissions management currently focuses on regulatory compliance, energy intensity reduction, and improved monitoring. While comprehensive emissions targets and transition plans are still being developed, LTG continues to strengthen data quality, internal controls, and governance structures to support a more systematic approach to climate and emissions management in the coming years.

PNB Holdings focuses on managing energy consumption within corporate offices and managed properties, where major energy users include lighting, air-conditioning systems, pumps, elevators, and chillers. Energy efficiency initiatives include the conversion to LED lighting, installation of variable frequency drives (VFDs) on pumps and air-conditioning systems, use of inverter-type equipment, and operational optimization based on building occupancy and foot traffic. While formal emissions reduction targets are still under development, PHC continues to evaluate renewable energy opportunities and energy ratings as part of longer-term redevelopment and capital planning discussions.

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

Meanwhile, Asia Brewery applies a structured energy management approach across its beverage and packaging plants nationwide. Energy-intensive processes include glass manufacturing, refrigeration, air compression, boilers, and production equipment. The company has implemented an Energy Management System aligned with ISO 50001, supported by site-level audits, metering, and continuous improvement initiatives such as LED conversions, high-efficiency motors, VFD installations, process optimization, and equipment upgrades. Asia Brewery has also invested in renewable energy, with solar photovoltaic projects in Cabuyao, Pampanga, and El Salvador contributing to reduced reliance on fossil fuels. Emissions are monitored through DENR-EMB–accredited third-party testing, with energy reduction targets set at a minimum of 5% per site against prior-year performance indicators.

Eton's energy management efforts focus on operational controls and targeted efficiency improvements across priority assets. Initiatives include preventive maintenance and optimization of building systems (including HVAC operations where applicable), energy-efficient lighting upgrades, and closer monitoring of consumption patterns to identify improvement opportunities. Where feasible, Eton evaluates phased options for cleaner energy sourcing and operational enhancements, balancing cost, site readiness, and tenant/resident requirements.

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

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

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

Electricity Consumption Breakdown	2025	2024	2023
Total Electricity Consumption within the organization from renewable energy (kWh)	**22,116,635.29*** **	**4,735,368.00** **	
Total Electricity Consumption within the organization from non-renewable energy(kWh)	**217,471,654.10**	**237,218,743.10**	**188,281,292.83**
Luzon and Visayas (kWh)	197,604,753.20	215,625,481.74	166,734,201.03
Mindanao (kWh)	19,730,501.15	21,362,727.36	21,300,916.80
*International (kWh)**	136,399.75	230,534.00	246,175.00

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

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

GRI 305-1, 305-2

Emissions Breakdown	2025	2024	2023
Generator Sets	30,240.05	26,566.71	27,677.11
Company-owned Vehicles	2,480.35	3,096.83	4,847.04
Third-party vehicles	86.76	0.00	0.00
Others	47,356.94	45,435.78	28,304.12
Scope 1 (tCO2e)	**80,164.10**	**75,099.32**	**60,828.27**
Luzon and Visayas (tCO2e)	137,038.89	149,643.42	115,630.16
Mindanao (tCO2e)	16,814.33	18,098.17	18,152.64
*International (tCO2e)**	2.41	4.08	4.36
Scope 2 (tCO2e)	**153,855.63**	**167,745.67**	**133,787.16**
Total carbon footprint (tCO2e)	**234,019.73**	**242,845.99**	**194,615.43**

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

Feature Story

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

Asia Brewery advanced its decarbonization agenda in 2025 through a coordinated portfolio of renewable-energy and efficiency projects across its manufacturing network. Two large-scale solar installations anchor this transition: the Solar PV Pampanga Project (1.253 MWp DC / 960 kW AC) serving the ABI Bottled Water and IPI Pampanga Plant, and the Solar PV El Salvador, CDO Project (2.051 MWp DC / 1.6 MW AC) at the El Salvador facility. Upon commercial operations in November 2025, these systems are expected to generate a combined 5,163 MWh annually, cutting an estimated 2,699 tons of CO_2e each year while strengthening energy resilience at critical production sites.

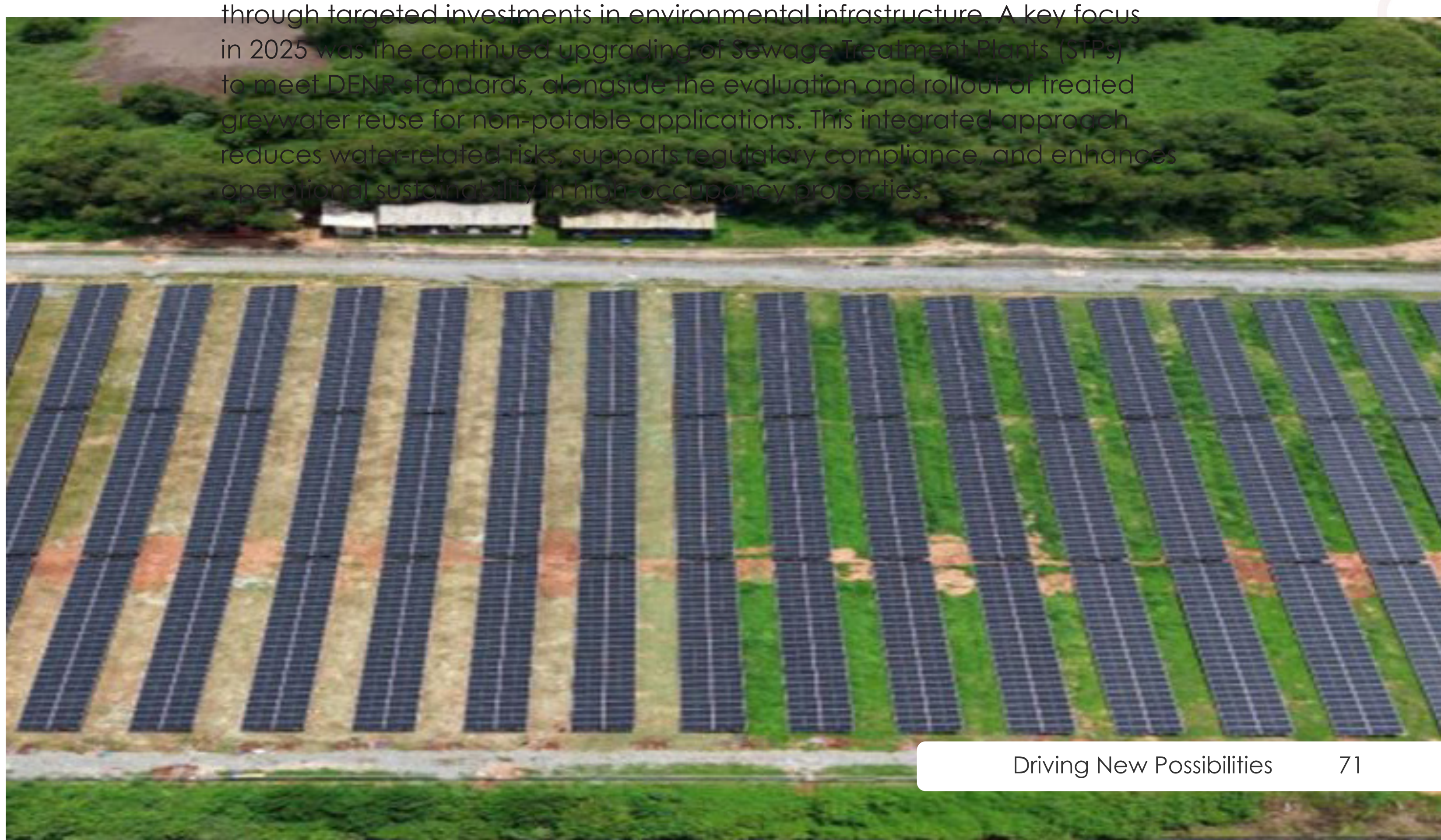
Beyond renewables, Asia Brewery pursued targeted efficiency upgrades to reduce electricity and fuel intensity. At Cabuyao, the shift to high-efficiency desiccant air dryers in central utilities is delivering measurable gains: 15% lower electricity costs, improved air quality, and year-to-date savings of 390,313 kWh, equivalent to 270.6 tons of CO_2e avoided. Complementary compressed-air optimization at Package World's carton operations, via VFD retrofitting, adds further reductions, alongside the rehabilitation of steam condensate recovery units that reuse hot condensate to improve boiler performance.

Feature Story

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

Eton continues to strengthen the environmental performance of its portfolio by embedding efficiency and resilience into day-to-day property operations. In line with Department of Energy (DOE) requirements, the company sustained the implementation of its Energy Management Program, focusing on systematic monitoring of energy consumption, deployment of conservation measures, and the achievement of Energy Use Intensity (EUI) reduction targets across priority assets. These efforts directly benefit tenants and residents through more stable operations and controlled utility costs, while providing LT Group and investors with clearer visibility on energy risks, performance trends, and long-term asset efficiency.

Complementing its energy initiatives, Eton advanced resource resilience through targeted investments in environmental infrastructure. A key focus in 2025 was the continued upgrading of Sewage Treatment Plants (STPs) to meet DENR standards, alongside the evaluation and rollout of treated greywater reuse for non-potable applications. This integrated approach reduces water-related risks, supports regulatory compliance, and enhances operational sustainability in high-occupancy properties.



Water Management

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

Water is recognized as a critical resource across our diversified operations hence we manage water use with the objective of ensuring operational continuity, regulatory compliance, and cost efficiency. Water management practices across the Group focus on monitoring consumption, improving efficiency, maintaining water quality, and mitigating operational and environmental risks, with approaches tailored to the nature of each business.

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

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

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

For real estate, PNB Holdings, they manage water consumption primarily from restroom operations and landscape irrigation in corporate facilities. Water use directly affects operating costs and building efficiency, prompting initiatives such as scheduled cleaning and washdowns, regulated system pressure through pneumatic upgrades, and controlled landscape watering schedules. PNB Holdings targets a minimum 10% reduction in water consumption across applicable facilities and monitors effluent quality in accordance with regulatory standards, including compliance with LLDA requirements and the operation of an on-site sewage treatment plant (STP) at the PNB Financial Center. Treated wastewater is reused for landscape irrigation, supporting water conservation and reducing freshwater demand.

Meanwhile, Eton's water use is driven primarily by tenant and resident demand. Water management initiatives include daily monitoring, leak detection, infrastructure maintenance, and the reuse of gray water from rehabilitated sewage treatment plants. EPPI complies with DENR AO 2021-19 and coordinates closely with local government units and water concessionaires to ensure proper discharge standards. Investments in STP upgrades and gray-water reuse systems form part of both short- and long-term strategies to mitigate water supply risks and support efficient property operations.

At PNB's offices at the financial center, the largest volume of water consumption is attributable to the cooling tower supporting the centralized air-conditioning system, which is essential for maintaining building operations. Water availability directly affects operational continuity, as the absence of supply would impact both air-conditioning and restroom facilities. To mitigate this risk, the building is supported by two water storage tanks capable of sustaining operations for up to two days, with water levels monitored on an hourly basis. Water is sourced from Maynilad and used for air-conditioning operations, sanitation, and drinking stations, with wastewater treated through the on-site Sewage Treatment Plant (STP) prior to discharge in accordance with regulatory standards. As a tenant, PNB consumes a relatively lower volume of water and coordinates closely with the building owner on water management initiatives, while implementing internal measures such as leak prevention and efficient restroom maintenance. Responsibility for wastewater discharge standards, water recycling systems, and prevention of underground contamination rests with the property manager, with PNB maintaining alignment and coordination to support responsible water stewardship.

