



LT GROUP, INC. | 2024 Integrated Report

Vision **Beyond** Boundaries



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About the Integrated Report

Starting this year, LT Group, Inc. (referred to as the “Company,” in this report) transitions to Integrated Reporting, reinforcing its strengthened commitment to Environmental, Social and Governance (ESG) principles.

This shift reflects our dedication to providing a more holistic and transparent view of how financial and non-financial factors intertwine to drive sustainable growth.

Strength in Performance and Sustainability

In 2024, LT Group, Inc. delivered strong financial results, demonstrating resilience and strategic agility in a dynamic business landscape. The Company recorded revenues of Php128.96 billion, a 12% increase from 2023, alongside an attributable to Parent net income of Php28.92 billion, a 14% increase from 2023. Our EBITDA stood at Php52.20 billion, reflecting solid operational efficiency.

Beyond financial performance, the Company remains steadfast in its commitment to sustainability. With total assets amounting to Php1.37 trillion and a return on average equity of 13.0%, we continue to create long-term value not just for our stakeholders but also for society and the environment.

By integrating responsible business practices and embedding sustainability in our operations, we ensure that our success contributes to a future that is both financially sound and environmentally responsible.

About the Theme

As we present our maiden Integrated Report for the 2024 reporting cycle, *Vision Beyond Boundaries* embodies our determination to go beyond traditional limits and lead with a bold, forward-thinking spirit. This theme captures our drive to innovate, embrace new opportunities and continuously push ourselves to achieve greater heights.

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

Reporting Scope and Boundaries

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

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

Financial statements were audited by SGV & Co. and non-financial data underwent thorough internal review and verification.

Reporting Standards & Guidelines

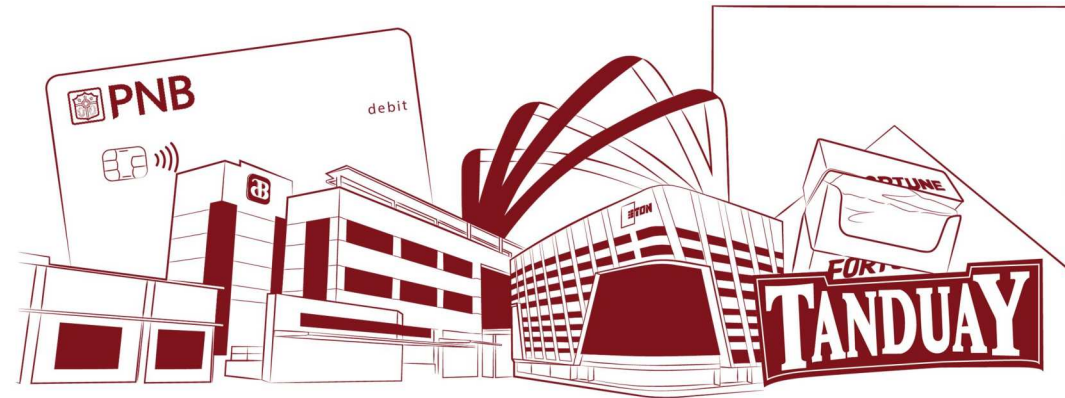
At LT Group Inc., we uphold our commitment to global sustainable development by adhering to internationally recognized sustainability reporting standards. Transparency and accuracy are central to our disclosures, ensuring our contributions are both impactful and measurable in building a more sustainable future. This report follows the guidelines of:

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

How to Navigate the Report

This report presents a comprehensive discussion of our Key Performance Indicators (KPIs) and economic, environmental, social and governance (EESG) performance for 2024. To efficiently locate specific information, refer to the content indices at the end of the report, which map disclosures to relevant frameworks and reporting standards.

Each section is structured with clear indicators that highlight our performance metrics, strategic priorities, and value creation efforts. Cross-references are provided throughout the report to facilitate seamless navigation and a holistic understanding of our integrated approach.



Our Businesses at a Glance

GRI 2-1

As part of its expansion strategy, LT Group, Inc. (LTG), formerly known as Tanduay Holdings, Inc.—reached a major milestone in 2012 by diversifying its investment portfolio. This strategic move included acquiring shares in Fortune Tobacco Corporation (FTC), Philippine National Bank (PNB), Allied Banking Corporation, Asia Brewery Inc. (ABI), and Eton Properties Philippines, Inc. (EPPI). That same year, LTG officially transitioned into a conglomerate, rebranding itself as LT Group, Inc.

This transformation significantly broadened the Company's footprint across multiple industries, including tobacco, beverages, property development, distilled spirits, and banking. The majority of shares are held by Dr. Lucio C. Tan, his family, and assignees. LTG and its subsidiaries, collectively referred to as the Group, are the focus of this Sustainability Report. As of today, Tangent Holdings Corporation, LT Group Inc.'s ultimate parent company, maintains a 74.36% ownership stake.

With a *Vision Beyond Boundaries*, the Company continues to push the limits of growth, innovation, and market leadership. The Company remains dedicated to expanding its product offerings and exploring international opportunities, ensuring its long-term relevance in an ever-evolving business landscape.

Executive Summary

“At LTG, success is measured not just in numbers but in the impact we create. Guided by bold strategies, responsible leadership, and a long-term vision, we turn strategic investments into meaningful outcomes — aligning financial strength with sustainability and innovation. This enables us to build lasting value that benefits not only our business but also people, industries, and the future.”

REVENUES

in Php Millions

2024	128,966
2023	115,299
2022	100,872

NET INCOME

in Php Millions

2024	38,508
2023	34,016
2022	30,665

EBITDA

in Php Millions

2024	52,204
2023	46,421
2022	43,487

PER SHARE DATA

(in Php, except Pay-out Rate)

	2024	2023	2022
Earnings per Share	2.67	2.35	2.35
Book Value per Share (at year-end)	21.35	19.64	18.38
Cash Dividend	1.25	1.20	1.40
Pay-out Rate	53.21%	51.66%	74.83%

TOTAL ASSETS

in Php Millions

2024	1,374,330
2023	1,327,396
2022	1,268,118

TOTAL LIABILITIES

in Php Millions

2024	1,044,118
2023	1,027,160
2022	991,456

TOTAL EQUITY

in Php Millions

2024	330,212
2023	300,236
2022	276,662

RATIOS

	2024	2023	2022
Current (x)	0.73	0.71	0.65
Current without PNB (x)	4.48	3.69	3.04
Debt to Equity (x)	3.16	3.42	3.58
Debt to Equity without PNB (x)	0.10	0.12	0.14
Return on Average Assets	2.1%	2.0%	1.9%
Return on Average Equity	13.0%	12.4%	12.9%

About the LTG logo



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

The tree represents life, growth, and resilience, illustrating the company's deep connection to its roots while emphasizing its unwavering commitment to progress and value creation. Its spreading branches reflect the interconnectedness of the Company's subsidiaries and stakeholders, embodying its expansion and influence. Enclosed by two circles, the inner circle signifies continuity and enduring values, while the outer circle represents solidarity and the unity that binds all elements of the Company.

This emblem serves as a visual reminder of its mission to grow beyond conventional boundaries, continuously exploring new opportunities to drive transformative and sustainable progress.

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.



LT GROUP, INC.



Our Partnerships

GRI 2-6

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

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

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

Memberships & Associations

GRI 2-28

ASIA BREWERY, INC.

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

ETON PROPERTIES PHILIPPINES, INC.

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

PHILIPPINE NATIONAL BANK

- ACI Philippines, The Financial Markets Association Inc.
- Analytics and Artificial Intelligence Association of the Philippines (AAIAP)
- Asian Bankers Association (ABA)
- Association of Bank Remittance Officers (ABROI)
- Association of Bank Compliance Officers (ABCOMP)
- Association of Certified Anti-Money Laundering Specialists (ACAMS)
- Association of Certified Fraud Examiners (ACFE)
- Association of Certified Public Accountants in Commerce & Industry (ACPACI)
- Association of Philippine Correspondent Bank Officers, Inc. (APCBOI)
- Bank Marketing Association of the Philippines (BMAP)
- Bank Security & Management Association Inc. (BSMA)
- Bankers Association of the Philippines (BAP)
- Bankers Institute of the Philippines (BAIPHIL)
- BAP Credit Bureau, Inc (BAPCBI)
- BAP Data Exchange, Inc. (BAPDEX)
- British Chamber of Commerce Philippines (BCCP)
- Business Continuity Managers Association of the Philippines (BCMAP)
- Business for Sustainable Development
- Butuan City Bankers Club
- Cebu Chamber of Commerce & Industry, Inc.
- Chamber of Commerce of the Philippine Islands (CCPI)
- Chartered Financial Analyst (CFA)
- Clearing Officers Club Inc. (COCI)
- Credit Card Association of the Philippines (CCAP)
- Credit Management Association of the Phils, Inc. (CMAP)
- Employers Confederation of the Philippines (ECOP)
- European Chamber of Commerce of the Philippines (ECCP)

PHILIPPINE NATIONAL BANK (cont.)

- Federation of Philippine Industries, Inc. (FPII)
- Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII)
- Financial Executives Institute of the Philippines (FINEX)
- Fintech Alliance Ph
- Fund Managers Association of the Philippines (FMAP)
- Good Governance Advocates and Practitioners of the Philippines (GGAPP)
- IAG's various membership organizations
- Information Systems Audit and Control Association (ISACA)
- Institute of Corporate Directors (ICD)
- Institute of Internal Auditors of the Philippines (IIA)
- Integrated Bar of the Philippines (IBP)
- International Association of Privacy Professional (IAPP)
- Japanese Chamber of Commerce & Industry of the Philippines, Inc. (JCCIP)
- Malaybalay Banker's Association
- Management Association of the Philippines (MAP)
- Money Market Association of the Philippines (MART)
- National Association of Securities Broker Salesmen, Inc. (NASBI)
- People Management Association of the Philippines, Inc. (PMAP)
- Philippine Association of National Advertisers, Inc. (PANA)
- Philippine Business Coalition for Women Empowerment (PBCWE)
- Philippine Chamber of Commerce & Industry (PCCI)
- Philippine Dealing & Exchange Corporation (PDEX)
- Philippine Payments Management, Inc. (PPMI)
- Pampanga Chamber of Commerce
- Southern Bukidnon Bankers Association
- Tax Management Association of the Philippines (TMAP)
- Trust Officers Association of the Philippines (TOAP)

PNB HOLDINGS CORPORATION

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

TANDUAY DISTILLERS, INC.

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

Awards & Recognition

ASIA BREWERY, INC.

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

ETON PROPERTIES PHILIPPINES, INC.

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

LT GROUP, INC.

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

PHILIPPINE NATIONAL BANK

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

PHILIPPINE NATIONAL BANK (cont.)

- PDS Annual Awards – Top 5 Fixed-Income Cash Settlement Bank
- PAG-IBIG Funds Chairman's Report 2023 Excellence Awards - Highest amount in payments collected from Overseas Pag-IBIG Fund members
- PAG-IBIG Funds Chairman's Report 2023 Excellence Awards - Highest number of transactions of Overseas Pag-IBIG Fund members
- LinkedIn Talent Awards 2024 – Learning Champion under the 5,000 to 10,000 employees on LinkedIn category
- Philippine Daily Inquirer and Statista's Philippines' Best Employers 2025 – Listed as One of the Top Employers in the Philippines

PNB HOLDINGS CORPORATION

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

TANDUAY DISTILLERS, INC.

- Tanduay, 2024 World Branding Awards



Message from the Chairman

GRI 2-22

“2024 has been a record-breaking year for LTG, marking our strongest financial performance to date.”



Dear Shareholders,

The year 2024 stands as a testament to LT Group Inc.'s determination to create meaningful change across the industries we serve. Beyond delivering quality products and services, we continue to drive growth through resilience, strategic execution and responsible development. By expanding efficient distribution networks and investing in renewable energy, we reduce our environmental impact while improving access and opportunities for the communities we serve.

2024 has been a record-breaking year for LTG, marking our **strongest financial performance to date**. Our attributable net income surged to **Php28.92 billion, increased by 14%** from the previous year. This remarkable achievement reflects the strength of our diversified portfolio, our ability to seize opportunities and our long-term commitment to value creation across all areas of our business.

Beyond financial success, we prioritized environmental and social impact. We planted 4,636 trees to 986 hectares, generated 17,047.32 gigajoules of renewable energy and recorded a carbon footprint of 242,844.99 tons of carbon dioxide equivalent. Our workforce expanded significantly, creating 2,200 new jobs across various sectors and supporting inclusive economic growth. In our efforts to uplift communities, we awarded scholarships, distributed school supplies, trained educators and donated rice to those in need. Over 600 employees benefited from the PAL Farm-to-Table Project, further reinforcing our dedication to shared progress.

Guided by innovation, adaptability and a future-focused mindset, we continue to strengthen our core businesses while exploring new opportunities for expansion—ensuring long-term relevance and contributing meaningfully to national development.

This success would not be possible without the continued trust of our shareholders, the invaluable guidance of our Board of Directors, and the unwavering dedication of our management team and employees.

Together, we will push boundaries and shape a future driven by our shared vision.

A handwritten signature in black ink, appearing to read 'Lucio C. Tan'.

Dr. Lucio C. Tan
Chairman & CEO

Message from the President

GRI 2-22

LT Group, Inc. (LTG) welcomed 2024 with a clear vision and a strong determination to propel progress beyond boundaries. Through innovation, operational excellence, and a focus on long-term sustainability, we delivered strong financial results while reinforcing our leadership across key industries. Our journey as a diversified conglomerate began in 2012 when we expanded our investment scope beyond distilled spirits to include key industries such as tobacco, banking, beverages, and property development. This strategic evolution positioned LTG for sustained growth and market leadership, enabling us to navigate an ever-changing economic environment with agility and foresight.

Building on this foundation, we achieved a record-high attributable net income of Php28.92 billion, a 14% increase versus last year at Php25.42 billion. This achievement underscores our resilience and strategic adaptability amid shifting market dynamics. Our businesses continued to generate significant shareholder value, driven by the strong performance of our key subsidiaries. Fortune Tobacco Corporation (FTC) remained a major contributor, delivering Php12.72 billion or 44% of our total attributable income reflecting its continued market leadership. Philippine National Bank (PNB) followed closely, accounting for 41% of total attributable income, demonstrating strength in its core income in the financial services sector. Meanwhile, our other subsidiaries collectively reinforced our diversified portfolio, contributing to the Group's overall growth and profitability. LTG's current revenue stream underscores the strength of our business model and our ability to navigate evolving market conditions.

The Company remained committed to delivering value to shareholders, declaring a total cash dividend of Php1.25 per share for the year 2024, bringing the total dividend payout for the year to Php13.53 billion, representing a 53.2% payout rate.

Asia Brewery, Inc. (ABI) saw a 46% increase in net income to Php841 million, fueled by a 5% revenue growth across major product lines. Cobra Energy Drink maintained its market leadership at 53%, while Absolute and Summit retained their cumulative position as the third-largest bottled water brands. The aggressive expansion of Cobra Astig in PET format drove revenue growth following the completion of additional PET capacity in mid-2024. ABI Pascual Foods also sustained its leadership in the yogurt market, with its new Pascual Greek-Style Yogurt Drink gaining traction as an affordable and nutritious option. Meanwhile, ABI expanded its beer business with the introduction of Leon Strong Beer and broadened its alcopop product line with Pacific Sun Hard Iced Tea, Soju Bomb, and ABI Origins Yuzu Highball, catering to evolving consumer preferences.

Eton Properties Philippines, Inc. experienced a 53% decline in net income due to lower leasing revenues and higher costs. However, residential sales gained traction, supported by renewed activity in 68 Roces and Eton City projects. The company remains focused on optimizing its 288,000-square-meter leasing portfolio to maximize long-term value. The commercial and office leasing portfolio remained a significant revenue contributor, with Centris Cyberpod One achieving full occupancy and Centris Cyberpod Three and Eton Cyberpod Corinthian reaching occupancy rates of 92% and 81%, respectively. In the retail segment, Eton Centris and Eton City Square drove leasing activity.

FTC posted a 12% increase in net income to Php12.77 billion, primarily derived from its 49.6% stake in PMFTC Inc. An 11% decline in cigarette volume was driven by affordability challenges, the growing popularity of vaping, and the prevalence of illicit trade—prompting intensified enforcement efforts across the industry. In 2024, illicit cigarette seizures doubled to 1.2 billion sticks, signaling a more coordinated regulatory approach.

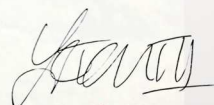
PMFTC has also led the transformation of the Philippine tobacco industry by advancing smoke-free alternatives. The company marked a significant milestone with the inauguration of the PHP8.8 billion (~\$150 million) Smoke-Free Product (SFP) facility in April 2024, reinforcing its commitment to reducing reliance on traditional-form cigarettes. Employee engagement remained a priority, with PMFTC's PMI DNA initiative achieving a 95% awareness and 94% confidence rating across 40 locations. The company also strengthened its partnerships with 12,000 Filipino tobacco farmers, ensuring long-term supply chain sustainability.

PNB maintained its strong momentum this year, growing its net income by 11% to Php21.18 billion. Higher yields and loan volumes led to a 13% increase in gross interest income, while lower provisions for credit losses resulted in improved efficiency ratio to 49.6% in 2024 from 49.5% in 2023. The bank's net interest margin rose from 4.2% to 4.5%, further strengthening the bank's profitability. PNB continued to focus on digital transformation and customer experience, achieving a 31% increase in mobile banking users while reducing digital fraud incidents by 94% through enhanced security measures. Retail banking expanded with a 57% increase in online account openings, while international banking reinforced its presence in key markets with remittance and home loan products for overseas Filipinos. The Bank also launched its Private Wealth Portal, providing clients with market insights and portfolio management tools, earning industry recognition as the 'Best Bank for Investment Research in the Philippines.'

Tanduay Distillers, Inc. (TDI) delivered a record net income of Php2.15 billion, up 37%, driven by higher sales volumes and pricing. While market share slightly declined due to competitive pressures, TDI continued to dominate in the Visayas and Mindanao regions. The sale of Asian Alcohol Corporation for Php1.8 billion marked a strategic portfolio adjustment, unlocking additional value for the business. The expansion of Tanduay Select production to the El Salvador plant enhanced efficiency, contributing to a 32% increase in volume. All TDI production plants achieved ISO 9001 certification, reinforcing a commitment to quality and operational excellence. The implementation of the Enterprise Risk Management (ERM) program aligned with regulatory standards and proactive risk management. Tanduay also launched the Tanduay Heritage Rum and Tanduay Reserve Rum 10-Year-Old, celebrating its rich rum-making tradition while strengthening brand equity.

LTG remains steadfast in its commitment to sustainability, integrating environmental stewardship, economic development, and community support into its operations. We cultivate green spaces, invest in renewable energy, and work on reducing our carbon footprint to support long-term environmental resilience. Workforce expansion, workplace safety initiatives, and community programs in education and food security reinforce our dedication to inclusive growth. By aligning sustainability efforts with business strategies, the Company drives meaningful impact across industries and communities.

As we look ahead to 2025, LTG remains committed to driving sustainable and innovative growth. With inflation stabilizing and economic conditions improving, we see opportunities to expand our market leadership, enhance digital transformation efforts, and strengthen operational efficiencies across all our businesses. We extend our deepest gratitude to our stakeholders, board members, employees, and partners for their unwavering trust and support. Together, we continue to stay true to our core business while embracing new possibilities and shaping a future beyond boundaries.



Lucio C. Tan III
President and COO

Message from the CFO

GRI 2-22

For the year 2024, LT Group, Inc.'s (LTG) total revenues amounted to Php128.96 billion, an increase of Php13.67 billion or 11.9% higher than 2023's Php115.29 billion revenues. All segments reported increase in revenues over the previous year.

The attributable net income of LTG reached Php28.92 billion, Php3.50 billion or 13.8% higher than 2023's Php25.42 billion. In 2024, all segments except for property development posted a higher net income versus the previous year.

On a per-segment contribution to LTG's attributable income for 2024, 44% was from the tobacco business, 41% from Philippine National Bank (PNB), 7% from Tanduay Distillers, Inc. (TDI), 3% from Asia Brewery, Inc. (ABI), and 1% from Eton Properties Philippines, Inc. (Eton). From LTG's 30.9% ownership of Victorias Milling Company, Inc. (VMC), 2% of total attributable income was booked as equity in net earnings from this investment. Other Income contributed 2% of total.

The contribution of the tobacco business in 2024 reached Php12.77 billion, 12.2% or Php1.39 billion higher than Php11.38 billion in 2023. The tobacco business' income is primarily derived from 49.6% stake in PMFTC, Inc. (PMFTC). The national tobacco industry tightened further in 2024 and with excise taxes continually rising, existing prices of tobacco products have led to consumer affordability issues, greater prevalence of illicit market trade and increased number of vaping products perceived as tobacco substitutes. Under Republic Act 11346, excise tax was Php63 per pack in 2024.



PNB's 2024 contribution amounted to Php21.18 billion, 11.3% higher than Php19.02 billion in 2023. PNB's core income showed solid improvement in 2024 from its deposit pool and loan book, with low-cost deposits driving higher lending across all loan segments of the bank. Improved loan portfolio quality also showed lower provision for probable losses. Higher trading income, positive performance among subsidiaries and associates, coupled with the bank's prudent management of expenses, more than covered for lower gains from sale of real and other properties acquired and foreign exchange losses.

TDI's contribution was Php2.15 billion, an increase of Php584 million or 37.3% higher than 2023's Php1.57 billion. Consumers held a stable demand for Tanduay liquor products, despite the affordability impact of continued inflationary pressures and excise tax increases on general purchasing power. TDI's wide product line has also captured the local market's evolving preferences, enhancing profitability from liquor's deep bench of SKUs. The alcohol business posted a slightly slower performance y-o-y as supply factors continue to keep prices anchored, which higher sales volumes failed to offset.

ABI's contribution was Php841 million, Php263 million or 45.5% higher than 2023. Healthy volumes were posted across all product lines, except Cobra and beer. Internal operational and financial initiatives were significant drivers in the beverage business, despite elevated price levels of labor and commodity inputs in 2024.

Eton's contribution amounted to Php212 million, Php241 million or 53.2% lower than the previous year's Php453 million. Sales revenue from various property projects helped cushion soft demand in leasing properties, a reflection of the ongoing weakness in the Philippine real estate market. Eton posted higher operating expenses y-o-y related to selling, as well as condominium and hotel administration costs.

On February 23, 2024, LTG declared a regular cash dividend of Php0.15 per share and a special cash dividend of Php0.15 per share. Thereafter the company declared special cash dividends three times: Php0.30 in May, Php0.30 in August, and another Php0.35 in November. These dividend issuances amounted to Php13.53 billion, or 53.2% of LTG's 2023 attributable income of Php25.42 billion. The company's dividend payout policy is 20%.

Total capital expenditure was Php5.17 billion in 2024. ABI spent Php1.95 billion on plant capacity expansions. PNB invested Php1.40 billion in mainly core banking system improvements. TDI spent Php409 million primarily towards rehabilitating its bottling lines. Eton invested Php362 million for building repairs and improvements.

LTG's balance sheet remains strong, with the parent company's cash balance at Php2.17 billion as of end-2024. Debt-to-Equity Ratio was at 3.16:1 with the Bank, and at 0.10:1 without the Bank.


Jose Gabriel D. Olives
Chief Financial Officer

Our Businesses

GRI 2-6

| Beverages



2024 Key Highlights

Asia Brewery Inc. continues to maintain its leading positions in various beverage categories with its top-selling non-alcoholic brands, namely: Cobra (#1 energy drink), Vitamilk (#1 soymilk), Absolute (#1 distilled drinking water), Summit (#3 mineral water), and Pascual (#1 yogurt). It is also one of the major players in the industrial packaging industry, producing glass container requirements for major beverage and condiments manufacturers in the country.

Capitalizing on the economy's growth momentum, 2024 has been a year of transformation as it concentrated its resources on businesses with the greatest potential to build value. With a focus on operational efficiency, product innovation, and consumer-centric strategies, it reported substantial achievements in terms of sustainable growth in both topline and profits.

Financial Highlights

Backed by strong brands and a wide portfolio across different categories in the beverage industry, ABI generated revenues with 5% top line growth to Php18.2 billion from Php17.4 billion in 2023. The increase was driven by growth across all product lines, with bottled water, dairy, and packaging segments showing the highest contribution to growth.

Gross profit margin at 22.4% was comparable to last year's 22.6% despite soaring prices of strategic inputs along with the depreciation of the peso. ABI's ongoing commitment to innovation and improving manufacturing processes allowed it to ease downward pressures on margins.

Operating expenses remained at Php2.9 billion, comparable to the previous year, due to more efficient marketing spending and a 10% increase in manpower costs.

Operating income grew by 9% to Php1.2 billion from Php1.1 billion in 2023 on account of higher revenues and lower operating expenses. Lower financing costs, higher share in the net income of a joint venture and lower income taxes propped up net income by Php263 million or 46% to Php841 million from Php578 million in the previous year.

Operational Highlights

Cobra upheld its market leadership in the energy drinks market at 53% market share. It continues to generate strong revenues driven by the aggressive expansion of Cobra Astig in PET format following the expansion of PET capacity completed in mid-2024. With its growing revenue base, Cobra remained ABI's flagship product, accounting for 38% of total revenues.

Bottled water remained ABI's second biggest contributor to revenues. Continuous growth in modern trade markets sustained stable growth, allowing it to recover pre-pandemic volumes. Absolute regained its #1 position in the distilled drinking water segment, while Summit continued to report double-digit growth despite heavy competition from low-cost brands in the mineral water segment.

Summit Still and Summit Sparkling, ABI's premium bottled water in glass packaging, continue to gain traction as the #1 brand in the still and sparkling water in the glass format category, outperforming internationally known brands.

During the year, the Company introduced a returnable glass format at more affordable price points in the general trade market, in line with its vision of launching more sustainable products.

Vitamilk maintained its dominance in the soymilk market and secured the #3 spot in the ready-to-drink milk category, outperforming established dairy brands. It continues to attract consumers through new flavors and enhanced packaging while expanding its portfolio to cater to moms and kids with multi-serve and single-serve products in tetra packaging.

Pascual yogurt, distributed through ABI Pascual Foods, sustained its market leadership with a 45% market share. Its newly launched Pascual Greek-Style Yogurt Drink, produced locally for the Philippine market, is gaining traction as a nutritious and affordable option for young adults. The product's 250ml glass bottle aligns with the Company's sustainability campaign.



The Company renews its commitment to growing its beer business with the launch of Leon Strong Beer and expansion into the alcopop market with new brands such as Pacific Sun Hard Iced Tea, Soju Bomb, and ABI Origins Yuzu Highball.

These launches target the evolving preferences of young consumers seeking convenience, variety, and healthier alternatives.

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

Growth Strategy

ABI implemented various packaging and formulation innovations in the Bottled Water and Energy Drink categories to reduce costs, helping maintain gross margins despite higher imported raw material costs, supply chain issues, elevated inflation, and peso depreciation.

The Company also energized its Solar Energy Project at Cabuyao, providing 14 million watts of its energy requirements and yielding substantial savings in power costs. Similar projects are scheduled for commissioning in 2025 in Cagayan de Oro and San Fernando, Pampanga.

Outlook and Vision for the Future

The Company anticipates challenging market conditions in 2025 due to heightened competition, supply chain issues, and the potential economic impact of international tensions. However, ABI remains committed to leveraging its strong brand portfolio, operational efficiency, and product innovation to navigate these challenges.

Key focus areas include growing market shares through cost-effective marketing and distribution programs, expanding core product lines with exciting flavors and variants, and continuing product and packaging innovation programs to enhance product margins.

Cobra is set to launch Rise in early 2025, a lighter variant of its best-selling energy drink aimed at health-conscious consumers and women. This innovation is expected to broaden the brand's appeal and expand sales beyond the energy drink segment into the larger carbonated soft drinks market.

Vitamilk will introduce new flavors in 2025, following the success of ube, to solidify its dominance in the soymilk category and enhance its penetration into the dairy market.

Construction of a new 1000 bottles per minute PET line in the Cagayan de Oro Complex is underway and expected to be operational by year-end. This flexible line will produce both carbonated soft drinks and bottled water to meet the demand for Cobra and bottled water in the Visayas and Mindanao regions.

| Property Development



Eton Properties Philippines, Inc.

2024 Key Highlights

Eton Properties Philippines Inc. continued to demonstrate resilience and adaptability in 2024, maintaining its strong presence in the real estate sector despite market fluctuations. The company achieved a 12% year-on-year revenue growth, increasing from Php2.8 billion in 2023 to Php3.1 billion in 2024. This upward trajectory reinforced its ability to meet evolving industry demands while sustaining interest across its diverse property portfolio. The robust operational performance and steady demand for Eton's real estate offerings underscored its strong market positioning.

While total net income declined by 53%, from Php453 million to Php212 million, this decrease was primarily due to one-off inventory revaluation gains recognized in 2023. Excluding these non-recurring factors, the company maintained its financial strength, ensuring that its core operations remained intact. Eton Properties made strategic investments in operational enhancements, prioritizing long-term financial stability over short-term gains. These calculated decisions allowed the company to stay ahead of market challenges and set a solid foundation for sustainable performance in the years to come.

A significant development in 2024 was the resurgence of the residential sales segment, which emerged as a key driver of revenue. With residential sales revenue surging by 325% to Php501 million, the company capitalized on growing demand for high-quality residential developments. Key projects such as Eton City in Sta. Rosa, Laguna, and premium high-rise properties in Makati and Quezon City contributed to this momentum. This renewed strength in residential sales not only diversified the company's revenue streams but also reinforced its position as a premier developer in the Philippine real estate market.

Financial Highlights

The financial performance of Eton Properties in 2024 reflected a combination of strategic revenue growth and disciplined cost management. The 12% increase in total revenue to Php3.1 billion demonstrated the company's ability to maintain demand across its leasing and residential sales segments. While net income saw a significant drop due to extraordinary gains recorded in the prior year, the company remained focused on strengthening its financial position by making key investments in redevelopment, digitalization, and operational efficiencies.

The residential segment played an increasingly critical role in financial growth, with a 325% rise in sales revenue signaling strong market appetite for Eton's properties. The success of key developments in Eton City and Metro Manila further supported this upward trajectory. Despite the challenges faced in office leasing due to shifting market dynamics, Eton Properties successfully mitigated risks through a strategic approach to asset management and portfolio optimization.

Operational Highlights

The operational landscape of Eton Properties remained dynamic as the company navigated market changes while ensuring stability in its core business segments. The leasing portfolio continued to be a major revenue contributor, demonstrating resilience amid the exit of Philippine Offshore Gaming Operators (POGOs) and the ongoing consolidation of Business Process Outsourcing (BPO) firms. While these industry shifts impacted office occupancy and rental rates, Eton Properties effectively adapted to the changing environment by leveraging its strategically located office spaces.

Notable leasing achievements included Centris Cyberpod One, which attained full occupancy, and Centris Cyberpod Three and Eton Cyberpod Corinthian, which reached occupancy rates of 92% and 81%, respectively. These strong performance indicators reinforced the attractiveness of Eton's office developments.

In commercial leasing, the company sustained demand for its retail spaces, with Eton Centris and Eton City Square continuing to drive leasing activity. Although residential leasing represented a smaller share of total revenue, the company strategically reallocated select inventory to sales, maximizing revenue potential while enhancing operational efficiency. This proactive approach to market shifts enabled Eton Properties to strengthen its overall financial health and optimize its asset utilization.

A defining milestone of 2024 was the resurgence of residential sales. The relaunch of sales activities in August 2023 unlocked pent-up demand, fueling a significant increase in transactions. Eton City, a 600-hectare master-planned township in Sta. Rosa, Laguna, emerged as a key driver of sales performance, while ready-for-occupancy units in prime locations across Metro Manila also generated strong interest from buyers. This renewed success in residential sales not only improved the company's revenue mix but also underscored its capability to capitalize on evolving market opportunities.

Growth Strategy

Eton Properties remains firmly committed to driving sustainable growth through strategic initiatives that enhance operational efficiency, financial performance, and long-term value creation. The Company has taken bold steps to integrate digital transformation into its operations, with the migration to S4 HANA serving as a key milestone in improving data management, financial reporting, and overall process automation.

These technological advancements are expected to streamline cost control, accelerate sales processing, and elevate the customer experience. Additionally, efforts to strengthen contract management and implement digital meter readings across all properties by 2025 are poised to further enhance operational efficiency.

The company is also focusing on optimizing capital utilization and cost management, implementing prudent financial controls to manage overhead expenses, repair costs, and project budgets.

By integrating sustainable practices into its developments, Eton Properties aims to ensure long-term profitability while maintaining its commitment to responsible business operations.

Redevelopment projects remain a core component of the company's growth strategy. The ongoing transformation of Eton City includes a comprehensive master plan revision that will introduce new industrial zones, catering to industries such as light manufacturing, logistics, and technology. The redevelopment of Eton Centris in Quezon City is another significant initiative, with planned enhancements aimed at improving accessibility, pedestrian flow, and commercial viability. In the residential segment, the expansion of 68 Roces in Quezon City will bring new premium inventory to the market, integrating smart home technology and modern amenities to meet evolving consumer preferences.

Outlook and Vision for the Future

As Eton looks ahead, it remains steadfast in its mission to push beyond traditional boundaries and redefine the future of real estate development. The company's long-term vision is anchored in operational excellence, digital transformation, and a commitment to delivering innovative and sustainable real estate solutions. By continuously adapting to market changes and investing in future-proof strategies, Eton is well-positioned to sustain growth, enhance profitability, and solidify its industry leadership.



The company's subsidiaries play a crucial role in shaping this vision. Eton City, Inc. continues to expand its footprint in Sta. Rosa, Laguna, with new developments that cater to both residential and commercial markets. Belton Communities, Inc. remains focused on providing high-quality housing for the mid-income segment, reinforcing Eton's commitment to inclusive property development.

Meanwhile, Eton Properties Management Corporation (EPMC) aims to boost revenue by modernizing parking systems, expanding leasing and property management, and centralizing repair and maintenance across all properties.

With a strong foundation and a forward-thinking approach, Eton is poised for continued success. The company's ability to embrace transformation, optimize its real estate assets, and anticipate market trends ensures that it will remain a key player in the Philippine property sector for years to come. By maintaining its focus on sustainable growth, operational efficiency, and customer-centric innovation, Eton is shaping a future that goes beyond boundaries and into new possibilities.

| Banking



2024 Key Highlights

Philippine National Bank (PNB) delivered a strong financial performance in 2024, reporting a consolidated net income of Php21.2 billion, reflecting an 11% year-on-year growth. This achievement was driven by robust core revenue streams, higher interest income, and improved credit quality, which resulted in lower credit losses. Net interest income, accounting for 83% of total operating income, grew by 11% to Php49.3 billion, supported by increased loans, investments, and higher yields. The Bank's solid financial position was further reinforced by a 4% increase in total assets to Php1.3 trillion and a 14% rise in total equity to P210.6 billion. These strong financial results improved the Bank's capital ratios, with its Common Equity Tier 1 Ratio and Capital Adequacy Ratio rising to 19.04% and 19.93%, respectively.