For manufacturing operations, Asia Brewery manages significant water demand arising from bottling, bottle washing, and glass manufacturing processes. Water is a core production input, particularly for beverage formulation, returnable glass bottle cleaning, and furnace cooling in glass plants. Water performance is tracked through site-level KPIs, with a three-year target to reduce water use by 5%, supported by proper water-use management, preventive maintenance programs, and compliance with the Philippine Clean Water Act and related DENR regulations. Effluent quality is monitored in accordance with national standards, and continuous improvement programs are in place to mitigate water-related operational risks.

Within the spirits business, Tanduay Distillers treats water as an essential input across distillation and bottling processes. The highest water consumption occurs during fermentation, alcohol dilution, and bottle washing. To improve data accuracy and efficiency, Tanduay is expanding sub-metering and plans to install additional water meters in line with regulatory requirements. Water reuse initiatives, such as reusing rinse water in bottle washing and optimizing softener systems, are being implemented, with expected savings of approximately 83 million liters. The Company operates wastewater treatment facilities in compliance with DENR General Effluent Standards and continues to enhance wastewater quality through system upgrades, increased testing frequency, and automation. Longer-term strategies include rainwater harvesting, deep well rehabilitation, and the development of a formal water management policy.

Waste Management

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

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

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

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

On the other hand, Asia Brewery applies structured waste management programs across production, maintenance, and wastewater treatment activities. Initiatives include waste segregation, recycling of used oil, solvents, glass cullets, and plastic crates, and partnerships with scrap buyers for material recovery. Material consumption is monitored through ERP systems using direct measurement, while packaging impacts are reduced through lightweighting, returnable glass bottle systems, and the use of recycled inputs. These practices support continuous reduction of waste generation and improved material yields without compromising product quality.

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

Waste risks are monitored through internal reporting and risk compliance tracking, with a focus on operational efficiency and cost control.

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

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

Waste by Composition in metric tons (mt)	2025	2024	2023
Total hazardous waste	156.76	250.29*	2,326.83
Total non-hazardous waste	7,620.16	5,478.34	4,191.68
Total waste generated	**7,776.93**	**5,976.72**	**4,461.86**

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

Waste diverted from disposal by recovery operation in metric tons (mt)	2025	2024	2023
Preparation for reuse	*0.00*	*14.08*	*0.00*
Recycling	*17.96*	*10.35*	*5.03*
Others	*0.08*	*12.59*	*43*
Total hazardous waste	**18.04**	**37.02**	**48.03**
Preparation for reuse	0.00	1,513.36	5.00
Recycling	751.71	15.94	2.30
Others	2,404.88	0.00	1,070.35
Total non-hazardous waste	**3,156.59**	**1,529.30**	**1,077.65**

Waste directed to disposal-by-disposal operation (mt)	2025	2024	2023
Incineration (mt)	*0.00*	*7.83*	*0.00*
Landfilling (mt)	*127.99*	*119.38**	*179.10*
Others (mt)	*0.00*	*63.66*	*1,006.57*
Total Hazardous waste (mt)	**127.99**	**190.87**	**1,185.67**
Incineration (mt)	0.00	0.00	0.20
Landfilling (mt)	4,682.49	3,719.07	3,198.97
Others (mt)	243.39	80.58	230.00
Total Non-hazardous waste (mt)	**4,925.88**	**3,799.65**	**3,429.17**

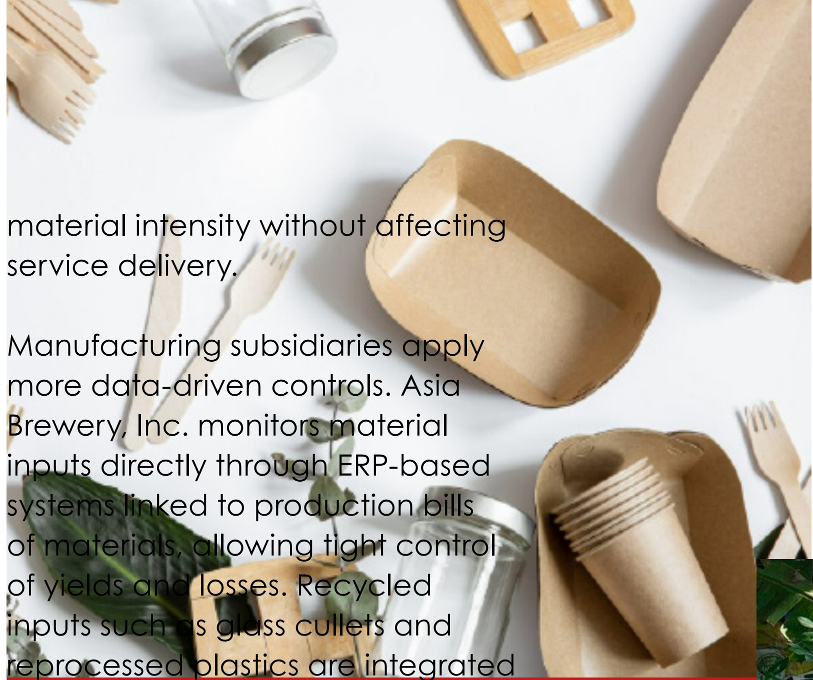
**Restated 2024 hazardous waste data following the identification of a misplaced decimal point in ETON's data*

Materials

Managing the use of materials for LTG is treated as an operational discipline rather than a stand-alone sustainability activity. The focus is on using materials efficiently over their full lifecycle: procurement, use, maintenance, reuse, and eventual disposal, while balancing cost, quality, safety, and environmental considerations.

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

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



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

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

Meanwhile, Eton leverages the MyEPMC platform and property-level reporting to strengthen tracking of operational materials and maintenance-related usage, supporting better visibility and identification of efficiency opportunities. Recovered materials from tenant turnovers and routine property works are selectively reused for minor repairs and maintenance, allowing the company to reduce material costs without compromising quality or safety. Supported by its building and inventory management functions, Eton is able to monitor material flows, manage environmental impacts at the property level, and ensure alignment with its broader sustainability and compliance objectives.

Adapting to Climate Change

GRI 3-3, 201-2

Governance

Climate-related matters are overseen at both the parent and subsidiary levels. At LTG, sustainability and environmental performance are embedded within governance and risk oversight structures. Subsidiaries manage climate-related actions through their respective boards, executive committees, and sustainability or governance committees.

Subsidiaries are responsible for setting and implementing greenhouse gas (GHG) reduction targets aligned with their operational profiles. Management teams oversee execution, while results are escalated through sustainability, governance, or risk committees for review.

Strategy

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

Given the diversity of operations, climate strategies are decentralized. Manufacturing and property businesses focus on energy efficiency and renewable energy, while financial services integrate climate considerations into operations, asset management, and financed emissions. The parent company coordinates disclosures but does not impose uniform targets due to operational diversity.

Subsidiaries are at varying stages of transition planning. PNB has formalized near-term reduction targets and mitigation plans; Asia Brewery and Tanduay focus on energy-intensity reductions and renewable energy scaling; Eton integrates energy and renewable considerations into property investments and is progressing toward Net Zero Carbon Alliance engagement.

Risk Management

Climate-related risks are identified through existing enterprise risk management and environmental compliance processes. These include physical risks (e.g., supply disruption, extreme weather) and transition risks (e.g., energy price volatility, regulatory compliance).

These are managed alongside operational, regulatory, and financial risks. Subsidiaries apply internal controls, audits, compliance checks, and third-party assessments (e.g., emissions testing, energy audits) to manage exposure.

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

Metrics and Targets

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

Targets vary by subsidiary: PNB adopted a 1.5% GHG reduction target from a 2025 baseline (per capita) related to electricity and water; Asia Brewery targets 5% energy reduction; Tanduay targets a 10% reduction from 2024 levels (Scope 1 and 2); Eton previously set a 5% reduction target and is strengthening targets through renewable energy sourcing. LTG does not set group-wide targets due to immaterial direct emissions.

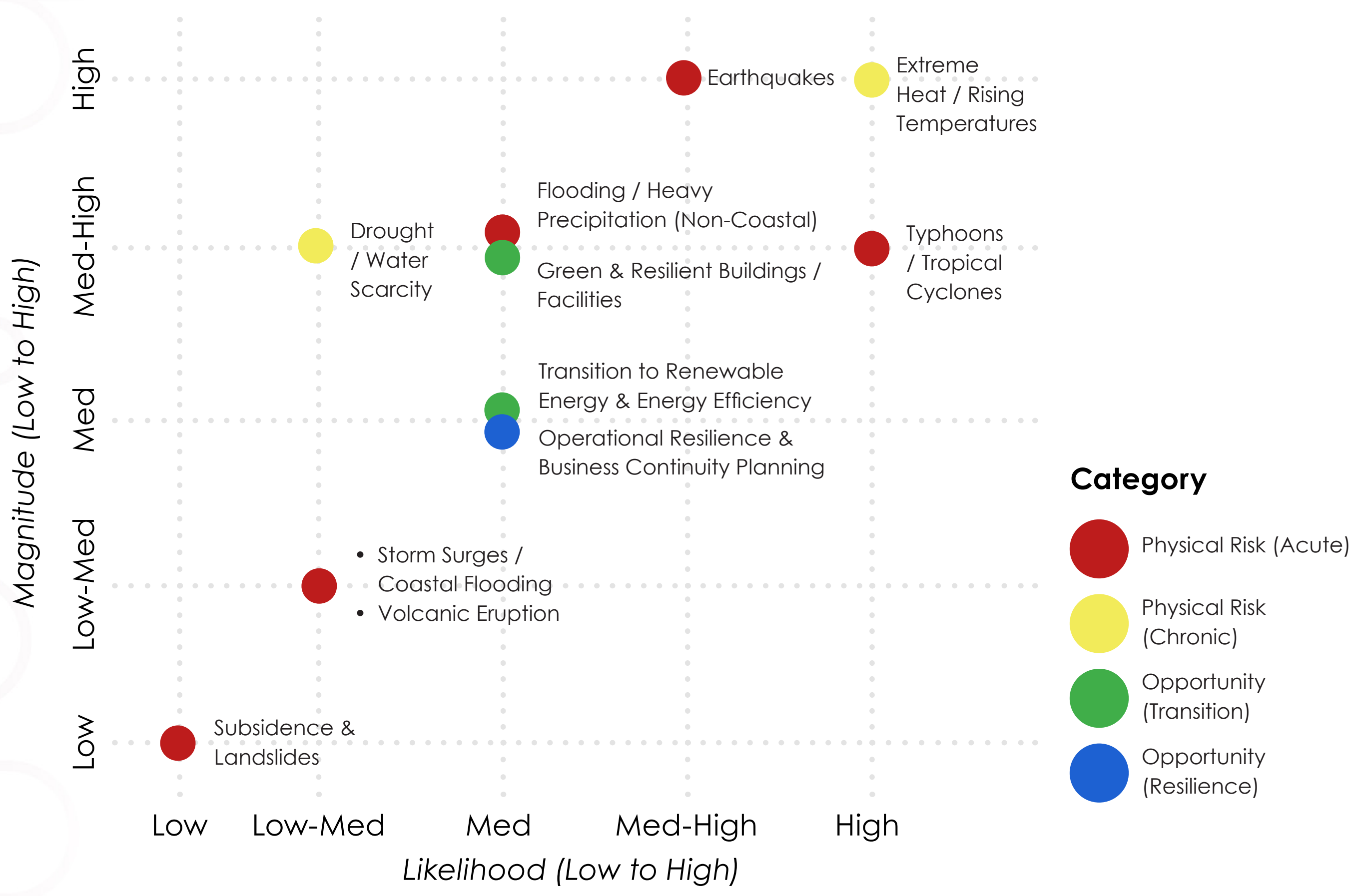
Progress is monitored through energy-use ratios, emissions inventories, audits, and internal KPIs. Actions include LED retrofits, equipment upgrades, renewable energy investments (e.g., solar PV), behavioral change programs, digitalization, and preventive maintenance to reduce emissions intensity.