PNB also reached significant operational milestones, enhancing customer experience through digital advancements and service innovations. The Bank's mobile banking app recorded a 31% year-on-year growth in users, maintaining a 99.23% app availability rate.

PNB Digital received the 'Highly Acclaimed: Excellence in Customer Service Innovation' award at The Digital Banker's Digital CX Awards.

Additionally, the Bank's strategic deposit campaigns led to a 57% increase in online account openings. The Bank also received global recognition, with Forbes naming PNB the Best Bank in the Philippines in its list of the World's Best Banks 2024.

PNB took a major step in sustainability by updating its Sustainable Finance Framework and successfully issuing a US\$300-million sustainability bond, which was over 3.6 times oversubscribed, demonstrating strong investor confidence. The Bank also hosted its first Sustainability Thought Leadership Workshop, further solidifying its commitment to ESG principles.

Financial Highlights

PNB's consolidated net income reached Php21.2 billion, an 11% increase from 2023, supported by strong net interest income and improved asset quality. Net interest income rose by 11% to Php49.3 billion, with higher loan volumes and investment returns offsetting increased deposit costs. The Bank's other operating income, excluding one-off gains from the prior year, grew by 31%, driven by strong trading income and portfolio management strategies. Operating expenses were lower by 2% to Php33.5 billion in 2024, mainly due to lower provisions for impairment, credit, and other losses.

NPL cover was at 86.9% as of December 2024 compared to 90.8% as of December 2023. Credit provisions declined as asset quality improved, reinforcing the Bank's financial stability.

PNB's total assets expanded to Php1.3 trillion, driven by loan growth and an expanded investment portfolio. Total equity rose by 14% to Php210.6 billion, further strengthening its capital position. The Bank's Common Equity Tier 1 Ratio and Capital Adequacy Ratio improved to 19.04% and 19.93%, respectively, highlighting its solid financial foundation.

Operational Highlights

PNB remained committed to enhancing customer experience and digital innovation. The Bank's mobile banking app saw a 31% increase in users, with enhanced security measures reducing digital fraud incidents by 94%. The integration of the app with the Enterprise Fraud Management System and continuous customer education contributed to these security improvements. The Bank also introduced gamified promotions to drive digital adoption, leading to higher engagement and financial transactions.

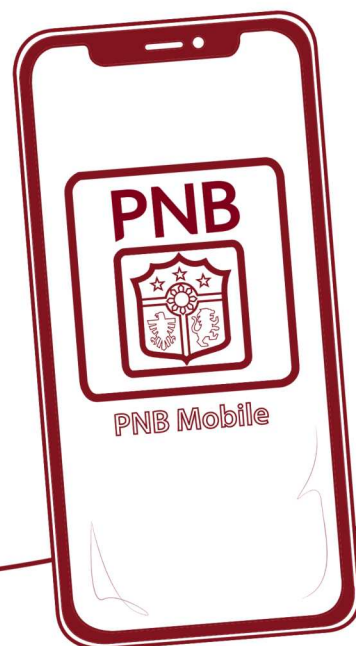
Retail banking continued to grow, with competitive deposit rates and promotional campaigns driving a 57% increase in online account openings. The Bank expanded its ATM and Cash Accept Machine network while optimizing its branch footprint. PNB's consumer finance business introduced new loan origination systems and digital solutions to enhance customer experience and streamline lending processes.

PNB strengthened its wealth management offerings with the launch of the PNB Private Wealth Portal, providing clients with market insights and portfolio management tools.

The Bank's investment research team continued to support clients with expert guidance, earning PNB the 'Best Bank for Investment Research in the Philippines' award from Euromoney.

Internationally, PNB reinforced its presence in key markets, focusing on remittance and home loan products for overseas Filipinos. The Bank also initiated a refresh of its Global Filipino brand to better serve its international clientele.

In sustainability, PNB revised its Sustainable Finance Framework and successfully issued a US\$300-million sustainability bond, receiving strong investor interest. The Bank's commitment to ESG principles was further emphasized through its first Sustainability Thought Leadership Workshop, which engaged industry experts and internal stakeholders in advancing sustainability initiatives.



PNB's excellence in banking was recognized globally, with Forbes naming it the Best Bank in the Philippines and the International Business Magazine Awards distinguishing it as the Most Admired Financial Services Provider of the Year. The Bank's rebranding campaign, Every Step Together, received multiple accolades, reinforcing its commitment to supporting customers at every stage of their financial journey.

Growth Strategy

PNB pursued strategic initiatives to drive long-term growth and strengthen its market position. The Bank focused on expanding its presence in the SME and consumer banking segments, launching targeted lending programs and improving loan origination systems to enhance efficiency. Incentives for loan sales and promotional activities were implemented to increase market penetration.

Deposit generation efforts centered on attracting low-cost deposits through branch network expansion, cash management solutions, and innovative banking products. The Bank intensified cross-selling efforts to deepen customer relationships and drive retention. Digital banking enhancements and customer-centric innovations further supported growth.

PNB also prioritized operational efficiency through increased automation and process improvements, ensuring agility and competitiveness in a dynamic banking landscape. The Bank's sustainability initiatives, including the revised Sustainable Finance Framework and sustainability bond issuance, underscored its commitment to responsible banking and long-term value creation.

Outlook and Vision for the Future

Looking ahead, PNB remains focused on driving sustainable growth, enhancing customer experience, and maintaining financial strength. The Bank aims to leverage technology to improve service delivery, expand its market reach, and deepen customer engagement. Investments in digital banking, cybersecurity, and innovative financial solutions will be key drivers of future growth.

PNB will continue strengthening its core businesses while exploring new opportunities in emerging markets. The Bank's commitment to sustainability and financial inclusivity aligns with the broader vision of pushing industry boundaries and creating meaningful progress across sectors. By fostering innovation and responsible banking, PNB contributes to the long-term economic and social well-being of the communities it serves.

With a solid financial foundation, strong market position, and unwavering dedication to excellence, PNB is poised to navigate challenges and seize opportunities in the years ahead. As the Bank moves forward, it remains committed to its mission of empowering customers, fostering innovation, and contributing to the nation's economic growth, every step of the way. Through these efforts, PNB plays a vital role in realizing *Vision Beyond Boundaries*, reinforcing its capacity to identify and act on emerging opportunities while driving sustainable impact.

You first.

| Tobacco



2024 Key Highlights

PMFTC Inc. (PMFTC), the business combination between the affiliate of Philip Morris International (PMI) in the Philippines and Fortune Tobacco Corporation (FTC), is one of the leading cigarette manufacturers in the Philippines. It manufactures 5 out of the top 10 cigarette brands available in the market today, led by Marlboro, the world's number one best selling cigarette brand, Chesterfield, one of the fastest growing cigarette brands in the Philippines, and Fortune, one of the largest heritage homegrown brands in the Philippines.

PMFTC is leading change across the Philippine tobacco industry, building a future on a new category of smoke-free products that, while not risk-free, are a much better choice than continued smoking, due to the elimination of combustion. Through multidisciplinary capabilities in science and technology, it is playing an active role in advancing the Philippine society toward a smoke-free future, offering adult smokers who would otherwise continue to smoke, better alternatives with its portfolio of smoke-free products, such as IQOS and ZYN.

PMFTC employs around 4,300 employees, including operations, and sources tobacco from around 12,000 tobacco farmers through its suppliers, Universal Leaf Philippines and Trans Manila Inc. PMFTC relies on its competent and collaborative workforce supported by individual development and a merit-based career management program that recognizes potential and rewards achievements.

PMFTC is continually shaping its people and culture to continue to thrive in the coming years and beyond.

As a responsible corporate citizen, PMFTC is committed to creating shared value through close collaboration with its stakeholders to address social and environmental challenges. PMFTC's community investment and sustainability initiatives are designed to meet local needs and align with global societal expectations, such as those articulated in the United Nations Sustainable Development Goals (UNSDGs). Sustainability is at the core of PMFTC's transformation. PMFTC's sustainability strategies continue apace as it seeks to tackle the impacts of both its products and operations.



In partnership with its stakeholders, PMFTC is dedicated to reflecting the collective aspirations of the Filipino people, as envisioned in the Philippines' Ambisyon Natin 2040.

2024 vs 2023 Results

Total nicotine industry in the Philippines declined as a result of the increased prevalence of illicit products, both combustible tobacco and vapes. The growth of illicit trade is at the expense of government revenues and legitimate manufacturers as the market witnessed a proliferation of illicit players, either producing locally without paying taxes or smuggling cigarettes and vape products into the country.

This issue is exacerbated by tax-driven price increases resulting in a widening price gap between legal and illicit cigarettes. For example, illicit cigarettes are sold in the Philippines market at consumer prices that are even below the current excise tax burden per pack (up to 40% lower), creating a huge unfair competitive advantage. Not only does illicit trade hurt the government revenues and the legitimate players, but the illicit profits from this industry are also used for various criminal activities.

PMFTC market share declined as well driven by downtrading from PMFTC premium portfolio to cheaper alternatives, partially offset by Chesterfield & Marlboro Crafted. Downtrading is primarily triggered by pressure on consumers' affordability challenges under higher inflationary trends.

The market contraction from illicit trade combined with share pressure resulted in a decline of PMFTC shipment volumes by 11.8%. On the other hand, the smoke-free products category, in earlier stages of maturity, exhibited a remarkable growth of 29.1%. Net income closed at PHP 12.9 bio primarily impacted by lower volumes, higher excise taxes, partially offset by pricing and streamlining of investments.

PMFTC stays the course when it comes to its strategy of building brand equity across its portfolio, increasing consumers' reach through distribution and availability, and developing a diverse and talented workforce to drive the business to greater heights.

Illicit Trade

The country has witnessed a rapid resurgence in illicit trade in recent years to reach an estimated 20% in 2024.¹ This percentage is significantly higher in more remote regions on the Philippines where law enforcement and border control are more challenging. For example, a survey conducted by Kantar in 2024 showed that Mindanao accounts for the highest incidence of illicit packs (43.7% in 2024 vs. 37.2% in 2023).

Excise taxes on cigarettes have increased annually, in most cases ahead of inflation, and as a result prices to consumers have followed suit, rapidly widening the gaps between legal and illicit cigarettes.

Based on the survey conducted by Kantar, illicit cigarettes are over 50% cheaper than legitimate cigarettes and present an attractive alternative for smokers, particularly the younger adults and those with low income. To exemplify the issue, those illicit cigarettes are sold at consumer prices that are even below the current excise tax burden per pack, creating a huge unfair competitive advantage.

The implications of illicit trade are wide-ranging, from severely diminishing government revenues, hurting legitimate manufacturers and all the ecosystem of employees, suppliers and distributors that it supports, as well as having illicit profits from this industry used for various criminal activities.

In response to the increasing incidence of illicit trade in the Philippines, PMFTC regularly engaged all stakeholders to raise awareness about the illegal cigarette trade problem and its implications. PMFTC lauds the government efforts to step up the pressure on its fight against illicit trade. The new Anti-Agri Economic Sabotage Law is a great example of it, bringing severe penalties for smuggling, including higher jail time. The new products standards, tax stamps and online age verification measures for e-cigarettes are other examples of robust regulatory initiatives taken by the authorities to tackle the illicit trade problem.

The intra-agencies coordinated efforts to seize illicit products have yielded excellent results with seizures of illicit products having doubled in 2024 vs. PY.

Operational Highlights

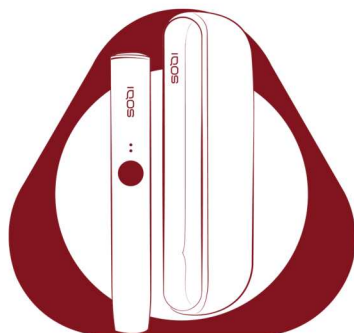
Sales and Marketing *IQOS: Stay Curious*

PMFTC unveiled the IQOS Stay Curious campaign in the Philippines in 2024. Designed to inspire exploration and discovery, this campaign invites legal-age smokers to consider a better alternative to cigarette smoking.

The campaign launch, held in November 2024, was an event where legal-age smokers (LAS) had an opportunity to discover and enjoy a feast of music, art, design, and culinary experiences curated by "IQOS Curiosity Setters".

¹Euromonitor estimate based on trade sources/national statistics (2024)

This launch was followed by a series of events, programs, and offers meant to show the range of experiences IQOS can bring to legal age nicotine users.



Through these initiatives, PMFTC strengthens its commitment to keeping the IQOS brand relevant and compelling for legal-age nicotine users looking for better alternatives, championing curiosity and innovation every step of the way.

ZYN: A Modern Way to Nicotine Moments

PMFTC continues to pave the way for a smoke-free future with ZYN since its launch in November 2023.

ZYN is the world's no.1 brand² of nicotine pouches designed for adult nicotine users seeking a discreet, smoke-free and tobacco-free alternative for nicotine consumption. These oral nicotine pouches provide a modern way to enjoy nicotine without combustion. Built around a superior product and brand, ZYN addresses the elevated needs of discerning adult nicotine consumers with a portfolio of products that offers unique taste experiences, and a range of nicotine strengths designed to satisfy the Filipino adult nicotine users' taste and preferences.

In December 2024, PMFTC introduced a pivotal innovation to the ZYN Portfolio: the 1.5 mg nicotine pouch. This latest product is available in three new variants and is designed to cater to existing Filipino adult nicotine users who are first-time users of nicotine pouches.

Continuous Support for CC Brands: Marlboro, Chesterfield and Fortune

Marlboro continues to uphold its position as the #1 cigarette brand³ in the Philippines. In 2024, PMFTC launched Marlboro Redland, an equity-building campaign to reinforce its leadership across all channels, bringing Flavor and Adventure through various promotional activities for age-verified adult smokers. Specifically, Marlboro Redland campaign included a nationwide raffle promotion where LAS could win various value-added offers (VAOs).

Chesterfield is the fastest growing brand of PMFTC since its launch in 2021 and it continued its strong growth momentum through 2024. Chesterfield deployed summer activations into various general trade point-of-sale (POS), achieving large-scale trials by LAS. To reinforce its brand equity beyond price-value, Chesterfield also participated in key summer festivals in select provinces nationwide.

When it comes to Fortune, for the third year in a row, the brand ran its Golden Ticket promotion with the aim to strengthen the brand's value proposition and further solidify its "Tropa" equity. The promotion was supported with limited edition packs, visibility materials at point-of-sale and on-the-ground activations.

Business Building Partnerships with Wholesale

Appwards Kasosyo (AK) is a digital business-to-business (B2B) platform that was launched to link PMFTC-covered wholesalers with retailers beyond PMFTC's direct coverage (ISR). This provides said ISR with access to various content and exclusive programs when they order PMFTC products using the app. In the first Grand 'Kasoshow' Convention, PMFTC invited AK's top wholesalers, where it showcased exclusive deals and exciting booths from PMFTC brands, Marlboro, Fortune, and Chesterfield.

² PMI reported global shipment volumes and in market estimates of nicotine pouch units, from July 2023 to June 2024

³ Nielsen Retail Trade Audit YT

Operations

Progressing further on its vision of a smoke free future, PMFTC inaugurated a brand-new PHP 8.8 billion (~\$ 150 million) investment in a Smoke-free Product (SFP) manufacturing facility last April 2024. The SFP factory is located within the current PMFTC manufacturing facility in Batangas. The inauguration was attended by the Philippines' First Lady, Liza Araneta-Marcos, other key government dignitaries and top PMI & PMFTC executives. The opening of the SFP facility marks the largest investment to date made by any organization in the SFP category in the country.

People and Culture

PMFTC's workforce is highly engaged and resilient as exemplified by the 2024 employee engagement scores which are significantly surpassing global external benchmarks. In 2024, PMFTC focused on embedding and embodying the PMI culture to build its foundation for success.

Embedding our Culture in our Everyday

PMFTC celebrated the PMI DNA (we care, we are better together, and we are game changers) with its employees across the Philippines, engaging around 4,300 employees in over 40 locations. The company-wide movement scored ratings of 95% for Awareness and 94% for Confidence. This shows how PMFTC took to heart the company values and behaviors, which are key to continued success.

Enabling Everyone's Growth

PMFTC is committed to grow and enable talents both locally and internationally. Locally, PMFTC has welcomed over 580 new talents, bringing with them unique skills & experiences to drive business performance to greater heights. PMFTC also keeps its exceptional reputation as a PMI Talent exporter with over 20 Filipino talents in development and growth opportunities globally, making their marks in various PMI offices worldwide.

Employees also had the opportunity to further grow and develop into their roles. With the launch of the new PMI Campus and the new Career Hub, employees now have better access to tools for development and career pathways that enable them to increase their skills set and explore opportunities for growth.

Fostering a Fair and Inclusive Culture and Promoting Well-being

For the 6th consecutive year, PMFTC has been granted the Equal Salary Certification. This certification is an affirmation that PMFTC is an organization committed to a fair and collaborative culture.

PMFTC also has two employee resource groups (ERGs), i.e., W1N PH and STR1PES PH, which help in driving a sense of belonging and providing opportunities to connect with colleagues, share experiences, and build supportive networks.

These ERGs are self-organized and driven to set up membership drives and engagements both internally and externally. With members from different backgrounds across different regions, PMFTC ERGs have become a global benchmark for ERG enablement in other regions.

SIGLA, PMFTC's wellbeing program, continues to ensure that employees proactively take accountability of their holistic wellbeing. PMFTC initiated 3 sports clubs in 2024 – Football, Basketball and Badminton. These clubs help create communities for employees who share the same passion for sports and fitness.

Outlook and Vision for the Future Looking Ahead

In 2025, PMFTC aims to sustain its competitive position in the combustible tobacco category as it progressively transitions to a smoke-free future. PMFTC is confident in its ability to lead the industry's smoke-free transformation in particular with its smoke-free portfolio which now includes the world's leading heat-not-burn brand, IQOS, and the world's leading nicotine pouch franchise, ZYN.

| Distilled Spirits



TANDUAY Distillers, Inc.

2024 Key Highlights

The Philippine economy demonstrated resilience in 2024, navigating geopolitical tensions and global uncertainties with a GDP growth rate of 6%. This growth was driven by robust domestic consumption, sustained government infrastructure spending, easing inflation rates, and a declining interest rate environment. The inflation rate slowed to 3.6%, a significant improvement from the previous year's 6%, while the USD to PHP exchange rate rose to Php58, reflecting a 5% depreciation of the peso.

Financial Highlights

Tanduay Distillers, Inc. achieved a major milestone in 2024, surpassing the Php2.0 billion mark in consolidated net income, reflecting a 37% year-on-year increase. This marks the fifth consecutive year of year-on-year net income growth. Strategic price adjustments, reduced raw material costs, and improved supplier terms propelled profitability despite statutory excise tax increases. Gross profit improved significantly, resulting in a gross profit margin increase to 14.6%.

The liquor segment maintained a dominant market share of approximately 32%, with a 10% rise in revenues to Php29.68 billion, driven by a 2% year-on-year sales volume increase and an 8% higher average selling price. The gross profit margin improved from 13.0% to 15.3%.

The bioethanol segment experienced flat sales volume and a 14% drop in gross profit, primarily due to higher molasses costs. This decline was partially offset by better recovery, as well as lower energy and maintenance expenses. On the other hand, denatured alcohol volume grew by 63%.

Operational Highlights

As part of the 2024 cost and efficiency strategy, the Tanduay Select brand began production at the El Salvador plant in December. This tactical move enhanced operational efficiency and is expected to deliver substantial supply chain savings. The brand has gained significant traction, registering a 32% year-on-year volume increase.

All Tanduay production plants achieved ISO 9001 certification in 2024, with the El Salvador and Murcia plants securing certification during the year. This achievement reflects the Company's focus on consistent quality, operational efficiency, and improved customer satisfaction.

Tanduay implemented its Enterprise Risk Management (ERM) program to ensure compliance with key regulations, such as the SEC's Code of Corporate Governance. The ERM ensures proactive management of key inherent business risks and aligns with the standards under ISO 31000.

Growth Strategy

Tanduay successfully completed the sale of its stake in Asian Alcohol Corporation, previously reported as an Asset Held for Sale. This move aligns with the Company's long-term strategic vision of optimizing its portfolio and focusing on its core business segments.

In line with its commitment to delivering value to shareholders, TDI declared and distributed Php602 million in cash dividends, reflecting the company's strong financial position and dedication to shareholder returns.

Outlook and Vision for the Future

The strong performance of the Philippine distilled spirits industry is expected to continue in 2025, supported by rising consumer disposable income and ongoing economic recovery.

Key operational initiatives were launched in 2024, focusing on strengthening the company's core market while fostering a culture of financial consciousness. The Quality Improvement Team (QIT) conference empowered employees to identify cost-saving measures and initiatives, driving operational efficiency.

Additionally, it served as a culture-building intervention, supporting a mindset of continuous improvement and teamwork within the organization. The establishment of the New Product Development (NPD) Team enhanced the entire product lifecycle, from ideation to market launch, ensuring alignment with market demands and company goals. In the same year, Tanduay launched the Tanduay Heritage Rum and Tanduay Reserve Rum 10-Year-Old, highlighting expertly crafted blends that honor its rich rum-making tradition.

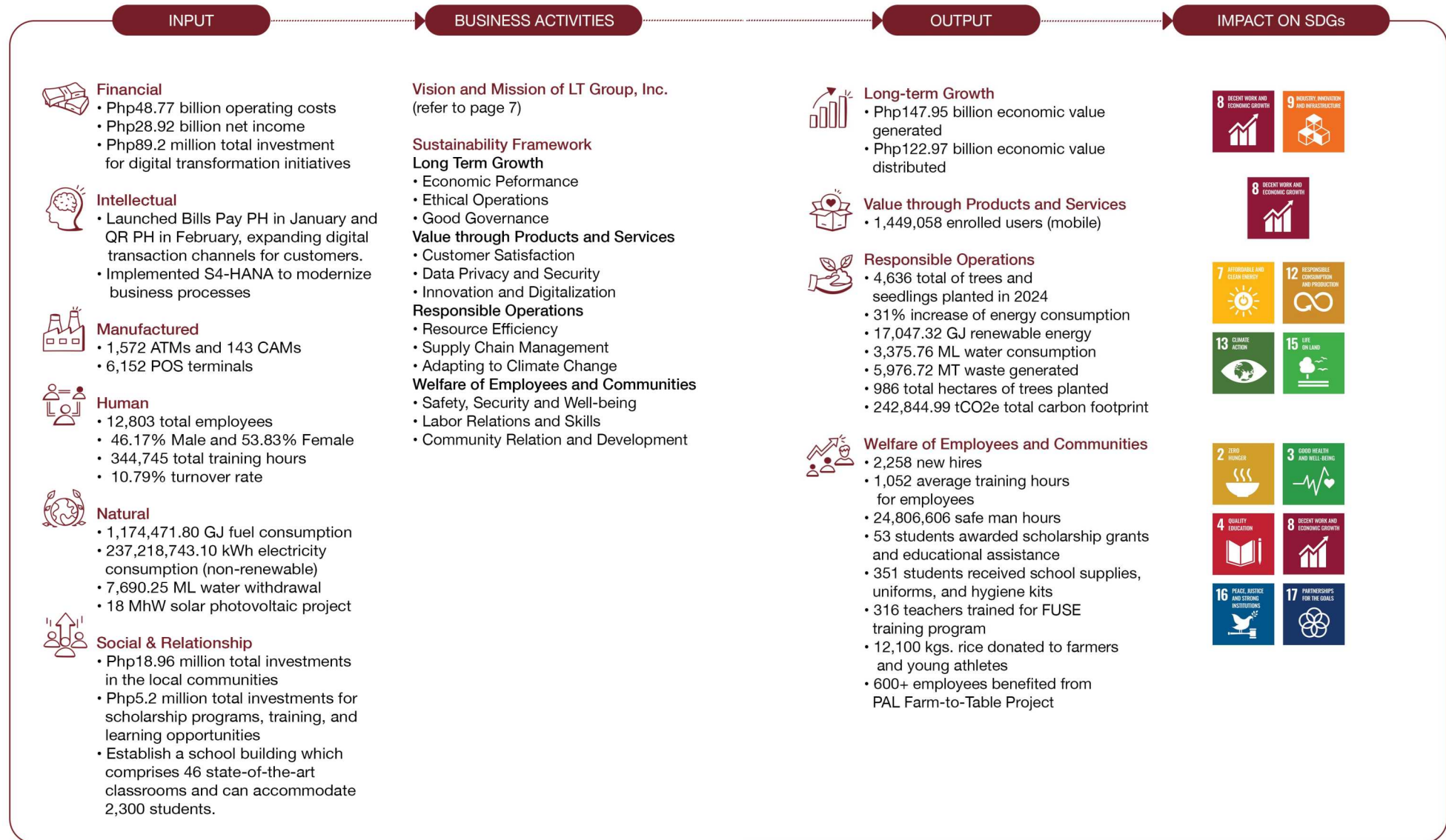
Tanduay is well-positioned to capitalize on emerging opportunities, further enhancing profitability, financial stability, and market share. Looking ahead, the company remains committed to innovation, operational excellence, and sustained growth, reinforcing its leadership in the industry.

Aligned with *Vision Beyond Boundaries*, Tanduay remains committed to pushing industry boundaries through innovation and strategic expansion. By identifying and acting on growth opportunities across its segments, the Company contributes to LT Group's broader mission of creating meaningful progress and sustainable impact in the communities it serves. Through responsible consumer goods, operational excellence, and market-driven strategies, the company will continue to drive forward, strengthening its leadership position while maintaining a steadfast commitment to quality and sustainability.



Embedding Sustainability in Our Footprint

Our Value Creation Model: LTG's Integrated Value Journey



At the heart of LT Group, Inc.'s business philosophy lies a comprehensive Value Creation Model that demonstrates how the company transforms diverse resources into substantial economic, social, and environmental impact.

Beyond financial returns, the Company focuses on creating long-term value through six key resources: financial, intellectual assets driving digital innovation, extensive infrastructure, a workforce of nearly 13,000 employees, responsible management of natural resources, and strong community relationships.

Guided by its vision of becoming a world-class conglomerate, the Company drives sustainable economic growth while addressing social challenges. Its strategic approach integrates sustainability into business operations, ensuring long-term growth alongside responsible practices. This commitment has resulted in nearly Php148 billion in Economic Value and digital services reaching 1.4 million users.

The Company's sustainability efforts include planting thousands of trees, reducing energy consumption by 31%, conserving water, and cutting its carbon footprint by 242,844.99 tCO₂e. Social responsibility is equally prioritized, with over 2,200 new jobs created, 24.8 million safe man-hours recorded, and initiatives like scholarships and the Farm-to-Table Project benefiting employees and communities.

LT Group, Inc.'s comprehensive approach to value creation aligns with multiple UN Sustainable Development Goals, positioning the company not just as a business leader but as a catalyst for sustainable development in the Philippines. By balancing economic prosperity with environmental stewardship and social welfare, the Company exemplifies how corporate success and sustainability can reinforce each other to create lasting positive impact.



Our Sustainability Framework: Building A Sustainable Future

GRI 2-6



As one of the Philippines' leading holding companies, the Company stands at the forefront of creating meaningful change where business excellence and environmental stewardship converge harmoniously. Our sustainability journey isn't merely a corporate initiative—it represents our fundamental commitment to shaping a future where economic prosperity and environmental responsibility are inseparable partners in progress.

Our Sustainability Framework emerges from the intersection of our core organizational values and comprehensive materiality assessments that identify our most significant impacts. This framework doesn't just guide our actions—it transforms our vision into measurable outcomes through carefully designed Key Performance Indicators (KPIs).

With a systematic review cycle every 2-5 years, we ensure our sustainability objectives remain relevant and forward-looking. The Parent Company provides critical oversight that maintains alignment across our diverse business portfolio while holding each entity accountable to our shared sustainability vision.



Long-Term Growth

We've demonstrated remarkable financial resilience amid market volatility while strategically strengthening our banking and beverage sectors to future-proof our business. By integrating robust governance structures and embedding sustainability principles into our core business strategy, we're building a foundation for enduring value creation that contributes to SDGs 8, 9, 10, 13, and 17.



Responsible Operations

Our operational excellence extends beyond efficiency to encompass comprehensive environmental stewardship. We're systematically reducing energy consumption and greenhouse gas emissions while implementing innovative waste management systems that embrace circular economy principles. Our commitment to environmental compliance and sustainable supply chain practices minimizes our ecological footprint while optimizing resource utilization, advancing SDGs 6, 7, 9, 12, and 13.



Value Through Products and Services

We continuously evolve our product portfolio to anticipate and exceed consumer expectations, maintaining an unwavering focus on quality and responsible sourcing. Sustainability principles are woven into our product development DNA, driving innovation that enhances customer satisfaction while leveraging technology to expand accessibility and convenience for all stakeholders, supporting SDGs 2, 3, 8, 9, and 12.



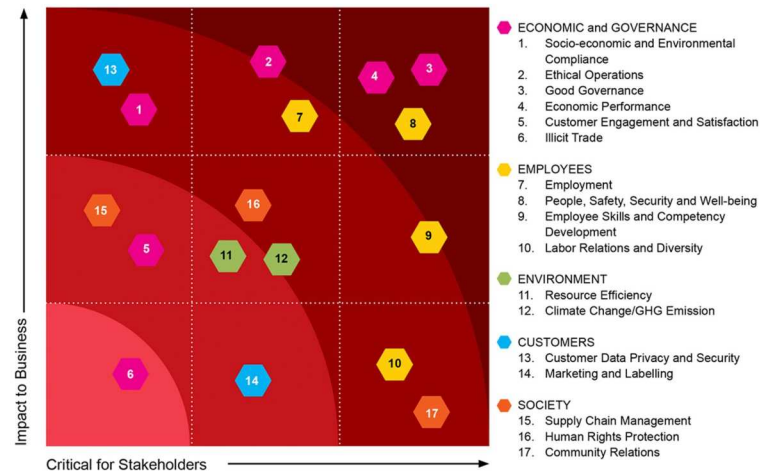
Welfare of Employees and Communities

Our most valuable resource—our people—thrive within comprehensive health, safety, and wellness programs that prioritize their well-being. We cultivate a workplace where diversity, equity, and inclusion flourish, empowering employees through continuous skills development. Beyond our walls, we actively strengthen communities through strategic CSR initiatives focused on education, healthcare, and sustainable livelihood opportunities, advancing SDGs 1, 3, 4, 5, 8, 10, 11, and 13.

Through this holistic framework, the Company is transforming business success into a powerful catalyst for positive societal and environmental impact—creating value that extends far beyond financial returns to nurture a more sustainable and equitable future for all.

Approach To Materiality & Stakeholder Engagement: Forging Meaningful Connections

GR 2-9, 2-29, 3-1, 3-2



At the Company, sustainability is not merely an add-on but a fundamental component woven into our corporate DNA. Each subsidiary's Board of Directors takes direct responsibility for embedding sustainability principles into their governance and risk management frameworks, ensuring these considerations influence every strategic decision.

Our materiality assessment process exemplifies our commitment to relevance and impact. Rather than imposing a one-size-fits-all approach, we empower each subsidiary to conduct tailored assessments that identify the sustainability issues most significant to their unique stakeholder ecosystem and operational context. This decentralized yet coordinated approach combines rigorous desk reviews with comprehensive stakeholder surveys to capture a holistic view of material concerns.

The insights gathered follow a structured reporting pathway—first to the Sustainability Technical Work Groups and Steering Committees at the subsidiary level, then to the Corporate Governance and Sustainability Committee at the Parent Company. This multi-tiered approach allows for both specialized focus and Group-wide strategic alignment, culminating in a consolidated assessment that prioritizes material topics based on stakeholder importance and business impact.

We recognize that sustainable value creation is impossible without a deep understanding of our stakeholders' evolving needs and expectations. The Company's stakeholder engagement framework is built on a foundation of tailored communication, genuine responsiveness, and shared value creation across five key stakeholder groups.



Government Agencies and Regulators

We maintain transparent and constructive relationships through policy dialogues, formal consultations, and regular compliance reporting. This proactive approach addresses critical concerns ranging from regulatory compliance to climate change mitigation, positioning the Company as a trusted partner in developing effective regulatory frameworks.



Employees

Recognizing our workforce as our most valuable asset, we foster meaningful engagement through diverse channels including toolbox meetings, labor consultations, and team-building activities. This comprehensive approach addresses key concerns around professional development, workplace safety, and well-being, creating an environment where employees feel valued and empowered.



Communities

Our community engagement transcends traditional philanthropy through strategic CSR initiatives and partnerships with NGOs, educational institutions, and local government units. These collaborations focus on addressing human rights concerns, strengthening community relations, and creating sustainable development opportunities in the areas where we operate.



Customers

We prioritize customer trust through multi-channel engagement strategies that span digital platforms, retail partnerships, and direct communication. Regular feedback mechanisms help us continuously improve our approach to data privacy, product quality, and service excellence, ensuring we remain responsive to evolving customer expectations.



Suppliers

Our commitment to responsible business practices extends throughout our value chain through structured supplier evaluations, partnership programs, and regular communication. This collaborative approach ensures alignment on ethical operations, resource efficiency, and environmental responsibility while strengthening our collective impact.

By systematically engaging these diverse stakeholder groups and transforming their feedback into actionable insights, LT Group, Inc. creates a virtuous cycle of continuous improvement that enhances our operations while generating lasting value for all stakeholders in our ecosystem.

Long-Term Growth

Economic Performance

GRI 3-3

AT A GLANCE

Php 28.92 Billion

Net income attributed to the parent company increased 14% from the previous year

Php 11.89 B

PNB remained a key growth driver

Tanduay posted its highest net income

Distilled spirits saw record-breaking results

12% increase

Tobacco continued its steady growth

Asia Brewery also performed well

Supported by robust sales of key product lines

A solid economic performance remains at the core of everything we do, allowing LT Group, Inc. to fulfill its commitments, drive responsible growth, and create lasting value for our stakeholders. While challenges have tested us over the years, they have also strengthened our ability to adapt and innovate.

In 2024, we achieved a consolidated net income attributed to the Parent Company of Php 28.92 billion, reflecting a 14% increase from the previous year. This growth is more than just figures on a balance sheet—it is a testament to our resilience, strategic direction, and steady recovery.



Strong, Steady Growth Across Key Sectors

The Company delivered strong and sustained growth in 2024, with consolidated attributable net income rising to Php 28.92 billion, up from Php 25.42 billion last year. This performance underscores our ability to navigate market dynamics while maintaining momentum across our diverse business segments.

Banking remained a key growth driver, with net income climbing 11% to Php 21.18 billion, driven by higher net interest income. LTG's share in PNB's earnings rose to Php 11.89 billion, compared to Php 10.75 billion in 2023.

Distilled spirits saw record-breaking results, with Tanduay Distillers posting its highest net income since LTG's IPO—Php 2.15 billion, marking a 37% increase. This was fueled by higher sales volume and selling prices.

Beverages also performed exceptionally well, as Asia Brewery's net income surged 46% to Php 841 million, supported by robust sales of key product lines.

Tobacco continued its steady growth, posting a 12% increase in net income to Php 12.77 billion, reflecting higher equitized earnings from PMFTC due to increased sales volume.

While Eton Properties Philippines recorded a 53% decline in net income to Php 212 million, the Company's consolidated revenues grew by 12% to Php 128.96 billion, bolstered by strength in banking, distilled spirits, beverages, tobacco, and property development.

Through strategic execution, cost-efficient management, and a steadfast commitment to growth, the Company remains well-positioned for continued success in the years ahead.



GRI 201-1

(in Php Billions)

	2024	2023	2022
Operating Costs	48.77	47.51	49.57
Employee Wages and Benefits	13.55	12.79	12.07
Payments to Government	27.94	24.42	26.31
Payments to Providers of Capital	32.70	29.06	24.77
Community Investments (in Php Millions)	18.96	49.96	0.03
Total Direct Economic Value Distributed	122.97	113.84	112.76
Total Economic Value Generated	147.95	134.86	128.28
Economic Value Retained	24.98	21.03	15.52

Ethical Operations

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

AT A GLANCE

11,703 employees

Received Anti-corruption
Training in 2024

ZERO

Major Incidents of
Corruption in 2024

Integrity is the foundation of LT Group, Inc.'s commitment to responsible leadership and long-term success. At the core of this commitment is the Code of Business Ethics, which upholds transparency, fairness, and accountability across all operations. A key provision within the Code is the strict prohibition of insider trading, ensuring that employees and stakeholders handle material non-public information with the highest legal and ethical standards.

In 2024, the Company strengthened its ethical governance framework, enhancing collaboration across subsidiaries to uphold the highest standards of conduct. LTG also maintained full compliance with all applicable laws and regulations, including environmental laws, with no recorded violations or penalties.

By embedding integrity into every aspect of our business, we reinforce resilience, accountability, and alignment with the highest ethical standards, ensuring continued trust from our stakeholders.

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



Group-wide Framework

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



Transparent Reporting and Whistleblowing Mechanisms

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



Collaborative Efforts with Subsidiaries

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



Empowering Employees through Education

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



Corporate Governance

GRI 2-9

Governance is more than a structural necessity—it is the compass that guides the Company toward success beyond numbers.

The year 2024 showcased the Company's exceptional growth, driven by teamwork, resilience, and an unwavering commitment to progress.

By embedding transparency, accountability, and ethical leadership into every decision, we ensure that our operations are not only effective but also aligned with the evolving expectations of our stakeholders.

More than just overcoming uncertainties, the year was defined by how people and organizations united to turn challenges into opportunities, demonstrating a vision that extends beyond immediate obstacles toward a future of limitless possibilities.

With a firm resolve, the Company took meaningful action on climate change, public health, and economic recovery. Numerous green initiatives were implemented, reinforcing its role in the global movement for a more sustainable tomorrow.

Embracing the evolving work landscape, the Company maintained hybrid work arrangements that empowered employees and partners to balance well-being with productivity.



Resilience was not just about endurance but also about adaptability, responding swiftly to change, leveraging innovation, and fostering collaboration. By prioritizing unity over division, the Company strengthened its ability to navigate an ever-shifting business landscape while seizing new opportunities for growth.

Guiding these efforts was the Company's Board of Directors and Management, whose leadership propelled the Company to new heights. Their steadfast commitment to good governance was recognized with the prestigious Two Golden Arrow Award at the 2024 ASEAN Corporate Governance Scorecard (ACGS) Golden Arrow Awards, held on September 19, 2024, at the Manila Marriott Hotel, a distinction that underscores the Company's adherence to excellence in corporate governance, covering its 2022 operations.

Beyond recognition, the Board remains steadfast in its role, ensuring the Company's sustained success through strategic oversight. By aligning with the Company's revised Mission and Vision Statements, its Revised Corporate Governance Manual, and the directives of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), the Board upholds the highest standards of governance. A key function of the Board is the annual review of the Company's vision and mission statements, ensuring they reflect the evolving business landscape and corporate values. On February 18, 2025, the Board reaffirmed this commitment by approving a revised Vision and Mission, embedding sustainability at the heart of the Company's future.

With a clear strategy and a commitment to responsible leadership, the Company continues to strengthen its governance framework, embrace innovation, and drive sustainable growth. By looking beyond immediate challenges and anticipating future opportunities, it remains well-positioned to create long-term value for its stakeholders. Anchored in its Vision Beyond Boundaries, the Company is dedicated to pushing past limitations, adapting to change, and setting new benchmarks for corporate excellence and sustainability.

Board of Directors

Dr. Lucio C. Tan

Filipino, 90 years old
Chairman and Chief Executive Officer of LT Group, Inc.
Committee Chairman, Executive Committee
Committee Chairman, Nomination and Compensation Committee



Carmen K. Tan

Filipino, 83 years old
Vice Chairman, LT Group, Inc.



Academic Background

Doctor of Philosophy, Major in Commerce, University of Sto. Tomas – Manila
BS Chemical Engineering, Far Eastern University

Date of First Appointment: July 2, 1999

Directorships and Positions in Listed Companies

Chairman - MacroAsia Corporation
Chairman - PAL Holdings, Inc.

Chairmanship in Board of Non-Listed Companies

Absolut Distillers, Inc.	Himmel Industries, Inc.
Alliedbankers Insurance Corporation	Philippine Airlines, Inc.
Allianz PNB Life Insurance	PMFTC, Inc.
Air Philippines Corporation	Progressive Farms, Inc.
Asia Brewery, Inc.	Tanduay Distillers, Inc.
Asian Alcohol Corporation	Tanduay Brands International, Inc.
Basic Holdings Corporation	Tangent Holdings Corporation
Buona Sorte Holdings, Inc.	The Charter House, Inc.
Eton Properties Philippines, Inc.	Trustmark Holdings Corporation
Fortune Tobacco Corporation	University of the East
Foremost Farms, Inc.	Zuma Holdings and Management Corporation
Grandspan Development Corporation	

Position in Other Organizations and Corporations:

Chairman Emeritus - Philippine National Bank

Academic Background

Paco Citizen Foundation (Formerly Paco Chinese School)

Date of First Appointment:

Vice Chairman – May 3, 2023
Director – May 5, 2010

Directorships in Listed Companies

MacroAsia Corporation
PAL Holdings, Inc.

Directorships in Non-Listed Companies

Philippine Airlines, Inc.
Air Philippines Corporation
Asia Brewery, Inc.
Buona Sorte Holdings, Inc.
Foremost Farms, Inc.
Dynamic Holdings, Ltd.
Eton City, Inc.
Fortune Tobacco Corporation
Himmel Industries, Inc.
PMFTC, Inc.
Progressive Farms, Inc.
Tanduay Distillers, Inc.
Manufacturing Services and Trade Corporation
Sipalay Trading Corporation

Saturn Holdings, Inc.
Tangent Holdings Corporation
Trustmark Holdings Corporation
Zuma Holdings and Management Corporation

Position in Other Organizations and Corporations:

Vice Chairman - Philippine Airlines, Inc.
Board Advisor - Philippine National Bank

Lucio C. Tan III

Filipino, 32 years old
President and Chief Operating Officer, LT Group, Inc.
Member, Executive Committee
Member, Nomination and Compensation Committee
Member, Corporate Governance and Sustainability Committee



Academic Background

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

Date of First Appointment:

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

Directorships in Listed Companies

PAL Holdings, Inc.
MacroAsia Corporation
Philippine National Bank

Directorships in Non-Listed Companies

Ali-Eton Property Development Corp.
Air Philippines Corporation
Allied Club, Inc.
Allied Water Services, Inc.
Asia Brewery, Inc.
Asia's Emerging Dragon Corporation
Asian Cancer Center, Inc.

Directorships in Non-Listed Companies (cont.)

Belton Communities, Inc.
Dominium Realty & Construction Corporation
Tanduay Distillers, Inc.
Dunman Holdings Corporation
Tanduay Brands International, Inc.
Sabre Travel Network Phils. Inc.
Dunmore Development 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.
PMFTC, Inc.
Philippine Airlines, Inc.
PNB Holdings Corporation
Prior Holdings Corp.
Qualisure Holdings, Inc.
REM Development Corporation
Shareholdings, Inc.
Silangan Holdings, Inc.
Sipalay Trading Corporation
Trustmark Holdings Corporation
Zuma Holdings and Management Corporation

Position in Other Organizations and Corporations:

President and Chief Operating Officer - PAL Holdings, Inc.
President and Chief Operating Officer - Tanduay Distillers, Inc.
President - Dunman Holdings Corporation
President - Tanduay Brands International, Inc.
Vice Chairman and President - Sabre Travel Network Phils. Inc.
Vice President - Dunmore Development Corporation

Karlu T. Say

Filipino, 55 years old
Member, Executive Committee
Member, Nomination and Compensation Committee



Academic Background

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

Date of First Appointment: May 5, 2021

Directorships in Non-Listed Companies

Dong-A Pharma Phils, Inc.
PNB Holdings Corporation
Alliedbankers Insurance Corporation
Eton Properties Philippines, Inc.
Eton Properties Management Corporation

Position in Other Organizations and Corporations:

President - PNB Holdings Corporation

Michael G. Tan

Filipino, 58 years old
Member, Executive Committee
Member, Nomination and Compensation Committee
Member, Corporate Governance and Sustainability Committee



Academic Background

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

Date of First Appointment: February 21, 2003

Directorships in Listed Companies

MacroAsia Corporation
Philippine National Bank
Victorias Milling Company, Inc.

Position in Other Organizations and Corporations:

President and Chief Operating Officer
- Asia Brewery, Inc.
Member - ASEAN Business Advisory Council
ASEAN BAC) representing the Philippines
Vice-President - Federation of Filipino-Chinese
Chambers of Commerce & Industry, Inc.
Treasurer - Zuma Holdings and Management
Corporation

Directorships in Non-Listed Companies

Asia Brewery, Inc.
Tangent Holdings Corp.
PMFTC Inc.
Absolut Distillers, Inc.
Tanduay Distillers, Inc.
Tanduay Brands International, Inc.
Trustmark Holdings Corporation
PNB Global Remittance and
Financial Company (HK) Ltd.
Saturn Holdings, Inc.
Maranaw Hotel (Century Park Hotel)
Pan-Asia Securities Corp.
Zuma Holdings and Management Corporation
Federation of Filipino-Chinese Chambers
of Commerce & Industry, Inc.
Philippine Chamber of Commerce
and Industry (PCCI)
Trustee of Help Educate and Rear Orphans
(HERO) Foundation, Inc.

Vivienne K. Tan

Filipino, 56 years old
Member, Executive Committee



Academic Background

Bachelor of Science – Double Degree in Mathematics and Computer Science,
University of San Francisco
Diploma in Fashion Design and Manufacturing Management,
Fashion Institute of Design and Merchandising

Date of First Appointment: May 7, 2019

Directorships in Listed Companies

Philippine National Bank

Directorships in Non-Listed Companies

Air Philippines Corporation
Eton Properties Philippines, Inc.
Trustee of University of the East
Trustee of University of the East Ramon Magsaysay Memorial Medical Center
Founding Chairperson - Entrepreneurs School of Asia
Founding Trustee of Philippine Center for Entrepreneurship (Go Negosyo)

Position in Other Organizations and Corporations:

Founding Chairperson - Entrepreneurs School of Asia

Juanita T. Tan Lee

Filipino, 82 years old
Treasurer, LT Group, Inc.
Member, Executive Committee
Member, Nomination and Compensation Committee
Member, Audit Committee
Member, Risk Management Committee
Member, Corporate Governance and Sustainability Committee



Academic Background

Bachelor of Science in Business Administration, University of the East

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

Directorships in Non-Listed Companies

Asia Brewery, Inc.
Tanduay Distillers, Inc.
Fortune Tobacco Corporation

Position in Other Organizations and Corporations:

Trustee of University of the East
Trustee of University of the East Ramon Magsaysay Memorial Medical Center Inc.
Corporate Secretary - Fortune Tobacco Corporation
Corporate Secretary - Absolut Distillers, Inc.
Corporate Secretary - Asian Alcohol Corporation
Corporate Secretary - The Charter House, Inc.
Corporate Secretary - Foremost Farms, Inc.
Corporate Secretary - Grandspan Development Corporation
Corporate Secretary - Himmel Industries, Inc.
Corporate Secretary - Landcom Realty Corporation
Corporate Secretary - PMFTC Inc.
Corporate Secretary - Progressive Farms, Inc.
Corporate Secretary - Total Bulk Corporation
Corporate Secretary - Basic Holdings Corporation
Treasurer – Asia Brewery, Inc.
Treasurer - Tanduay Distillers, Inc.
Treasurer - Philippine Airlines, Inc.
Treasurer - PAL Holdings, Inc.

Johnip G. Cua

Filipino, 68 years old
Committee Chairman, Audit Committee
Member, Risk Management Committee
Member, Executive Committee
Member, Corporate Governance and Sustainability Committee



Mary G. Ng

Filipino, 71 years old
Committee Chairman, Risk Management Committee
Member, Nomination and Compensation Committee
Member, Audit Committee
Member, Corporate Governance and Sustainability Committee



Academic Background

Bachelor of Science in Chemical Engineering, University of the Philippines

Date of First Appointment: May 8, 2018

Directorships in Listed Companies

MacroAsia Corporation
PAL Holdings, Inc.

Directorship in Non-Listed Companies

Taibrews Corporation	Philippine Airlines, Inc.
Asia Brewery, Inc.	PhilPlans First, Inc.
Tanduay Distillers, Inc.	Interbake Marketing Corporation
First Aviation Academy	Teambake Marketing Corporation
MacroAsia Catering Services, Inc.	Lartizan Corporation
MacroAsia Airport Services Corporation	Allied Botanical Corporation
MacroAsia SATS Food Industries Corporation	Zenori Corporation
MacroAsia SATS Inflight Services Corporation	Lufthansa Technik Philippines, Inc.

Position in Other Organizations and Corporations:

Former President - Procter & Gamble Philippines, Inc.
Chairman and President - Taibrews Corporation
Chairman of the Board of Trustees - P&Gers Fund, Inc.
Chairman of the Board of Trustees - Xavier School, Inc.
Member of the Board of Trustees - MGCC Foundation
Member of the Board of Trustees - Xavier School Educational & Trust Fund

Academic Background

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

Date of First Appointment: May 7, 2019

Directorship in Non-Listed Companies

Eton Properties Philippines, Inc.
Alliedbankers Insurance Corporation
Technical Educational and Skills Development (TESDA)
Philippine Dongshi Townmate Association, Inc.

Position in Other Organizations and Corporations:

Chief Executive Officer - H&E Group of Companies
Honorary President - Packaging Institute of the Philippines
Honorary President - Philippine Plastic Industrial Association of the Philippines
Honorary President - Association of Volunteer Fire Chiefs and Firefighters of the Philippines
President - Philippine Interscholar Sports Association
Affiliate Member - ISF International Sports Federation
First woman Chairman of the ASEAN Federation of Plastic Industries (AFPI)
Honorary Executive Vice President - Federation of Filipino-Chinese Chamber of Commerce and Industries
Vice President - Philippine Plak O Eng Chamber of Commerce
Vice President - Philippine Plak O Eng Uy's Association
Management and Operation Consultant - Foremost Farms, Incorporated
Former Department of Labor and Employment AMD Tripartite
Tripartite Member - National Tripartite Council

Wilfrido E. Sanchez

Filipino, 88 years old
Member, Nomination and Compensation Committee
Member, Audit Committee
Member, Risk Management Committee



Florencia G. Tarriela

Filipino, 78 years old
Committee Chairman, Corporate Governance and Sustainability Committee
Member, Audit Committee
Member, Risk Management Committee



Academic Background

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

Date of First Appointment: July 31, 2012

Directorships in Listed Companies

Philippine National Bank
EEI Corporation
House of Investments, Inc.

Directorship in Non-Listed Companies

Asia Brewery, Inc.
Tanduay Distillers, Inc.
Trustee of Gokongwei Brothers Foundation
Trustee of JVR Foundation
EMCOR, Inc.
J-Del Investments and Management Corp.
Kawasaki Motor Corp.
KS Prime Financial Corp.
K-Servico, Inc.
Trimotors Technology Corp.
Wodel, Inc.

Position in Other Organizations and Corporations:

Tax Counsel - Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm

Academic Background

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

Date of First Appointment: August 9, 2012

Directorship in Non-Listed Companies

Nickel Asia Philippines (NAC)
Tarriela Management Company
Gozon Development Corporation

Position in Other Organizations and Corporations:

Board of Advisor and former Chairman - Philippine National Bank
Vice President - Tarriela Management Company
Vice President/Assistant Treasurer - Gozon Development Corporation
Former Undersecretary of Finance
First Filipina Vice President of Citibank NA
Member of the Board of Trustees - Financial Executives of the Philippines (FINEX)
Member of the Board of Trustees - Tulay sa Pag-unlad, Inc. (TSPI)
Member of the Board of Trustees - TSPI MBA
Member of the Board of Trustees - Philippine Bible Society

Board of Directors

GRI 2-17

AT A GLANCE

Board leads with excellence and expertise

Comprised of directors with expertise in Corporate Governance, Finance & Tax, and Leadership

Six female Directors were re-elected

The Board is composed of six women and five men, all experts in their fields

Commitment to Good Governance

Compliance in electing four Independent Directors

The Board is responsible to oversee the strategic direction, governance and ethical conduct of an organization. It plays a crucial role in ensuring the organization's long-term success and sustainability and serves as the governing body whose members are elected by the shareholders during the Annual Stockholders' Meeting.

Board Composition

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

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

During the Annual Stockholders' Meeting (ASM) last May 3, 2024, the stockholders elected the eleven (11) member board consisting of six (6) accomplished women and five (5) accomplished men who are all experts in their respective fields.

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

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

Meetings and Attendance

In 2024, the Board of Directors conducted 19 meetings via remote communication. In full commitment to the Company, the Directors attended and actively participated in these meetings despite the virtual setting.

Board Responsibilities

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

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

Office	Name	No. of Meetings Attended	%Present
Chairman	Dr. Lucio C. Tan	19	100%
Vice Chairman	Carmen K. Tan	19	100%
Member	Lucio C. Tan III	19	100%
Member	Michael G. Tan	19	100%
Member	Karl T. Say	19	100%
Member	Vivienne K. Tan	19	100%
Member	Juanita T. Tan Lee	19	100%
Independent	Johnip G. Cua	19	100%
Independent	Mary G. Ng	19	100%
Independent	Wilfrido E. Sanchez	18	95%
Independent	Florencia G. Tarriela	19	100%

Nomination and Election of Directors

On March 20, 2024, the Company's Nomination and Compensation Committee held a meeting to discuss the nominees to the Board for the year 2024-2025.

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

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

Board Performance Evaluation

GRI 2-10

Good corporate governance practices suggest that the effectiveness of the Company's governance practices be regularly monitored, with adjustments made as needed. Following said recommendation, the members of the Board and the Committees were made to participate in the annual self-assessment to evaluate their individual and collective performance. A performance evaluation was conducted last January 21, 2025 covering the year 2024 operations, allowing the Directors and Committee members to assess their own performance as well as the implementation of corporate governance practices within the Company.

The Board performance is facilitated by the Office of the Corporate Secretary (OCS), following the guidance of the Corporate Governance and Sustainability Committee. The OCS thereafter consolidates and reviews the responses of the members of the Board.

Concurrent and Interlocking Directorships

GRI 2-23

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

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

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

Independent Directors

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

The Board ensures that the IDs possess all the necessary qualifications and none of the disqualifications to hold said position. Thus, in 2024, the Company elected four (4) IDs who are experts in their respective fields. They have the qualifications, background, experience, independence, and skills required for the proper execution of their functions individually and as a whole.

It is worth to note that two (2) of the IDs have already served and maximized the nine-year term allowed. Nevertheless, their re-nomination and re-election to the Board was in accordance with the SEC Memo Circular No. 4, Series of 2017 and the Company's Revised Corporate Governance Manual which provides that an ID who has served for more than nine (9) years may be re-nominated as such if: (i) The Nomination Committee endorses such nomination on meritorious grounds; and (ii) Approval of the stockholders is obtained during the Annual Stockholders' Meeting as allowed by the rules of the Securities and Exchange Commission (SEC). Prior to their re-nomination and re-election to the Board, the Company practiced due diligence and sought the approval of the SEC by providing meritorious justifications. Thereafter, the same was presented to the shareholders for approval during the Annual Stockholders' Meeting held on May 3, 2024.

Lead Independent Director

On October 12, 2021, the Company appointed Atty. Wilfrido E. Sanchez as its Lead Independent Director (LID). His roles include serving as an intermediary between the Chairman and other Directors, convening and chairing the meetings of NEDs and IDs, and contributing to the performance evaluation of the Chairman.

In line with his functions, the non-executive directors (NEDs) held a meeting on March 5, 2024 with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Company.



Board of Advisors

Having respected advisors adds to the Company's credibility and network which may help in attracting new investors and clients as their association with a company signals good governance.

Recognizing the advantage of having individuals specializing in different areas of business share their knowledge and expertise to provide guidance and strategic direction to the Board, the Company appointed five (5) Board advisors whose credentials may be found in this report and disclosed in the Company's website at www.ltg.com.ph.

These advisors help mitigate risks by leveraging their experience and expertise to foresee or identify potential pitfalls.

Chester Y. Luy

Filipino, 56 years old
Member, Corporate Governance and Sustainability Committee
Member, Audit Committee
Member, Risk Management Committee



Academic Background

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

Date of First Appointment: November 10, 2022

Directorships in Board of Non-Listed Companies

Tanduay Distillers, Inc.
PNB Europe Plc
PNB Global Remittance and Financial Corporation (Hong Kong)

Position in Other Organizations and Corporations:

Board of Advisor - Eton Properties Philippines, Inc.
Former Board of Advisor - Philippine National Bank
Member - Singapore Institute of Directors
Former Director - PNB-Mizuho Leasing and Finance Corporation
Former Executive Vice President, Head of Strategy Sector and Wealth Management Group, Senior Executive Vice President, Treasurer and Head for the Financial Advisory and Markets Group (comprised of the Treasury and Wealth Management Group) - Rizal Banking Corporation
Former Managing Director for Investment Banking, Corporate Finance, Credit Risk Analysis, Investment Management, and Wealth Management with several international banks based in New York, Singapore and Manila.
He worked with JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC
Former Director of a Singapore-based Real Estate and Hospitality Entity.



Eduardo Luis T. Luy

Filipino, 32 years old



Academic Background

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

Date of First Appointment: May 3, 2024

Directorships in Board of Listed Companies

MacroAsia Corporation

Directorships in Board of Non-Listed Companies

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

Position in Other Organizations and Corporations:

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

Peter Y. Ong

Filipino, 77 years old



Academic Background

Master's Degree in Management from the Asian Institute Management
Bachelor of Science in Commerce, Major in Accounting from the University of San Carlos
Chemical Engineering, Mapua Institute of Technology

Date of First Appointment: May 7, 2019

Directorships in Board of Non-Listed Companies

Merit Holdings & Equities Corporation
Fortune Tobacco Corporation
AlliedBankers Insurance Corporation
Allied Leasing and Finance Corporation
Solar Holdings Corporation

Position in Other Organizations and Corporations:

Treasurer - Merit Holdings & Equities Corporation
Former President - Air Philippines Corporation
Former Senior Vice President for Production - Fortune Tobacco Corporation
Former Director - Allied Savings Bank



Benito Carlo T. Pascual II

Filipino, 38 years old

Academic Background

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

Date of First Appointment: May 3, 2024

Directorships in Board of Non-Listed Companies

Naic Water Supply Corporation
Summa Water Resources, Inc.
Cavite AlliedKonsult Services Corporation
PNB Global Hong Kong
MacroAsia SATS Food Industries Corporation
ALI Eton Development Corporation
Kenmore Group of Companies (PNG)
Asia Brewery Xiamen
Eton Xiamen
Eton North China
Grandspan Development Corporation.

Position in Other Organizations and Corporations:

Treasurer - Merit Holdings & Equities Corporation
Former President - Air Philippines Corporation
Former Senior Vice President for Production - Fortune Tobacco Corporation
Former Director - Allied Savings Bank



Protacio T. Tacandong

Filipino, 74 years old

Academic Background

Master's Degree in Management from the Asian Institute Management
Bachelor of Science in Commerce, Major in Accounting from the University of San Carlos

Date of First Appointment: October 8, 2024

Position in Other Organizations and Corporations:

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

Management

GRI 2-11, 2-12

The Management consists of the key executives responsible to control and oversee the daily operations of the Company, in adherence to the principles and rules under the Revised Corporation Code of the Philippines, the Company's Articles of Incorporation and By-Laws, and internal policies.

It is led by the able and experienced leadership of its Chairman and Chief Executive Officer (CEO), Dr. Lucio C. Tan, together with its Vice Chairman, Ms. Carmen K. Tan, and Mr. Lucio C. Tan III, as President and Chief Operating Officer (COO). They are supported by the other officers of the Company who are:

Ms. Juanita T. Tan Lee, Treasurer

Atty. Ma. Cecilia L. Pesayco, Corporate Secretary and Chief Legal Counsel

Mr. Jose Gabriel D. Olives, Chief Financial Officer, Chief Risk Officer, and Chief Sustainability and ESG Officer, and Data Privacy Officer

Mr. Dioscoro Teodorico L. Lim, Chief Audit Executive

Mr. Nestor C. Mendones, Deputy Chief Financial Officer and Investor Relations Officer

Atty. Marivic T. Moya, Assistant Corporate Secretary and Compliance Officer

The complete profile of the Officers can be found in this report and in the Company's website at www.ltg.com.ph.

To ensure that the Management remains informed about matters that require its oversight, the Senior Management, including representatives from various departments across the different companies within the conglomerate, conducts meetings twice a month. During these meetings, they report and engage in in-depth discussions with the President and COO regarding the concerns and issues of the different subsidiaries.



Ma. Cecilia L. Pesayco

Filipino, 72 years old
Corporate Secretary/Chief Legal Counsel



Date of First Appointment:

Corporate Secretary - March 31, 1998 | Chief Legal Counsel - May 3, 2024

Position in Other Organizations and Corporations:

Corporate Secretary - Asia Brewery, Inc.
Corporate Secretary - Buona Sorte Holdings, Inc.
Corporate Secretary - PAL Holdings, Inc.
Corporate Secretary - Tangent Holdings Corporation
Corporate Secretary - Trustmark Holdings Corporation
Corporate Secretary - Zuma Holdings and Management Corporation
Chief Legal Counsel - Tan Yan Kee Foundation

The Company's Corporate Secretary is Atty. Ma. Cecilia L. Pesayco, a Filipino and a resident of the Philippines. She has been holding the said position since 2012. She is not the Compliance Officer or a member of the Board of Directors. Moreover, she attends annual training on Corporate Governance, in accordance with the recommendations for good governance practices and the Company's Revised Manual on Corporate Governance.

As the Corporate Secretary, she plays a significant role in supporting the Board in the discharge of their duties and responsibilities. Aside from her functions which include the preparation, signing, and logging of the minutes of the meetings of the Board of Directors, safekeeping of Company records, and ensuring that the Board and Management are aware of relevant issues as they arise, she likewise ensures that the members of the Board have access to accurate, relevant and timely information.

Atty. Pesayco is likewise the Company's Chief Legal Counsel. She took on the role in May 2024. She is a lawyer in good standing and is knowledgeable in laws, rules and regulations necessary in the performance of her duties and responsibilities.

Jose Gabriel D. Olives

Filipino, 78 years old
Chief Financial Officer (CFO)
Chief Risk Officer (CRO)
Chief Sustainability Officer (CSO) and ESG Officer
Data Privacy Officer



Dioscoro Teodorico L. Lim

Filipino, 70 years old
Chief Audit Executive



Date of First Appointment:

CFO - August 09, 2012 | CRO - July 9, 2019 | CSO and ESG Officer - May 9, 2023

Position in Other Organizations and Corporations:

Former Senior Vice President – Finance & Chief Financial Officer - Philippine Airlines, Inc.
Former Chief Finance Officer - Asia Brewery, Inc.

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

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

In his role as CFO, he is also responsible for ensuring that the Company maintains a sufficient cash position to meet its obligations, while ensuring that funds are spent wisely to enhance its market value. Additionally, he plays an active role in the strategic planning of the Company's activities alongside other members of Management, and makes important financial and investment decisions. Lastly, he oversees the coordination and control of various departments, including accounting, finance, and treasury, to ensure the effective and balanced allocation of financial resources.

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

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

Date of First Appointment:

Chief Audit Executive - July 11, 2017

Position in Other Organizations and Corporations:

Former Chief Audit Executive - Philippine National Bank

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



Marivic T. Moya

Filipino, 64 years old
Assistant Corporate Secretary and Compliance Officer



Nestor C. Mendones

Filipino, 70 years old
Deputy Chief Financial Officer

Date of First Appointment:

Assistant Corporate Secretary - June 09, 2014 | Compliance Officer - June 09, 2014

Position in Other Organizations and Corporations:

Corporate Secretary - Philippine Airlines, Inc.
Corporate Secretary - MacroAsia SATS Food Industries Corporation
Corporate Secretary - MacroAsia Airport Services Corp.
Corporate Secretary - Asia's Emerging Dragons Corp.
Corporate Secretary - Aqualink Resources Development Corporation
Corporate Secretary - Tera Connectivity and Information Inc.
Senior Vice President for Human Resources, Legal and External Relations,
Chief Compliance Officer and Chief Information Officer - MacroAsia Corporation
Corporate Secretary and Director - MacroAsia Properties Development Corp.
Corporate Secretary and Director - MacroAsia Air Taxi Services, Inc.
Corporate Secretary and Director - MacroAsia Mining Corp.
Corporate Secretary and Director - First Aviation Academy, Inc.
Corporate Secretary and Director - Naic Water Supply Corporation
Corporate Secretary and former Director - MacroAsia Catering Services Inc.
Corporate Secretary and former Director - SNV Resources Development Corp.
Corporate Secretary and former Director - Boracay Tubi System, Inc.
Corporate Secretary and former Director - Summa Water Resources, Inc.
Former Corporate Secretary and Director - MacroAsia SATS Inflight Services Corporation
Director and Treasurer - Watergy Business Solutions Inc.
Director and Treasurer - Cavite Business Resources Inc.
Director - Alliedkonsult Eco-solutions Corporation
Director - Cavite Alliedkonsult Services Corporation

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

Date of First Appointment:

Deputy Chief Financial Officer - August 09, 2012

Position in Other Organizations and Corporations:

Senior Vice President for Finance and Chief Risk Officer - Tanduay Distillers, Inc.

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

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

Orientation and Continuing Education Programs for Directors

In compliance with the SEC's Code of Corporate Governance for Publicly-Listed Companies, the Company conducts an orientation program for first-time directors and holds relevant annual continuing training for all directors.

SEC Memorandum Circular No. 20, series of 2013 requires members of the Board to annually attend a seminar on corporate governance which is conducted by an accredited and recognized private institution. In line with said Circular, the Company conducted a group wide Corporate Governance Seminar last October 1, 2024 via remote communication. The seminar lasted for four (4) hours with SGV & Co. as the service provider. The attendees included the senior officers and directors of the companies under the conglomerate, together with the other directors and officers under the expanded Lucio Tan Group.

Among the attendees were the following:

Board of Directors:

1. Dr. Lucio C. Tan
2. Carmen K. Tan
3. Lucio C. Tan III
4. Karlu T. Say
5. Michael G. Tan
6. Vivienne K. Tan
7. Juanita T. Tan Lee
8. Johnip G. Cua
9. Mary G. Ng
10. Atty. Wilfrido E. Sanchez
11. Florencia G. Tarriela

Board Advisors:

12. Peter Y. Ong
13. Chester Y. Luy
14. Eduardo Luis T. Luy
15. Benito Carlo T. Pascual II

Officers:

16. Atty. Ma. Cecilia L. Pesayco
17. Atty. Marivic T. Moya
18. Jose Gabriel D. Olives
19. Nestor C. Mendones
20. Dioscoro Teodorico L. Lim



Board Committees

Memberships					
Name	Audit	Corporate Governance & Sustainability	Executive	Nomination & Compensation	Risk Management
Dr. Lucio C. Tan			C	C	
Carmen K. Tan					
Lucio C. Tan III		✓	✓	✓	
Karlu T. Say			✓	✓	
Michael G. Tan		✓	✓	✓	
Vivienne K. Tan			✓		
Juanita T. Tan Lee	✓	✓	✓	✓	✓
Johnip G. Cua	C	✓	✓		✓
Mary G. Ng	✓	✓		✓	C
Wilfrido E. Sanchez	✓			✓	✓
Florencia G. Tarriela	✓	C			✓
Chester Y. Luy	✓	✓			✓

As a conglomerate with operations in diverse industries, committees are established to focus on specific functions and areas, supporting the Board in fulfilling its roles and responsibilities.

The five (5) committees are the (i) Audit Committee, (ii) Risk Management Committee, (iii) Executive Committee, (iv) Nomination and Compensation Committee, and (v) Corporate Governance and Sustainability Committee. The committees oversee the various tasks and operations of the Company and its subsidiaries.

The Board established a charter for each committee, outlining its composition, the qualifications of its members, and their functions, duties, and responsibilities, among other details.

Audit Committee (AC)

Message from the Chairman

To Our Esteemed Stakeholders,

It is with great pride that I address you as Chairman of the Audit Committee of LT Group, Inc. In our pursuit of excellence and a vision that transcends boundaries, financial integrity and transparent governance remain the bedrock upon which we build stakeholder trust. Our commitment to these principles guides every aspect of our oversight function as we navigate increasingly complex financial landscapes while safeguarding the interests of all who have placed their confidence in the Company.

Our Mandate: Vigilant Oversight

The Audit Committee serves as a cornerstone of good governance within LTG, assisting the Board in fulfilling its critical oversight responsibilities. Our comprehensive mandate encompasses reviewing the financial reporting process, evaluating internal control systems, overseeing both internal and external audit processes, and monitoring compliance with applicable laws, regulations, and our code of business conduct.

To execute these responsibilities effectively, we maintain robust working relationships with the Board of Directors, Management, and both Internal and External Auditors. Each member of our Committee brings a deep understanding of our specific responsibilities along with comprehensive knowledge of the Corporation's business operations and risk landscape. This foundation enables us to provide meaningful oversight that protects stakeholder interests and enhances corporate value.

Our Dedication to Accurate and Timely Financial Reporting

I am proud to report that LTG successfully submitted and disclosed our 2024 Consolidated Audited Financial Statements on February 28, 2025—well within the 60-day period from year-end. This achievement demonstrates our unwavering commitment to good governance practices and timely disclosure of financial information, enabling you, our stakeholders, to make informed decisions based on current and accurate financial data.



External Auditor Appointment Process

The Audit Committee takes very seriously its responsibility regarding the appointment, reappointment, removal, and fees of our External Auditor. Our rigorous evaluation process ensures that our External Auditor maintains the highest standards of independence, objectivity, and professional competence. We conduct regular assessments of their performance and independence, making recommendations to the Board based on our evaluation to ensure that our financial statements receive the appropriate level of expert scrutiny and verification.