Climate-related Risks and Opportunities

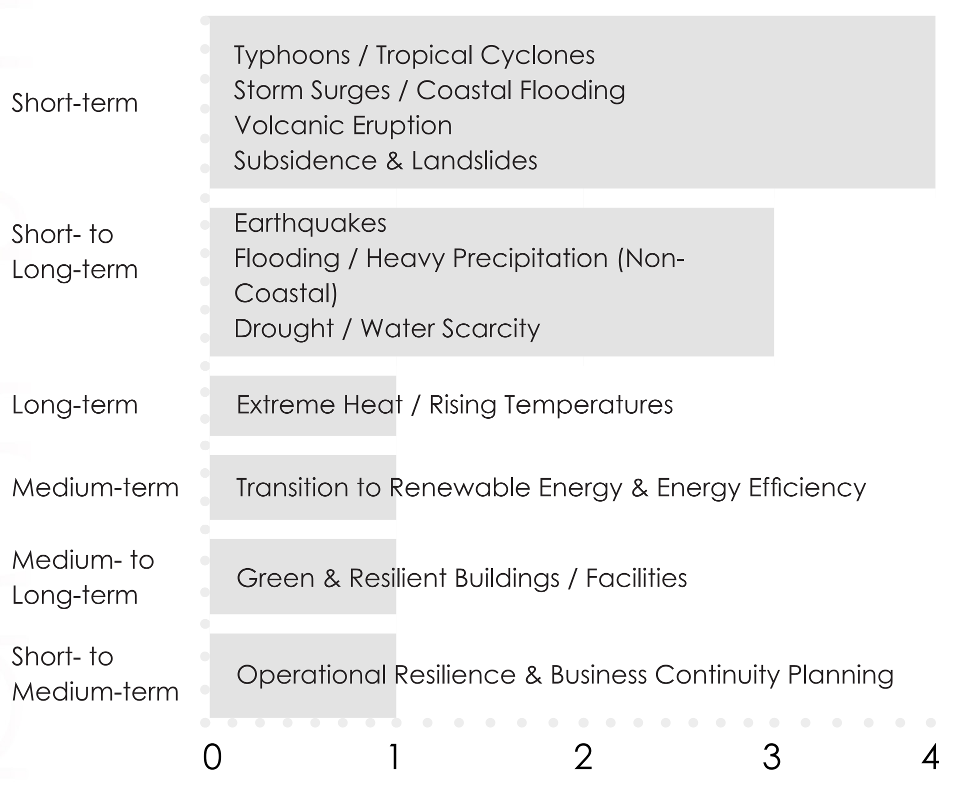
IFRS S1.32(a),(b), IFRS S2.13(a)(b), IFRS S1.30(a)(b)(c), IFRS S1.33(a)

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

Risks and Opportunities



Time Horizon



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

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

Risk Heat Map Matrix

This section presents a consolidated, group-wide assessment of climate-related risks and opportunities, synthesizing exposures across the Group's banking, real estate, manufacturing, and beverage operations. In line with TCFD and IFRS S2 principles, the assessment considers both the likelihood and potential magnitude of impact of material climate hazards over short-, medium-, and long-term horizons, capturing direct physical impacts as well as indirect operational, financial, and supply-chain effects. The resulting risk heat map provides a clear visualization of priority climate risks facing the Group, supports consistent risk prioritization across business units, and informs strategic decisions on mitigation, adaptation, and capital allocation as climate conditions continue to evolve.

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

Risk Concentration Summary

Highest Risk Zone (High Likelihood / High Impact)

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

Elevated Risk Zone (Medium Likelihood / High Impact)

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

Moderate Risk Zone (Medium Likelihood / Medium Impact)

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

Lower Risk Zone (Low Likelihood / Low to Medium Impact)

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

Adaptation and Mitigation Strategies

The Group's approach to climate action distinguishes clearly between mitigation, which focuses on reducing greenhouse gas emissions and carbon intensity, and adaptation, which strengthens resilience against the physical and transitional impacts of climate change. Mitigation efforts across subsidiaries are anchored in operational efficiency and energy transition measures tailored to sector-specific realities. These include the systematic replacement of energy-intensive equipment, optimization of production and building systems, expansion of renewable energy sourcing (such as on-site solar installations and green power procurement), and the use of internal performance indicators, such as energy use ratios and energy intensity metrics, to drive continuous improvement. In carbon-intensive operations, efficiency upgrades and process optimization are prioritized as near-term levers while formal, science-based targets and externally aligned inventories are progressively developed.

Adaptation strategies focus on safeguarding business continuity and asset resilience in the face of climate-related physical risks, including extreme weather events, resource constraints, and infrastructure disruptions. Subsidiaries integrate climate considerations into maintenance planning, capital expenditure decisions, and site-level risk assessments to ensure operational reliability under changing environmental conditions. These measures include strengthening energy and water security through redundancy and diversification, maintaining inventory buffers for critical inputs, upgrading infrastructure to withstand climate stressors, and enhancing monitoring systems for early detection of operational vulnerabilities. Collectively, these mitigation and adaptation strategies enable the Group to reduce its environmental footprint while maintaining flexibility and resilience as climate risks and regulatory expectations continue to evolve.

Biodiversity

GRI 3-3, 304-2

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

ZERO
Significant negative impacts in biodiversity across all subsidiaries

biodiversity impacts were recorded during the reporting period, and environmental considerations are embedded into governance and risk review processes to ensure ongoing vigilance as operations and regulatory expectations evolve.

Over **2,408** trees and seedlings were planted to promote reforestation.

100% adherence to DENR effluent and air quality standards.

1,609 hectares were reforested under the Dr. Lucio C. Tan Legacy Forest Project.

Strict compliance with all regulatory requirements and ongoing adherence to comprehensive Solid Waste Management programs.

Quarterly testing of surface and groundwater quality.

Multiple river cleanup drives led by Tanduay and volunteer employees. To promote awareness, campaigns on biodiversity conservation for communities and employees were also led by Tanduay.

Across subsidiaries, biodiversity considerations are addressed in ways proportionate to operational exposure. PNB and PHC have assessed biodiversity as not material to their activities, given the nature of their operations and locations. Asia Brewery's production facilities are situated in designated industrial zones and have not been identified as affecting sensitive biodiversity areas. Environmental management in these sites focuses on strict compliance with applicable engineering, building, and environmental standards, including wastewater and air-emissions monitoring, to prevent indirect impacts on surrounding ecosystems. While no formal biodiversity programs are currently in place, environmental performance is reviewed as part of operational management and future planning.

Eton Properties and Tanduay represent the Group's most direct interfaces with environmental receptors. Eton integrates biodiversity considerations primarily through regulatory compliance, such as permits for wastewater discharge, air emissions, and solid waste management and through its partnership with the ASEAN Centre for Biodiversity (ACB), which supports awareness and conservation-related initiatives. Tanduay manages biodiversity risks associated with wastewater discharge and air emissions through rigorous DENR-mandated monitoring and treatment systems, with zero significant biodiversity impacts recorded during the year. In addition, Tanduay supports biodiversity conservation through community-based activities, including tree planting, river clean-ups, and fish fingerling distribution.

Welfare of Employees and Communities

Safety, Security, and Well-being

GRI 2-23, 2-24, 2-25, 2-26, 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8

Occupational health and safety (OHS) is managed through documented policies and facility-level programs designed to protect employees and on-site workers, ensure regulatory compliance, and sustain safe operations. Across the operating companies, OHS coverage generally extends to regular employees as well as contractors and service providers, supported by established safety governance bodies (e.g., OSH/EHS committees), recurring training, and defined procedures for hazard identification, incident reporting, and corrective action.

ZERO
Recorded incidents of Fatalities in the workplace

12,509
Employees Covered by the OHS System in 2025

PNB Holdings maintains a formal Occupational Safety and Health Policy Statement and OSH Program covering employees and third-party service providers. Employee well-being is supported through annual physical examinations, a structured wellness program, flexible work arrangements, and engagement activities (e.g., Family Day, team-building). Psychological support is delivered via periodic mental health programs (e.g., mindfulness-focused sessions), supplemented by climate surveys and "kamustahan" feedback mechanisms used to surface stress and well-being concerns. Safety governance is implemented through a dedicated PHC OSH Committee that meets monthly, and joint OSH committees with tenants that meet quarterly, with responsibilities spanning accident prevention planning, inspections, incident review, training oversight, and contingency planning. Risk identification and assessment are embedded through workplace inspections, incident investigations, and Job Hazard Analysis (JHA) supported by defined controls (elimination to PPE). Reporting channels are available through supervisors, OSH committee members, HR, and Safety and Security teams. Occupational health services include pre-employment and annual medical exams, immunizations, mental health programs, and safety officer coverage; non-occupational healthcare access is provided via HMO enrollment for regular employees, alongside DOLE-mandated workplace programs (e.g., TB/HIV policies where applicable). Training coverage includes general safety, emergency response, and role-specific competencies (e.g., first aid/CPR, drills), with effectiveness evaluated through assessments, observation, feedback, and performance data.

Meanwhile, PNB maintains comprehensive OSH-related policies aligned with the OSH Act, DOLE regulations, and the Safe Spaces Act, supported by Safety Officers and First Aiders and governed by an Occupational Safety, Health and Family Welfare (OSHFW) Program/Committee that meets monthly. Health and well-being initiatives integrate physical and mental health services (APE, teleconsultation access, a 24/7 mental health hotline via KonsultaMD, psychosocial support facilitation), structured wellness learning (e.g., Tuesday Health Series), and periodic wellness fairs that combine webinars and medical consultations. Stress and psychosocial risks are monitored through employee dialogue and surveys (e.g., engagement surveys and internal customer satisfaction tools). Hazard identification and risk assessment are formalized through the Risk Assessment Matrix and/or Hazard Identification and Risk Assessment Control Act as specified in the OSHFW Manual, with annual manual review/updates to reflect operational changes. Incident reporting is channeled through designated Safety Officers, with investigations conducted in coordination with Corporate Security Group and Administration Group, and relevant business units. The Bank also implements branch-level competency requirements (e.g., minimum of 1 employee per branch for Safety Officer 1 and a minimum of another 1 employee to undergo Basic Life Support/CPR training), conducts evacuation drills, and undergoes both internal and external audits (e.g., periodic DOLE inspections and annual internal audit reviews).