Sound Internal Control Framework

I am pleased to confirm that LTG maintains sound and effective internal control measures across all aspects of our operations. The Audit Committee continually oversees and evaluates the adequacy and effectiveness of these control systems, which are designed to ensure the integrity of our financial reports and protect corporate assets for the benefit of all stockholders and stakeholders of the Corporation and its subsidiaries.

Our comprehensive internal control framework encompasses financial controls, operational controls, compliance controls, and risk management systems. Through regular assessments and continuous improvement initiatives, we enhance our control environment to address emerging risks and changing business conditions. This forward-looking approach aligns with our *Vision Beyond Boundaries*, as we seek not just to meet current standards, but to anticipate future needs. The Committee works closely with Management and Internal Audit to identify opportunities for strengthening controls and addressing any identified weaknesses promptly.

In closing, I would like to express my gratitude to my fellow Committee members, our Management team, and our auditors for their dedication and diligence. As we look toward horizons beyond traditional limits, the Audit Committee remains committed to safeguarding the interests of all stakeholders by ensuring financial integrity, transparent reporting, and sound governance practices throughout LTG.

Sincerely,

A handwritten signature in black ink, appearing to read 'Johnip G. Cua', written over a light blue horizontal line.

Johnip G. Cua
Chairman of Audit Committee

Mandate:

- Assist the Board in fulfilling its oversight responsibilities.
- Review (i) the financial reporting process, (ii) the system of internal control, (iii) the audit process, and (iv) the Corporation's process for monitoring compliance with laws and regulations and its own code of business conduct.
- Recommend the appointment, dismissal, replacement and re-appointment of the Company's External Auditor. Regularly review and evaluate the performance of its External Auditor before making the necessary recommendation to the Board for its approval.
- Meet with the External Auditors, without the presence of the Company's Management present, at least annually, to verify that the External Auditors act independently, and are given unrestricted access to all records, properties and personnel to enable it to perform its audit functions.
- Review the quarterly, half-year, and annual financial statements before their submission to the Board.
- Evaluate and determine the non-audit work of the External Auditor
- Review and evaluate the adequacy of the work performed by the CAE and the Internal Audit function.

Office	Name	No. of Meetings Attended	%Present	Length of Service in the Committee
Chairman (ID)	Johnip G. Cua	5	100%	7
Member (ID)	Mary G. Ng	4	80%	5
Member (ID)	Wilfrido E. Sanchez	5	100%	11
Member (ID)	Florencia G. Tarriela	4	80%	11
Member (ED)	Juanita T. Tan Lee	5	100%	11
Member	Chester Y. Luy	5	100%	2

A copy of the Committee charter and the summary of attendance for the year may be found in the Company website.

Meetings and Attendance:

- In 2024, the Committee held a total of five (5) meetings.
- Its charter provides that the Committee meet at least every quarter. Special meetings may be convened as required.
- The Internal or External Auditors may request for the convening of a meeting if they consider that it is necessary.
- All recommendations of the Committee shall be decided by a majority vote and thereafter submitted to the Board for approval. Issues arising at any meeting shall be resolved by a majority of votes of the members present, and in case of an equality of votes, the Chairman shall have a second or casting vote.

Structure and Membership:

- Chaired by an Independent Director. He is not simultaneously the Chairman of the Board or any other Committee.
- Composed of six (6) members, majority of whom are NEDs and four (4) are IDs, in accordance with its charter.
- All the members have relevant background, knowledge, skills, and experience in the areas of accounting, auditing or finance.

Risk Management Committee (RMC)

Message from the Chairman

To Our Esteemed Stakeholders,

In today's dynamic business environment, effective risk management is essential for sustainable growth and resilience. As Chairman of the Risk Management Committee of LT Group, Inc., I am pleased to share our strategic approach to navigating uncertainties while seizing opportunities.

Our Risk Assessment Framework: The RAG System

The Company employs the RAG (Red-Amber-Green) rating system across subsidiaries to assess risks:

Red indicators alert us to critical issues requiring immediate intervention and resource allocation.

Amber highlights emerging concerns that warrant close monitoring and proactive management to prevent escalation.

Green affirms areas operating within acceptable risk parameters, allowing us to focus resources where they are most needed.

This structured approach enables us to prioritize risk mitigation and guide subsidiaries in enhancing their risk management practices.

Our Mandate: Strategic Risk Mitigation

The Risk Management Committee assists the Board in fulfilling its oversight responsibilities by continuously monitoring the risk environment for LT Group Inc. We provide strategic direction for activities designed to mitigate, to an acceptable level, risks that may adversely affect the Company's ability to achieve its goals and transcend boundaries.



Our committee supports the Board in monitoring and mitigating risks that may impact the Company's objectives. We ensure continuous improvement in risk management, working closely with the Board and Management to align strategies with the Company's evolving risk landscape.

A key aspect of our mandate involves facilitating continuous improvement of the Company's capabilities around managing priority risks. To execute these responsibilities effectively, we maintain productive working relationships with the Board of Directors and Management. Each committee member brings a comprehensive understanding of our specific responsibilities alongside deep knowledge of the Corporation's business operations and risk landscape.

Risk Management Framework: Continuous Evolution

I am pleased to confirm that LTG maintains a comprehensive Risk Management Framework that undergoes periodic review to ensure its continued effectiveness. This includes rigorous oversight of Related Party Transactions (RPTs) to uphold governance and transparency. By adopting best practices and innovative methodologies, we enhance risk resilience while enabling strategic growth.

Adequacy of Risk Management Systems

I can confidently affirm that the Company maintains robust internal control and information management systems that provide accurate, timely, and clear financial and operational insights. Our commitment to continuous review of these systems ensure their adequacy in an evolving risk landscape, reinforcing resilience and agility.

I want to express my deepest gratitude to each Committee member and our management teams for their invaluable contributions to our risk management efforts. Your dedication ensures that our organization remains protected as we pursue our ambitious goals.

Rest assured, the Risk Management Committee will continue to provide the oversight and guidance needed to navigate challenges while supporting the strategic initiatives essential to our shared success.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary G. Ng'. The signature is stylized and fluid.

Mary G. Ng
Chairman of Risk Management
Committee

Mandate:

- Assist the Board in fulfilling its oversight responsibilities.
- Monitor the risk environment for the Company and provide direction for the activities to mitigate, to an acceptable level, the risks that may adversely affect the Company's ability to achieve its goals.
- Facilitate continuous improvement of the Company's capabilities around managing its priority risks.
- Oversee the evaluation of Related Party Transactions (RPT) that present the risk of potential abuse, thus ensuring that process and approvals are conducted at arm's length basis and that sound and objective judgment is exercised in deciding for the best interest of the Company.

Structure and Membership:

- Chaired by an Independent Director. She is not simultaneously the Chairman of the Board or any other Committee.
- Composed of six (6) members, majority of whom are NEDs and four (4) are IDs, in accordance with its charter.
- Each member has relevant background, knowledge, skills, and experience to properly and efficiently discharge his duties and responsibilities.



Office	Name	No. of Meetings Attended	%Present	Length of Service in the Committee
Chairman (ID)	Mary G. Ng	20	100%	3
Member (ID)	Johnip G. Cua	19	95%	3
Member (ID)	Wilfrido E. Sanchez	19	95%	3
Member (ID)	Florencia G. Tarriela	19	95%	3
Member (ED)	Juanita T. Tan Lee	20	100%	3
Member	Chester Y. Luy	20	100%	2

A copy of the Committee charter and the summary of attendance for the year may be found in the Company website.

Meetings and Attendance:

- In 2024, the Committee held a total of twenty (20) meetings to discuss the risk exposures of the Company and the different subsidiaries under the conglomerate based on Management reports, as well as the review and approval of the annual Sustainability Report.
- Meetings shall be convened as required or when the Committee deems it necessary to discuss current risk exposures based on Management reports. Special meetings may be convened as required.

- The subsidiaries' Chief Financial Officer (CFO) and the Chief Risk Officer (CRO) report their respective risk management frameworks and provide the Committee with updates on the significant risks found which require regular monitoring and their corresponding risk mitigation plans. As part of its functions, the members of the Committee provide insights and suggestions as to how the reported risks may be mitigated.
- All recommendations of the Committee shall be decided by a majority vote and thereafter submitted to the Board for approval. Issues arising at any meeting shall be resolved by a majority of votes of the members present, and in case of an equality of votes, the Chairman shall have a second or casting vote.

Executive Committee (EC)

Mandate:

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

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

Serve as a sounding board for Management on emerging issues, problems, and initiatives;

Report to the Board any official actions taken by the Committee, the same being subject to revisions and alterations by the Board; provided, that no rights of third persons shall be affected by any such revision or alteration;

Approve the business plan, operating budget, and capital expenditure each year, which shall be subject to confirmation by the Board.

Structure and Membership:

- Composed of seven (7) members, at least two (2) of whom are independent directors, in accordance with its charter.

Meetings and Attendance:

- As the Committee is expected to hold meetings as often as necessary or on an “as-need basis”, no EXCOM meeting was conducted in the year 2024 since no urgent matters required their decision or guidance.

Nomination and Compensation Committee (NCC)

Mandate:

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

Structure and Membership:

- Composed of seven (7) members, four (4) are NEDs, with at least two (2) IDs, in accordance with its charter.

Meetings and Attendance:

- As prescribed by its Charter, on March 20, 2024, the Committee convened and passed upon the pre-qualified and shortlisted candidates for election to the Board of Directors, including candidates for Independent Directors who shall constitute at least thirty percent (30%) of the members of the Board. The candidates were nominated and elected at the Annual Stockholders’ Meeting (ASM) held last May 3, 2024.

Office	Name	No. of Meetings Attended	%Present	Length of Service in the Committee
Chairman (ED)	Dr. Lucio C. Tan	1	100%	25
Member (ED)	Lucio C. Tan III	1	100%	2
Member (NED)	Karl T. Say	1	100%	4
Member (NED)	Michael G. Tan	1	100%	21
Member (ED)	Juanita T. Tan Lee	1	100%	12
Member (ID)	Mary G. Ng	1	100%	5
Member (ID)	Wilfrido E. Sanchez	1	100%	12

A copy of the Committee charter and the summary of attendance for the year may be found in the Company website.

Corporate Governance and Sustainability Committee (CGSC) Message from the Chairman

Dear Valued Stakeholders,

As the Chairman of the Corporate Governance and Sustainability Committee of LT Group, Inc. I am pleased to present our continued journey toward excellence in corporate governance and sustainability. Our commitment to our vision reflects our determination to look beyond boundaries, embracing responsible business practices that create lasting value for all our stakeholders.



Upholding the Highest Standards of Corporate Governance

I am proud to report that the Company remains in compliance with the code of corporate governance. Our business continues to be guided by unwavering ethical standards where integrity serves as the hallmark of all our dealings. We diligently disclose activities and decisions that benefit the Company and manage entrusted resources responsibly. Beyond compliance, we embrace principles that drive socio-economic development, environmental responsibility, and community engagement.

Commitment to Transparency and Timely Disclosures

Timely and accurate disclosures are central to our governance. We ensure prompt regulatory submissions, setting internal deadlines ahead of schedule. Upon acknowledgment by agencies such as the BIR, SEC, and PSE, these disclosures are made publicly available, reinforcing transparency.

Fulfilling Our Governance Mandate

We recognize that corporate governance is the system through which shareholders, creditors, and other stakeholders ensure that Management enhances the value of the Corporation in an increasingly global market. The Board of Directors shoulders the primary responsibility of ensuring that Management adheres to principles of good governance. Our Corporate Governance Committee Charter serves as our guide in assisting the Board to fulfill these critical responsibilities.

Advancing Our Sustainability Journey

The Company's sustainability strategy is built on four pillars: long-term growth, value creation, good governance, and stakeholder welfare. These guide our decisions as we integrate sustainability into our core operations, ensuring lasting success through responsible business practices.

Embracing International Standards

We adopt internationally recognized reporting frameworks. These include the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), IFRS S1 and S2, Integrated Reporting (IR), the United Nations' Sustainable Development Goals (SDGs), and the Accountability Stakeholder Engagement Standard.

Cultivating Board Diversity

We believe diversity strengthens decision-making and corporate performance. Our Board composition considers factors such as age, gender, culture, expertise, and professional background, equipping us to navigate challenges and opportunities effectively.

As we move forward, I extend my sincere gratitude for your trust and support. Together, we are building a sustainable, transparent, and responsible enterprise that delivers lasting value for all stakeholders while positively impacting society and the environment.

Sincerely,


Florencia G. Tarriela

Chairman of Corporate Governance
and Sustainability Committee

Mandate:

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

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

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

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

- Monitor and assess the Company's sustainability performance.

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

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

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



Office	Name	No. of Meetings Attended	%Present	Length of Service in the Committee
Chairman (ID)	Florencia G. Tarriela	5	100%	11
Member (ED)	Lucio C. Tan III	5	100%	2
Member (NED)	Michael G. Tan	5	100%	11
Member (ED)	Juanita T. Tan Lee	5	100%	11
Member (ID)	Johnip G. Cua	5	100%	7
Member (ID)	Mary G. Ng	5	100%	3
Member	Chester Y. Luy	5	100%	2

A copy of the Committee charter and the summary of attendance for the year may be found in the Company website.

Structure and Membership:

- Chaired by an Independent Director. She is not simultaneously the Chairman of the Board or any other Committee.
- Composed of seven (7) directors, majority of whom are independent directors, in accordance with its charter.
- Each member has relevant background, knowledge, skills, and experience to properly and efficiently discharge his duties and responsibilities.

Meetings and Attendance:

- In 2024, the Committee held five (5) meetings to discuss the corporate governance and sustainability practices observed by the Company and its subsidiaries, as well as updates on planned practices to be implemented.
- The Chief Sustainability Officer (CSO), together with the Sustainability Report Consultant, present before the Committee the annual Sustainability Report (SR) which covers the progress, status and monitoring of sustainability initiatives. Likewise reported to the Committee is the conduct of sustainability workshops on the Global Reporting Initiative (GRI) and other SR Reporting Standards.

Corporate Governance Manuals and Policies

The Company's Manual, which outlines key principles and practices, is rigorously enforced to guide its directors, officers, and management in fulfilling their roles and responsibilities.

Regular internal meetings are held to assess the adequacy and accuracy of the Manual and other Company policies. If updates are necessary, a report is prepared and submitted to the Corporate Governance and Sustainability Committee for approval.

The Corporate Secretary also ensures that the Board and Management are kept informed of the latest updates from various regulatory agencies, ensuring that governance practices remain aligned

Corporate Governance Confirmation Statement

The Company adheres to and fully complies with the recommendations of good corporate governance, as outlined in the SEC mandated submission of the Integrated Annual Corporate Governance Report (I-ACGR) and the Code of Corporate Governance for Publicly Listed Companies.

To ensure effective compliance, the Corporate Governance and Sustainability Committee conducts comprehensive meetings to identify matters that require implementation and resolution. Any outstanding issues are reviewed, and appropriate actions are taken to address them.



Awards and Distinctions

In 2024, as a testament to the Company's dedication to ongoing growth and improvement, it was honored with two (2) Golden Arrow Awards. This esteemed recognition was presented by the Institute of Corporate Directors (ICD) in acknowledgment of the Company's score of 94.90 points out of a possible 130.



Dealings in Securities and Trading Blackout

All directors and principal officers are required to report their dealings in the Company shares within three (3) business days. This is to allow the Company to disclose to the PSE and to the SEC any acquisition, disposal, or change in his or her shareholdings by filing the requisite SEC Form 23-B.

Moreover, they are likewise prohibited from dealing in the Company's securities during the period within which a material non-public information is obtained and up to two (2) full trading days after the price sensitive information is disclosed, bearing in mind the following dates for the Company's reports:

- Annual Report – within 105 days after the end of the fiscal year
- Quarterly Report – within 45 days from end of the first 3 quarters of the fiscal year
- Other periodical report – as may be prescribed by the PSE

The Company strictly observes and implements a policy against insider trading and fraudulent practices.

As such, its directors, officers, advisers, consultants and employees who may have knowledge on material facts regarding matters which may affect the Company are prohibited from trading on the Company's shares within the specified period.

To ensure compliance, the Office of the Corporate Secretary makes timely and constant reminders during Board meetings and via electronic mail. These rules are outlined in the Company's Code of Business Conduct and Ethics, as individuals should not benefit directly or indirectly from information that is not generally available to the market.

The following are the blackout periods before the financials are disclosed to the public:

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

During the Blackout, the covered persons are prohibited from trading.

Security Ownership of Management

In 2024, with the consistent and timely reminder of the Corporate Secretary and the cooperation of the Directors, officers and all covered employees within the Group, no instance of any insider trading has been reported within the Company.

As provided in the table below, the following are the Security Ownership of Management as of December 31, 2024:

Title of Class	Name of Beneficial Owner	Amount & 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	Karl T. Say	1,000 R (direct) & 530,000 (indirect)	Filipino	Nil
Common	Michael G. Tan	1,151,996 R (direct)	Filipino	Nil
Common	Vivienne K. Tan	1,000 R (direct)	Filipino	Nil
Common	Juanita T. Tan Lee	1,100 R (direct)	Filipino	Nil
Common	Johnp G. Cua	1,000 R (direct)	Filipino	Nil
Common	Mary G. Ng	1,000 R (direct)	Filipino	Nil
Common	Wilfrido E. Sanchez	1,000 R (direct)	Filipino	Nil
Common	Florencia G. Tarriela	1,100 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 the Company's total outstanding capital stock.

Ownership Structure

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

Title of Class	Name of Record Owner	Citizenship	No. of Shares	Percent of Class
Common	Tangent Holdings Corporation	Filipino	8,046,318,193	74.36%
Common	PCD Nominee Corporation	Filipino	1,411,416,085	12.34%
Common	PCD Nominee Corporation	Non-Filipino	676,220,704	6.25%

Disclosure and Transparency

Unstructured Disclosures

- In 2024, the Company made the following disclosures to the SEC and the Philippine Stock Exchange (PSE). Said disclosures were subsequently uploaded in the Company's website for proper and efficient dissemination of information to its Stockholders:

Date	Management Approvals
February 14, 2024	Calling of the Annual Stockholders' Meeting on May 3, 2024 at 10:00 a.m. via Remote Communication
February 23, 2024	Declaration of Cash Dividends
March 18, 2024	Press release: "LTG's attributable net income for 2023 amounted to Php25.42 billion, 1% higher than 2022's Php25.14 billion."
March 18, 2024	Approval of the Audited Consolidated Financial Statements for the period ending December 31, 2023
April 19, 2024	Appointment of Mr. Gijs Lambert Johan de Best as President of PMFTC, Inc.
May 13, 2024	Press Release: "LTG Reported an Attributable Net Income of Php6.42 Billion for the First Quarter of 2024, 1% Higher than 1Q23's Php6.38 Billion."
May 13, 2024	Approval of the Consolidated Financial Statements for the period ending March 31, 2024
May 20, 2024	Declaration of Cash Dividends
May 27, 2024	Approval of 2023 Integrated Annual Corporate Governance Report
August 12, 2024	Approval of the Consolidated Financial Statements for the period ending June 30, 2024
August 13, 2024	Press Release: "LTG reported an Attributable Net Income Php12.80Billion for the First Half of 2024, 2% lower than 1H23's Php13.00 Billion."
August 19, 2024	Declaration of Cash Dividends
October 9, 2024	Appointment of Mr. Protacio T. Tacandong as Advisor to the Board
October 22, 2024	Certificates of Attendance of the Company's Directors and Officers in Corporate Governance Seminar
October 25, 2024	Material Information/Transactions
November 12, 2024	Approval of the Consolidated Financial Statements for the period ending September 30, 2024
November 13, 2024	Press Release: "LTG's attributable net income for 9M24 reached Php19.82 billion, 3% higher than 9M23's Php19.25 billion."
November 18, 2024	Declaration of Cash Dividends

Disclosure and Timing

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

All these submissions or disclosures are then posted in the Company website at www.ltg.com.ph for immediate dissemination of information to its Stockholders and the investing public.

The timely submissions and disclosures made by the Company include material information, press releases, and declaration of dividends. Furthermore, in line with the recommended good governance practices,

- The Minutes of the Annual Stockholders' Meeting are uploaded in the Company website within five (5) days from the date of the meeting.
- The Audited Financial Statements (SEC Form 17-A) for the year was submitted to both the SEC and PSE on February 28, 2025, within sixty (60) days from year-end and before the deadline set by the SEC.
- The interim and quarterly financial statements and results of operations are submitted to the regulators within 45 days from the end of the financial period, as prescribed by the rules.

Analysts' Briefing

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

In 2024, the Company conducted four (4) analysts' briefings on:

- March 18, 2024;
- May 13, 2024;
- August 12, 2024; and
- November 12, 2024

Board Remuneration

GRI 2-19, 2-20

The Company's Directors receive an allowance of Php30,000 a month and a per diem of Php25,000.00 for every Board meeting attended, and Php15,000.00 for every Committee meeting attended.

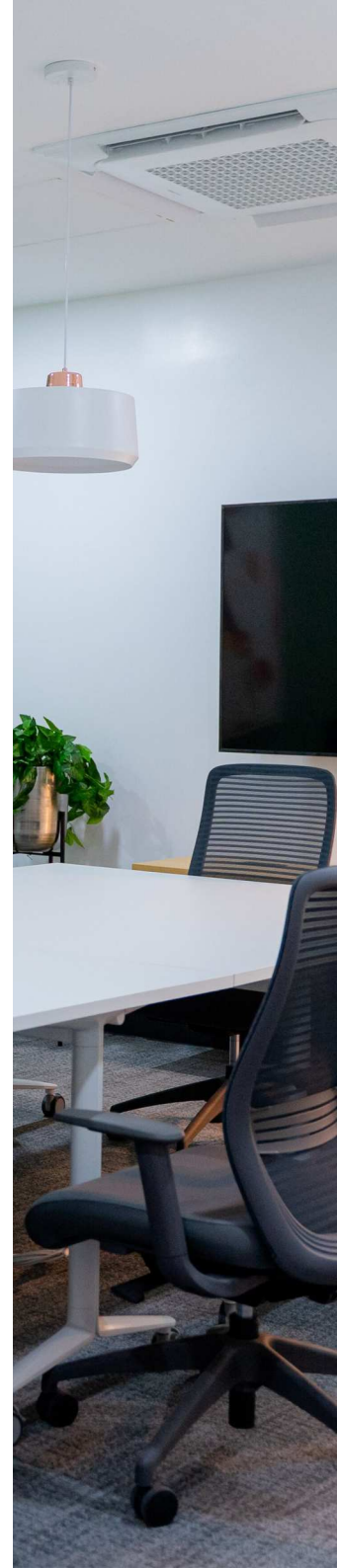
Other than those mentioned above, no other standard arrangements are received by the Directors of the Company as compensation, directly or indirectly, for any services rendered as such, including any additional amounts payable for Committee participation or special assignments, for the last completed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

	Year	Salary	Bonus	Others*
Four (4) most highly compensated executive officers (see below)	2025 (estimate)	10,643,160	943,140	3,668,500
	2024	9,675,600	857,400	3,335,000
	2023	8,662,400	721,867	2,995,000
All other officers and directors as a group unnamed	2025 (estimate)	--	--	11,605,000
	2024	--	--	10,550,000
	2023	500,000	41,667	8,365,000

*Others – Includes per diem of directors

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

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



Internal and External Auditor

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

On March 5, 2024, the Chief Audit Executive (CAE), Mr. Dioscoro Teodorico Lim, recommended to the Audit Committee (AC) the reappointment of Sycip Gorres Velayo & Co. (SGV & Co.) for the year 2024 to 2025. He reported that the Company had conducted a tender process and the recommendation was based on the result of such process and the ongoing performance evaluation of the external auditor. Likewise considered were the size of the auditing firm, its extensive knowledge on the Company's business, and the reduced security risk associated with re-engaging SGV & Co.

After thorough study and evaluation, the AC approved the CAE's proposal and recommended to the Board the retention of SGV & Co.'s services, with Ms. Aileen L. Sarangan as the partner-in-charge. The re-appointment was subsequently ratified by the stockholders during the ASM held last May 3, 2024. Accordingly, as part of its services, SGV & Co. provides the Company with updates on the latest circulars, rulings or revenue regulations from the Bureau of Internal Revenue, as well as updates on Philippine Financial Reporting Standards for the entire group of companies.

For the year 2024, the Company incurred audit fees of Php1,062,727.27 exclusive of Out-of-Pocket Expenses (OPE), or Php1,169,000, inclusive of OPE.

For non-audit services, the fees incurred was Php280,000.00.

Rights of Shareholders

1. Right to Participate

- Stockholders are urged to personally attend the ASM with an option to designate an authorized representative should they be unavailable.
- Stockholders holding at least one-third (1/3) of the subscribed and paid-up capital stock of the Company have (1) the right to call for a Special Stockholders' Meeting; and (2) the right to propose items in the agenda of the Stockholders' Meeting, provided the items are for legitimate business purposes.
- Notice to attend the Annual and Special Stockholders' Meeting, whether in person or by proxy, which includes sufficient and relevant information, are sent to the Stockholders at least 30 days before the meeting/s. Stockholders who choose to appoint a proxy to attend on their behalf are informed of the proper and necessary procedures on how to appoint one.
- In compliance with the Notice from the SEC dated February 23, 2024, Notices to the ASM held last May 3, 2024 were published in print and online format via the Philippine Daily Inquirer and Philippine Star, at least twenty-eight (28) days prior to the scheduled date of the Meeting. The publications included the Agenda for the meeting, the access link to all ASM documents, the process for proxy application in case a Stockholder may not be able to personally attend the Meeting, and the procedures on how to register and vote at the virtual meeting.

2. Right to Vote

- Stockholders are encouraged to vote by submitting their voting instructions to the Office of the Corporate Secretary within the period stated in the Notice to the Stockholders' Meeting.
- They have right to vote on corporate acts of fundamental importance, such as, but not limited to, the election, removal and replacement of Directors and the changes or amendments made to the Company's Articles of Incorporation and By-Laws.
- The affirmative vote of at least a majority of the stockholders present in person or by proxy during the said meeting, except for the election of Directors and such other matters where the law requires a different threshold for approval, is required in all matters submitted for voting in the ASM.

3. Right to Inspect or Examine Corporate Records

- Stockholders have the right to inspect corporate books and records, including minutes of Board meetings, stock registries, annual reports and financial statements by submitting to the Corporate Secretary a written notice for such purpose, provided that they have not misused any information previously gathered.

4. Right to Information

- The Company makes timely disclosures through the PSE website and its own website at www.ltg.com.ph to allow stockholders and the investing public immediate access to material information.
- Minority stockholders are furnished with relevant information as may be required by law on a timely and regular basis.

5. Right to Dividends

- In 2024, the Company four (4) times declared dividends out of its Unrestricted Retained Earnings. It strictly adheres to its dividend policy to distribute the dividends within 30 days from the time it is approved and declared.

6. Appraisal Right

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

Date	Dividends	Payment
February 23, 2024	Regular Cash Dividend of Php0.15 per share and Special Cash	March 20, 2024
May 17, 2024	Dividend of Php0.15 per share to all stockholders of record of LT Group, Inc. as of March 11, 2024	June 13, 2024
August 16, 2024	Special Cash Dividend of Php0.30 per share to all its Stockholders as of record of June 3, 2024	September 11, 2024
November 15, 2024	Special Cash Dividend of Php0.30 per share to all its Stockholders as of record of September 4, 2024	December 9, 2024
	Special Cash Dividend of Php0.35 per share to all its Stockholders as of record of December 2, 2024	

Sustainability Governance

GRI 2-15, 2-16

AT A GLANCE

Approval of the ESG and Sustainability Charter

Accessible and open communication with stakeholders

This year, we introduced the ESG and Sustainability Charter, a unified framework that integrates governance and sustainability practices across all subsidiaries. Once fully approved, the Charter will serve as a strategic blueprint, reinforcing our shared vision and ensuring that governance structures remain aligned with our long-term sustainability goals.

At the same time, we successfully implemented our Sustainability Framework, which received approval last year. This framework establishes clear KPIs for each subsidiary, ensuring alignment with both internal objectives and external regulatory requirements. By going beyond compliance, we proactively address ESG concerns, fostering resilience and creating lasting impact.

The Board of Directors, through its five key committees—including the Audit Committee, Risk Management Committee, and Corporate Governance and Sustainability Committee—plays a pivotal role in overseeing operations, shaping strategies, and managing risks. Sustainability and ESG matters are now a core part of the Board's agenda, with regular reviews and approvals of the Sustainability Report to ensure alignment with the Company's mission, vision, and strategic direction.



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

These senior executives, holding key leadership roles across Asia Brewery, Eton, PNB, PHC, and Tanduay, ensure that sustainability remains embedded in strategic decision-making, risk management, and operational execution. Their expertise spans supply chain, marketing and communications, corporate sustainability, and compliance, reinforcing a collective commitment to responsible business practices.

By aligning ESG leadership across subsidiaries, the Company fosters a cohesive and forward-thinking sustainability approach, reflecting its commitment to Vision Beyond Boundaries—a future where sustainability and business growth evolve hand in hand.

This governance framework is further strengthened by a robust system of checks and balances, ensuring accountability at all levels. The Board actively conducts annual self-assessments, evaluating both individual and collective performance to enhance governance efficiency. Additionally, directors are required to disclose any material transactions or potential conflicts of interest, with any ambiguities addressed through relevant committees or legal counsel.

By treating governance as a dynamic enabler of innovation and sustainability, we reinforce our commitment to long-term value creation for all stakeholders.

Stakeholder engagement remains a cornerstone of the Company's governance philosophy. Through active consultation, sustainability-related feedback from stakeholders is regularly presented to the Board, ensuring that governance strategies are informed, inclusive, and aligned with evolving expectations. This continuous dialogue enables the Company to anticipate challenges, seize opportunities, and extend its vision beyond boundaries, shaping a sustainable and resilient future for all.

Dedicated Sustainability Officer / Manager

GRI 2-14

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

Stakeholder Feedback Mechanism

An effective and dynamic feedback system is essential for fostering transparency, continuous improvement, and meaningful stakeholder engagement in LT Group, Inc.'s sustainability journey. We recognize that sustainable progress is driven by collaboration and open dialogue with our stakeholders.

To ensure accessible and open communication, the Company actively encourages stakeholders to share their insights, recommendations, and inquiries.



Responsible Operations

Supply Chain Management
GRI 2-6, 2-13, 3-3, 414-2

AT A GLANCE

Asia Brewery

Board Executive Committee provides strategic oversight of supply acquisitions and sourcing initiatives

Eton

implements rigorous supplier selection processes, including DOLE DO 174 certification requirements

PNB

combines stringent due diligence with comprehensive ESG criteria

Tanduay

prioritizes vendors with ISO certifications and regulatory compliance

PNB Holdings

reduces both carbon footprint and logistical risks with local supplier prioritization

Each subsidiary implements tailored initiatives to meet operational demands while contributing to the Company's commitment to responsible business practices.



Governance and Oversight

Establishes centralized policies and frameworks to guide supply chain management across all subsidiaries.



Local Sourcing Priority

Prioritizes local suppliers whenever possible to support the local economy. Implements stringent supplier selection criteria, including compliance with certifications such as DOLE DO 174.



Sustainability Integration

Aligns supply chain practices with the Group's ESG and Sustainability Charter. Incorporation of sustainability metrics into procurement processes, such as environmental compliance and ethical labor practices.



Risk Mitigation

Conducts thorough supplier vetting processes, including due diligence and proof-of-concept assessments. Implementation of Business Continuity Plans to address potential disruptions and ensure reliable supply chain operations.



Stakeholder Collaboration

Engages suppliers and other stakeholders to uphold ethical standards and align with the Group's sustainability objectives and encourage them to adopt sustainable practices.



Monitoring Evaluation

Continuously monitors supply chain performance for compliance with regulatory requirements and internal policies. Evaluation of suppliers regularly to ensure alignment with the Group's standards.

LT Group, Inc. maintains a unified approach to supply chain management that balances business efficiency, operational resilience, and sustainability objectives while allowing subsidiaries to implement sector-specific processes. In 2024, the Company strengthened its competitive position through streamlined processes, enhanced oversight, and robust risk management practices, resulting in a seamless and resilient supply chain with no identified significant environmental or social impacts during the reporting period.



Asia Brewery, Inc. prioritizes supply chain efficiency as a cornerstone of operational excellence. The Board Executive Committee provides strategic oversight of supply acquisitions and sourcing initiatives, ensuring both cost-effectiveness and dependability while shaping operational strategies that support long-term business objectives.



Tanduay Distillers, Inc. balances local and international supplier engagement, prioritizing vendors with ISO certifications and regulatory compliance to ensure both product quality and business sustainability.



PNB Holdings Corporation supplier accreditation process incorporates both business performance and sustainability standards, including SDG alignment and ethical labor practices. By prioritizing local suppliers, PHC reduces both carbon footprint and logistical risks while implementing proactive measures to address potential business challenges such as material shortages, price fluctuations, and labor constraints. The company's business initiatives include sustainable procurement practices, automated procurement processes, and strong supplier relationships that deliver both operational and sustainability benefits.



Eton Properties Philippines, Inc. has optimized its supply chain to enhance both customer satisfaction and operational performance. The company strengthened its competitive position by implementing rigorous supplier selection processes, including DOLE DO 174 certification requirements that ensure compliance with labor standards and ethical contracting practices. Eton's proactive risk management includes continuous monitoring for supply chain disruptions and strict regulatory compliance across all project sites.



Philippine National Bank's transparent procurement process operates under its Outsourcing and Accreditation Policy, combining rigorous due diligence with comprehensive ESG criteria including environmental compliance and gender inclusion.

The Bank's Procurement Committee evaluates bids using these standards, while its Business Continuity Plan maintains operational stability during unforeseen disruptions.



Human Rights

LT Group, Inc. continues to uphold its commitment to human rights across its supply chain, guided by its Human Rights Policy. This policy prohibits forced and child labor, harassment, and discrimination while promoting fair labor practices, workplace safety, and ethical business conduct that protect both human dignity and business reputation. For more information about our Human Rights Policy, [click here](#).



Illicit Trade

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

With such, PMFTC has bolstered its efforts to combat illicit trade through strategic partnerships and legislative advocacy. Participation in key initiatives, such as the 2nd International Tobacco Agricultural Summit and engagements with ASEAN Customs Enforcement and Compliance Group officials, highlight PMFTC's commitment to global and regional collaboration.

These efforts aim to harmonize anti-illicit trade policies across borders and promote shared enforcement strategies.

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

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

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

PMFTC has also enhanced its internal processes, implementing rigorous supply chain security measures and due diligence protocols to mitigate diversion risks. These measures ensure that products are distributed responsibly and in alignment with market demand.

PMFTC aims to limit illicit trade to manageable levels by reclaiming market share from counterfeit products and curbing demand through targeted retailer engagement and consumer awareness campaigns.

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

89 Sessions

Training conducted in 2024

3,000 Attendees

Receiving Training in 2024



Resource Efficiency

Energy and Emissions GRI 3-3

AT A GLANCE

Asia Brewery

implemented an ISO 50001-based Energy Management System across production facilities, plus business improvement initiatives

Eton

transitions select sites to solar power, implements LED lighting, and enforces rigorous energy conservation programs

PNB

powers its corporate offices with LED lighting, inverter-type air conditioning units, and employee engagement initiatives.

Tanduay

focuses on optimizing energy use across its facilities, improves coal acceptance procedures and solar energy integration

PNB Holdings

continues extensive studies on reducing energy consumption through electro-mechanical equipment replacement and energy-efficient fixtures

Energy efficiency represents both a cost management opportunity and environmental commitment for LT Group, Inc. The Company's approach integrates process refinement, sustainable technology investments, and stakeholder engagement to drive business performance while meeting sustainability goals.



Our subsidiaries continuously identify efficiency opportunities and set science-based energy reduction targets that deliver both operational savings and environmental benefits. While the Company is establishing systems to measure NOx, SOx, VOC, PM, and HAP emissions, we currently track energy consumption and carbon emissions as key performance indicators.

In 2024, total energy consumption reached 2,045,506.60 GJ with corresponding emissions of 75,099.32 tCO₂e (Scope 1) and 167,745.67 tCO₂e (Scope 2), representing a 31% increase in energy consumption and 25% increase in emissions—primarily due to expanded production volumes and business growth.

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

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

In 2024, our total energy consumption within the organization reached 2,045,506.6 gigajoules (GJ), marking an increase from 1,565,090.0 GJ in 2023 but remaining lower than our 2022 consumption of 2,549,615.2 GJ. This fluctuation in energy use reflects both operational adjustments and our ongoing efforts to optimize energy efficiency across our facilities.

A significant portion of our energy consumption comes from fuel use, particularly from non-renewable sources. In 2024, fuel consumption from non-renewable sources increased to 1,174,471.8 GJ, up from 887,913.3 GJ in 2023, yet still lower than the 1,788,471.4 GJ recorded in 2022.

This increase is largely driven by operational expansions and increased demand in certain regions.

When analyzing energy consumption by region, Luzon and Visayas accounted for the majority, consuming 1,069,466.8 GJ in 2024, compared to 842,275.8 GJ in 2023 and 1,646,688.3 GJ in 2022. Meanwhile, Mindanao's energy consumption rose to 105,005.0 GJ in 2024, a significant increase from 45,638.5 GJ in 2023 but still below the 141,783.1 GJ recorded in 2022. This upward trend in Mindanao reflects expanded operations and higher energy demand in the region.

Emissions Breakdown	2024	2023	2022
<i>Generator Sets</i>	26,566.71	27,677.1	10,008.00
<i>Company-owned Vehicles</i>	3,096.83	4,847.04	2,585.00
<i>Third-party vehicles</i>	-	-	-
<i>Others</i>	45,435.78	28,304.12	53,727.00
Scope 1 (tCO₂e)	75,099.32	60,828.27	66,320.17
<i>Luzon and Visayas (tCO₂e)</i>	149,643.42	115,630.16	133,537.47
<i>Mindanao (tCO₂e)</i>	18,098.17	18,152.64	16,088.75
<i>International (tCO₂e)*</i>	4.08	1.23	
Scope 2 (tCO₂e)	167,745.67	133,784.03	149,626.18
Total carbon footprint (tCO₂e)	242,844.99	194,612.30	215,946.35

As emissions grow alongside our operations, we remain committed to enhancing efficiency, integrating low-carbon solutions, and scaling up renewable energy adoption to drive long-term reductions. In 2024, our total carbon footprint reached 242,845.0 tCO₂e, reflecting an increase from 194,612.3 tCO₂e in 2023 and surpassing 215,946.4 tCO₂e in 2022. This rise aligns with increased energy and fuel consumption driven by operational expansions.

Scope 1 emissions rose to 75,099.3 tCO₂e in 2024, up from 60,828.3 tCO₂e in 2023. Key contributors include generator sets (26,566.7 tCO₂e) and company-owned vehicles (3,096.8 tCO₂e), with the latter showing a decline from 4,847.0 tCO₂e in the previous year.

Scope 2 emissions, linked to purchased electricity, also increased to 167,745.7 tCO₂e from 133,784.0 tCO₂e in 2023, largely due to higher electricity consumption across facilities. Regionally, Luzon and Visayas accounted for 149,643.4 tCO₂e, while Mindanao contributed 18,098.2 tCO₂e, remaining stable from 2023 levels. International operations recorded a minimal but rising footprint of 3.4 tCO₂e.

	2024	2023	2022
Total electricity consumption within the organization from renewable sources (kWh)	4,735,368.00		
Total electricity consumption within the organization from non-renewable sources (kWh)	237,218,743.10	188,104,787.83	211,434,909.06
<i>Luzon and Visayas (GJ)</i>	215,625,481.74	166,734,201.03	192,555,829.46
<i>Mindanao (GJ)</i>	21,362,727.36	21,300,916.80	18,879,080.60
<i>International (GJ)</i>	230,534.00	69,669.00	
Total Fuel Consumption (GJ)	1,174,471.81	887,913.26	1,788,471.40
<i>Bunker Fuel (GJ)</i>	526,442.75	367,785.36	586,022.92
<i>Coal (GJ)</i>	451,822.52	393,419.50	867,769.55
<i>Low Sulfur Fuel Oil (LSFO) (GJ)</i>	0.00	0.00	254.46
<i>Diesel (GJ)</i>	37,816.99	17,957.40	139,736.25
<i>Gasoline (GJ)</i>	13,928.61	1,409.37	14,604.13
<i>Liquefied Petroleum Gas (GJ)</i>	144,460.94	107,341.63	180,085.10

In 2024, our organization took a significant step toward integrating renewable energy into our operations, with total electricity consumption from renewable sources reaching 4,735,368 kWh. This marks an important milestone in our sustainability journey as we seek to diversify our energy mix and reduce our reliance on fossil fuels.

However, the majority of our electricity consumption still comes from non-renewable sources. In 2024, total electricity consumption from non-renewable sources increased to 237,218,743.1 kWh, up from 188,104,787.8 kWh in 2023 and surpassing the 211,434,909.0 kWh recorded in 2022. This rise in energy demand reflects operational

expansions, increased service delivery, and regional economic activities that required higher energy inputs.

Breaking this down by region, Luzon and Visayas accounted for the largest share, with consumption reaching 215,625,482.7 kWh in 2024—an increase from 166,734,201.0 kWh in 2023 and 192,555,829.4 kWh in 2022.

Mindanao's energy use remained relatively stable, registering 21,362,727.4 kWh in 2024, comparable to 21,300,916.8 kWh in 2023 but higher than 18,879,080.6 kWh in 2022.

Additionally, our international operations saw a rise in electricity consumption, reaching 230,534.0 kWh in 2024, up from 69,669.0 kWh in 2023. This reflects the scaling of our global operations and increased energy requirements for offshore or satellite facilities.

In 2024, total fuel consumption within the organization increased to 1,175,474.9 gigajoules (GJ), up from 887,913.2 GJ in 2023, though still significantly lower than the 1,788,471.4 GJ recorded in 2022. This rise reflects increased operational activities across our facilities, particularly in energy-intensive areas.

A breakdown of our fuel sources shows that bunker fuel remains the largest contributor, accounting for 526,442.8 GJ in 2024, a notable increase from 367,785.4 GJ in 2023, though still below the 586,022.9 GJ used in 2022. This uptick highlights the continued reliance on bunker fuel for critical operations.

Coal consumption also rose in 2024, reaching 451,822.5 GJ, compared to 393,419.5 GJ in 2023. While this increase signals greater energy demand, it remains significantly lower than the 867,769.6 GJ recorded in 2022, reflecting a broader effort to reduce coal dependency over time.

Diesel and gasoline consumption saw sharp increases, with diesel use rising to 36,550.6 GJ in 2024 from 17,957.4 GJ in 2023, and gasoline consumption surging to 16,198.2 GJ, up from just 1,409.4 GJ in the previous year. These jumps may be attributed to expanded transport and logistics operations.

Meanwhile, liquefied petroleum gas (LPG) usage grew to 144,460.9 GJ in 2024, compared to 107,341.6 GJ in 2023. This increase suggests a shift toward cleaner-burning fuels where feasible.

Notably, low sulfur fuel oil (LSFO) was not used in 2023 or 2024, reflecting the organization's move away from this fuel type, in contrast to its minimal consumption of 254.5 GJ in 2022.

Asia Brewery

has implemented an ISO 50001-based Energy Management System at its production facilities in Cabuyao, Sta. Rosa, Laguna, San Fernando, Pampanga, El Salvador, Misamis Oriental, and Toril, Davao.

Business improvement initiatives include:

- LED lighting conversion
- High-efficiency motors and inverters installation
- Room cooling system optimization
- A completed 18 MWh solar photovoltaic project at its Cabuyao facility, delivering Php 11 million in energy savings from 4
- MWh generated (total project investment: Php 468.8 million)
- Two additional solar PV projects (2 MWh in Pampanga and 3 MWh in El Salvador) scheduled for 2025 completion
- Optimized logistics practices including enhanced shuttle schedules and reduced forklift idling times



Under Operational Control



ISO Certification

Asia Brewery's facilities operate under the ISO 50001:2018 Energy Management System, demonstrating our commitment to systematic energy management.



Energy Reduction Role

Asia Brewery targets a 5% energy reduction per plant, while Eton properties aim for a 15% reduction across properties.



Sustainability in Action

Emission monitoring, preventive maintenance and compliance with environmental regulations are integral to our strategy, ensuring we meet both current standards and future sustainability goals.



PNB's

corporate offices feature LED lighting, inverter-type air conditioning units, and employee engagement initiatives that reduce both operational costs and environmental impact. Energy efficiency considerations are integral to property investment evaluations, and PNB's annual GHG accounting informs targeted reduction strategies for both Scope 1 and Scope 2 emissions.

PHC

has conducted extensive studies since 2021 on reducing energy consumption through electro-mechanical equipment replacement and energy-efficient fixtures. The company continues to explore sustainable power sources that can reduce operational costs while supporting more responsible energy consumption.

Tanduay Distillers

focuses on optimizing energy use across its facilities in Cabuyao, El Salvador, and Negros through improved coal acceptance procedures and solar energy integration at its Quiapo office. Performance is measured against Energy Use Ratio (EUR) targets that drive continuous operational improvement while ensuring compliance with regulatory emissions standards.

Eton Properties

prioritizes energy efficiency across its property portfolio as both a cost-saving measure and sustainability initiative. Current business improvements include transitioning select sites to solar power, implementing LED lighting across projects, and enforcing rigorous energy conservation programs at each property to achieve a targeted 15% reduction in energy consumption.



Water

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

AT A GLANCE

Asia Brewery

Targets a 5% reduction goal as part of its three-year business plan

Eton

Implements rehabilitated sewage treatment plants, comprehensive leak detection and elimination programs

PNB

integrates close consumption monitoring and proper effluent treatment

Tanduay

focuses on demineralization processes guided by Water Use Ratio (WUR) targets

PNB Holdings

maintains strict compliance with DENR and LLDA regulations for effluents and waste discharge

Water represents both a critical operational resource and sustainability priority for LT Group, Inc. Our comprehensive approach includes annual risk assessments, industry-specific efficiency frameworks, and strict prohibition of withdrawal from water-distressed sites to ensure business continuity and environmental responsibility.

In 2024, the Company recorded 3,375.76 ML in water consumption, reflecting slight increases due to higher production volumes and occupancy rates across subsidiaries. Despite this growth-related increase, we maintained our focus on water efficiency through preventive maintenance programs, effluent quality compliance, and long-term investments in facility upgrades to mitigate water scarcity risks.

Each subsidiary employs targeted initiatives to manage water use effectively, reflecting their unique operational demands.

Asia Brewery

targets high-demand water usage areas such as bottling operations and bottle-washing processes with a 5% reduction goal as part of its three-year business plan. These efficiency measures are supported by real-time monitoring systems and strict compliance with DENR effluent discharge standards.

Eton Properties

reduces operational water costs by reusing greywater through rehabilitated sewage treatment plants while implementing comprehensive leak detection and elimination programs that minimize consumption without compromising service quality.

PNB

integrates water efficiency into building operations through close consumption monitoring and proper effluent treatment at sewage treatment plants before discharge.

Tanduay Distillers

optimizes production water efficiency with particular focus on demineralization processes. Business improvements include sub meter installations, optimized waterline layouts, and connection to secondary water supplies to reduce groundwater dependence—all guided by Water Use Ratio (WUR) targets aligned with industry benchmarks.

PHC

ensures efficient water utilization through sub-meter monitoring and regular inspection and maintenance of plumbing infrastructure across its commercial properties, maintaining strict compliance with DENR and LLDA regulations regarding effluents and waste discharge.

In 2024, total water withdrawal increased to 7,690.3 megaliters (ML), up from 6,056.0 ML in 2023 and slightly exceeding the 7,562.6 ML recorded in 2022. This rise was driven primarily by higher groundwater extraction (6,038.0 ML) and greater reliance on third-party water sources (1,652.3 ML) to support operational needs.

Water discharge remained relatively stable, totaling 3,719.1 ML in 2024, compared to 3,786.1 ML in 2023. Surface water discharge declined to 1,853.0 ML, while seawater discharge (616.0 ML) and third-party water discharge (1,165.1 ML) reflected shifts in usage and disposal patterns.

Total water consumption, calculated as withdrawal minus discharge, increased significantly to 3,375.8 ML in 2024, up from 2,189.3 ML in 2023. This indicates higher operational water retention, emphasizing the need for enhanced efficiency and conservation efforts.

Water Withdrawal, Discharge, and Consumption in megaliters

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

	2024	2023	2022
Groundwater (ML)	6,038.00	5,107.95	6,402.09
Third-party water (ML)	1,652.25	948.04	1,160.45
Total Water Withdrawal (ML)	7,690.25	6,055.99	7,562.55
Surface Water (ML)	1,853.00	2,177.14	1,594.09
Groundwater (ML)	85.00	116.95	184.92
Seawater (ML)	616.00	891.79	504.16
Third-party water (ML)	1,165.12	600.23	570.53
Total Water Discharge (ML)	3,719.12	3,786.11	2,853.70
Total Water Consumed (ML)	3,375.76	2,189.25	2,374.13

Waste

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

AT A GLANCE

Asia Brewery

implements quarterly environmental audits with comprehensive waste management

Eton

maintains dedicated waste recovery facilities

PNB

reduces paper waste through digital transformation

Tanduay

drives waste reduction via 3Rs employee initiative

PNB Holdings

partners with accredited waste hauling companies for efficient disposal

LT Group, Inc. views effective waste management as both an operational efficiency opportunity and environmental responsibility. We set measurable targets—such as Asia Brewery's 5% waste reduction goal over three years—while focusing on increasing recycling rates, reducing landfill dependency, and developing innovative packaging solutions that address both production and consumer-generated waste.



Asia Brewery

implements comprehensive Solid Waste Management and Hazardous Materials and Waste Management Plans that incorporate alternative raw materials usage, packaging consumption monitoring, and recycling of used oils and solvents. Waste management performance is overseen by dedicated Pollution Control Officers (PCOs) at each plant, with quarterly audits ensuring policy compliance.

PNB

reduces operational costs through digitalization initiatives that minimize paper waste while promoting office materials reuse and recycling. Construction projects adhere to rigorous waste management standards, with trained PCOs maintaining compliance with environmental regulations adhere to rigorous waste management standards, with trained PCOs maintaining compliance with environmental regulations.

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

Waste by composition in metric tons (mt)	2024	2023	2022
Total hazardous waste	498.38	270.18	2,326.83
Total non-hazardous waste	5,478.34	4,191.68	5,540.75
Third-party vehicles	5,976.72	4,461.86	7,867.58

Waste Diversion

Recovery efforts, particularly through recycling and other recovery operations, contributed to waste reduction. Hazardous waste recycling increased to 8.64 mt, while non-hazardous waste recycling reached 7.67 mt. While progress has been made, there is an opportunity to scale up diversion initiatives further.

Tanduay Distillers

integrates waste reduction into employee onboarding through programs like Solid Waste Segregation and the 3Rs initiative. Operational improvements include compost pits and a Back-to-Supplier bottle reuse scheme, while hazardous waste is managed through DENR-accredited haulers subject to thorough due diligence.

Eton Properties

maintains stringent solid waste management policies across its properties with dedicated recovery facilities and tenant education programs promoting sustainable practices.

PHC

implements proper waste segregation and disposal throughout its building premises,

Waste diverted from disposal
by recovery operation in
metric tons (mt)

	2024	2023	2022
<i>Preparation for reuse</i>	14.08	0.00	0.00
<i>Recycling</i>	10.35	5.03	33.72
<i>Others</i>	12.59	43.00	3,039.55
Total Hazardous waste (mt)	37.02	48.03	3,073.27
<i>Preparation for reuse</i>	1,513.36	5.00	0.00
<i>Recycling</i>	15.94	2.30	974.41
<i>Others</i>	0.00	1,070.32	849.04
Total Non-hazardous waste (mt)	1,529.30	1,077.65	1,823.45

Waste directed to
disposal-by-disposal
operation (mt)

	2024	2023	2022
<i>Incineration (mt)</i>	7.83	0.00	0.16
<i>Landfilling (mt)</i>	367.47	179.1	1,904.63
<i>Others (mt)</i>	63.66	1,006.57	290.64
Total Hazardous waste (mt)	438.96	1,185.67	2,195.42
<i>Incineration (mt)</i>	0.00	0.20	0.17
<i>Landfilling (mt)</i>	3,719.07	3,198.97	3,137.04
<i>Others (mt)</i>	80.58	230.00	166.56
Total Non-hazardous waste (mt)	3,799.65	3,429.17	3,303.77

Total waste generation has steadily declined over the past three years, reaching 3,290.87 metric tons (mt) in 2024, down from 3,889.13 mt in 2023 and significantly lower than 7,867.58 mt in 2022. This reduction reflects strengthened waste minimization efforts and operational efficiencies.

Hazardous waste increased to 388.43 mt in 2024 from 261.45 mt in 2023 but remains well below 2022 levels (2,326.83 mt). Meanwhile, non-hazardous waste dropped to 2,902.44 mt, continuing a downward trend from 3,627.68 mt in 2023 and 5,540.75 mt in 2022.

Materials

AT A GLANCE

Asia Brewery

targets 40% plastic retrieval through lightweight PET bottles and recycled glass cullets

Eton

reuses recovered materials across projects using Property Management Software

PNB

extends asset lifecycles through preventive maintenance of fixed and IT equipment

Tanduay

reduces fuel usage by integrating biogas with coal in boiler systems

PNB Holdings

advances sustainability with LED lighting, green roofs, and precast construction components

LT Group, Inc. recognizes materials management as both a cost control opportunity and sustainability imperative. In 2024, the Company progressed toward circular economy principles by reducing material consumption, prioritizing renewable inputs, and minimizing environmental impacts across our diverse business portfolio.



Asia Brewery

continuously optimizes material usage through innovative packaging solutions like lightweight PET bottles and Returnable Glass Bottles (RGB) that maintain product quality while reducing material requirements. The company also utilizes recycled glass cullets and scrap plastic crates as manufacturing inputs, reducing virgin material dependence and associated costs. In response to the Extended Producers Act (RA 11898), Asia Brewery established a consumer product waste management program targeting 40% plastic retrieval in 2024.

Eton Properties

leverages its Property Management Software (My EPMC) to monitor material consumption and improve operational efficiency. By reusing recovered materials from tenants and residents in smaller projects, the company reduces both costs and environmental impact while enhancing its Building and Inventory Management capabilities.

PNB

extends material lifecycles through preventive maintenance and strategic upgrades of fixed assets and IT equipment, complemented by digitization initiatives that reduce paper consumption and office supply reuse programs.

Tanduay Distillers

demonstrates operational innovation by integrating biogas from digesters into its boiler systems, synchronized with coal to reduce both fuel usage and ash waste production. The Company's advanced storage facilities meet stringent safety and environmental standards for responsible material handling.

PHC

balances efficiency and sustainability through bulk ordering, inventory optimization, and innovative construction including precast and prefabricated components. The company implements renewable solutions like LED lighting, green roofs, and modular construction for new projects, while extending existing building lifespans through adaptive reuse and strategic retrofitting.

Asia Brewery

solar investments to PMFTC's market protection strategy, each initiative represents our determination to look beyond short-term considerations and industry conventions to create sustainable value for our shareholders and stakeholders alike. As we move forward, this boundary-transcending perspective will continue to guide our operational decisions and investments, ensuring the Company remains at the forefront of both business performance and responsible corporate citizenship.



Adapting to Climate Change

GRI 3-3, 201-2

AT A GLANCE

Corporate Governance Sustainability Committee

Formed the Corporate Governance Sustainability Committee to integrate climate risks into board decisions.

Enterprise Business Continuity Plan

Integrated climate risks into financial planning, with PNB's EBCP ensuring resilience.

Energy-Efficient Technology

Upgraded to LED lighting at PNB and enhanced maintenance at Asia Brewery for efficiency.

GHG Emissions Reduction

PNB assessed company-wide emissions in 2023, with a 1.5% reduction target under review.

LT Group Inc. integrates sustainability into the core of its governance and operations, recognizing the critical link between climate resilience and long-term business success.

Our approach extends across all subsidiaries, embedding climate-related considerations into board oversight, strategic planning, and risk management.

Governance

IFRS S2-6(a)

At LT Group Inc., our vision extends to how we govern climate-related risks and opportunities. Board oversight is seamlessly integrated into our governance structure through our newly established Corporate Governance Sustainability Committee. This committee represents our commitment to transcend traditional business boundaries by embedding sustainability at the highest decision-making levels.

Each subsidiary's Board of Directors—including Asia Brewery and PNB—implements this boundary-spanning approach by integrating sustainability principles into their strategic processes. PNB's board-level Risk Oversight Committee demonstrates this commitment through monthly climate-related reviews, while Asia Brewery aligns with global standards by preparing to implement Science-Based Targets initiatives (SBTi) for comprehensive emissions

Strategy

IFRS S2-9(a), IFRS S1-30(a), IFRS S1-33(a)

Our climate strategy embodies the *Vision Beyond Boundaries* philosophy by simultaneously addressing risks and pioneering opportunities. We identify potential disruptions like extreme weather events and evolving regulatory landscapes, incorporating these considerations into our strategic and financial planning processes.

At the subsidiary level, PNB exemplifies preparedness through its robust Enterprise Business Continuity Plan

(EBCP), ensuring operational resilience during climate-related disruptions.

Simultaneously, we're expanding boundaries through investments in energy-efficient technologies—from PNB's transition to LED lighting to Asia Brewery's advanced preventive maintenance practices—optimizing resource utilization while reducing our environmental footprint.

Our boundary-transcending approach includes exploring renewable energy options and accelerating digitalization efforts across operations. We further extend our vision through active stakeholder collaboration—engaging regulatory bodies, academic experts, and local communities in our sustainability journey. PNB's partnership with the Tan Yan Kee Foundation and university experts has strengthened its emissions reduction strategies, while Asia Brewery and Tanduay maintain continuous dialogue with process owners to uphold environmental performance standards.

Looking beyond our organizational boundaries, the Company is actively engaging suppliers to align with our sustainability vision, with plans to further extend our environmental impact management across the entire supply chain in 2024.

Risk Management

IFRS S2-25(a)

Our vision informs a comprehensive approach to climate risk management, embedding systematic identification, assessment, and mitigation practices into our enterprise framework. Asia Brewery demonstrates this through rigorous third-party emissions audits and regular environmental testing of critical parameters including boiler and generator set emissions.

PNB utilizes its Risk and Control Self-Assessment (RCSA) framework to evaluate environmental risk impacts and implement appropriate controls—including monthly reporting of loss events and continuous enhancement of disaster recovery protocols. Both Asia Brewery and PNB prioritize stakeholder engagement and regulatory compliance, reinforcing our boundary-spanning commitment to effective climate risk management.

Metrics and Targets

IFRS S2-29(a)

LT Group Inc. employs diverse metrics to assess and manage climate-related risks, pushing beyond conventional measurement boundaries. PNB conducted a comprehensive company-wide GHG emissions assessment in early 2023, utilizing innovative tools like a Carbon Footprint Calculator developed in collaboration with academic experts.

The Bank has established a preliminary target to reduce GHG emissions by 1.5% annually (pending management approval) and maintains rigorous monitoring of energy consumption and emissions.

Asia Brewery is expanding its environmental management capabilities by incorporating SBTi measures and regularly updating emissions protocols. Tanduay employs an Energy Use Ratio to measure energy efficiency per unit of product while maintaining open dialogue with stakeholders and closely monitoring environmental impacts.

For detailed information on our GHG emissions, resource utilization (including energy, materials, waste, and water), please refer to the Resource Efficiency section. Our complete sustainability metrics and targets framework is available in the Material Topics section.



Biodiversity Conservation

GRI 3-3, 304-2

AT A GLANCE

Over 3,391 seedlings were planted
in critical areas to promote reforestation.

100% adherence
to DENR effluent and air quality standards.

Quarterly testing
of surface and groundwater quality

986 hectares
reforested under the Dr. Lucio Tan Legacy
Forest Project.

Reduction of 725.24 metric tons of
solid waste
Through waste segregation.

Multiple river clean-up drive
led by Tanduary and volunteer employees.

We recognize our profound responsibility as environmental stewards across our operations. Our Vision Beyond Boundaries philosophy extends naturally to ecosystem protection, with biodiversity firmly integrated as a material topic within our comprehensive sustainability framework.

Spotlight

Our biodiversity conservation efforts represent a fundamental expression of LT Group Inc.'s *Vision Beyond Boundaries*—extending our responsibility and influence beyond immediate operational concerns.

Our approach to biodiversity protection delivered measurable results in 2024:

- Strategic Reforestation: Planted 3,391 seedlings in high-priority ecological areas and maintained 986 hectares under the Dr. Lucio C. Tan Legacy Forest Project
- Environmental Compliance Excellence: Maintained 100% adherence to DENR standards for air and water quality, with quarterly testing of surface and groundwater resources
- Community Engagement: Conducted multiple river cleanup initiatives led by Tanduary employees, complemented by biodiversity awareness campaigns for communities
- Clean Energy Transition: Implemented renewable energy technologies across Eton properties to minimize biodiversity-impacting emissions
- Impact Assessment: Maintained zero significant negative biodiversity impacts across all subsidiaries

Throughout 2024, we implemented strategic initiatives across the Group that transcend traditional business boundaries to preserve biodiversity, even where our operations have no direct environmental impact.

Most notably, Eton formed a groundbreaking partnership with the ASEAN Centre for Biodiversity (ACB), becoming the first Philippine real estate company to collaborate with an ASEAN organization on biodiversity and sustainability.



Value Through Products and Services

Customer Satisfaction
GRI 3-3, 2-27

AT A GLANCE

Asia Brewery

maintained zero food safety complaints in 2024, ensuring top-quality products through strict standards.

Eton

improved tenant experience with real-time feedback monitoring and sustainability efforts.

Tanduay

earned ISO, HACCP, and HALAL certifications, refining products through continuous feedback.

Health & Safety

Asia Brewery and Tanduay uphold strict quality standards, ensuring consumer protection.

Marketing & Labeling

Developing low- and no-alcohol options to promote transparency and responsible consumption.

At LTG, our *Vision Beyond Boundaries* transforms how we approach customer satisfaction—elevating it from a business metric to a core strategic imperative. We prioritize delivering exceptional value through quality products, ethical practices, and boundary-breaking innovations that anticipate and exceed customer expectations.



Customer satisfaction and retention serve as fundamental performance indicators deeply embedded in our business strategy. Through comprehensive monitoring mechanisms—including Net Promoter Scores, diverse feedback channels, and customized engagement programs—we ensure that customer voices actively shape our operations and drive continuous improvement.

Across our subsidiaries, we transcend traditional customer service boundaries by fostering open communication through multiple channels, ensuring that customer concerns receive prompt and effective resolution. Our sophisticated feedback loops—implemented through surveys, dedicated service hotlines, and integrated digital platforms—enable us to identify enhancement opportunities and strengthen stakeholder relationships.

To reinforce transparency beyond conventional limits, we publicly disclose key performance metrics, including satisfaction levels and retention rates. Our commitment to regulatory excellence remains unwavering, with a pristine compliance record free of violations or fines related to labeling, marketing codes, or ethical advertising standards. Our internal protocols ensure that any product recalls are managed with exceptional speed and responsibility, preserving the trust we've built with our customers.

Subsidiary Performance in Expanding Boundaries of Service

Asia Brewery: Pioneering Safety and Quality

Asia Brewery exemplifies our boundary-spanning approach through its comprehensive Food Safety and Quality Policy, which establishes an uncompromising commitment to manufacturing safe, premium-quality products. The company implements a sophisticated Food Safety and Quality Management System aligned with international benchmarks, ensuring full compliance with all regulatory requirements.

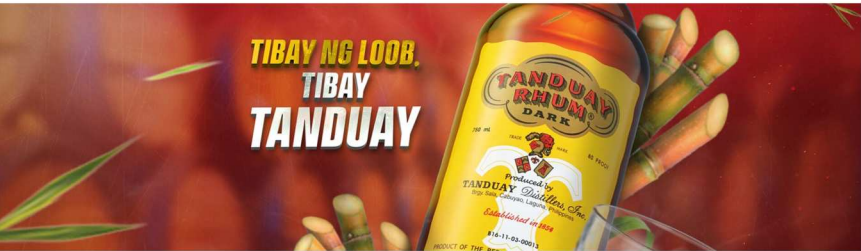
With zero food safety complaints or regulatory violations reported in 2024, Asia Brewery continues to reinforce its reputation for excellence. Strategic improvements, including advanced hazard analysis protocols, have strengthened its capacity to protect both customers and employees.





Eton transcends traditional property management boundaries by seamlessly integrating customer satisfaction into its operations through cutting-edge digital platforms and environmentally conscious designs. The company's Property Management Software provides real-time monitoring of tenant feedback and operational efficiency, ensuring swift responses to evolving customer needs.

Strategic marketing initiatives, strategic partnerships, and strict compliance with local regulations further enhance the customer experience. Eton also promotes sustainable living practices among tenants through targeted digital communications and innovative on-site initiatives that encourage energy and water conservation.



Quality Beyond Certification

Tanduay extends its commitment beyond industry standards by delivering exceptional products backed by prestigious ISO, HACCP, and HALAL certifications. The company actively gathers comprehensive feedback through

systematic surveys and personalized aftersales communication, transforming these insights into continuous product enhancements that consistently exceed customer expectations.

Upholding Excellence in Customer Health and Safety

LT Group Inc.'s viewpoint extends naturally to our approach to customer health and safety—pushing us beyond mere compliance to establish new standards of excellence. We ensure our products and services consistently transcend the highest expectations, reinforcing our reputation as a provider of safe, premium-quality offerings that consumers can trust implicitly.

Asia Brewery and Tanduay Distillers place customer health and safety at the core of their operations, guided by a shared commitment to quality excellence that knows no boundaries. At Asia Brewery, unwavering adherence to Food Safety and Quality Policies ensures that every product meets or exceeds the most stringent international and local standards, including FDA Good Manufacturing Practices and ISO certifications.

The company continuously enhances its workforce capabilities and leverages advanced digital platforms for

streamlined customer support, enabling immediate resolution of concerns and proactive measures to prevent potential issues before they emerge.

Tanduay Distillers integrates consumer health and safety into its comprehensive quality management framework, conducting thorough annual surveillance audits to identify and address potential risks. Even during challenging periods like the pandemic, Tanduay maintained strict health protocols aligned with regulatory guidelines, safeguarding both customers and employees.

With prestigious ISO 9001:2015 certification and regular assessments conducted by TUV-SUD Asia Pacific, the company demonstrates its unwavering dedication to maintaining the highest standards of quality and safety—a testament to LTG's vision of excellence that transcends conventional boundaries.

GRI 416-2

Customer Health and Safety	2024	2023
Total no. of non-compliance incidents with regulations resulting penalty	0	151
Total no. of non-compliance incidents with regulations resulting in a warning	0	123
Total no. of non-compliance incidents with voluntary codes	0	0
Total no. of substantiated complaints	66	45
Total no. of complaints addressed	66	45

Marketing and Labeling

GRI 417-1, 417-2, 417-3, FB-NB-270a.3, FB-NB-270a.4, FB-AB-270a.2, FB-AB-270a.3

Marketing and Labeling	2024
Total no. of non-compliance incidents with regulations resulting penalty	0
Total no. of non-compliance incidents with regulations resulting in a warning	0
Total no. of non-compliance incidents with voluntary codes	0
Total no. of substantiated complaints	0
Total no. of complaints addressed	0
Number of significant product or service categories offered	0
Number of significant product or service categories covered by and assessed for compliance with information and labeling procedures	0
Percentage of significant product or service categories covered by and assessed for compliance with information and labeling procedures	0

*No sustained complaints for 2024 as per ABI and TDI

At LT Group Inc., our *Vision Beyond Boundaries* ideology transforms our approach to marketing and labeling—elevating it from regulatory compliance to consumer empowerment.

Through our diverse product portfolio, we enable consumers to make informed choices that align with their personal preferences and values.

Our approach includes offering a spectrum of products that cater to evolving consumer needs, including lower-alcohol alternatives that promote responsible consumption.

Each product features clear, comprehensive labeling that transcends minimum requirements, providing consumers with detailed information to understand their choices fully and embrace

Looking beyond conventional market offerings, Asia Brewery and Tanduay are actively exploring opportunities to introduce innovative low- and no-alcohol products that will complement our existing lineup. These alternatives represent our forward-thinking commitment to providing customers with expanded options for enjoying our products responsibly—a direct expression of our philosophy.

By integrating transparency, choice, and responsibility into our marketing and labeling practices, we're not just meeting consumer expectations—we're redefining the relationship between brands and consumers. This approach embodies the Company's commitment to transcending traditional boundaries, creating value that extends beyond our products to enhance consumer well-being and satisfaction.

FB-NB-270a.1, FB-AB-270a.1

Responsible Drinking, Products Labelling & Marketing	2024
Percentage of total advertising impressions made on individuals at or above the legal drinking age	30%
Total number of advertising impressions made on individuals at or above the legal drinking age	12,025,000
Total number of advertising impressions made on alcoholic beverages	33,205,000
Percentage of total advertising impressions made on children	0%
Number of advertising impressions made on children	0
Total number of advertising impressions made on non-alcoholic beverages	0



Data Privacy and Security
GRI 3-3, FN-CB-230a.2

AT A GLANCE

Asia Brewery

implements data classification and incident management protocols.

Eton

ensures compliance with 72-hour breach reporting and proactive security.