On the other hand, Asia Brewery implements a documented OSH program submitted to DOLE and a broader EHS policy covering employees, properties, and the environment. Governance is supported by an EHS Committee that meets monthly and is authorized to make safety decisions within OSH guidelines. The program includes occupational health initiatives for communicable diseases (e.g., TB, Hep B, HIV), drug-free workplace measures, and mental health provisions (policy, Speak Up channels, wellness and engagement activities). Stress indicators are monitored through absenteeism and turnover trends, performance discussions, team-building/kumustahan, and behavioral seminars, with workload support delivered through individualized plans such as targeted training. Hazard identification and risk controls are executed through audits/patrols, worker safety reports, procedural reviews, and HIRAC, with cross-functional audits used to validate assessment quality. Incident investigations follow established procedures and root cause analysis documentation, while preventative culture is reinforced through nearmiss reporting, 5S+1 audits, and Gemba walks. Medical services are available via HMO coverage and on-site clinic resources (nurses/physicians), supported by vaccination programs, health screenings, and wellness facilities/ activities. Training spans first aid, fire safety, hazmat, equipment safety, and government-accredited programs, delivered at frequencies matched to compliance and risk needs, with verification through accredited training providers and audit mechanisms.

For Eton, they likewise have a a documented OSH Program submitted to DOLE, compliant with RA 11058 and DOLE DO 198-18, applicable to all workers regardless of employment status. Mental health support is reinforced through "Eton Kamustahan" check-ins facilitated by HR and site leaders, alongside access to HMO support and referral pathways where applicable. OSH governance is managed by an OSH Committee that meets quarterly (and as needed), responsible for policy formulation, compliance oversight, investigations, and monitoring corrective actions; the committee recommends actions while management approves regulatory/ policy decisions through HR. Hazard identification is performed via regular inspections, semi-annual audits, and annual risk assessments, with results reviewed through OSH committee processes and translated into corrective actions across sites. Reporting is enabled through OSH orientations, mandatory OSH training, and direct escalation to property managers, safety officers, or HR. Internal audits are conducted twice per year by Safety and Security through inspections, documentation checks, and compliance reviews.

Tanduay operates a formal, documented Occupational Safety and Health Program implemented across facilities and covering regular staff, contractors, and third-party service providers. Joint management-worker governance is established through site-level EHS Committees that meet at least monthly (or more frequently when needed) and are authorized to decide on programs/controls subject to chair approval by top management. Hazard identification and assessment are managed through department-level HIRAC, with layered review (department heads, plant safety officers, and facility leadership) and structured follow-through (quarterly HIRAC reviews and post-implementation effectiveness checks). Mental health support includes on-site psychologist consultations, while stress monitoring integrates employee surveys, satisfaction tools, and operational indicators (absenteeism, grievances, productivity), including structured instruments (e.g., TAWS-16) where applied. Incident reporting is supported through visible emergency hotlines, and investigations follow standardized safety department protocols. Occupational and non-occupational health services are delivered through on-site clinics (nurse/retainer physician coverage) complemented by HMO access, with disease prevention programs (TB, Hep B, HIV) and workplace welfare policies (e.g., smoke-free, lactation). Training is company-funded and conducted during paid working hours, spanning fire safety, hazardous materials handling, first aid, laboratory safety, and regular emergency drills; training needs are assessed through annual skills gap identification, and effectiveness is evaluated through a formal training effectiveness process.

Work-related injuries

GRI 403-9

Indicators	2025
Number of fatalities as a result of work-related injury	1
Rate of fatalities as a result of work-related injury	**0**
Number of high-consequence work-related injuries (excluding fatalities)	2
Rate of high-consequence work-related injuries (excluding fatalities)	**0**
Number of recordable work-related injuries	12
Rate of recordable work-related injuries	**0**
Number of hours worked	29,690,344
Safe man hours	25,857,619
Number of high-potential work-related incidents identified	0
Number of close calls identified	120

Work-related ill-health

Indicators	Employees	Work-related hazards	Approach in identifying hazard
Number of fatalities as a result of work-related ill-health	0	0	0
Number of recordable cases of work-related ill-health	0	0	0

Safeguarding Mental Health at the Workplace

Mental health is treated as an integral component of employee well-being, extending beyond conventional occupational health and safety requirements. The Group promotes a work environment that supports psychological safety, reduces stigma, and encourages open dialogue on mental health concerns. Initiatives include structured wellness programs, mental health awareness activities, access to counseling or professional support, and regular engagement mechanisms that allow employees to seek help without fear of discrimination or reprisal.

While PNB, Tanduay, and Eton currently monitor participation and utilization rates for mental health and well-being programs, all subsidiaries are committed to providing appropriate psychological support aligned with their operational context. These efforts reinforce the Group's broader people strategy by recognizing mental well-being as essential to employee resilience, productivity, and long-term organizational sustainability.

Mental Health Programs

Indicators	2025
Employees Attending from Mental Health Support Programs and Seminars	2,126
Employees Benefitting from Workload Adjustments	470
Employees Participating in Return-to-Work Programs	470

Note: Numerical scope is for LTG, PNB, Tanduay, and Eton only.

Feature Story

Points of You: A Journey to Mindfulness — Cultivating Presence and Well-Being at PNB Holdings

PNB Holdings continues to strengthen its commitment to employee well-being through *Points of You: A Journey to Mindfulness*, a pioneering wellness initiative under the PHC Academy, the company's flagship learning and development platform. Anchored on the Academy's Solicitude pillar, the program reflects PHC's holistic approach to employee development, recognizing that professional growth is closely linked to mental, emotional, and psychological well-being. Designed around the Gestalt Psychology principle of the "Here and Now," the initiative encourages employees to develop present-moment awareness, emotional authenticity, and deeper self-understanding as tools for managing stress and workplace pressures.

The program brought together PHC employees from various departments in a shared learning experience that emphasized reflection, dialogue, and mindful engagement. Through guided sessions and structured activities, participants were equipped with practical strategies to manage anxiety, improve emotional regulation, and foster personal integration—skills that support both individual resilience and healthier workplace interactions.

career and performance management, and employee benefits. In 2025, these efforts were further advanced through targeted programs and refinements that reinforce constructive labor relations, promote inclusive workplaces, and support continuous skills development, enabling employees to adapt to evolving business needs while sustaining a motivated and resilient workforce.

For this year, LTG was also recognized in the 2025 Forbes' Best Employers List, ranking #421 worldwide and 5th locally, a significant improvement from the +600 ranking in the previous year.

Diversity, Equality, and Inclusion

GRI 2-7, 3-3, 406-1

In 2025, the parent company advanced its people strategy by drafting a Group-level Diversity, Equality, and Inclusion (DEI) Policy, establishing a common framework to promote fair treatment, equal opportunity, and respect across subsidiaries. The policy articulates principles on non-discrimination, merit-based employment, and inclusive workplace practices, while allowing subsidiaries to tailor implementation based on operational context and workforce composition. Governance and monitoring are embedded through existing HR, compliance, and ethics mechanisms, reinforcing accountability without duplicating controls.

For Eton, workplace conduct and non-discrimination concerns are addressed through existing governance mechanisms, including a Committee on Decorum and Investigation (CODI), alongside competency-based hiring and adherence to recruitment policies and advises a balanced gender ratio, with active inclusion practices and no reported cases of discrimination. Tanduay currently relies on merit-based hiring and cultural respect initiatives, with plans to strengthen formal DEI governance over time. Across the Group, no material discrimination controversies were recorded during the reporting period, and all entities remain committed to maintaining respectful, inclusive workplaces aligned with evolving regulatory and stakeholder expectations.

ZERO
Cases of Reported Discrimination in 2025

13,063
Total Group-wide Employees

1:1
Male-to-female ratio

At the subsidiary level, practices reflect differing stages of DEI maturity. PNB Holdings and Asia Brewery emphasize competency-based hiring and strict adherence to recruitment and placement procedures, with no reported discrimination-related controversies. PNB has a more formalized approach, supported by policies on diversity and inclusion, gender equality, anti-sexual harassment, and whistleblowing, alongside accessible reporting channels and protections against retaliation; while no numerical gender targets are set, gender mix is regularly reported to management.

DEI are reflected in the composition of the Group's workforce. In 2025, the Group employed 13,063 employees, representing a broad mix of genders, ethnic and cultural backgrounds, communities, religions, age groups, and professional experiences across its subsidiaries and locations. This diversity mirrors the markets and communities in which the Group operates and supports a workplace environment shaped by varied perspectives and lived experiences.

	Quantity (M)	Percentage (M)	Quantity (F)	Percentage (F)	2025 Total
Asia Brewery	2,250	77%	670	23%	**2,920**
Eton	158	42%	217	58%	**375**
LTG	11	41%	16	59%	**27**
PNB	2,948	33%	5,910	67%	**8,858**
Tanduay	678	83%	138	17%	**816**
PHC	41	61%	26	39%	**67**
				Total number of employees	13,063

Employee Engagement

The Group's overall human capital strategy is hinged on employee engagement, with sustained emphasis on creating a positive, inclusive, and enabling workplace experience across all stages of the employee lifecycle. Rather than concentrating on headcount movements, engagement efforts centered on strengthening employer value propositions, enhancing employee experience, and ensuring that each subsidiary remains an attractive and competitive workplace within its respective industry. Tailored, subsidiary-level initiatives continued to reflect the distinct operational contexts of banking, manufacturing, property development, and holding company functions.

Subsidiaries pursued differentiated engagement approaches aligned with their workforce profiles and business needs. Asia Brewery sustained its strong digital presence to reinforce employer visibility and accessibility, while continuously improving recruitment and onboarding experience through technology-enabled processes.

PNB focused on deepening early-career engagement by maintaining strong linkages with academic institutions, supporting internships, and participating in career talks and job fairs to build long-term talent pipelines. Eton strengthened its employer brand by highlighting employee engagement, workplace culture, and internal activities through professional and social media platforms, alongside academe partnerships. Tanduay emphasized career development and internal mobility as part of its employee value proposition, while PHC reinforced inclusive and skills-based recruitment practices aligned with its diversity, equality, and inclusion principles.

Complementing these engagement initiatives, the Group continued to invest in employee development and internal capability-building in 2025. Leadership development, cross-training, and role-readiness programs were implemented across subsidiaries to support continuity and long-term workforce sustainability. Succession planning initiatives progressed at varying stages of maturity, with several companies actively identifying critical roles and developing internal successors, while others focused on strengthening foundational systems and transition processes.

New Hires and Turnovers

Talent acquisition and retention remained a key human capital priority in 2025, amid a competitive labor market and evolving workforce expectations. Across the Group, companies faced challenges in sourcing and securing qualified candidates, particularly for critical, technical, and specialized roles. Competition for talent intensified as candidates increasingly compared opportunities across industries, including fintech, BPO, e-commerce, and overseas employment, while also placing greater value on flexible work arrangements, career progression, and overall employee experience. In several cases, job offer acceptance rates emerged as a constraint, reflecting broader market dynamics rather than organizational-specific issues.

To address these challenges, subsidiaries strengthened employer branding, streamlined recruitment processes, and leveraged digital platforms to expand candidate reach. Initiatives included virtual recruitment and screening, enhanced candidate experience, partnerships with academic institutions, and the development of talent pools for future hiring needs. Across the Group, recruitment practices are guided by merit-based and non-discriminatory principles, consistent with applicable labor laws, ensuring equal opportunity regardless of gender, background, or personal characteristics. While the parent company and several subsidiaries do not yet set formal numerical diversity targets, demographic data and hiring trends are regularly reviewed by management to inform workforce planning.

Employee retention during and after the pandemic was supported by a combination of competitive benefits, wellness programs, and opportunities for skills development. While some subsidiaries experienced increased attrition pressures as markets reopened and alternative work arrangements became more prevalent, overall turnover remained manageable. To ensure business continuity, the Group continues to advance succession planning initiatives, including the identification of potential leaders, leadership development programs, and promotion deliberation processes.