PNB

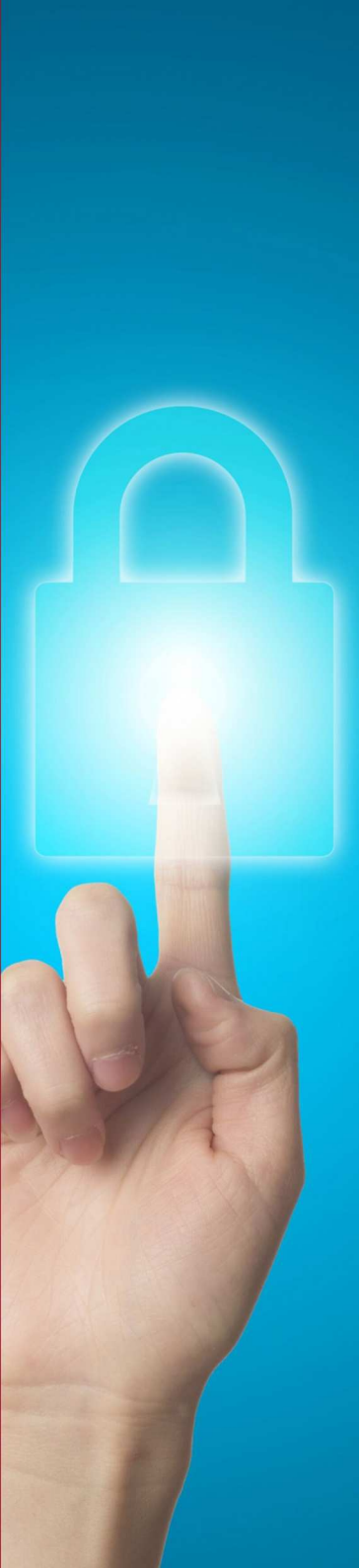
deploys multi-layered data protection and secures remote work environments.

PNB Holdings

embeds privacy by design with encryption and transparent data practices.

At LT Group Inc., data privacy and security transcend operational considerations—they represent fundamental pillars of our stakeholder trust framework and regulatory excellence. In 2024, the Group has further expanded its innovative cybersecurity architecture and enhanced data protection protocols across all subsidiaries, ensuring resilience against increasingly sophisticated threats.

Through systematic IT infrastructure assessments, comprehensive employee training programs, and governance practices that exceed industry standards, the Company continues to prioritize the protection of sensitive information as an extension of our *Vision Beyond Boundaries* philosophy. Our Information Security Incident Policies enable swift identification, containment, and mitigation of potential breaches, while rigorously enforced non-disclosure agreements with third-party partners safeguard confidentiality across our ecosystem.



Asia Brewery:
Classification-Driven Security

Asia Brewery exemplifies our visionary approach through its comprehensive Data Classification Policy, which systematically governs the use, storage, and processing of all operational data. The company has implemented sophisticated Incident

Management protocols while ensuring all advertising and communication materials maintain accuracy and transparency in alignment with Advertising Standard Council guidelines—further strengthening the foundation of customer trust.



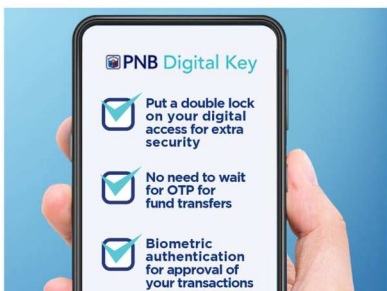
GRI 418-1, FN-CB-230a.1

Eton: Regulatory Leadership and
Proactive Measures

Eton extends protection beyond conventional limitations by strictly adhering to the Data Privacy Act of 2012 while implementing advanced cybersecurity tools and sophisticated backup procedures. The company's forward-thinking approach includes 72-hour breach reporting protocols to the National Privacy Commission, ensuring unprecedented transparency and accountability.

Cybersecurity awareness initiatives remain a strategic priority, empowering the organization to preemptively address and effectively respond to emerging threats. These comprehensive measures reflect Eton's unwavering commitment to safeguarding personal data and upholding security standards that surpass industry expectations.

	2024	2023	2022
Number of substantiated complaints on customer privacy	0	1	3
Number of complaints addressed	0	1	2
Number of customers, users, and account holders whose information is used for secondary purposes	0	1	344
Number of data breaches, including leaks, thefts, and losses of customer data	0	0	2
Percentage of data breaches in which personally identified information (PII) was subject to a data breach	0	0	100%
No. of customers affected by data breaches	0	0	44



PNB: Multi-layered Banking Security

Recognizing the critical importance of data protection in financial services, PNB implements an expansive approach through its multi-layered policy framework, including the Enterprise Data Privacy Policy, Governance and Risk Management Sub-Policy, and a sophisticated Data

Privacy Architecture. Supported by the PNB Enterprise Data Privacy Manual for overseas operations, these policies ensure consistent protection across global touchpoints.

The bank conducts thorough Privacy Impact Assessments under ISO standards and Data Privacy Act requirements to proactively identify and mitigate potential vulnerabilities.

Addressing the unique challenges of remote work environments, PNB has developed a comprehensive Telecommuting Policy that simultaneously protects employee privacy and secures critical IT infrastructure through advanced measures including VPN authentication and endpoint encryption.

PHC: Building Security from the Foundation

As an emerging real estate enterprise in its second year of operation, PHC demonstrates that vision extends beyond organizational maturity by embedding robust data privacy practices into its operational DNA. Recognizing data protection as essential to stakeholder trust, PHC has proactively implemented security protocols that align with both legal requirements and industry best practices.

This commitment to data privacy permeates the company's core values and sustainability framework, ensuring that all client information—including personally identifiable information and transaction details—receives exceptional protection through advanced encryption technologies and rigorous internal protocols. PHC integrates privacy by design across all operations, conducts regular impact assessments, implements transparent data collection practices, and provides clear consent options for customers.

The Company further demonstrates its commitment through comprehensive employee training on data protection principles and clearly defined guidelines for data access and retention—showing that even young organizations can establish pioneering security practices.



Innovation and Digitization

AT A GLANCE

Asia Brewery

automated financial workflows for improved expense and cash management.

Eton

implemented HR and procurement automation, modernized communication systems.

PNB

strengthened digital banking with fraud management, QR payments, and mobile enhancements.

PNB Holdings

deployed SAP S4/HANA and HRIS to streamline financial and workforce management.

Tanduay

expanded digital ecosystems with Power BI, e-invoicing, and ERP optimizations.

LT Group Inc. continues to embrace innovation and digital transformation as catalysts for operational excellence, enhanced customer engagement, and alignment with an increasingly digital-first world. Across our subsidiaries, we leverage cutting-edge technologies to streamline processes, optimize costs, and deliver superior services to all stakeholders—embodying our Vision Beyond Boundaries in the digital realm.

Subsidiary Digital Initiatives

Asia Brewery: Automating Core Financial Systems

Asia Brewery is reinventing its operational framework by implementing comprehensive digital expense and cash management systems.

Traditional manual processes for reimbursements, cash advances, and petty cash approvals have evolved into sophisticated electronic workflows, dramatically improving efficiency, reducing operational costs, and enabling real-time tracking capabilities.

Additionally, the Request for Payment process for importation-related transactions and non-PO payments is transitioning to a fully digital ecosystem, minimizing documentation burdens, reducing error rates, and ensuring compliance through intelligent approval workflows.

Eton: Comprehensive Workflow Transformation

Eton continues its digital transformation journey with strategic initiatives including ZingHR, a comprehensive Human Capital Management System that automates complex HR processes and enhances organizational efficiency. The company has implemented intelligent workflow automation to optimize payment and procurement processes, eliminating redundancies and manual routing while strengthening compliance measures.



Currently implementing S4 Hana, Eton is driving toward greater operational efficiencies through increased automation and industry best practices adoption—reinforcing controls across core processes while elevating data integrity and relevance. The company has further modernized its infrastructure by transitioning from conventional landlines to an advanced digital communication system, improving connectivity across its operations.

PHC: Building Intelligent Infrastructure

PHC has charted an ambitious digital transformation path by implementing SAP S4/HANA to modernize its business processes. Focusing initially on Finance and Material Management modules, the implementation has streamlined financial workflows, revolutionized inventory management, and enhanced decision-making capabilities through data-driven insights.

By automating routine tasks, eliminating data silos, and providing real-time analytics, SAP S4/HANA has significantly elevated operational efficiency, reduced structural costs, and improved customer satisfaction metrics. PHC has further enhanced its digital foundation with a sophisticated Human Resource Information System (HRIS) that eliminates manual timekeeping, streamlines payroll preparation, and empowers employees to manage leave records digitally.

These implementations have positioned PHC to respond with agility to market dynamics while fostering a data-driven culture throughout the organization.



Tanduay: Advancing Integrated Digital Ecosystems

Tanduay enhances operational efficiency and drives sustainable growth through strategic digital initiatives. The Electronic Transport Request System and Power BI have reached full implementation, revolutionizing approval processes and strengthening financial analytics capabilities.

The Learning Management System and Materials Resource Planning are now fully deployed, enhancing workforce productivity and optimizing budget planning processes. Mobile Device Management implementation is advancing steadily, reinforcing data security protocols, while the Human Capital Management system progresses through its training phase to improve payroll efficiency.

Integration of the Truck Scale System with SAP promises increased warehouse productivity, while upcoming implementations—including a Document Management System and Secure Access Service Edge—will advance paperless operations and strengthen cybersecurity measures. The Electronic Invoicing System, designed for BIR compliance, further demonstrates Tanduay's commitment to regulatory excellence through digital means.

These initiatives build upon Tanduay's S4-HANA enterprise resource planning foundation, which has already transformed Procure-to-Pay cycles, Inventory Management practices, transaction processing capabilities, and financial reporting systems.

PNB: Redefining Digital Banking Frontiers

PNB has spearheaded numerous digital innovations in 2024 to enhance customer experience and security. The Enterprise Fraud Management System, implemented in October, effectively mitigates fraud risks across web and mobile applications, reinforcing customer trust in digital channels.

The Bank expanded its digital transaction ecosystem by launching Bills Pay PH in January and QR PH in February, providing customers with versatile payment options. By year-end, PNB implemented in-app push notifications to elevate customer communication and convenience.

Transformative projects in development include a comprehensive digital account opening platform, scheduled for phased deployment with Phase 1 operational by January 2025 and Phase 2—featuring advanced eKYC capabilities—targeted for later in 2025. Mobile remittance applications designed specifically for Overseas Filipino Workers are under active development, with the UK-specific application scheduled for 2025 launch.

	2024	2023	2022
ATMs	1,572	1,535	1,575
CAMs	143	145	145
Corporate CAMs (CCAMs)	63	29	29
POS Terminals	6,152	7,876	8,367

Strengthening Digital Banking with PNB

PNB continues to strengthen its leadership position in the digital banking landscape through strategic initiatives that drive user acquisition and enhance customer satisfaction. Guided by a comprehensive three-year digital strategy—fully aligned with the enterprise vision, mission, and regulatory requirements—the Bank prioritizes delivering a secure, reliable, and convenient digital experience for all customers.

The Bank maintains strict adherence to Bangko Sentral ng Pilipinas (BSP) regulations, including full compliance with the Digital Payment Transformation Roadmap under the National Retail Payment System (NRPS). PNB actively participates in key national initiatives including InstaPay, PESONet, and the Open Finance Framework, positioning itself at the forefront of the country's financial digitalization movement.

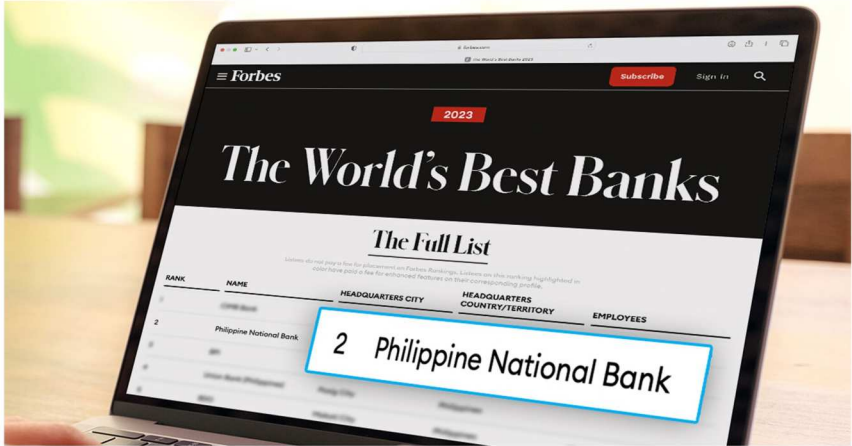
To drive operational excellence, PNB has systematically automated critical processes, including the digitization of bank forms and the implementation of electronic Statements of Account (e-SOA). These innovations have significantly improved operational efficiency, advanced sustainability goals, and enhanced overall customer convenience.

In 2024, PNB's flagship mobile banking platform, PNB Digital, achieved remarkable growth, surpassing 1,449,058 enrolled users. The platform has undergone substantial enhancements, including advanced security protocols, expanded payment capabilities,

and seamless access to a diversified range of financial products—firmly establishing it as an indispensable financial tool for customers.

To maximize awareness and drive engagement, the Bank implemented a sophisticated multi-channel marketing approach leveraging digital platforms including Facebook, Instagram, YouTube, as well as targeted email and SMS campaigns. This comprehensive strategy has yielded measurable improvements in both enrollment metrics and platform utilization rates.

	2024	2023 (Mobile Banking Application)	2022 (Mobile and Internet)
Enrolled Users	1,449,058	1,105,231	1,508,741



Welfare of Employees and Communities

Safety, Security, and Well-being

GRI 2-23, 2-24, 2-25, 2-26, 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8

AT A GLANCE

Asia Brewery

institutionalizes an Occupational Safety and Health (OSH) program covering 12,197 employees

PNB

dedicates Occupational Safety, Health, and Family Welfare Committee

Eton

launches "Eton Kamustahan" to offer employees a safe platform for dialogue and support

Tanduay

implements comprehensive health initiatives and quarterly safety reviews through its Environmental, Health, and Safety (EHS) committee

PNB Holdings

OSH Committee conducts proactive risk assessments adhering to industry-leading safety metrics



12,197

Covered by OHS in 2024

At the core of our "Vision Beyond Boundaries" lies a fundamental understanding: our greatest asset is our people. We recognize that fostering a safe, supportive, and health-conscious workplace transcends regulatory compliance. It's a strategic investment that drives innovation, enhances productivity, and strengthens our competitive advantage across all markets.

Our integrated approach to employee well-being combines robust safety protocols with forward-thinking wellness initiatives, creating measurable value for both our workforce and shareholders. This holistic strategy has contributed to decreased absenteeism, reduced healthcare costs, and improved retention rates across our subsidiaries.

The Company has established comprehensive programs across our subsidiaries that not only ensure regulatory compliance but position us as industry leaders in workplace safety and employee care. These initiatives represent a critical component of our business strategy, allowing us to attract top talent and maintain operational excellence.

General OHS Initiatives:	<ul style="list-style-type: none"> • Compliance with OSH Standards: Compliance with OSH Standards under DOLE, including monthly health and safety committee meetings. • Hazard Identification, Risk Assessment, and Control (HIRAC): Procedures for identifying and managing risks and hazards. • Safety Audits: Regular internal and external audits to ensure compliance and safety improvements.
Safety Trainings and Drills:	<ul style="list-style-type: none"> • Basic Occupational Safety and Health (BOSH) and Construction OHS (COSH): Mandatory training sessions for employees and safety officers. • First Aid and Basic Life Support Training: Training for emergency preparedness and response. • Fire Safety and Spill Management Training: Focused training to handle fire and chemical spill emergencies. • Earthquake and Fire Evacuation Drills: Conducted twice annually for disaster preparedness.
Health, Wellness, and Voluntary Promotion Services	<ul style="list-style-type: none"> • Annual Physical Exams (APE): Comprehensive check-ups for all employees. • Vaccination Programs: Includes COVID-19 vaccines, flu shots, and other immunizations. • Mental Health Support: 24/7 mental health hotlines (e.g., KonsultaMD), webinars, and HR programs for psychological support. • Employee Engagement Activities: "Eton Kamustahan," team-building sessions, holiday celebrations, and sports festivals. • Fitness Challenges: Activities promoting physical health like yoga, fun runs, and cycling events. • Wellness Facilities: Access to gyms, sports courts, and wellness areas. • Health Awareness Campaigns: Programs addressing tuberculosis, HIV/AIDS, Hepatitis B, and chronic diseases. • Regular Health Monitoring: Blood pressure and sugar level checks for early detection of health risks. • Webinars and Advisories: Awareness sessions on workplace ergonomics and general health issues.

Stress Management and Engagement:	<ul style="list-style-type: none"> • Stress Monitoring: Employee surveys, absenteeism monitoring, and satisfaction assessments. • Return-to-Work Programs: Personalized workload adjustments and post-illness reintegration plans. • Team Engagement Activities: Sports festivals, holiday events, and "kumustahan" sessions for well-being check-ins.
Recognition and Rewards:	<ul style="list-style-type: none"> • Safe Man-Hour Milestone: Rewards for achieving safety performance milestones. • Acknowledgment of Participation: Recognition of employees actively participating in wellness and safety programs.

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including regular, contractual, and part-time workers. This comprehensive approach has yielded significant improvements in workplace safety while supporting business continuity.

Their comprehensive mental health policy, coupled with a "Speak Up" program, encourages transparent communication about workplace concerns, aligning with our vision of breaking down traditional boundaries between management and staff. The Environmental Health and Safety (EHS) committee's monthly meetings, hazard identification, and risk assessments ensure continuous improvement of safety measures while optimizing operational efficiency.

Asia Brewery: Setting industry standards

Asia Brewery, Inc. has institutionalized an Occupational Safety and Health (OSH) program that extends beyond compliance, covering all employees regardless of employment status,

Asia Brewery key initiatives include:



Regular wellness activities integrated with productivity metrics



Mental health webinars that support peak performance



On-site medical clinics minimizing productivity disruptions

PNB: Financial strength through workforce resilience

PNB recognizes the multifaceted challenges of employee well-being and has developed a holistic health and safety program that addresses the unique needs of financial sector employees. Their approach demonstrates how employee well-being directly contributes to customer satisfaction and operational excellence.

To combat workplace stress, PNB has implemented targeted interventions. Employees benefit from extensive healthcare coverage, including annual physical exams, teleconsultation hotlines,

and mental health support services. The Bank actively fosters resilience through stress management workshops, employee wellness programs, and disaster preparedness drills. A dedicated Occupational Safety, Health, and Family Welfare Committee ensures ongoing compliance with regulatory requirements while proactively addressing emerging risks.

These programs have strengthened PNB's operational resilience while fostering a culture of innovation and adaptability.

Key initiatives include:



Physical health initiatives integrated with performance metrics



Mental health hotlines that enhance decision-making capabilities



Comprehensive healthcare coverage that reduces turnover costs



Proactive disaster preparedness through regular fire and earthquake drills

Eton Properties: Building success through people

Eton Properties complements our commitment to breaking traditional boundaries between corporate success and employee welfare. Their "Eton Kamustahan" program promotes psychological well-being by offering employees a safe platform for dialogue and

support, directly contributing to their industry-leading customer satisfaction metrics. employees a safe platform for dialogue and support, directly contributing to their industry-leading customer satisfaction metrics.

These initiatives have contributed to their consistent project delivery timelines while maintaining exceptional safety records.

Eton's approach



Wellness initiatives fostering a safe and inclusive work environment



Accessible HMO services and mental health resources ensuring employee needs are consistently met



Semi-annual safety audits integrated with project management protocols



Comprehensive OSH training enhancing quality control outcomes

Tanduay:

Tradition meets innovation in safety

Tanduay, prioritizes health and safety through targeted programs. This includes comprehensive first aid training, periodic training in laboratory safety and the following:

ensuring hazards are identified and mitigated effectively, while disaster preparedness training equips employees to respond confidently in emergencies, all contributing to their industry-leading safety metrics while supporting operational excellence.

Tanduay's Program



Health promotion activities such as family days and team-building exercises



Annual physical exams ensuring early intervention



Flexible work arrangements enhancing productivity and satisfaction



Dedicated OSH programs addressing industry-specific challenges



Accessible healthcare services through an HMO partnership

PHC: Collaborative well-being ecosystem

PNB Holdings Corporation extends our boundary-crossing approach by creating a collaborative well-being ecosystem. Their integration of healthcare services with operational priorities demonstrates how strategic well-being initiatives directly support business objectives.

The PHC-OSH Committee's proactive risk assessments have contributed to their industry-leading safety metrics while supporting operational excellence.

PHC's Program



Flexible work arrangements enhancing productivity and satisfaction



Team-building activities strengthening operational coordination



HMO partnerships providing cost-effective healthcare solutions

GRI 403-9

2024

Number of fatalities as a result of work-related injury	0
Rate of fatalities as a result of work-related injury	0
Number of high-consequence work-related injuries (excluding fatalities)	5
Rate of high-consequence work-related injuries (excluding fatalities)	0
Number of recordable work-related injuries	16
Rate of recordable work-related injuries	0
Number of hours worked	26,437,648
Safe man hours	26,023,7700
Number of high-potential work-related incidents identified (optional)	0
Number of close calls identified (optional)	91

Mental Health

In alignment with our "Vision Beyond Boundaries," we recognize mental health as the final frontier in workplace well-being. Our subsidiaries are pioneering initiatives that dissolve traditional boundaries between professional and personal well-being, creating a truly integrated approach to employee health.

Going beyond typical OHS standards, the Company is actively creating a safe working environment where mental health is prioritized, reducing stigma, and empowering employees to thrive personally and professionally. Through targeted initiatives, such as wellness

While only PNB and Eton actively monitor the number of employees benefiting from mental health and well-being programs, all subsidiaries across the Company are committed to providing psychological and well-being support. These initiatives have yielded measurable improvements in employee engagement, innovation capacity, and organizational resilience which are all critical factors in our continued market leadership.



Mental Health Programs Data

1,463

Employees Attending from Mental Health Support Programs and Seminars

346

Employees Benefitting from workload Adjustment

346

Employees Participating in Return-to-Work Programs

Numerical scope is for PNB and Eton only

Looking beyond: The future of workplace well-being

As we continue to pursue our "Vision Beyond Boundaries," we are expanding our definition of workplace well-being to encompass not just physical and mental health, but also financial wellness, career development, and work-life integration. This holistic approach positions us to attract and retain top talent while driving sustainable growth and shareholder value.

Our commitment to employee well-being represents not just a moral imperative but a strategic advantage in an increasingly competitive marketplace. By investing in our people, we ensure our continued success across all business dimensions.

Labor Relations and Skills

GRI 2-25

AT A GLANCE

Recognized in Forbes World's Best Employers 2024

achieved global recognition as a top employer in *Forbes World's Best Employers 2024* (Ranked 600+).

Inclusive Workplace

strong DEI policies, zero discrimination cases reported.

Talent Growth

2,258 new hires, strong retention and development programs.

Labor Relations

active union dialogues, grievance policies, and fair labor practices.

Future-Ready Workforce

leadership, digital, and skills training for career growth.

Employee Benefits

comprehensive healthcare, wellness, and flexible work support.



At LT Group Inc., our vision extends to nurturing our people by transcending conventional workforce development limitations. We foster an environment where departmental, hierarchical, and skill boundaries become permeable, creating an adaptable, innovative workforce prepared to meet tomorrow's challenges with confidence and creativity.

To ensure employees are engaged, valued, and equipped to contribute to the Group's success, we are continuously making strategic investments to improve our metrics on diversity, equity, and inclusion (DEI), employee engagement, labor-management relations, training and development, and comprehensive benefits.

For 2024, we have implemented transformative programs and initiatives that not only uphold our strong labor relations but actively push beyond traditional boundaries of skill development.

Our forward-thinking approach includes cross-functional development opportunities, technology-enhanced learning platforms, and industry-leading mentorship programs—all designed to empower our workforce to envision and achieve possibilities beyond conventional career trajectories.

For 2024, we have implemented transformative programs and initiatives that not only uphold our strong labor relations but actively push beyond traditional boundaries of skill development.

Our forward-thinking approach includes cross-functional development opportunities, technology-enhanced learning platforms, and industry-leading mentorship programs—all designed to empower our workforce to envision and achieve possibilities beyond conventional career trajectories.

Diversity, Equity, and Inclusion GRI 3-3, 406-1

LT Group Inc. is committed to fostering a culture of fairness and equal opportunity that transcends traditional boundaries, strengthening our workforce and ensuring every employee feels valued, empowered, and respected. Our vision manifests through equitable practices and policies that create an environment supporting personal and professional growth, regardless of race, gender, age, religion, or socio-economic background.

For this reporting cycle, neither the Parent Company nor any subsidiaries have reported cases or controversies of discrimination, reflecting our successful inclusive approach to diversity.

Across our subsidiaries, our commitment to comprehensive equity is evident:



- Asia Brewery upholds diversity through strict adherence to its Recruitment, Selection, and Placement Policy, ensuring equal opportunities for all.
- Eton promotes a gender-neutral recruitment process that eliminates bias, aiming for balanced gender representation while fostering inclusive hiring practices that transcend conventional limitations.
- PNB creates inclusive safe spaces through comprehensive policies on diversity, gender equality, anti-sexual harassment, and whistleblowing, while providing mental health support that addresses both visible and invisible barriers to wellbeing.
- Tanduary educates managers and employees on inclusive workplace conduct, breaking down communication barriers to foster understanding across diverse perspectives.
- PHC ensures non-discrimination in hiring by prioritizing competency, looking beyond surface characteristics to recognize true potential.

GRI 2-7

	Quantity (M)	Percentage (M)	Quantity (F)	Percentage (F)	2024 Total
Asia Brewery	2,279	78%	661	22%	2,940
Eton	155	45%	191	55%	346
LTG	11	44%	14	56%	25
PNB	2,963	34%	5,853	66%	8,816
Tanduary	472	77%	144	23%	616
PHC	31	52%	29	48%	60
Total number of employees					12,803

Employee Engagement

On the employee engagement front, LT Group Inc. continuously implements innovative programs and strategies that empower employees and enhance their experience throughout their professional journey with us.

Our vision inspires each subsidiary to develop targeted approaches that ensure the Group remains competitive in the job market while attracting candidates who can transcend conventional limitations. In 2024, the Company welcomed 2,258 new hires while experiencing 1,381 employee turnovers.

In alignment with our engagement philosophy, the Company has implemented robust retention and development programs designed to nurture and retain talent:

- Asia Brewery expands traditional recruitment horizons by boosting job visibility through online portals and social media platforms, while expediting the recruitment process through innovative virtual approaches.
- Eton reaches beyond conventional hiring limitations by participating in university job fairs and career talks, offering transformative internship opportunities, and leveraging social media for comprehensive talent outreach.
- Tanduary breaks through compensation boundaries by offering competitive benefit packages and providing expansive career development opportunities that help new hires envision possibilities beyond their current roles.

- PHC eliminates traditional hiring constraints by emphasizing diversity, equality, and inclusion in recruitment, ensuring candidates are evaluated based on their skills and potential rather than conventional metrics.
- Tanduary utilizes cross-training among supervisors to develop versatility that breaks down operational silos and builds leadership readiness.
- Eton focuses on structured clearance and proper delegation protocols that ensure seamless workplace transitions without boundaries.
- PHC is launching a formal succession planning initiative in the second quarter to identify and cultivate future leaders who can push beyond conventional limitations.
- PNB has established a comprehensive Succession Management Program that identifies and develops potential leaders for critical roles, including individualized development plans.
- Asia Brewery implements succession planning within business units to ensure operational continuity that transcends personnel changes.



New Hires GRI 401-1

Gender	Male			Female			2024
	Age < 30 y.o.	30 - 50 y.o.	> 50 y.o.	< 30 y.o.	30 - 50 y.o.	> 50 y.o.	
Asia Brewery	147	70	10	99	20	0	246
Eton	43	101	10	75	108	9	346
LTG	0	1	0	1	0	0	2
PNB	278	160	15	745	201	29	1,429
Tanduary	33	45	2	19	2	1	102
PHC	4	12	6	13	8	0	43
Total New Hire							2,258
New Hire Rate							17.64%

Turnovers GRI 401-1

Gender	Male			Female			2024
	Age < 30 y.o.	30 - 50 y.o.	> 50 y.o.	< 30 y.o.	30 - 50 y.o.	> 50 y.o.	
Asia Brewery	119	117	38	43	25	6	348
Eton	4	10	2	9	13	1	39
LTG	0	0	0	2	2	1	5
PNB	90	141	89	218	234	158	930
Tanduary	11	18	5	4	3	1	42
PHC	0	8	0	0	9	0	17
Total Turnovers							1,381
Total Turnover Rate							10.79%

Labor-Management Relations GRI 2-25, 2-30,

LT Group Inc.'s vision extends to our approach to labor-management relations, where we transcend traditional divides to create meaningful dialogue and collaboration. Subsidiaries such as Asia Brewery, PNB, and Tanduary actively

maintain regular communication with labor unions and uphold compliance with Collective Bargaining Agreements (CBAs).

Monthly Labor Management Committee (LMC) meetings serve as forums where conventional barriers between management and union representatives dissolve, facilitating constructive dialogue to address issues and enhance industrial peace.

meetings and pulse surveys, ensuring that employee voices resonate throughout all levels of the organization. Across the Company, we uphold and respect union rights, ensuring adherence to fair labor practices regardless of union status. Our commitment to transcending conventional decision-making boundaries is evident in each subsidiary's employee involvement initiatives:

- Asia Brewery eliminates operational silos through toolbox meetings and employee-related activities that integrate frontline perspectives into work-related decisions.
- PNB breaks down policy development barriers by integrating union feedback in formulation processes and regularly involving union representatives in committees such as the Occupational Safety, Health, and Family Welfare Committee.
- PHC bridges individual and organizational boundaries through town hall meetings and KPI-setting processes that align employee goals with broader organizational objectives.
- Tanduary dissolves departmental isolation by cascading goals and Key Results Areas (KRAs) to employees while fostering cross-functional collaboration in operational planning.

To protect employees and create safe channels for communication that transcend fear and retaliation, we enforce strict non-retaliation policies across all subsidiaries. Each operation has developed

comprehensive grievance mechanisms that break down barriers to addressing concerns:

- Asia Brewery creates multiple pathways for resolution through grievance machinery, LMC meetings, and its Committee on Decorum and Investigation (CODI).
- PNB moves beyond conventional dispute resolution through Alternative Dispute Resolution (ADR) mechanisms and union-mediated grievance handling.
- Eton eliminates fear barriers through a robust Whistleblower Policy that safeguards confidentiality and resolves employee concerns without retaliation.
- PHC extends beyond internal limitations with structured grievance policies and engagement of external consultants to review and mitigate human capital risks.

Through these initiatives, the Company continues to build labor-management relations that transcend traditional boundaries and foster a collaborative environment where all voices contribute to our collective success.

3,967

No. of Employee Under Collective Bargaining Agreement in 2024

Training and Development GRI 3-3

LT Group Inc. embodies its vision through strategic approaches to employee development. The Company prioritizes creating innovative programs that equip employees with necessary skills for current roles while preparing them for future leadership challenges in our evolving corporate landscape.

Training programs across the Company's subsidiaries represent a strategic investment in bridging present capabilities with future potential. At PNB, programs integrate leadership, digital fluency, and mental wellness—creating a workforce that balances productivity with well-being. Asia Brewery empowers employees through comprehensive behavioral and technical skills that enhance engagement, improve quality, and foster continuous learning.

Eton strengthens workforce capabilities by providing essential skills training focused on adaptability and technical expertise, boosting productivity while ensuring compliance with industry standards. PHC emphasizes integrating new skills and industry knowledge, resulting in higher-quality outputs and innovative solutions. Tanduary's targeted training initiatives effectively reduce workplace errors, increase productivity, and ensure safety standards.

Despite implementation challenges in 2024, each subsidiary demonstrated adaptability through effective solutions.

Asia Brewery optimized schedules with phased training rollouts to accommodate production demands. PNB leveraged e-learning platforms like LinkedIn Learning to improve accessibility for all employees. PHC advanced evaluation methods by measuring training effectiveness through return on expectations (ROE), ensuring tangible benefits and enhanced resource allocation.

Eton improved engagement by aligning programs with operational priorities and offering personalized learning paths. Tanduary successfully reintroduced previously shelved training programs and reinforced its calendar for 2024, showcasing organizational resilience.

Benefits GRI 404-1

LT Group Inc. and its subsidiaries deliver exceptional benefits tailored to address diverse employee needs. Each entity's offerings reflect our Group-wide philosophy that values people as our greatest asset and fosters a culture of care, support, and opportunity.

We continuously innovate our benefits programs in our commitment to becoming an employer of choice in every industry we operate in. From comprehensive healthcare programs and wellness initiatives to flexible work arrangements and industry-leading perks, the Company ensures our workforce receives support at every career stage—enabling them to achieve their fullest potential and contribute to our collective success.

GRI 404-1

Male	Total training hours	Total number of employees trained	Average hours of training
Office	373	28	81
Managers	15,523	1,051	230
Supervisors	51,517	2,260	134
Rank and File	174,564	3,341	114

Female	Total training hours	Total number of employees trained	Average hours of training
Office	300	28	45
Managers	8,411	632	215
Supervisors	26,756	1,171	108
Rank and File	67,302	1,659	125
TOTAL	344,745	10,170	1,052

Parent Company (LTG):	<ul style="list-style-type: none"> Remote Work Options: Skeletal work schedules, provision of laptops, online communication tools. Special Leaves: Bereavement Leave, Emergency Leave, paid and unpaid leave options. Dependent Care: HMO policy allows dependents to enroll with the same coverage. Long-Term Incentives: Additional leave credits based on tenure. Employee Wellness: Wellness webinars and health information bulletins in partnership with HMO providers. Above-Compliance Benefits: Additional leave credits beyond labor laws, well-equipped and sanitized workspaces. Seasonal Gifts: Christmas grocery packs as tokens of appreciation.
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Asia Brewery:	<ul style="list-style-type: none"> Remote Work Options: Integrated into the Business Continuity Plan for transactional processes. Special Leaves: Vacation Leave, Sick Leave, Maternity/Paternity Leave, Solo Parent Leave, Emergency Leave, and more. Healthcare Support: Assistance for medical expenses exceeding healthcare coverage. Retirement Program: Comprehensive retirement benefits. Employee Wellness: Annual physical examinations, health and wellness seminars, and activities. Seasonal Gifts: Christmas grocery packs as tokens of appreciation. Labor Compliance: Implementation of statutory benefits such as the Magna Carta for Women and other protective laws.
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PNB:	<ul style="list-style-type: none"> Remote Work Options: Telecommuting arrangements evaluated based on job nature and IT capabilities. Special Leaves: Birthday Leave, Emergency Leave, Solo Parental Leave, and more. Seasonal Gifts: Christmas grocery packs as tokens of appreciation. Healthcare and Wellness: Regular wellness webinars (mental, physical, and financial health), support for social groups, and clubs foremployee engagement. Innovative Benefits: Flexible Leave Monetization program for financial emergencies. Above-Compliance Benefits: Enhanced wellness programs, interest clubs, and HR initiatives exceeding labor regulations.
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PHC:	<ul style="list-style-type: none"> Remote Work Options: Work-from-home options for deadline-critical tasks during inclement weather. Special Leaves: Bereavement Leave, Birthday Leave, and comprehensive sick/vacation leave entitlements. Enhanced Healthcare Benefits: Increased HMO coverage, bereavement benefits. Additional Perks: Allowances for rice, uniforms, communication, and transportation. Seasonal Gifts: Christmas grocery packs as tokens of appreciation.
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Eton:

- Special Leaves: Birthday Leave, Maternity/Paternity Leave.
- Dependent Care: HMO coverage includes at least two dependents.
- Employee Wellness: Annual wellness fairs in collaboration with the HMO provider.
- Seasonal Gifts: Christmas grocery packs as tokens of appreciation.
- Industry Benchmarking: Competitive salary and benefits package benchmarked against top real estate companies.

Tanduay:

- Special Leaves: Leaves under the Magna Carta for Women and Violence Against Women and Children Act.
- Healthcare and Dependent Care: Free HMO coverage for up to three dependents.
- Employee Wellness: Mental Health Month, Zumba sessions, wellness webinars, and bloodletting activities.
- Seasonal Gifts: Christmas grocery packs as tokens of appreciation.
- Performance Rewards: Incentives for perfect attendance and other recognitions.
- Labor Compliance: Full adherence to labor regulations with additional employee engagement initiatives.

Benefits

GRI 401-2

2024	No. of woman who availed	No. of male who availed
SSS	1,631	2,106
Philhealth	661	273
Pag-IBIG	1,233	2,455
Parental leave	328	95
Vacation Leave	5,541	3,337
Sick Leave	4,985	2,904
Medical benefits (aside from Philhealth)	341	646
Housing assistance (aside from Pag-IBIG)	11	3
Retirement fund (aside from SSS)	255	206
Further education support	0	1
Telecommuting	612	320
Flexible working hours	1,003	771

Parental Leave

GRI 401-3

2024	Male	Female
Total number of employees that were entitled to parental leave	639	506
Total number of employees that took parental leave in 2024	94	329
Total number of employees that returned to work in 2024 after parental leave ended	88	312
Return to work rate	93.62%	94.83%
Among those who availed the parental leave in 2023 how many of them returned and are still with the company in 2024	88	298
Total number of employees that took parental leave in 2024	100	307
Retention rate	88.00%	97.07%

Parental Leave

GRI 401-3

2024	Male	Female
Total number of employees that were entitled to parental leave	34	218
Total number of employees that took parental leave in 2024	16	173
Total number of employees that returned to work in 2024 after parental leave ended	14	168
Return to work rate	87.50%	97.11%
Among those who availed the parental leave in 2023 how many of them returned and are still with the company in 2024	16	179
Total number of employees that took parental leave in 2024	17	183
Retention rate	94.12%	97.81%

AT A GLANCE

PHP 18.96 Million

spent in community initiatives in 2024

596 Students

participated in A Journey to Find Roots in China and Tan Yan Kee Library Cultural Classes Programs

The TYKFI-FLP Legal Scholarship Program

awarded Php 200,000 each to 20 law students

46 state-of-the-art classrooms

at Chiang Kai Shek College

400 kgs. of rice

donated to the Madre de Amor Hospice Foundation Mass

Our Approach to Community Development

We are dedicated to advancing the United Nations' 17 Sustainable Development Goals (SDGs). To ensure our efforts align with our business activities and drive the greatest positive impact on society and the environment, we have identified 10 key focus areas. For this reporting year, we have allocated Php 18.96 million for our community initiatives.



The Tan Yan Kee Foundation: Our Dedicated CSR Arm

Central to our community engagement efforts is the Tan Yan Kee Foundation, Inc. (TYKFI), the Company's dedicated CSR arm. TYKFI serves as the cornerstone of LTG's social responsibility strategy, implementing programs that address critical societal needs while fostering inclusivity and development.

The Company's CSR efforts focus on priority areas such as education, healthcare, environmental conservation, livelihood enhancement, and disaster response. Through TYFI's flagship programs such as the Dr. Lucio C. Tan Legacy Forest Project, Small Water Impounding Project, agriculture-focused scholarships, and the HOPE Caravan Assistance Program, the Foundation embodies LTG's vision of building a sustainable, equitable, and empowered society.

Group-wide Community Engagement Policy

We are actively collaborating with our subsidiaries to ensure that initiatives are impactful and far-reaching, delivering tangible benefits to the communities we serve. These programs are meticulously aligned with the Company's overarching goal of sustainable development, embodying its commitment to ethical practices, social responsibility, and shared value creation.



	2024	2023	2022
Total number of operations with implemented local community engagement, impact assessments and/or development programs	13	166	3
Number of complaints addressed	13	197	194
Percentage of operations with implemented local community engagement, impact assessments and/or development programs	100%	91%	87%

Driving Employee Volunteerism

By empowering employees to actively participate in community development, the Group strengthens its connection to the communities it serves while building a workplace culture of empathy, purpose, and shared responsibility.



Employee volunteerism is encouraged through structured programs and meaningful opportunities tailored to resonate with employees' personal values and interests. Subsidiaries such as PHC offer paid time off for volunteering, while others, like PNB, incentivize participation with perks such as free meals, activity shirts, tools, and materials for volunteer events. The Group also leverages internal communication platforms to share announcements, document activities, and recognize employee contributions, fostering a sense of pride and collective purpose.



2024 Community Development Programs
Education, Development, and Youth Empowerment



A Journey to Find Roots in China:
Bridging Cultures Through Learning

Since 1991, the program has strengthened Filipino-Chinese students' cultural ties. In 2024, 500 students from 50 schools completed a six-week educational journey in China. Meanwhile, the Tan Yan Kee Library Cultural Classes engaged 96 young learners in Chinese festivals, traditional songs, Tang poetry, calligraphy, and Mandarin.



Dr. Juan Franco S. Felipe, RMT, MD, DPBO
Orthopedic Surgery & Sports Medicine

The Tan Yan Kee-St. Teresita's Academy Scholarship Program has supported farmers' children since 2016 with tuition, stipends, and school supplies. The TYKFI-FLP Legal Scholarship Program awarded Php 200,000 each to 20 law students in 2023-2024, with three scholars ranking in the Top 1, Top 6, and Top 18 of the 2024 Bar Exams. Meanwhile, the ABI Medical Specialty Scholarship Program, in partnership with Asia Brewery Inc. and the PAL Foundation, granted four full scholarships worth Php 200,000 with round-trip tickets and four partial scholarships with travel assistance.

Strengthening Educational Foundations

The Dr. Lucio C. Tan and Mrs. Carmen K. Tan School Building at Chiang Kai Shek College in Silang, Cavite, introduced 46 state-of-the-art classrooms, accommodating 2,300 students in a modern educational environment. Complementing physical infrastructure, the FUSE Teacher Training Program, in partnership with TYKFI, trained 235 teachers and hosted assemblies for 81 educators, enhancing teaching methodologies and critical thinking skills to improve educational outcomes.

To combat absenteeism among indigenous and farming communities, LTG equips students with essential learning materials, ensuring they stay in school and thrive. On October 29, 263 learners from Macdu Elementary School and 88 from Tan Yan Kee Elementary School received school supplies, uniforms, and hygiene kits, providing them with the tools they need for academic success and encouraging regular attendance.

Economic Upliftment and Livelihood Enhancement



Empowering Public Service Through Technology

Recognizing the importance of efficient public service, the Computer Equipment Donation program provided critical resources to the Manila district office of the Philippine National Police. On October 4, the Foundation donated a computer monitor, two printers, and three air conditioning units to enhance operational efficiency and ensure better service delivery for community safety.

TYKFI-ETON Masaganang Palayan Project: Sustaining Farmers and Strengthening Food Security

This project, initiated in 2019, continues to uplift local farmers in Aritao, Nueva Vizcaya. In preparation for the new rice cropping season, 18 sacks of 30kg Longping seeds and seven sacks of 3kg Longping seeds were distributed to Brgy. Comon farmers, providing them with high-quality agricultural inputs for sustainable production.



This semester, extensive forest maintenance and protection activities were conducted, including regular roving, patrolling, strip brushing, and tree planting. A total of 3,391 seedlings were planted across the two sites, covering a diverse range of species including, but not limited to, Narra, Batino, Indian Rosewood, Rubber Tree, and Kasod, to enhance ecosystem resilience. Moreover, conservation efforts included the maintenance of a wildling nursery and the installation of protective net fencing to prevent algae and lichen growth.



Dr. Lucio Tan Legacy Forest Project

This Legacy Forest project remains a cornerstone of LTG's commitment to environmental sustainability and climate action. This large-scale reforestation initiative spans 930 hectares in Carranglan, Nueva Ecija, and a 56-hectare mangrove site, contributing to carbon sequestration, habitat restoration, and long-term biodiversity conservation.

Reforestation for a Sustainable Future

As part of the Dr. Lucio C. Tan Legacy Forest Project and PNB Communi-tree, TYKFI and PNB planted 1,200 Falcata trees in Brgy. Mamuyao, Tanay, Rizal. Since 2021, over 6,400 seedlings have been planted with the help of 60 dedicated PNB volunteers. This initiative plays a crucial role in forest restoration, mitigating climate change, and protecting natural habitats.

Similarly, the PAL Foundation Tree Planting initiative saw the planting of 45 tamarind trees in partnership with Philippine Airlines and the PAL Foundation. This effort promotes indigenous tree cultivation, supports the local mango industry, and enhances carbon sequestration, contributing to a healthier ecosystem.



Strengthening Collaboration for Greater Impact

On November 8, the CSR Council Meeting brought together 24 executives from 15 LT Group companies, alongside LTG and TYKFI representatives, to discuss ongoing and future sustainability projects. Key initiatives presented included the Palawan Mango Orchard Project, Ilocos Sur Mangroves Project, Falcata Tree Planting in Tanay, Masaganang Palayan, and Xiamen Summer Camp, demonstrating our commitment to collaborative environmental stewardship.

Health and Social Welfare



Ensuring Food Security Through Sustainable Agriculture

The PAL Farm to Table Project, a joint initiative by TYKFI and PAL, provided fresh, locally sourced produce to over 600 PAL employees. This program strengthens food security while supporting local farmers, creating a direct supply chain that benefits both employees and agricultural communities through improved nutrition and stable markets.

Empowering Youth Through Sports and Community Engagement

The Brgy. Comon Summer Inter-Purok Basketball League 2024 and Aritao LGU Rice Donation continue to uplift young athletes by promoting teamwork, discipline, and holistic development through basketball. Winners of the tournament in Aritao, Nueva Vizcaya, received 45 sacks of 25-kilogram rice, 45 sacks of 10-kilogram rice, and cash prizes—motivating youth to develop their skills while reinforcing positive community values.

Supporting Healthcare and Community Well-Being

The Madre de Amor Hospice Foundation Mass for the Sick and Gift-Giving provided essential support to terminally ill patients in Los Baños, Laguna. A total of 40 sacks of 10-kilogram rice were donated, ensuring patients and caregivers had access to nutritious food during their time of need.



Spreading Holiday Cheer and Giving Back

Our holiday initiatives spread joy and support to multiple communities. The Christmas Carnival brought joy to 340 students from Tan Yan Kee ES, Macdu ES, and Saint Teresita's Academy through games, mascots, and inter-school competitions. Each child received a food pack containing a 10-kg rice sack, groceries, and a 2025 calendar, bringing festive cheer to their families.

The Thanksgiving Mass and Gift-Giving in Aritao, Nueva Vizcaya, distributed 389 food packs, each containing 3kg rice, canned goods, noodles, and juice to farming communities, providing much-needed support during the holiday season.

The Tan Yan Kee - Saint Teresita's Academy Scholars Alumni Homecoming and Christmas Celebration gathered 90 alumni under the theme "Return, Reminisce, Reunite." Attendees celebrated milestones and camaraderie while receiving food packs filled with a 10-kg rice sack, Noche Buena essentials, and a 2025 calendar. Additionally, Food Distribution efforts reached 467 students from Babayoan ES, Negtenga ES, and Sidaoen ES in Ilocos Sur, ensuring they had the necessary resources to celebrate the season with their families.



Rice Distribution for Typhoon-Affected Families

In response to the aftermath of Typhoon Pepito, 121 families in Brgy. Vista Alegre, Bayombong, Nueva Vizcaya received 5 kilograms of rice each to help ease their recovery, demonstrating our commitment to disaster response and community resilience.





STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of LT Group, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for each of the three years ended December 31, 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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


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

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

Signed under oath by the following:


Lucio C. Tan
Chairman and
Chief Executive Officer


Lucio C. Tan III
President


Jose Gabriel D. Olives
Chief Financial Officer



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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
LT Group, Inc.

Opinion

We have audited the consolidated financial statements of LT Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

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

Adequacy of Allowance for Credit Losses on Finance Receivables

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

Allowance for credit losses on finance receivables as of December 31, 2024 and the provision for credit losses in 2024 amounted to ₱44.2 billion and ₱3.9 billion, respectively.

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

Audit Response

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

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

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

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

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

Accounting for Investment in PMFTC, Inc.

The Group has an investment in PMFTC, Inc. (PMFTC, an associate) that is accounted for under the equity method. For the year ended December 31, 2024, the Group's share in the net income of PMFTC amounted to ₱7.6 billion and accounts for 20% of the Group's consolidated net income. This matter is significant to our audit because of the materiality of the amount equitized by the Group.

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

Audit Response

We sent instructions to the statutory auditor of PMFTC to perform an audit of the relevant financial information of PMFTC for the purpose of the Group's consolidated financial statements. These audit instructions cover their scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with the statutory auditor of PMFTC their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2024. We reviewed the relevant working papers of the statutory auditor of PMFTC, focusing on the procedures performed on key audit areas and discussed with them the results of their audit. We also obtained the financial information of PMFTC as of and for the year ended December 31, 2024 and recomputed the Group's share in net income for the year then ended.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner

CPA Certificate No. 72557

Tax Identification No. 102-089-397

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-058-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10465380, January 2, 2025, Makati City

February 27, 2025

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
LT Group, Inc.

Opinion

We have audited the consolidated financial statements of LT Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

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

Adequacy of Allowance for Credit Losses on Finance Receivables

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

Allowance for credit losses on finance receivables as of December 31, 2024 and the provision for credit losses in 2024 amounted to ₱44.2 billion and ₱3.9 billion, respectively.

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

Audit Response

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

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

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

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

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

Accounting for Investment in PMFTC, Inc.

The Group has an investment in PMFTC, Inc. (PMFTC, an associate) that is accounted for under the equity method. For the year ended December 31, 2024, the Group's share in the net income of PMFTC amounted to ₱7.6 billion and accounts for 20% of the Group's consolidated net income. This matter is significant to our audit because of the materiality of the amount equitized by the Group.

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

Audit Response

We sent instructions to the statutory auditor of PMFTC to perform an audit of the relevant financial information of PMFTC for the purpose of the Group's consolidated financial statements. These audit instructions cover their scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with the statutory auditor of PMFTC their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2024. We reviewed the relevant working papers of the statutory auditor of PMFTC, focusing on the procedures performed on key audit areas and discussed with them the results of their audit. We also obtained the financial information of PMFTC as of and for the year ended December 31, 2024 and recomputed the Group's share in net income for the year then ended.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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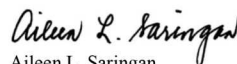
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The engagement partner on the audit resulting in this independent auditor's report is Aileen L. Saringan.

SYCIP GORRES VELAYO & CO.



Aileen L. Saringan

Partner

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PTR No. 10465380, January 2, 2025, Makati City

February 27, 2025

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱223,583,790	₱243,790,981
Financial assets at fair value through profit or loss (FVTPL)		
[Notes 6 and 21]	17,956,162	10,550,595
Financial assets at fair value through other comprehensive income (FVTOCI) [Notes 7 and 17]	125,189,186	112,335,996
Financial assets at amortized cost (Notes 7 and 17)	19,097,106	21,841,362
Loans and receivables - net (Note 8)	312,406,599	291,696,307
Inventories (Note 9)	13,328,520	13,709,117
Due from related parties (Note 22)	1,889,364	2,338,723
Other current assets (Note 10)	12,658,175	12,378,192
Total Current Assets	726,108,902	708,641,273
Noncurrent Assets		
Loans and receivables - net of current portion (Note 8)	349,063,956	347,989,209
Financial assets at FVTOCI (Notes 7 and 17)	66,179,663	31,709,930
Financial assets at amortized cost (Notes 7 and 17)	94,776,887	101,359,065
Investments in associates and joint ventures (Note 11)	18,382,496	19,003,747
Property, plant and equipment (Note 12):		
At appraised values	57,248,391	57,516,431
At cost	11,671,107	11,615,081
Investment properties (Note 13)	38,979,404	37,848,430
Deferred income tax assets - net (Note 29)	7,448,142	6,860,706
Other noncurrent assets (Notes 14, 23 and 37)	4,470,911	4,852,404
Total Noncurrent Assets	648,220,957	618,755,003
TOTAL ASSETS	₱1,374,329,859	₱1,327,396,276
LIABILITIES AND EQUITY		
Current Liabilities		
Deposit liabilities (Note 15)	₱940,057,144	₱892,931,695
Financial liabilities at FVTPL (Notes 16 and 21)	924,053	555,811
Bills and acceptances payable (Note 17)	20,208,451	19,047,156
Accounts payable and accrued expenses (Note 18)	20,655,439	22,889,975
Short-term debts (Note 19)	3,700,000	4,280,000
Current portion of long-term debts (Note 19)	1,926,643	43,115,944
Income tax payable	333,355	432,496
Due to related parties (Note 22)	64,001	50,000
Other current liabilities (Notes 20 and 37)	11,372,824	9,990,372
Total Current Liabilities (Carried Forward)	999,241,910	993,293,449

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

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

	December 31	
	2024	2023
Total Current Liabilities (Brought Forward)	₱999,241,910	₱993,293,449
Noncurrent Liabilities		
Deposit liabilities - net of current portion (Note 15)	5,290,562	10,833,859
Bills and acceptances payable (Note 17)	—	1,115,447
Long-term debts - net of current portion (Note 19)	23,622,689	6,395,070
Net retirement benefits liability (Note 23)	710,000	1,009,716
Deferred income tax liabilities - net (Note 29)	8,475,269	8,275,257
Other noncurrent liabilities (Note 20)	6,777,227	6,237,658
Total Noncurrent Liabilities	44,875,747	33,867,007
Total Liabilities	1,044,117,657	1,027,160,456
Equity		
Attributable to equity holders of the Company (Notes 1, 7, 12, 23, 30 and 36):		
Capital stock	10,821,389	10,821,389
Capital in excess of par	35,906,231	35,906,231
Other comprehensive income, net of deferred income tax effect	13,327,515	12,418,924
Other equity reserves	(4,188,092)	(5,592,465)
Retained earnings	175,231,056	158,972,132
Shares of stock of the Company held by subsidiaries	(12,519)	(12,519)
	231,085,580	212,513,692
Non-controlling interests (Notes 1, 7, 12 and 30)	99,126,622	87,722,128
Total Equity	330,212,202	300,235,820
TOTAL LIABILITIES AND EQUITY	₱1,374,329,859	₱1,327,396,276

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

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

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Thousands)

Attributable to Equity Holders of the Company (Notes 1, 7, 12, 23, 30 and 36)														
Other Comprehensive Income (Loss)														
	Reserves of Disposal		Net Changes in Financial Assets at FVOCI (Note 7)		Remeasurement Gains (Losses) on Defined Benefit Plans (Note 23)		Revaluation Increment on Property, Plant and Equipment (Note 12)		Remeasurement Defined Benefit Plans of an Associate (Note 11)		Total Other Comprehensive Income (Loss)		Shares of Stock of the Company Held by Subsidiaries	
	Capital Stock	Capital in Excess of Par	Cumulative Translation	Translation	Translation	Translation	Translation	Translation	Translation	Translation	Translation	Translation	Translation	Translation
	P	P	P	P	P	P	P	P	P	P	P	P	P	P
BALANCES AT JANUARY 1, 2022	10,821,389	35,906,231	—	987,525	537,991	13,964,177	1,697,409	144,010,914	5,959,881	134,905,274	(12,519)	190,971,408	73,465,271	263,536,679
Net income for the year	—	—	—	399,542	(2,746,538)	2,457,350	(1,394,576)	(1,644,583)	430,578	25,137,400	—	25,137,400	5,527,606	30,665,006
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	—	—	1,060,000	1,060,000
Total comprehensive income (loss) for the year	—	—	—	399,542	(2,746,538)	2,457,350	(1,394,576)	(1,644,583)	430,578	25,137,400	—	25,137,400	6,587,606	31,725,006
Cash dividends declared (Note 30)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other equity reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Increase in noncontrolling interest without loss of control	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer of portion of evaluation increment on property, plant and equipment realized through depreciation and disposal	—	—	—	—	—	—	—	—	—	—	—	—	—	—
BALANCES AT DECEMBER 31, 2022	10,821,389	35,906,231	—	1,287,067	(2,208,547)	781,162	11,772,810	11,935,125	(5,579,300)	145,733,736	(12,519)	198,844,989	77,816,917	276,661,676
Net income for the year	—	—	—	(338,490)	2,444,953	(1,198,045)	(8,825)	1,296,208	(63,162)	25,621,454	—	1,231,046	8,292,984	2,056,030
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income (loss) for the year	—	—	—	(338,490)	2,444,953	(1,198,045)	(8,825)	1,296,208	(63,162)	25,621,454	—	1,231,046	8,292,984	2,056,030
Cash dividends declared (Note 30)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other equity reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Increase in noncontrolling interest without loss of control	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer of portion of evaluation increment on property, plant and equipment realized through depreciation and disposal (Note 12)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
BALANCES AT DECEMBER 31, 2023	10,821,389	35,906,231	—	948,577	236,406	(416,883)	10,951,376	12,418,924	(5,592,465)	158,972,132	(12,519)	212,513,692	87,722,128	300,235,820
(forward)														

(Forward)

Attributable to Equity Holders of the Company (Notes 1, 7, 12, 23, 24, 30 and 36)

	Other Comprehensive Income (Loss)													
	Total Other Comprehensive Income (Loss)													
	Capital Stock	Capital in Excess of Par	Reserves of Disposed Group Classified as Held for Sale Adjustments	Cumulative Transition	Net Changes in Financial Assets at FVOCI (Note 7)	Remeasurement on Defined Benefit Plans (Note 23)	Revaluation Increment on Property, Plant and Equipment (Note 12)	Remeasurement Gains (Losses) on Defined Benefit Plans of an Associate (Note 11)	Other Equity Reserves	Retained Earnings	Shares of Stock of the Company Held by Subsidiaries	Non-controlling Interest (Notes 1, 7, 12 and 30)		
BALANCES AT DECEMBER 31, 2023	#10,821,389	#35,906,231	P-	#948,577	#236,406	(#416,883)	#10,951,376	#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	-	-	-	1,561,751	1,715,789	575,195	112,508	1,773,262	1,404,373	28,920,989	-	28,920,989	9,386,743	38,307,732
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends declared (Note 30)	-	-	-	1,561,751	1,715,789	575,195	112,508	1,773,262	1,404,373	28,920,989	-	28,920,989	10,044,264	42,142,888
Other equity reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Realization of gain relating to financial assets at FVOCI (Note 7)	-	-	-	-	(505,351)	-	-	(505,351)	-	505,351	-	(13,520,730)	106,816	106,816
Increase in noncontrolling interest without loss of control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of portion of revaluation increment on property, plant and equipment realized through depreciation and disposal (Note 12)	-	-	-	-	-	-	(359,320)	-	-	-	-	-	1,253,414	1,253,414
BALANCES AT DECEMBER 31, 2024	#10,821,389	#35,906,231	P-	#1,104,752	#1,446,844	#158,312	#10,704,564	#13,237,515	(#4,188,092)	#175,231,056	(#12,519)	#231,085,580	#99,126,622	#330,212,202

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

LT GROUP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 Tanduary Distillers, Inc. (TDI), a producer of distilled spirits, through a share swap with Tangent Holdings Corporation ("Tangent" or the "Parent Company"). The share swap resulted in LTG wholly owning TDI and Tangent increasing its ownership in LTG to 97.0%. The Company's primary purpose is to engage in the acquisition by purchase, exchange, assignment, gift or otherwise; and to hold, own and use for investment or otherwise; and to sell, assign, transfer, exchange, lease, let, develop, mortgage, enjoy and dispose of, any and all properties of every kind and description and wherever situated, as to and to the extent permitted by law.

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

As of December 31, 2024 and 2023, LTG is 74.36%-owned by its ultimate parent company, Tangent, which is also incorporated in the Philippines.

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

Authorization for Issue of the Consolidated Financial Statements

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

2. Summary of Material Accounting and Financial Reporting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

	Percentage of Ownership						Country of Incorporation
	2024	2023	2022	2021	2020	2019	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	
Distilled Spirits							
Tanduary Distillers, Inc. (TDI) and subsidiaries	100.0	—	100.0	—	100.0	—	Philippines
Absolut Distillers, Inc. (ADI)	—	96.0	—	96.0	—	96.0	Philippines
Asian Alcohol Corporation (AAC) ⁽¹⁾	—	—	—	95.0	—	95.0	Philippines
Tanduary Brands International, Inc. (TBI)	—	100.0	—	100.0	—	100.0	Philippines
Beverages							
Asia Brewery, Incorporated (ABI) and subsidiaries	99.9	—	99.9	—	99.9	—	Philippines
Agua Vida Systems, Inc.	—	99.9	—	99.9	—	99.9	Philippines
Interbev Philippines, Inc.	—	99.9	—	99.9	—	99.9	Philippines
Waterich Resources Corp.	—	99.9	—	99.9	—	99.9	Philippines
Packageworld, Inc.	—	99.9	—	99.9	—	99.9	Philippines
AB Nutribev Corp.	—	99.9	—	99.9	—	99.9	Philippines
Asia Pacific Beverage Pte. Ltd. (APB Singapore)	—	99.9	—	99.9	—	99.9	Singapore
Asia Pacific Beverages Myanmar Company Limited (APB Myanmar)	—	90.0	—	90.0	—	90.0	Myanmar
Tobacco							
Shareholdings, Inc. (Shareholdings)	97.7	—	97.7	—	97.7	—	Philippines
Fortune Tobacco Corporation (FTC)	82.7	16.9	82.7	16.9	82.7	16.9	Philippines
Property Development							
Saturn Holdings, Inc.	100.0	—	100.0	—	100.0	—	Philippines
Paramount Landequities, Inc. (PLI) and Subsidiaries	100.0	—	100.0	—	100.0	—	Philippines
Eton Properties Philippines, Inc. (Eton)	—	99.6	—	99.6	—	99.6	Philippines
Belton Communities, Inc. (BCI)	—	99.6	—	99.6	—	99.6	Philippines
Eton City, Inc. (ECI)	75.5	24.1	—	99.6	—	99.6	Philippines
FirstHomes, Inc. (FHI)	—	99.6	—	99.6	—	99.6	Philippines
Eton Properties Management Corporation (EPMC)	—	99.6	—	99.6	—	99.6	Philippines
Banking							
Bank Holding Companies (Note 22) ⁽²⁾	80-100	—	80-100	—	80-100	—	Various
Philippine National Bank (PNB) and Subsidiaries ⁽³⁾	—	56.5	—	56.5	—	56.5	Philippines
PNB Capital and Investment Corporation (PNB Capital)	—	56.5	—	56.5	—	56.5	Philippines
PNB Securities, Inc. (PNB Securities)	—	56.5	—	56.5	—	56.5	Philippines
PNB Corporation - Guam (PNB Guam)	—	56.5	—	56.5	—	56.5	United States of America (USA)
PNB International Investments Corporation (PNB IIC)	—	56.5	—	56.5	—	56.5	USA
PNB Remittance Centers, Inc. (PNB RCI)	—	56.5	—	56.5	—	56.5	USA
PNB RCI Holding Co. Ltd.	—	56.5	—	56.5	—	56.5	USA
PNB Remittance Co. (Canada)	—	56.5	—	56.5	—	56.5	Canada
PNB Europe PLC	—	56.5	—	56.5	—	56.5	United Kingdom
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	—	56.5	—	56.5	—	56.5	Hong Kong
Allied Integrated Holdings, Inc. (AIHI)	—	56.5	—	56.5	—	56.5	Philippines
PNB-Mizuho Leasing Finance Corporation (PMLFC)	—	50.8	—	50.8	—	50.8	Philippines
PNB-Mizuho Equipment Rentals Corporation (PMERC)	—	50.8	—	50.8	—	50.8	Philippines
Allied Commercial Bank (ACB)	—	55.9	—	55.9	—	55.9	Republic of China

(Forward)

	Percentage of Ownership						Country of Incorporation
	2024		2023		2022		
	Direct	Indirect	Direct	Indirect	Direct	Indirect	
Allied Banking Corporation (Hongkong) Limited (ABCHKL)	—	51.0	—	51.0	—	51.0	Hong Kong
ACR Nominees Limited	—	51.0	—	51.0	—	51.0	Hong Kong
Oceanic Holdings (BVI) Ltd. (OHBVI)	—	27.8	—	27.8	—	27.8	USA
Other Investments							
PNB Holdings Corporation (PNB Holdings) ⁽⁴⁾	—	56.5	—	56.5	—	56.5	Philippines
Mabuhay Digital Technologies, Inc. (MDTI)	100.0	—	100.0	—	100.0	—	Philippines
Mabuhay Digital Philippines, Inc. (MDPI)	100.0	—	100.0	—	100.0	—	Philippines
Asia's Emerging Dragon Corporation	60.0	40.0	60.0	40.0	60.0	40.0	Philippines

⁽¹⁾ Classified as held for sale (see Notes 10 and 20); Sold in 2024

⁽²⁾ As of December 31, 2024, 2023 and 2022, the Bank Holding Companies consist of 27 entities with aggregate direct ownership interest of 59.83% in PNB, of which 20 companies are incorporated in the Philippines and seven (7) companies are incorporated in the British Virgin Islands (see Note 22).

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

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

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

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

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

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

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

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

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

Non-controlling interests

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

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

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

Business Combination and Goodwill

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

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

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

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

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

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

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

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

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

Common control business combinations

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

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

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

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 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have any material impact on the consolidated financial statements of the Group.

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

The amendments clarify:

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

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

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

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

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

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

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

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

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

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

The expected adoption will not materially affect the Group.

- Amendments to PAS 21, *Lack of exchangeability*

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

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

The expected adoption will not materially affect the Group.

Effective beginning on or after January 1, 2026

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

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

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

The expected adoption will not materially affect the Group.

- Annual Improvements to PFRS Accounting Standards - Volume 11

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

- Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*

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

- Amendments to PFRS 7, *Gain or Loss on Derecognition*

The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13.

- Amendments to PFRS 9

- a) Lessee Derecognition of Lease Liabilities

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

- b) Transaction Price

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

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

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

- Amendments to PAS 7, *Cost Method*

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

The expected adoption will not materially affect the Group.

Effective beginning on or after January 1, 2027

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

The standard replaces PAS 1 *Presentation of Financial Statements* and responds to investors' demand for better information about companies' financial performance. The new requirements include:

- Required totals, subtotals and new categories in the statement of profit or loss
- Disclosure of management-defined performance measures
- Guidance on aggregation and disaggregation

The expected adoption will not materially affect the Group.

- PFRS 19, *Subsidiaries without Public Accountability*

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

The expected adoption will not materially affect the Group.

Deferred effectivity

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

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

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

The expected adoption will not materially affect the Group.

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

Material Accounting Policies Applicable to the Group

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

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

Financial Instruments - Initial Recognition

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

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

Financial Instruments - Classification and Subsequent Measurement

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

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

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

incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

Financial assets at FVTPL

Financial assets at FVTPL include the following:

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

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

Financial assets at FVTOCI

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

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

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

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

Equity securities designated at FVTOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. The Group recognizes the dividends earned on holding the equity securities at FVTOCI in the consolidated statement of income when the right to payment has been established. Gains and losses on disposal of these equity securities at

FVTOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. The Group does not subject equity securities at FVTOCI to impairment assessment.

Financial assets at amortized cost

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

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

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

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

Financial liabilities at amortized cost

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

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

Repurchase and reverse repurchase agreements

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

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

Reclassification of Financial Instruments

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

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

Financial liabilities

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

Impairment of Financial Assets

ECL methodology

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

Staging assessment

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

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

Definition of "default" and "cure"

The Group considers default to have occurred when:

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

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

Determining SICR

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

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

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

Transfer between stages

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

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

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

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

Modified or restructured loans and other credit exposures

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

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

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

Purchased or originated credit-impaired loans

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

Measurement of ECL

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

- Probability of default (PD) - an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) - an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) - an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate - represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

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

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

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

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

Offsetting of Financial Instruments

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

Other Current Assets

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

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

Investments in Associates and Joint Ventures

Investment in associates pertains to entities over which the Group has significant influence but not control. Investment in joint ventures pertains to the Group's interest in joint ventures, which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The joint venture arrangements requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its investments in associates and joint ventures using the equity method.

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ROU assets are subject to impairment.

Investment Properties

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

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- 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 substance fixed lease payments.

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

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

Group as a lessor

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

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

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

Foreign Currency-denominated Transaction and Translation

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

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

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

Foreign Currency Deposit Unit (FCDU) and Overseas Subsidiaries

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

Income Taxes

Current income tax

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

Deferred income tax

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

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

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

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

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

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

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

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

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

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

Provisions and Contingencies

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

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

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

Equity

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

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

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

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

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

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

Earnings Per Share

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

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

Dividends on Common Shares

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

Events After the Reporting Period

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

Segment Reporting

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

Material Accounting Policies Generally Applicable to Banking

Banking Revenue

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

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

Service Fees and Commission Income

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

Fees from services that are provided over a certain period of time

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

Bancassurance fees

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

Fee income from providing transaction services

The banking segment recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the banking segment recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

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

Credit Card Fees

Interchange fee and revenue from rewards redeemed

The banking segment takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the banking segment's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The banking segment operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the banking segment. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The banking segment allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The banking segment defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The banking segment includes the deferred balance under 'Other liabilities' in the consolidated statement of financial position.

Commissions on credit cards

The banking segment recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Commissions on installment credit sales

The banking segment records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The banking segment recognizes the excess over cost as 'Unearned and other deferred income', which is shown as a deduction from 'Loans and receivables' in the consolidated statement of financial position. The banking segment amortizes and recognizes as revenue the unearned and other deferred income over the installment terms using the effective interest method.

Income from Sale of Properties

The banking segment recognizes income from sale of properties upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

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

Interest income

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

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

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

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

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

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

Trading and investment securities gains - net

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

Insurance premiums and commissions on reinsurance

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

Commitment fees

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

Income on direct financing leases and receivables financed

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

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

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

Financial Guarantees and Undrawn Loan Commitments

The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

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

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

- the initial fair value less any cumulative amount of income or amortization recognized in the consolidated statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position.