New Hires

GRI 401-1

Gender	Male			Female			2025
Age	< 30 y.o.	30-50 y.o.	>50 y.o.	< 30 y.o.	30-50 y.o.	< 30 y.o.	Total
Asia Brewery	105	75	4	66	19	0	269
Eton	18	15	1	34	13	0	81
LTG	0	1	0	2	1	0	4
PNB	153	102	10	413	151	29	858
Tanduay	29	21	0	25	5	0	80
PHC	7	14	1	4	7	0	33
						Total New Hires	**1,325**
						New Hire Rate	**10.14%**

Turnovers

GRI 401-1

Gender	Male			Female			2025
Age	< 30 y.o.	30-50 y.o.	>50 y.o.	< 30 y.o.	30-50 y.o.	< 30 y.o.	Total
Asia Brewery	82	100	21	38	26	5	272
Eton	4	17	4	19	21	1	66
LTG	0	1	0	0	1	0	2
PNB	75	117	91	158	196	179	816
Tanduay	11	9	3	9	3	4	39
PHC	1	1	0	2	2	0	6
						Total Turnovers	**1,201**
						Turnover Rate	**9.19%**

Labor-management relations

GRI 2-30

Labor-management relations across the Group continued to be anchored on transparency, dialogue, and respect for workers' rights, with approaches tailored to the structure and context of each subsidiary.

- **Unionized entities (Asia Brewery, PNB, and Tanduay)**
  - Continued adherence to Collective Bargaining Agreements (CBAs) and applicable labor regulations.
  - Monthly Labor Management Committee (LMC) meetings served as the primary venue for discussing workplace concerns, operational updates, and employee welfare matters.
  - These regular engagements helped prevent disputes, address issues early, and sustain industrial peace.

- **Non-unionized entities (LTG Parent Company and Eton)**
  - Employee engagement is facilitated through direct communication channels such as departmental meetings, town halls, and employee feedback tools.
  - Management maintains open-door and consultative practices to ensure employee concerns are raised and addressed in a timely manner.
  - Freedom of association and fair labor practices are respected regardless of union status.

Employee participation in workplace decision-making is further supported through company-specific initiatives:

- **Asia Brewery** encourages involvement through toolbox meetings, safety briefings, and employee-focused activities that allow feedback on daily operations.
- **PNB** incorporates union and employee inputs in selected policy discussions and includes employee representatives in committees such as the Occupational Safety, Health, and Family Welfare Committee.
- **PHC** aligns employee and organizational goals through town halls, performance alignment sessions, and KPI-setting processes.
- **Tanduay** reinforces collaboration by cascading departmental objectives and KRAs and involving employees in operational planning discussions.

Clear grievance mechanisms remain in place across the Group to protect employees from retaliation and ensure fair resolution of concerns:

- **Asia Brewery** utilizes formal grievance machinery, LMC processes, and its Committee on Decorum and Investigation (CODI).
- **PNB** applies Alternative Dispute Resolution (ADR) mechanisms and union-mediated grievance handling.
- **Eton** relies on its Whistleblower Policy to provide confidential and protected reporting channels.
- **PHC** implements structured grievance procedures and engages external consultants to periodically review and mitigate human capital risks.

4,762
Employees under a Collective Bargaining Agreement in 2025

These varied but aligned approaches reflect the Group's commitment in 2025 to constructive labor–management relations, employee voice, and a respectful, rights-based workplace culture.

Benefits

We continue to strengthen our employee value proposition by offering benefits that balance regulatory compliance with practical support for employee well-being, retention, and productivity. While benefit structures vary by subsidiary based on operational context and workforce needs, common priorities include healthcare access, leave benefits, financial security, and targeted flexibility arrangements. Remote or work-from-home options remain generally situational, primarily activated during inclement weather or business continuity events, while expanded HMO coverage, dependent care, and wellness initiatives serve as core pillars across companies.

GRI 401-2

Benefits	2025	
	# of women who availed	# of male who availed
SSS	1,646	2,657
Philhealth	625	830
Pag-IBIG	1,349	2,303
Parental leave	495	802
Vacation Leave	6,077	5,410
Sick Leave	5,426	3,962
Medical benefits (aside from Philhealth)	367	890
Housing assistance (aside from Pag-IBIG)	6	2
Retirement fund (aside from SSS)	277	164
Further Education Support	0	0
Telecommuting	899	662
Flexible working hours	1,027	744

Parental Leave

GRI 401-3

2025		
	Male	Female
Total number of employees that were entitled to parental leave	806	527
Total number of employees that took parental leave in 2025	88	344
Total number of employees that returned to work in 2025 after parental leave ended	84	318
Return to work rate	**95.45%**	**92.44%**
Among those who availed the parental leave in 2024 how many of them returned and are still with the company in 2025	93	319
Total number of employees that took parental leave in 2024	98	342
Retention rate	**94.90%**	**93.27%**

Solo Parental Leave

GRI 401-3

	2025	
	Male	**Female**
Total number of employees that were entitled to parental leave	692	314
Total number of employees that took parental leave in 2025	14	168
Total number of employees that returned to work in 2025 after parental leave ended	14	163
Return to work rate	**100.00%**	**97.02%**
Among those who availed the parental leave in 2024 how many of them returned and are still with the company in 2025	12	167
Total number of employees that took parental leave in 2025	12	169
Retention rate	**100.00%**	**98.82%**

Beyond statutory requirements, several subsidiaries enhanced benefits to respond to workforce expectations and retention pressures. Improvements included increased HMO coverage limits, additional leave types (e.g., volunteer or birthday leave), life insurance, retirement and longevity programs, wellness activities, and allowances addressing transportation, communication, and daily living needs. Employee feedback and engagement surveys continue to inform refinements, with satisfaction levels ranging from average to high, particularly where benefits are perceived as competitive and responsive to evolving work and life demands.

Company	Work Flexibility	Leave Benefits	Healthcare & Dependent Care	Long-Term / Financial Benefits	Wellness & Beyond Compliance
Parent Company (LTG)	• Flexible work arrangements subject to job suitability • Work Equipment Support	Employee Leave Programs	HMO coverage	Retirement program; training and leadership development opportunities; government-mandated benefits (SSS, PhilHealth, Pag-IBIG)	ww• Wellness Programs • Health Information Sessions
PNB Holdings	• Flexible work arrangements subject to job suitability • Work Equipment Support	Employee Leave Programs	HMO coverage	N/A	• Employee Support Allowances • Welfare Support Programs
PNB	• Flexible work arrangements subject to job suitability • Work Equipment Support	Employee Leave Programs	HMO coverage	Longevity Pay; Regular Retirement program	• Wellness Days • Mental Health Support • Physical & Social Wellness Programs

Company	Work Flexibility	Leave Benefits	Healthcare & Dependent Care	Long-Term / Financial Benefits	Wellness & Beyond Compliance
Asia Brewery	• Flexible work arrangements subject to job suitability • Work Equipment Support	Employee Leave Programs	HMO coverage	Retirement program (closed to new members)	• Wellness Days • Vaccination Programs • Health Lectures
Eton	• Work Equipment Support	Employee Leave Programs	HMO coverage	Life insurance	• Employee Support Allowances • Welfare Support Programs • Physical & Social Wellness Programs
Tanduay	• Flexible work arrangements subject to job suitability • Work Equipment Support	Employee Leave Programs	HMO coverage	Retirement program, life insurance, attendance incentives, and Group Life Insurance	• Employee Support Allowances • Welfare Support Programs • Physical & Social Wellness Programs

Training and Development

LTG views training and development as a strategic lever for strengthening operational performance, building leadership capability, and preparing employees for evolving business and technological demands. Learning interventions are designed to support both current role effectiveness and longer-term career progression, while balancing operational realities across diverse business units.

425,157
Total Training Hours in 2025

3,111
Number of internal and external trainings conducted

At the Parent Company level, training initiatives are structured around an employee's career stage, ensuring that development opportunities remain relevant and progressive. Departments are empowered to initiate training based on operational needs, subject to management approval, while immediate managers play a key role in identifying development requirements. Performance evaluation remains output-based, with structured policies for performance management, rewards, and recognition currently being formalized. Where applicable, strong performance may be recognized through promotion or performance-based incentives, with a Group-wide Rewards and Recognition framework under development.

Subsidiaries likewise implement training and development programs tailored to their operational contexts:

- **PNB Holdings**
  - Focuses on productivity enhancement, leadership development, and mental health.
  - Uses an Individual Performance Scorecard weighted between performance targets (60%) and behavioral competencies (40%), with the ability to recognize exceptional contributions.
  - Recognizes performance through merit increases and bi-annual promotion cycles.

- **PNB**
  - Prioritizes continuous upskilling to improve efficiency, reduce operational errors, and support process improvement.
  - Addresses logistical constraints such as training space limitations through careful planning and hybrid learning options.
  - Targets future readiness through AI-related training, including ethical and practical applications under the AI Proficiency & Excellence Academy (APEX) learning series.
  - Recognizes excellence through promotions, salary adjustments, service excellence awards, and internal recognition platforms.

- **Asia Brewery**
  - Strengthens workforce capability through competency-based training aligned with operational and compliance needs.
  - Invested in upgraded training facilities, digitalized learning systems, and centralized training records to improve consistency and relevance.
  - Evaluates performance through the People Development and Appraisal System (PDAS), balancing KPI achievement and values-based behavior.
  - Reinforces engagement through awards such as Best Employee, Kaizen Recognition, and service milestones.

- **Eton**
  - Emphasizes essential soft skills and technical capability development to enhance productivity, compliance, and succession readiness.
  - Manages operational scheduling challenges through improved coordination and planning.
  - Uses a Performance Appraisal Review system covering performance, competencies, special assignments, and potential.
  - Recognizes strong performance through promotions and merit increases.

- **Tanduay**
  - Aligns training with operational efficiency, quality standards, and continuous improvement goals.
  - Strengthened training delivery discipline through clearer scheduling, accountability mechanisms, and integration into management KPIs.
  - Advances long-term capability building through competency development, talent review, and succession planning initiatives.
  - Rewards performance through appraisal-based incentives, goal-based bonuses, recognition tokens, and attendance programs.

GRI 404-1

	Total training hours	Total number of employees trained	Average hours of training
Male			
Office	1,820	45	160
Managers	21,403	878	298
Supervisors	60,345	1,485	204
Rank and File	74,662	2,551	124
Female			
Office	1,357	48	171
Managers	29,451	1,164	351
Supervisors	109,689	2,346	192
Rank and File	126,431	3,364	179
TOTAL	**425,157**	**11,881**	**1,679**

Career and Performance Reviews

GRI 404-3

Performance management systems are designed to be structured, role-appropriate, and evidence-based, ensuring that expectations are clearly defined and outcomes are consistently assessed. This aspect serves as a core mechanism for aligning individual contributions with organizational objectives, supporting fair decision-making on advancement, and reinforcing accountability across the Group.

100%
Employees receiving regular career and performance reviews

Performance review and appraisal processes are designed to ensure fairness, accountability, and alignment between individual contributions and organizational objectives. Each company applies structured evaluation tools that assess both results and behaviors, allowing performance discussions to be grounded in measurable outputs, role-specific responsibilities, and demonstrated competencies. Regular review cycles, whether annual or semi-annual, provide employees with clear feedback on strengths, areas for improvement, and expectations, while supporting transparency in performance-related decisions. The outcomes of these appraisals inform key people-management actions, including merit increases, promotions, recognition, and development planning.

In line with this, each Companies also have various activities for performance and appraisal reviews highlighted in the table below.

Company	Initiative / Program	Description
Parent Company (LTG)	Output-Based Performance Review	Performance assessments focus on achievement of agreed deliverables and responsibilities, supporting objective evaluation of role effectiveness and readiness for advancement.
	Managerial Performance Assessment	Immediate managers assess employee performance based on observable results and documented outputs, informing decisions on progression and recognition.
PNB Holdings	Individual Performance Scorecard	Structured scorecard combining performance targets and behavioral competencies, with ratings guiding merit increases and promotion eligibility.
	Performance-Based Recognition	Outstanding contributions may be rated beyond standard thresholds to recognize high-impact performance.
PNB	Regular Performance Evaluation System	Semi-annual reviews for rank-and-file employees and annual evaluations for officers to assess results, competencies, and role effectiveness.
	Meritocracy-Based Advancement	Performance outcomes drive promotions, salary adjustments, and recognition programs.
	Performance Documentation	Managers maintain documented performance evidence to support fair and transparent evaluations.
Asia Brewery	People Development and Appraisal System (PDAS)	Integrated evaluation combining KPI-based results assessment and values-driven behavioral review (LITID).
	Leadership Performance Review	Leader evaluations include assessment of coaching effectiveness and people development responsibilities.
	Performance Recognition Programs	Appraisal outcomes linked to incentive schemes, service awards, and recognition for process improvements.

Company	Initiative / Program	Description
Eton	Performance Appraisal Review Tool	Multi-parameter assessment covering performance factors, competencies, special assignments, potential, and overall performance.
	Merit Increase and Promotion Review	Appraisal results serve as basis for promotions and merit increases.
Tanduay	Annual Performance Appraisal	Performance evaluation combining individual KPIs and behavioral dimensions.
	Coaching and Performance Journaling	Managers document performance feedback using the STAR (Situation–Task–Action–Result) model to support evidence-based appraisal.
	Performance-Based Incentives	Appraisal results directly influence incentives, recognition, and career progression decisions.

Community Relations and Development

GRI 3-3, 2-22, 203-2, 413-1

Community investments continue to be guided by the Group's alignment with the United Nations Sustainable Development Goals (SDGs). Rather than addressing all goals uniformly, the Group concentrates its resources on 10 priority areas where its businesses, capabilities, and partnerships can deliver the most relevant and sustained social and environmental outcomes.

In 2025, a total of Php 77.81 million was earmarked to support these community initiatives. The allocation and implementation of this funding are discussed in detail in the **Community Engagement Initiatives for 2025** section, outlining how resources were deployed to address priority community needs.

Advancing Community Impact Through the Tan Yan Kee Foundation

The Group's community engagement initiatives are anchored on Tan Yan Kee Foundation, Inc., which serves as its primary platform for planning, implementing, and coordinating social development programs. As the Group's dedicated corporate social responsibility arm, the Foundation translates strategic priorities into targeted interventions that respond to pressing community needs while ensuring consistency, accountability, and long-term impact across initiatives.

Through the Foundation, the Group channels its resources toward clearly defined focus areas, including education, healthcare access, environmental stewardship, livelihood development, and disaster response. Flagship programs such as the Dr. Lucio C. Tan Legacy Forest Project, Small Water Impounding Project, agriculture-based scholarship initiatives, and the HOPE Caravan Assistance Program reflect a deliberate approach to community development, one that emphasizes sustainability, inclusivity, and capacity-building rather than short-term relief.

Partnerships and Collaboration

TYKFI likewise works with a broad array of partner institutions from both the public and private sectors to fulfill its mission of community development, inclusive education, health services, and social welfare. These partnerships amplify the Foundation's reach and effectiveness by leveraging shared expertise, resources, and networks in key areas of social impact.

Group Policy on Community Engagement and Social Investment

As a Group, we work closely with the subsidiaries to design, implement, and monitor initiatives that respond to genuine community needs while supporting long-term development outcomes. Community programs are developed with consideration for local context, stakeholder priorities, and potential social impact, ensuring that engagements go beyond short-term assistance and contribute to sustained community resilience.

In 2025, this continues to guide subsidiaries in aligning their community initiatives with the Group's sustainability priorities, ethical standards, and shared value objectives. Programs are coordinated to avoid duplication, strengthen impact, and ensure responsible use of resources, while allowing flexibility for subsidiaries to address sector-specific and location-based needs. The decrease in the number of reported community engagement activities reflects a strategic shift toward concentrating resources on fewer but higher-impact programs. Instead of implementing numerous small-scale initiatives, the Group allocated larger budgets and deeper support to priority programs with broader reach and longer-term community benefits. This approach allows initiatives to deliver more sustainable outcomes while improving program effectiveness and monitoring of social impact.

	2025	2024	2023
Total number of operations with implemented local community engagement, impact assessments and/or development programs	22	13	166
Total number of operations	22	13	197
Percentage of operations with implemented local community engagement, impact assessments and/or development programs	100%	100%	91%

Employee Participation and Volunteer Engagement

Employee participation plays a defined role in the Group's community engagement efforts. Volunteer activities are designed not as ad hoc initiatives, but as structured opportunities that allow employees to contribute their time and skills to causes aligned with the Group's social priorities and local community needs.

Across subsidiaries, participation is supported through practical enablers and clear incentives. PNB introduced a Volunteer Leave as a new leave type, allowing employees to engage in CSR and community initiatives during paid work hours, thereby promoting greater employee participation in CSR-related activities. PHC provides paid time off for volunteering, while PNB and other entities support employee involvement through logistical assistance such as meals, activity materials, and volunteer kits. Internal communication channels are used to coordinate activities, document outcomes, and acknowledge contributions, ensuring visibility and consistency across the organization. This approach enables sustained employee engagement while reinforcing accountability and shared ownership of the Group's community initiatives.

Community Engagement Initiatives for 2025

Community investments for the reporting year were delivered through focused programs that address priority social and environmental needs, strengthening access to education, supporting agricultural productivity and food security, advancing health and emergency response, and investing in long-term ecosystem protection. Implemented through the Tan Yan Kee Foundation and reinforced by subsidiary-led initiatives, these activities combine direct assistance, capacity-building, and place-based partnerships to produce measurable benefits for communities and stakeholders.

1) Agriculture & Food Security

Program / Activity	Location	Summary / Key Outputs
Fertilizer Distribution (Masaganang Palayan Project)	Brgy. Comon, Aritao, Nueva Vizcaya	Supported **20 farmers**; **35 hectares** cultivated using **561 kg hybrid rice seeds** and **95 sacks of fertilizers**; harvest reached **239,720 kg palay** (avg. **6.85 MT/ha**).
Inauguration of Small Water Impounding Projects (DA-BSWM partnership)	Pangasinan, La Union, Nueva Ecija	Inaugurated **3 irrigation facilities**: Manaol Diversion Dam (up to **300 ha**), Marcos Diversion Dam (**85 ha**), Puncan SWIP (**40 ha**), improving year-round water access and yields.
Turnover of Puncan Small Water Impounding Project to SWISA	Fortune Farm, Carranglan, Nueva Ecija	Turned over facility to farmers' association; DA-BSWM orientation to support long-term sustainability; rice distribution to attendees.
Dr. Lucio C. Tan Legacy Agroforestry (Fortune Farm produce)	Fortune Farm, Carranglan, Nueva Ecija	Delivered **17.0 tons** of farm-fresh produce for the year (9.9 tons H1; **>7 tons** H2), supporting food affordability and farmer livelihoods.
Palawan Mango Orchard (Agri-livelihood)	Puerto Princesa, Palawan	Sustained pulp weevil-free harvests; 2025 harvest batches: **4,634 kg** (March), **2,486 kg** (July), 2,547 kg (September); orchard ecosystem expanded to **368 mango trees** plus diversified crops.
Food Security Rice Support Initiative	Metro Manila	Launched **two rice support initiatives** to ease household food expenses via subsidized/affordable rice access.
Rice Seeds Distribution	Brgy. Comon, Aritao, Nueva Vizcaya	Distributed rice seeds and gift packs to farmer beneficiaries; recognized partner support to strengthen farmer inputs and continuity.
Donation to Aritao LGU (Panagsisibuyas Festival support)	Aritao, Nueva Vizcaya	Donated water bottles for community festival; reinforced support for local agricultural communities and cohesion.

2) Education, Youth Development, and Learning Support

Program / Activity	Location	Summary / Key Outputs
Donation for School Beneficiary (STA 70th Foundation Day)	Aritao, Nueva Vizcaya	Donated **smart TV** and **20 grocery packs** as raffle prizes; proceeds support TLE building renovation to improve learning spaces.
TYKFI–STA Scholarship Program: Conferment, Moving Up, Graduation Rites	Aritao, Nueva Vizcaya	SY 2024–2025 outcomes: **11 Grade 12 graduates** (8 with honors incl. 1 high honors), **10 Grade 10 completers**, and **27 scholars** recognized for awards.
TYKFI–STA New Grade 7 Scholars	Aritao, Nueva Vizcaya	SY 2025–2026 intake: **18 new scholars**; continued support for **21 existing scholars** (farmers' children program).
TYKFI–ICA Scholars (new partnership)	Bone South, Aritao, Nueva Vizcaya	Welcomed **3 new scholars** through Immaculate Conception Academy partnership; selection via evaluation process.
10-Day Immersion Program for Agriculture (youth learning)	Fortune Farm, Carranglan, Nueva Ecija	**10 Grade 12** TYKFI–STA scholars underwent immersion (Feb 20–Mar 1), combining classroom sessions and hands-on sustainable agriculture practice.
College Scholarship for Agriculture & Forestry Students (orientation + support)	NVSU, Bayombong, Nueva Vizcaya	Welcomed **7 new scholars** (SY 2025–2026); rice packs distributed; supported students in forestry/ agriculture-related degrees (noted: 7 new and 21 continuing scholars enrolled at NVSU).
Rice Donation for School Children ("Tulong Eskwela")	Ilocos Norte	Donated **400 sacks of 5kg** premium whole grain rice supporting marginalized schoolchildren and families.
School Supplies and Rice Distribution	Ilocos Sur	Supported **475 pupils** with school supplies, backpacks, hygiene items, and 10-kg rice per beneficiary.
TYKES School Supplies and Rice Distribution	Sta. Fe, Nueva Vizcaya	Distributed school supplies; students and faculty received **10-kg rice** sacks; continuing support for TYKES since 2012.
Macdu School Supplies and Rice Distribution	Kayapa, Nueva Vizcaya	Distributed school bags and supplies to **247 student beneficiaries**; students and faculty received **10-kg rice** sacks.
Laptop Bags Donation to TYKES Educators	Sta. Fe, Nueva Vizcaya	Donated laptop bags to teachers ahead of National Teachers' Day to support teaching needs.

Program / Activity	Location	Summary / Key Outputs
Gift Watches for Cum Laude Scholar Graduates	Sta. Fe, Nueva Vizcaya	Recognized alumni graduates (Cum Laude) as part of long-term education pathway support.
School Bags Distribution to Night High School Students	Alangalang, Leyte	Supported working learners in Night High School; program history noted (~2,000 learners supported since 2011).
Teacher Trainings (FUSE)	Manila	**1,044 teachers** trained on subjects such as Math, Science, and English **i**n **146 schools** from 2023-2025.
"Panimula Kit" for TUPAD beneficiaries under TESDA with DOLE	Manila	Trained and assessed **29** TUPAD beneficiaries under TESDA's "Tatag sa Pagtupad ng Pangarap Kasama ang TESDA" organized by Interbev with cash "Panimula Kit".
Brigada Eskwela	Cabuyao	Annual Maintenance Program for Cabuyao Central Elementary School: "SAMA-SAMA para sa Bayang Bumabasa" with Interbev.
Digital Learning Support	Nueva Ecija	PNB donated **70** refurbished desktop units and **20** laptops to Sta. Teresita's Academy of Aritao, Inc., enhancing students' access to technology-enabled learning.

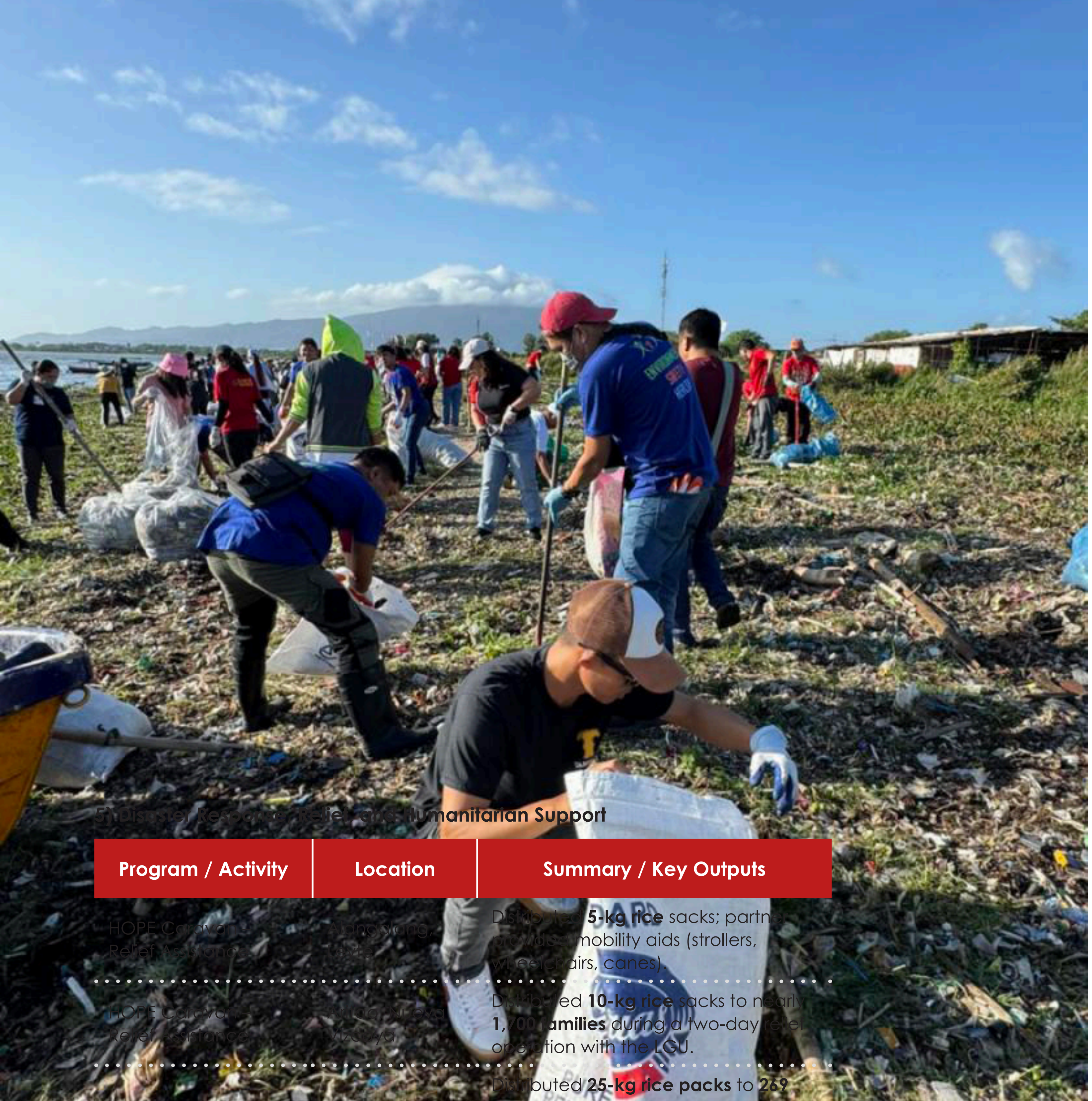
3) Health, Medical Support & Blood Donation

Program / Activity	Location	Summary / Key Outputs
Asia Brewery Medical Scholars Alumni Night	Tan Yan Kee Corporate Center, Manila	Inaugural alumni homecoming (Feb 7) with **38 alumni and program officers**, supporting the medical specialty scholarship network.
Gifts of Support for PGH Patients, Families, and Medical Staff	Manila	Distributed **1,300 gift packs** through hospital chaplaincy collaboration and partner support.
LifeSaver Blood Donation Drive – PNB Makati Center	Makati	Blood donation drive hosted with Philippine Red Cross with **100+ successful blood donors**; engaged PHC employees, tenants, security, and maintenance personnel.
LifeSaver Blood Donation Drive – PNB Financial Center	Manila	Expanded blood donation drive to the PNB Financial Center community; **124 successful blood donors**
Bloodletting Activity	ABI Cabuyao	Blood donation drive hosted with Philippine Red Cross with **79 donors.**
Tanduay's Bloodletting Activity, in partnership with the Department of Health - Philippine Blood Center	Quiapo, Cabuyao, Negros, El Salvador	Bloodletting Activity, in partnership with the Department of Health - Philippine Blood Center. A total of **192 employees** across all sites (Quiapo: 20, Cabuyao: 59, Negros: 22, and El Salvador: 91) donated blood for the year 2025.

4) Environment, Climate, and Biodiversity

Program / Activity	Location	Summary / Key Outputs
DENR 10-year 930-ha Turnover and Awarding Ceremony (watershed restoration)	San Fernando, Pampanga / Nueva Ecija site	Recognition of restoration of **930 hectares**; aboveground biomass **49,539 tons**; carbon stocks **22,292.55 tons**; improved biodiversity and canopy development.
Dr. Lucio C. Tan Legacy Forest Project (930-ha watershed rehabilitation)	Carranglan, Nueva Ecija	Rehabilitation launched in 2014; ~**1 million seedlings** planted across **645 ha**; biodiversity assessments (2017, 2023) showed improved plant diversity and return of indicator species; long-term monitoring systems established.
Reforestation and ecological restoration (56-ha site)	Carranglan, Nueva Ecija	Planted **181 seedlings** incl. native/ endangered species; cassava planting for agroforestry livelihoods; year-round maintenance and patrol.
Tanay Legacy Forest Project groundwork and tree planting	Tanay, Rizal	Formalized ownership over **34.12 ha**; mapping/surveys and initial carbon assessments; planted **700 Narra**, **275 Balitbitan, 30 Golden Shower** seedlings.
PNB Tree Planting	Tanay, Rizal	58 volunteers planted **1,000 Narra** trees at legacy forest site; built on prior growth of **5,716 Falcata** trees. in partnership with Tan Yan Kee Foundation.
Roots for Boracay (Mangrove Park)	Malay, Aklan	Planted **222 Bakawan** seedlings (+ LGU **250**); nursery maintained; boardwalk sections rehabilitated/ repainted with partner support; strengthened blue carbon and biodiversity co-benefits.
Balay Bakawan	Sta. Cruz, Ilocos Sur	Supported mangrove restoration/ maintenance to strengthen shoreline resilience and community livelihood support.
EcoStation Waste Recycling Program (PHC)	Property-wide	Tech-enabled recycling program with smart bins and rewards network; designed to improve waste segregation and recycling participation among PHC tenants and employees.
International Coastal Cleanup	Manila Bay	**62 Philnabankers** joined cleanup activity.

Program / Activity	Location	Summary / Key Outputs
Tanduay Negros Plant - Tree Planting	Negros	TDI Negros Plant joins the Murcia Water District Tree Planting Activity to help plant the **1000 trees** for Environment Month 2025. 22 employees participated in this event.
Tanduay El Salvador Plant - Simulteneous Bamboo Growing Activity	Kulago Pagatpat Cagayan De Oro City	Simultaneous Bamboo Planting in Kulago Pagatpat Cagayan De Oro City. In celebration of World Bamboo Day, **16 employees** from the TDI El Salvador Plant participated in this tree planting event.
Tanduay Cabuyao Plant - Lake Seeding Activity	Cabuyao, Laguna	TDI Cabuyao released a total of **60,000 tilapia fingerlings** to Laguna Lake. They also participated in the Lake Seeding Activity as part of the celebration of the 62nd Fish Conservation Week.
International Coastal Cleanup - El Salvador City, Misamis Oriental	El Salvador, Misamis Oriental	The coastal cleanup at Poblacion El Salvador City, Misamis Oriental, resulted in the collection of a total of **210 kg of residual waste** and **70 kg of special waste**. 14 employees from the Tanduay-El Salvador Plant participated in the event.
Tanduay El Salvador Plant - Coastal Clean-Up Drive in Celebration of National Zero Waste Month and Adopt an Estero	El Salvador, Misamis Oriental	Coastal Clean-Up Drive in Celebration of National Zero Waste Month and Adopt an Estero (Bolo Bolo Creek). The employees of TDI El Salvador Plant collected 140 kg biodegradable, **83 kg recyclable**, and **185 kg residual waste**, with a total of **408 kg waste collected**.
Tanduay Cabuyao Plant - Coastal Clean-Up and Signing of Memorandum of Understanding	Cabuyao, Laguna	Coastal Clean-Up and Signing of Memorandum of Understanding aim to support LLDA's mission for solid waste recovery. The employees of TDI Cabuyao Plant collected 15 sacks of non-biodegradable waste and 10 sacks of biodegradable waste. **Total waste collected is 390 kg.**
International Coastal Cleanup - Manila	Dolomite Beach, Manila Bay	The coastal cleanup at Dolomite Beach in Manila Bay resulted in the collection of a **total of 191.21 kilograms of waste** from the shoreline. A total of 27 employees from the Tanduay Head Office participated in the event.



5) Disaster Response, Relief, and Humanitarian Support

Program / Activity	Location	Summary / Key Outputs
HOPE Caravan – Relief Assistance	Alangalang, Leyte	Distributed **5-kg rice** sacks; partner provided mobility aids (strollers, wheelchairs, canes).
HOPE Caravan – Relief Assistance	Aritao, Nueva Vizcaya	Distributed **10-kg rice** sacks to nearly **1,700 families** during a two-day relief operation with the LGU.
Rice Distribution	Tacloban and Leyte	Distributed **25-kg rice packs** to **269 beneficiaries** (partners/stakeholders, teachers, barangay/daycare students).
Gift Box and Rice Distribution for Ilocos Sur Student Beneficiaries	Sta. Cruz, Ilocos Sur	Distributed gift boxes and rice sacks to nearly **500 student beneficiaries**; paired with community event and school prizes.
Pagtutulungan ng Bayan – Typhoon Victims	Cebu and Leyte	Fundraising and relief goods provision via PNB branch channels.
Pagtutulungan ng Bayan – Earthquake Victims	Cebu	Fundraising and relief goods provision via PNB branches.
Project Solicitude Relief Mission – Typhoon Tino (PHC + ABI + PRC)	Cebu (Talisay, Mandaue)	Delivered bottled water (6-liter) to **3,000 evacuated families** and distributed alongside PRC-prepared relief packs.
Palaging Handa Campaign – InfoVid Series (PHC)	Digital / property stakeholders	Disaster preparedness infovid series rolled out across PHC platforms; aimed to strengthen practical readiness of PHC stakeholders for hazards (flooding, earthquakes, tsunamis, landslides, etc.).
Mobile Water Station Turnover to DSWD	Manila	In partnership with PMFTC
Donation Drive and Relief Operations	Manila, Bicol, Laguna, Batangas	Provided at least **66,000 liters** of Absolute Distilled with other LTG companies, foundations, charity organizations and partner wholesalers through marketing arms during natural disasters.
Disaster Relief to Cebu earthquake and typhoon victims	Cebu	The deployed Mobile Water Station which serviced **35 barangays and 6,677 households** in Cebu from October to November 2025, providing at least 67,000 liters of potable water.

6) Community Development, Social Inclusion, Housing, and Cultural/Spiritual Support

Program / Activity	Location	Summary / Key Outputs
TYKFI–ETON Housing Project (Bahay Liwanag) Blessing & Turnover	Aritao, Nueva Vizcaya	Turned over **4 newly constructed homes** to former scholars; targeted beneficiaries facing housing insecurity.
Project Solicitude Gift Giving Initiative (PHC)	Porac, Pampanga	Served **200 Aeta community members**; in-kind support paired with community engagement and local sourcing/transport participation.
Donation of Classroom	Porac, Pampanga	Donated **₱1,200,000** to build a classroom for Aeta learners (Friends of HOPE, Inc.).
Employee Volunteerism – DSWD Repacking	Cebu	**63 volunteers** supported relief repacking operations.

Program / Activity	Location	Summary / Key Outputs
Employee Volunteerism – Happyland Tondo	Tondo, Manila	**15 volunteers** donated Noche Buena packages to 100 fire-affected residents.
Employee Volunteerism – Tondo children's activity	Tondo, Manila	Supported Christmas activity for 60 children; donated 2 printers to partner organization/community.
TYKFI Community Christmas Party	Manila	Convened employees/partners/ CSR Council for cohesion and coordination among implementers.
TYKFI Community Christmas Party at Fortune Farm	Carranglan, Nueva Ecija	Community event for scholars and families; included alumni pinning and partner-supported activities.
Gift-giving among TYKFI partners and stakeholders	Manila, Ilocos Sur, Nueva Ecija	Distribution of gift packs and rice sacks to partners/stakeholders as solidarity and relationship maintenance.
Tanduay Head Office- Turnover of Barangay Outpost	Brgy. 386, Manila	Tanduay constructed the new Barangay Outpost in Brgy. 386 because the existing outpost lacks electrical wiring, and the structure is inadequate.
A Season of Giving: Tanduay Head Office Outreach Program to Bahay Aruga	San Marcelino St. Ermita, Manila	Bahay Aruga is an organization that serves as a Free Halfway House for Pediatric Cancer Patients and their families, providing them comfort and support during treatment. Under the leadership of top management, employees from various departments donated items such as rice sacks, milk, diapers, paint-by-numbers kits, toys, a speaker with a microphone, and Tanduay merchandise (including backpacks and towels). A group of 17 employees, along with Tanduay's Vice President of Administration and the Executive Vice President, visited Bahay Aruga to deliver these donations and held a short program to entertain and give support to the patients.

7) Culture, Heritage, and Cross-Cultural Exchange

Program / Activity	Location	Summary / Key Outputs
Xiamen Summer Camp – Orientation & Send-Off	Manila	21st season; **300+ students** traveled for May 4–June 14 study tour; orientation/ send-off provided travel bags and essentials.
Xiamen Summer Camp – Culminating Presentation	Manila	Culmination event with participant show; awarded cash prizes to **18** TikTok competition winners; program has supported nearly **16,000 youth** to date.
Chinese Cultural Center Groundbreaking (PCERC Language & Culture Center)	(PCERC)	Supported construction through **₱50 million** donation; strengthens Chinese language and culture education platform.
Tan Yan Kee Library Cultural Classes	Binondo, Manila	**92 students** joined classes/workshops; readership tracked; collection expanded by **1,336 volumes** (holdings ~**46,230**).

8) Governance, Partnerships, and Program Stewardship

Program / Activity	Location	Summary / Key Outputs
CSR Council Meeting	Manila	Convened CSR Council to align advocacies; resource speaker provided guidance on carbon credit accounting for tree-planting initiatives.
TYKFI–FLP Legal Scholarship Awards Ceremony	Manila	Awarded **₱250,000** each to **20 scholars**; AY 2024–2025 outcomes include **11 graduates** (8 cum laude).

Supplementary Information

GRI Content Index

Statement of use	LT Group, Inc. has reported in accordance with the GRI Standards for the period 1 January 2025 to 31 December 2025.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	None

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
General Disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	8			
	2-2 Entities included in the organization's sustainability reporting	3			
	2-3 Reporting period, frequency and contact point	3			
	2-4 Restatements of information	69-70, 75			
	2-5 External assurance	3			
	2-6 Activities, value chain and other business relationships	15, 21, 64			
	2-7 Employees	91			
	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	37-39			
	2-10 Nomination and selection of the highest governance body	37-39			

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	2-11 Chair of the highest governance body	37-39			
	2-12 Role of the highest governance body in overseeing the management of impacts	37-39			
	2-13 Delegation of responsibility for managing impacts	64			
	2-14 Role of the highest governance body in sustainability reporting	40-43			
	2-15 Conflicts of interest	40-43			
	2-16 Communication of critical concerns	40-43			
	2-17 Collective knowledge of the highest governance body	40-43			
	2-18 Evaluation of the performance of the highest governance body	40-43			
	2-19 Remuneration policies	40-43			
	2-20 Process to determine remuneration	40-43			
	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	103			
	2-23 Policy commitments	86			
	2-24 Embedding policy	86			

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	2-25 Processes to remediate negative impacts	86, 91			
	2-26 Mechanisms for seeking advice and raising concerns	49-51, 86			
	2-27 Compliance with laws and regulations	65-67			
	2-28 Membership associations	10			
	2-29 Approach to stakeholder engagement	25			
	2-30 Collective bargaining agreements	95-96			
Material Topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	22			
	3-2 List of material topics	22			
Economic and Governance					
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 34			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	31			
	201-2 Financial implications and other risks and opportunities due to climate change	77-79			
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	103			

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Economic and Governance					
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	34			
	205-3 Confirmed incidents of corruption and actions taken	34			
Environment					
GRI 3: Material Topics 2021	3-3 Management of material topics	68, 72, 74, 84			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	69			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	72			
	303-2 Management of water discharge-related impacts	72			
	303-3 Water withdrawal	72			
	303-4 Water discharge	72			
	303-5 Water consumption	72			
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	84-85			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	70			
	305-2 Energy indirect (Scope 2) GHG emissions	70			

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	74			
	306-2 Management of significant waste-related impacts	74			
	306-3 Waste generated	75			
	306-4 Waste diverted from disposal	75			
	306-5 Waste directed to disposal	75			
Employees					
GRI 3: Material Topics 2021	3-3 Management of material topics	86, 92			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	95			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	97			
	401-3 Parental leave	97			

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	86-89			
	403-2 Hazard identification, risk assessment, and incident investigation	86-89			
	403-3 Occupational health services	86-89			
	403-4 Worker participation, consultation, and communication on occupational health and safety	86-89			
	403-5 Worker training on occupational health and safety	86-89			
	403-6 Promotion of worker health	86-89			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	86-89			
	403-8 Workers covered by an occupational health and safety management system	100% of Employees 86-89			
	403-9 Work-related injuries	89			

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	101			
	404-3 Percentage of employees receiving regular performance and career development reviews	101			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	92			
Customers					
GRI 3: Material Topics 2021	3-3 Management of material topics	52, 64			
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	53			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	55			
	417-2 Incidents of non-compliance concerning product and service information and labeling	55			
	417-3 Incidents of non-compliance concerning marketing communications	55			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	58			
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	64			

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Society					
GRI 3: Material Topics 2021	3-3 Management of material topics	103			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	103-116			

SASB

SASB CONTENT INDEX

LT Group, Inc. has also prepared this report following the industry-specific ESG guidance framework of SASB Standards Food and Beverage Sector - Alcoholic and Non-Alcoholic Beverages 2018, Infrastructure Sector - Home Builders and Real Estate 2018, and Financials Sector - Commercial Banks 2018. This content index provides an overview of LTG's Environmental, Social, and Governance data that align with these standards. Other SASB codes are omitted due to lack of applicability, confidentiality, or unavailability of data.

Topic	Code	Accounting Metrics	Location / Direct Answer
Food & Beverage Sector - Alcoholic and Non-Alcoholic Beverages			
Energy Management	FB-AB-130a.1 FB-NB-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	69
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	72
	FB-AB-140a.2 FB-NB-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	72
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	55
	FB-AB-270a.3	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	55
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	55
	FB-NB-270a.4	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	55
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	58
	FN-CB-230a.2	Description of approach to identifying and addressing data security risks	

ISSB Content Index

ISSB'S IFRS S1 and S2 Disclosures Content Index
This content index is based on the International Sustainability Standards Board (ISSB)'s IFRS S1 General Requiremetns for Disclosure of Sustainability-related Financial Information and IFRS S2 General Requiremetns for Disclosure of Climate-related Disclosures. Relevant information can be found in Lucio Tan Group Sustainability report.

Topic	Reference Disclosure	Page No.
Governance		
Governance bodies	IFRS S1.27(a)(i), IFRS S2.6(a)(i)	37-39
Governance roles and responsibilities	IFRS S1.27(a)(iv),(v), IFRS S2.6(a)(iv),(v)	37-39
Board skills and competencies	IFRS S1.27(b)(i)(ii), IFRS S2.6(b)(i)(ii)	40-41
Strategy		
Geographical concentration of climate-related physical risks	IFRS S1.32(a),(b), IFRS S2.13(a)(b)	79-83
Overview of SROs and CROs and financial effects	IFRS S1.30(a)(b)(c), IFRS S1.33(a)	79-83
Risk management		
Risk management process	IFRS S1.44, IFRS S2.25	41-48
Prioritising risks	IFRS S1.44 (a)(i)-(iv) (b), IFRS S2.25 (a)(i)-(iv) (b)	41-48
Integrating sustainability risk management	IFRS S1.44 (c), IFRS S2.25(c)	41-48
Metrics and targets		
Sustainability-related metrics and targets	IFRS S1.46(a)(b)	68-69
Climate-related metrics and targets	IFRS S2.29(a)(i),(ii), (iv)	68-69

Philippine SEC Sustainability Reporting for Publicly Listed Companies Content Index

DISCLOSURE	SECTION	PAGE NO.
Contextual Information	About the Integrated Report; About the Theme; Reporting Scope and Boundary; Reporting Guidelines and Standards; Sustainability Report Feedback; Message from the Chairman; Message from the President; Message from the CFO; 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	2-17, 20
ECONOMIC		
Economic Performance	Long-Term Growth	30
Procurement Practices	Responsible Operations	64
Anti-Corruption	Ethical Operations	34
ENVIRONMENT		
Resource Management		
Energy consumption within the organization	Resource Efficiency (Energy Efficiency)	69-70
Reduction of energy consumption	Not Available	
Water consumption within the organization	Resource Efficiency (Water Management)	72
Materials used by the organization	Resource Efficiency (Materials)	76
Ecosystems and Biodiversity	Adapting to Climate Change (Biodiversity)	84-85
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