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

Fiduciary Activities

The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Material Accounting Policies Generally Applicable to Consumer Products

Sale of Consumer Goods

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The Group enters into a marketing and distributorship agreement in which the Group undertakes to sell the products specified including its quantity indicated in an approved purchased order exclusively to the marketing distributors. No other promised goods or services was specified in the contract or provided based on the customary business practice. This is considered as one performance obligation; hence, no allocation of transaction price is needed. The Group recognizes revenue at a point in time, once the goods are delivered.

- *Sale of goods.* Revenue from sale of goods is recognized at a point in time, once the goods are sold and delivered.
- *Sale of commercial bottles.* Revenue from sale of commercial bottles is recognized at a point in time, once goods are sold and delivered.
- *Revenue from services and tolling fees.* Revenue from services and tolling fees is recognized by the Group at a point in time when the services have been rendered.

Cost of Consumer Goods Sold

Cost of consumer goods sold is recognized as expense where the related goods are sold.

Consumer Goods Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition are accounted for as follows:

Finished goods and work in process include direct materials, direct labor, and manufacturing overhead costs. Raw materials include purchase cost. The cost of these inventories is determined using the following:

	Distilled Spirits	Beverage
Finished goods	Moving-average	Weighted-average
Work in process	Moving-average	Weighted-average
Raw materials and materials and supplies	Moving-average	Moving-average

NRV of finished goods is the estimated selling price less the estimated costs of marketing and distribution. NRV of work in process is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. For raw materials and materials and supplies, NRV is current replacement cost.

Material Accounting Policies Generally Applicable to Property Development

Property Development Revenue and Cost Recognition

Real estate sales

The Group derives its real estate sales from sale of residential lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on the physical proportion of work done on the real estate project which requires technical determination by the Group's project engineers. Based on the monthly project accomplishment report approved by the site project manager which integrates the surveys of performance to date of the construction activities.

Rental income

Rental income under non-cancellable leases of investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term or based on the terms of the lease contract or certain percentage of the gross revenue of the tenants, as applicable.

Charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants in "Other income" account is recognized in the period in which the compensation becomes receivable.

Cost of real estate sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of real estate sales recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage-of-completion used for revenue recognition purposes.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Cost of rental income

Cost of rental income is recognized in relation to the leasing activities of the Group. This includes general, administrative and selling expenses allocated to the leasing activities, rental expense on the property leased to tenants and depreciation of the investment properties.

Rooms and other operated departments

Revenue from room rentals and other ancillary services are recognized at point in time or when the services are rendered. Revenue from other ancillary services include, among others, business center related services and car rentals, food packages, laundry service, telephone service, and spa/gym services.

Costs of services

Costs of services include expenses incurred by the Group for the generation of revenue from room rentals and other ancillary services. Costs of services are expensed as incurred.

Real Estate Inventories

Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes: (a) acquisition cost of subdivision land; (b) amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units; (c) planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and (d) borrowing costs capitalized prior to start of pre-selling activities for the real estate project.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Customers' Deposits including Excess of Collections over Recognized Receivables

Customers' deposits represent payments from buyers of property development segment which will be applied against the related contracts receivables. This account also includes the excess of collections over the recognized contracts receivables, which is based on the revenue recognition policy of the Group.

Security Deposits

Security deposits, included in the "Other current liabilities" and "Other noncurrent liabilities" accounts in the liabilities section of the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determination of functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Group to use its judgment to determine the functional currency of the Group, including its foreign operations, such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to each entity or reporting unit.

In making this judgment, the Group considers the following:

- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Classification of financial assets

The Group classifies its financial assets depending on the results of the SPPI tests and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- Business objectives and strategies for holding financial assets
- Performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets
- Attendant risks and the tools applied in managing them
- Compensation structure, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions
- Frequency and timing of disposals

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP.

Fair valuation of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models. The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives. For the valuation of nonmarketable unquoted equity securities, the Group considers a

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

Revenue recognition on real estate sales

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) assessment of the probability that the entity will collect the consideration from the buyer; (c) determination of the transaction price; (d) application of the output/input method as the measure of progress in determining real estate revenue; (e) determination of the actual costs incurred as cost of goods sold; and (f) recognition of cost to obtain a contract.

- a) *Existence of a contract.* The Group's primary document for a contract with a customer is a signed contract to sell. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.
- b) *Revenue recognition method and measure of progress.* The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.
- The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customer.
- c) *Identifying performance obligation.* The Group has various contracts to sell covering residential lots and condominium units. The Group concluded that there is one performance obligation in each of these contracts because: (i) for residential lots, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract; (ii) for the contract covering condominium units, the developer has the obligation to deliver the house or condominium unit duly constructed on a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the customer.

Revenue recognition on sale of consumer goods

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint. (d) recognition of revenue as the Group satisfies the performance obligation.

a) *Existence of a contract.* The Group's primary document for a contract with a customer for each type of revenue stream is:

- *Sale of goods.* The Group determined that an approved purchase order related to a signed marketing and distributorship agreement qualifies as a contract provided that each of the party's rights regarding the goods to be transferred is clearly identified including the product specification and payment terms.
- *Sale of commercial bottles.* The Group determined that an approved purchase order with terms clearly identified including the product specification and payment terms qualifies as a contract.

The Group also considers the probability that it will be able to collect the consideration to which it will be entitled in exchange for the goods sold or services rendered in determining if a contract exists.

b) *Determining the method to estimate variable consideration and assessing the constraint.* The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will be subjected to constraint.

Factors such as the following are considered:

- high susceptibility to factors outside the Group's influence;
- timing of the resolution of the uncertainty, and
- having a large number and broad range of possible outcomes.

Contracts from sale of goods and commercial bottles allow the customer to return spoiled or damaged goods which will be segregated and replaced. No adjustment to the amount originally billed to the customer. The right of return will be constrained since the amount of consideration is highly susceptible to factors outside of the Group's influence and the contract has a large number and broad range of possible consideration amounts.

c) *Recognition of revenue as the Group satisfies the performance obligation.* The Group recognizes its revenue for all revenue streams at a point in time, where the goods are sold and delivered and when services were already rendered.

Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases on its investment properties and certain motor vehicles and items of machinery. The Group has determined, based on an evaluation of the terms and conditions of the lease agreements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties and so accounts for these leases as operating leases (see Note 37).

Determination of lease term for lease contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates

Upon adoption of the Philippine Interpretation IFRIC 23, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. The Group determined, based on its tax assessment, in consultation with its tax counsel, that it is probable that its uncertain tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have significant impact on the consolidated financial statements of the Group.

Classification of properties

The Group determines whether a property is classified as real estate inventory, investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flow largely independent of the other assets held by an entity.

Real estate inventory comprises of property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction. Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. Owner-occupied properties classified and presented as property, plant and equipment, generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of the financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 37).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Credit losses on financial assets

For banking segment, the Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:

- Segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively.
- Quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages.
- Determination of expected life of the financial asset and expected recoveries from defaulted accounts.
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs.
- Selection of forward-looking information and determination of probability weightings to derive the ECL.

In response to the changing credit environment due to rising interest rates, inflation, and other 'black swan' events which may potentially occur, the Group reviews on a monthly basis its loan portfolio, particularly for accounts that have shown or are beginning to show increases in credit risk. The Group performs comprehensive review of the default profile of its accounts to determine if there are factors or indicators not captured in the risk rating model. If there are noted weaknesses in the model, where possible, the Group recalibrates the parameter estimates to the ECL models to incorporate internal default experience, as well as most recent available external data affecting each segment of the Group's loan portfolio.

The Group revisits the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassesses the framework for macroeconomic overlay, incorporating stress scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

For the other segments, provision matrix was used to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, property collaterals and coverage by letters of credit and other forms of credit insurance).

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Refer to Notes 8 and 14 for the carrying values of loans and receivables and receivables from Special Purpose Vehicle (SPV), respectively.

Recognition of deferred income tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates in assessing its taxable income forecast.

The Group reassesses its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook and effects on specific industries of the rising interest rates, inflation, and other 'black swan' events.

Details of the Group's recognized and unrecognized deferred income tax assets is disclosed in Note 29.

Present value of lease liabilities

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease). The carrying amount of lease liabilities is disclosed in Note 37.

Present value of retirement obligation

The Group determines the cost of defined benefit pension plan and other post-employment benefits using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group reviews all assumptions at each reporting date.

The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases are based on the Group's policy considering the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The present value of retirement obligation is disclosed in Note 23.

Measurement of NRV of inventories

The Group's estimates of the NRV of its consumer goods inventories and materials and supplies are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

With respect to the Group's real estate inventories, the Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of cost of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Details of the carrying value of the Group's inventories are disclosed in Note 9.

Valuation of property, plant and equipment under revaluation basis

The Group's land and land improvements, plant buildings and building improvements, and machineries and equipment are carried at revalued amounts, which approximate their fair values at the date of the revaluation, less any subsequent accumulated depreciation and amortization and accumulated impairment losses. The valuations of property, plant and equipment are performed by independent appraisers. Revaluations are made every three to five years to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of reporting period.

Property, plant and equipment at appraised values amounted to ₱57.2 billion and ₱57.5 billion as of December 31, 2024 and 2023, respectively (see Note 12).

Estimation of useful lives of property, plant and equipment and investment properties

The Group estimates the useful lives and residual values of property, plant and equipment and investment properties based on internal technical evaluation and experience with similar assets. Estimated useful lives and residual values of property, plant and equipment and investment properties are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment and investment properties would increase the recorded depreciation expenses and decrease the carrying value of property, plant and equipment and investment properties.

In 2024 and 2023, there were no significant changes made in the useful lives and residual values of the property, plant and equipment and investment properties. Details and the carrying value of depreciable property, plant and equipment, and investment properties as of December 31, 2024 and 2023 are disclosed in Notes 12 and 13.

Assessment of impairment of nonfinancial assets and estimation of recoverable amount

The Group assesses impairment on its investments in joint ventures and associates whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the Group considers the following triggers for an impairment review on its investments in joint ventures and associates:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its property, plant and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Except for investment properties and land and building where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value-in-use (VIU), which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The VIU calculation is most sensitive to the following assumptions: production volume, price, exchange rates, capital expenditures, and long-term growth-rates.

The carrying values of the Group's investments in joint ventures and associates, property, plant and equipment, investment properties, intangible assets, and other nonfinancial assets are disclosed in Notes 11, 12, 13 and 14, respectively.

4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's identified operating segments classified as business groups, which are consistent with the segments reported to LTG's BOD, its Chief Operating Decision Maker (CODM), are as follows:

- Banking, provides full range of banking and other financial services to corporate, middle-market and retail customers, the National Government (NG), local government units (LGUs) and government-owned and controlled corporations (GOCCs) and various government agencies, including deposit-taking, lending, bills discounting, foreign exchange dealing, investment banking, fund transfers or remittance servicing and full range of retail banking and trust services and other insurance services. The Group conducts its banking business through PNB and its subsidiaries.
- Distilled Spirits, which is involved in manufacturing, compounding, bottling, importing, buying and selling of rum, spirit beverages, liquor and bioethanol products. The Group conducts its distilled spirits business through TDI and its subsidiaries.
- Beverage, which is engaged in brewing and soft drinks and bottled water manufacturing in the Philippines. It also operates other plants, which includes commercial glass division and corrugated cartons and metal closures production facility, to support the requirements of its brewing, bottled water, non-beer products operations and to act as a service contractor and enter into service agreements for the supply of services. The Group conducts its beverage business through ABI and its subsidiaries, associate and joint venture.
- Tobacco, which is a supplier and manufacturer of cigarettes, casings, tobacco, packaging, labels and filters. The Group conducts its tobacco business through FTC's interest in PMFTC, Inc. (PMFTC).

- Property Development, which is engaged in ownership, development, leasing and management of residential properties, including but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; acquisition, purchasing, development and selling of subdivision lots. The Group conducts its property development business through Eton and its subsidiaries.
- Others, consist of various holding companies (LTG, AEDC, Paramount, Saturn, Shareholdings, PHC, and Bank Holding Companies) that provide financing for working capital and capital expenditure requirements of the operating businesses of the Group.

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

The Group's assets are located mainly in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. The Group's banking segment operates in key cities in the USA, Canada, Western Europe, Middle East and Asia. The distribution of assets and revenues of the banking segment outside the Philippines constitute 1.3% and 3.1% as of December 31, 2024, respectively, and 1.4% and 3.3% as of December 31, 2023 of the Group's consolidated assets and revenues, respectively.

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

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

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

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

The Group's distilled spirits segment derives liquor revenue from two major distributors which averaged 95%, 89% and 88% of the segment's total liquor revenue in 2024, 2023 and 2022, respectively. The other segments of the Group have no significant customer that contributes 10% or more of their segment revenues.

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

For the year ended December 31, 2024:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
<i>(In Thousands)</i>							
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)	-
Cost of goods sold and services	75,068,040	33,851,452	18,214,059	-	2,527,602	(695,631)	128,965,522
Gross profit	19,565,356	28,918,248	14,134,546	-	1,639,876	(1,528,264)	62,729,762
Equity in net earnings of associates and joint ventures	55,502,684	4,933,204	4,079,513	-	887,726	832,633	66,235,760
Selling expenses	419,505	-	60,234	7,567,261	-	819,605	8,866,605
General and administrative expenses	55,922,189	4,933,204	4,139,747	7,567,261	887,726	1,652,238	75,102,365
Operating income	33,497,791	1,184,013	1,409,749	-	48,117	-	2,641,879
Foreign exchange gains (losses) - net	22,424,398	2,810,134	1,285,680	188,993	1,086,386	(345,274)	36,811,271
Finance income	1,169,286	(13,894)	(12,150)	7,378,268	(246,777)	1,997,512	35,649,215
Finance costs	-	130,613	38,503	301,329	(169)	9,297	1,453,699
Others - net	2,684,013	(42,504)	(302,473)	840,360	27,227	(785,134)	251,569
Income before income tax	26,277,697	2,880,536	1,035,374	4,458,847	(282,272)	19,489	(607,760)
Provision for income tax	5,099,732	730,333	194,479	12,978,804	451,906	292,018	8,410,776
Segment profit	₱21,177,965	₱2,150,203	₱840,895	211,462	240,010	1,533,182	45,157,499
Segment profit attributable to:				₱12,767,342	₱211,896	173,751	6,649,767
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
<i>(In Thousands)</i>							
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

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
<i>(In Thousands)</i>							
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

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
<i>(In Thousands)</i>							
Assets:							
Current assets	P660,924,980	P18,916,472	P20,627,751	P16,736,351	P7,591,858	(P16,156,139)	P708,641,273
Noncurrent assets	545,358,931	9,452,071	15,278,346	6,110,083	22,023,831	20,531,741	618,755,003
	P1,206,283,911	P28,368,543	P35,906,097	P22,846,434	P29,615,689	P4,375,602	P1,327,396,276
Liabilities:							
Current liabilities	P998,997,571	P3,753,179	P9,072,221	P324,930	P6,411,544	(P25,265,996)	P993,293,449
Noncurrent liabilities	22,126,877	828,946	1,370,201	105,649	3,163,521	6,271,813	33,867,007
	P1,021,124,448	P4,582,125	P10,442,422	P430,579	P9,575,065	(P18,994,183)	P1,027,160,456
Investments in associates and joint ventures	P3,199,124	P-	P212,773	P2,615,366	P-	P12,976,484	P19,003,747
Equity attributable to:							
Equity holders of the Company	181,650,718	23,572,712	25,405,673	22,415,856	20,040,624	(60,571,886)	212,513,697
Non-controlling interests	3,508,745	213,706	58,002	-	-	83,941,673	87,722,126
Noncurrent assets:							
Property, plant and equipment	18,382,650	8,248,785	13,705,159	89,094	850,156	27,855,668	69,131,512
Investment properties	13,469,401	655,656	14,002	2,108,595	20,751,188	849,588	37,848,430
Short-term debts	-	-	4,280,000	-	-	-	4,280,000
Long-term debts	45,323,755	441,017	735,213	-	3,095,287	(84,258)	49,511,014

For the year ended December 31, 2022:

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
<i>(In Thousands)</i>							
Segment revenue:							
External customers	P50,843,607	P31,559,876	P16,216,881	P-	P1,143,977	P1,107,581	P100,871,922
Inter-segment	117,729	61,014	1,007,789	-	831,805	(2,018,337)	-
Cost of goods sold and services	50,961,336	31,620,890	17,224,670	-	1,975,782	(910,756)	100,871,922
Gross profit	9,346,027	28,005,598	13,428,544	-	1,153,648	(830,887)	51,102,930
Equity in net earnings of associates and joint ventures	41,615,309	3,615,292	3,796,126	-	822,134	(79,869)	49,768,992
	(56,060)	-	61,444	15,461,496	-	627,695	16,094,575
Selling expenses	41,559,249	3,615,292	3,857,570	15,461,496	822,134	547,826	65,863,567
General and administrative expenses	35,382,372	659,916	1,369,531	-	2,761	-	2,283,909
Operating income	6,176,877	2,043,759	1,067,302	15,163,577	71,717	1,260,643	25,783,875
Foreign exchange gains (losses) - net	1,608,281	26,340	6,064	(117,170)	6,804	18,558	1,548,877
Finance income	-	44,160	19,455	315,598	13,388	(173,316)	219,285
Finance costs	-	(53,498)	(260,132)	-	(299,508)	128,524	(484,614)
Others - net	8,911,847	(207,103)	25,266	11,973	692,318	101,872	9,536,173
Income before income tax	16,697,005	1,853,658	857,955	15,373,978	484,719	1,336,281	36,603,596
Provision for income tax	4,931,228	384,777	275,417	37,123	111,422	198,623	5,938,590
Segment profit	P11,765,777	P1,468,881	P582,538	P15,336,855	P373,297	P1,137,658	P30,665,006
Segment profit attributable to:							
Equity holders of the Company	P11,714,107	P1,466,876	P579,401	P15,336,855	P373,297	(P4,333,136)	P25,137,400
Non-controlling interests	51,670	2,005	3,137	-	-	5,470,794	5,527,606
Depreciation and amortization expense	4,044,067	636,581	1,956,640	36,756	366,473	(641,675)	6,398,842

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

	Banking	Distilled Spirits	Beverage	Tobacco	Property Development	Eliminations, Adjustments and Others	Total
<i>(In Thousands)</i>							
Assets:							
Current assets	₱537,671,669	₱19,159,272	₱20,826,361	₱14,991,417	₱8,647,442	(₱13,248,264)	588,047,897
Noncurrent assets	602,847,076	9,331,703	15,432,784	11,591,207	22,352,276	18,514,626	680,069,672
	₱1,140,518,745	₱28,490,975	₱36,259,145	₱26,582,624	₱30,999,718	₱5,266,362	1,268,117,569
Liabilities:							
Current liabilities	₱898,204,863	₱5,116,546	₱10,076,295	₱303,526	₱7,790,574	(₱21,038,506)	₱900,453,298
Noncurrent liabilities	79,405,266	831,002	944,553	95,001	3,599,967	6,126,806	91,002,595
	₱977,610,129	₱5,947,548	₱11,020,848	₱398,527	₱11,390,541	(₱14,911,700)	₱991,455,893
Investments in associates and joint ventures	₱2,688,764	₱—	₱164,971	₱8,227,070	₱—	₱10,509,069	₱21,589,874
Equity attributable to:							
Equity holders of the Company	159,359,238	22,335,893	25,186,993	26,184,097	19,609,177	(53,830,539)	198,844,859
Non-controlling interests	3,549,378	207,534	51,304	—	—	74,008,601	77,816,817
Noncurrent assets:							
Property, plant and equipment	19,667,204	8,268,866	13,991,294	82,010	912,384	27,852,063	70,773,821
Investment properties	12,684,829	239,009	14,002	2,108,595	20,984,232	1,014,337	37,045,004
Short-term debts	—	—	4,490,000	—	—	—	4,490,000
Long-term debts	62,075,488	434,237	549,526	—	4,926,148	(1,273,096)	66,712,303

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

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

*net of allowance for ECL

- Cash and other cash items consist of cash on hand and in banks and short-term investments. Cash in banks earn interest at bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group.
- Due from BSP is composed of interest-bearing short-term placements with BSP and a demand deposit account to support the regular operations of PNB, which consists of:

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

ODFs and TDFs bear annual interest rates range from:

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

- Interbank loans receivables bear annual interest ranging from 5.9% to 6.6% and 5.5% to 6.4% in 2024 and 2023, respectively for peso-denominated interbank loans receivables and from 0.0% to 5.6% and from 0.9% to 6.1% in 2024 and 2023, respectively, for foreign currency-denominated interbank loans receivables.
- Securities held under agreements to resell bear interest ranging from 4.4% to 6.9% and from 4.2% to 7.0% in 2024 and 2023, respectively.

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

- Interest earned on cash and other cash items and cash equivalents are presented under “Banking revenue” and “Finance income”, respectively (see Notes 24 and 27).

6. Financial Assets at FVTPL

Financial assets at FVTPL consist of:

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

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

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

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

Financial Assets at FVTOCI

This account consists of:

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

- For the years ended December 31, 2024, 2023 and 2022, the nominal interest rates of government securities range from 0.6% to 14.9%, 0.2% to 19.1% and 0.2% to 26.2%, respectively.
- For the years ended December 31, 2024, 2023 and 2022, the nominal interest rates of private debt securities range from 0.5% to 6.9%, 0.5% to 6.4%, and 0.5% to 6.4%, respectively.
- As of December 31, 2024 and 2023, the fair value of financial assets at FVTOCI in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions with foreign banks amounted to ₱12.0 billion and ₱6.5 billion, respectively (see Note 17). The counterparties have an obligation to return the securities to PNB once the obligations have been settled. In case of default, the foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement.
- Other debt securities consist of notes issued by private entities. As of December 31, 2024 and 2023, the ECL on debt securities at FVTOCI (included in 'Net unrealized gain (loss) on financial assets at FVTOCI') amounted to ₱68.1 million and ₱46.8 million, respectively.

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

Financial Assets at Amortized Cost

This account consists of:

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

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

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

In 2024 and 2023, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.

As of December 31, 2024 and 2023, the fair value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱2.4 billion and ₱1.8 billion, respectively (see Note 37).

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

8. Loans and Receivables

Loans and receivables consist of:

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

Finance Receivables

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

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

a. Lease contract receivable

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

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

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

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

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

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

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

(Forward)

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

Trade Receivables

Trade receivables consist of:

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

Trade receivables on consumer goods pertain to receivables from various customers of distilled spirits, beverages and tobacco segments, which are noninterest-bearing and generally have 30 to 90 days' terms.

Other Receivables

Other receivables are due and demandable and include accrued interest receivable pertaining to interest earned on cash and cash equivalents and unpaid utility charges to tenants and receivables from sale of various assets.

Movements of Allowance for Credit Losses

Details and movements of allowance for credit losses are as follows:

	December 31, 2024			
	Finance Receivables	Trade Receivables	Other Receivables	Total
<i>(In Thousands)</i>				
Balance at beginning of year	₱44,568,661	₱345,306	₱36,784	₱44,950,751
Provisions during the year (Note 26)	3,868,111	—	—	3,868,111
Accounts charged off, transfers and others	(4,231,630)	(15,022)	(16,763)	(4,263,415)
Balance at end of year	₱44,205,142	₱330,284	₱20,021	₱44,555,447

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

9. Inventories

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

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

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

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

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

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

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

10. Other Current Assets

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

- a. Advances to suppliers pertain to deposits made for raw material purchases and are applied upon delivery of the related inventories.
- b. Assets of disposal group classified as held for sale pertains to the assets of AAC, a subsidiary of TDI. Based on management's assessment, this met the criteria and qualifies as a disposal group held for sale. Assets of AAC as of December 31, 2023 consist of the following:

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

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

- c. Prepaid expenses include prepaid importation charges amounting to ₱65.5 million and ₱93.9 million as of December 31, 2024 and 2023, respectively. Prepaid importation charges pertain to the purchases of raw materials by the distilled spirits.
- d. CWTs pertain mainly to the amounts withheld from income derived from sale of consumer goods and real estate inventories. The CWTs can be applied against any income tax liability of a company in the Group to which the CWTs relate.
- e. Excise tax pertains to advance tax payments to the Bureau of Internal Revenue (BIR) on sale of alcoholic beverages.
- f. Others include interoffice floats and advances to contractors.

11. Investment in Associates and Joint Ventures

Investments in Associates and Joint Ventures

The Group has the power to participate in the financial and operating policy decisions of PMFTC, Victorias Milling Company, Inc. (VMC), and APLII. The Group also has 50% interest in ABI Pascual Holdings Private Limited (ABI Pascual Holdings) and ALI-Eton Property Development Corporation (AEPDC) which are jointly controlled entities.

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

Equity in net earnings consists of:

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

Investment in PMFTC

Details of investment in PMFTC are as follows:

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

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

On February 25, 2010, FTC and PMPMI combined their respective domestic business operations by transferring selected assets and liabilities to PMFTC in accordance with the provisions of the Asset Purchase Agreement (APA) between FTC and its related parties and PMPMI. The establishment of PMFTC allows FTC and PMPMI to benefit from their respective, complementary brand portfolios as well as cost synergies from the resulting integration of manufacturing, distribution and procurement, and the further development and advancement of tobacco industry growing in the Philippines. FTC and PMPMI hold equal economic interest in PMFTC. Since PMPMI has majority of the members of the BOD, it has control over PMFTC. FTC considers PMFTC as an associate.

As a result of FTC's divestment of its cigarette business to PMFTC, FTC initially recognized the investment amounting to ₱13.5 billion, representing the fair value of the net assets contributed by FTC, net of unrealized gain of ₱5.1 billion. The transaction was accounted for similar to a contribution in a joint venture based on Standing Interpretations Committee (SIC) Interpretation 13, *Jointly Controlled Entities-Non-Monetary Contributions by Venturers*, where FTC recognized only that portion of the gain which is attributable to the interests of PMPMI amounting to ₱5.1 billion in 2010. The portion attributable to FTC is being recognized once the related assets and liabilities are realized, disposed or settled. FTC recognized a gain of about ₱293.0 million each year starting 2011 until 2017 and an outright loss of ₱2.0 billion in 2010, which are included in the "Equity in net earnings" in these periods. Further, as a result of the transfer of selected assets and liabilities, portion of the revaluation increment on FTC's property, plant and equipment amounting to ₱1.9 billion was transferred to retained earnings.

Also, as a result of the transaction, FTC has obtained the right to sell (put option) its interest in PMFTC to PMPMI, except in certain circumstances, during the period from February 25, 2015 through February 24, 2018, at an agreed-upon value. On December 10, 2013, the BOD of LTG approved the

waiver by FTC of its rights under the Exit Rights Agreement entered into with PMI and confirmed the execution of the Termination Agreement.

Summarized financial information of PMFTC, based on its financial statements as at December 31, 2024 and 2023 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

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

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

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

Investment in VMC

Details of investment in VMC are as follows:

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

On February 15, 2016, VMC approved the acquisition of its own shares. The sale agreement had been executed on February 18, 2016 and led to the acquisition of 300.0 million treasury shares. This resulted in an increase in the Parent Company's percentage of ownership from 22.5% to 25.1%. On the same date, the Group, through FTC, acquired additional shares of stock of VMC amounting to ₱660.3 million resulting to an increase in the Group's effective ownership in VMC to 30.2%.

On May 23, 2017, portions of the convertible notes amounting to ₱58.94 million were converted to shares of stock of VMC resulting to an increase in the Group's percentage of ownership to 30.9% as of December 31, 2017.

The summarized financial information of VMC as of August 31, 2024 and 2023 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

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

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

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

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

Investment in APLII

On December 21, 2015, PNB entered into a 15-year exclusive partnership with Allianz SE under the following arrangements, subject to regulatory approvals:

- Allianz SE will acquire 12,750 shares representing 51% stockholdings of APLII and will have management control over the new joint venture company;

- The new joint venture company will operate under the name of "Allianz-PNB Life Insurance, Inc.";
- A 15-year distribution agreement which will provide Allianz an exclusive access to the branch network of PNB and PNB Savings Bank.

The sale of APLII was completed on June 6, 2016 for a total consideration of US\$66.0 million (₱3.1 billion). Pursuant to the sale of APLII, PNB also entered into a distribution agreement with APLII where PNB will allow APLII to have exclusive access to the distribution network of PNB and its subsidiary, PNB Savings Bank, over a period of 15 years. Both the share purchase agreement and distribution agreement have provisions referring to one another, making the distribution agreement an integral component of the sale transaction. Accordingly, the purchase consideration of US\$66.0 million (₱3.1 billion) was allocated between the sale of the 51% interest in APLII and the Exclusive Distribution Rights (EDR) amounting to US\$44.9 million (₱2.1 billion) and US\$21.1 million (₱1.0 billion), respectively.

PNB will also receive variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

The Group recognized gain on sale of the 51% interest in APLII amounting to ₱400.3 million, net of taxes and transaction costs amounting to ₱276.7 million and ₱153.3 million, respectively. The deferred revenue amounting to ₱976.2 million allocated to the EDR was presented as "Other deferred revenue" and will be amortized to income over 15 years from date of sale (see Note 20). Prior to the sale of shares to Allianz SE, PNB acquired additional 15% stockholdings from the minority shareholders for a consideration amounting to ₱292.4 million between June 2, 2016 and June 5, 2016.

Consequently, PNB accounted for its remaining 44% ownership interest in APLII as an associate. At the date of loss of control, PNB's investment in APLII was remeasured to ₱2.7 billion based on the fair value of its retained equity. PNB recognized gain on remeasurement amounting to ₱1.6 billion in the 2016 consolidated statement of income.

The fair value of the retained equity was based on a combination of the income approach and market approach.

On September 21, 2016, the Philippine SEC approved the amendment of PNB Life Insurance, Inc.'s article of incorporation to reflect the change in corporate name to Allianz-PNB Life Insurance, Inc.

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

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

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

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

Investment in AEPDC

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

Information on the Company's investment to AEPDC follows:

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

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

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

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

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

Investment in ABI Pascual Holdings

On February 15, 2012, ABI and Corporation Empresarial Pascual, S. L. (CEP), an entity organized and existing under the laws of Spain, agreed to form ABI Pascual Holdings, a jointly controlled entity organized and domiciled in Singapore. In accordance with the Agreement, ABI and CEP (the "venturers") will hold 50% interest in ABI Pascual Holdings. Further, the arrangement requires unanimous agreement for financial and operating decisions among venturers.

On November 21, 2012, ABI Pascual Holdings created ABI Pascual Foods Incorporated (ABI Pascual Foods), an operating company, incorporated and domiciled in the Philippines, that will develop a business of marketing and distributing certain agreed products. As part of the joint venture agreement, the venturers also agreed to execute a product distribution agreement.

As of December 31, 2012, ABI has an investment in ABI Pascual Holdings amounting to ₱20.1 million, while ABI Pascual Holdings has an investment in ABI Pascual Foods amounting to ₱40.2 million. The joint venture has started operations in September 2013.

The Group determined that its advances to ABI Pascual Foods represents the Group's long-term interest in ABI Pascual Holdings and its subsidiary that, in substance, form part of the Group's net investment in the joint venture.

The summarized financial information of ABI Pascual Holdings as of December 31 follows:

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

Disclosures on Subsidiary with Material Non-controlling Interest

Following is the financial information of PNB, which has material non-controlling interests of 43.53% as of and for the years ended December 31:

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

On February 9, 2013, PNB acquired 100% of the voting common stock of ABC. PNB accounted for the business combination with ABC under the acquisition method of PFRS 3. In the LTG consolidated financial statements, the merger of PNB and ABC and the acquisition of PNB through the Bank Holding Companies are accounted for under the pooling-of-interests method. Thus, the summarized financial information of PNB below is based on the amounts in the consolidated financial statements of PNB prepared under the pooling-of-interests method before the Group's intercompany eliminations.

Statements of Comprehensive Income:

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

Statements of Financial Position:

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

Statements of Cash Flows:

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

December 31, 2024

	At Appraised Values			At Cost					Subtotal	Right-of-Use Assets	Total
	Land Improvements	Buildings and Building Improvements	Machinerys and Equipment	Office and Administration Buildings and Transportation Equipment	Returnable Containers	Furniture, Fixtures and Other Equipment	Construction In Progress				
Cost											
Balance at beginning of year	\$46,134,132	\$ 12,130,910	\$24,435,820	\$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	85,184	175,632	388,916	639,217	711,482	2,000,431	977,045	4,583,351
Disposals/transfers/others (Note 28)	(189,938)	56,155	(229,561)	4,231	(86,225)	(14,089)	(379,375)	(158,095)	(635,253)	(790,224)	(1,788,841)
Balance at end of year	45,944,174	12,229,258	25,769,971	83,943,403	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	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	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)	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	912,916	2,864,088	5,756,106	7,307,709	-	17,086,319	3,410,463	47,191,794
Net Book Value	\$42,941,648	\$3,831,648	\$9,935,358	\$82,026,487	\$332,387	\$7,440,489	\$991,472	\$1,035,472	\$17,582,922	\$4,001,985	\$68,919,498

December 31, 2023

	At Appraised Values						At Cost			Right-of-Use Assets		Total
	Land Improvements	Buildings and Land Building	Plant Improvements	Machineryes and Equipment	Subtotal	Office and Administration Buildings and Improvements	Transportation Equipment	Returnable Containers	Furniture, Fixtures and Other Equipment	Construction in Progress	Subtotal	
						(In Thousands)						
Cost												
Balance at beginning of year	\$46,752,740	\$11,898,336		\$23,571,131	\$82,222,207	\$4,698,477	\$3,200,839	\$6,030,040	\$8,629,946	\$390,497	\$23,549,799	\$12,933,235
Additions/transfers (Note 13)	714	247,729		912,209	1,160,652	75,051	147,085	511,894	1,444,352	268,357	2,446,739	5,086,348
Disposals/transfers/others (Note 28)	(619,322)	(15,125)	(47,520)		(681,967)	(222,425)	(240,856)	(19,266)	(2,034,959)	(175,069)	(2,693,475)	(4,702,801)
Balance at end of year	46,134,132	12,130,940	24,435,820		82,700,892	4,551,103	3,107,068	7,122,668	8,039,339	482,885	23,303,063	113,316,782
Accumulated Depreciation, Amortization and Impairment Losses												
Balance at beginning of year	2,559,880	7,612,294		13,545,040	23,717,214	936,041	2,696,610	4,687,818	7,306,725	-	15,627,194	42,159,414
Depreciation and amortization	41,039	428,319		1,118,255	1,587,613	150,998	201,434	573,201	595,506	-	1,521,139	4,558,945
Disposals/transfers/others (Note 28)	(106,601)	(1,358)	(12,407)		(1,203,366)	(181,436)	(109,367)	(9,633)	(854,210)	-	(1,154,646)	(2,533,089)
Balance at end of year	2,494,318	8,039,255	14,650,888		25,184,461	905,603	2,788,677	5,251,386	7,048,021	-	15,993,687	44,185,270
End Book Value	\$43,639,814	\$8,029,685	\$9,784,932		\$57,516,431	\$3,645,500	\$318,391	\$1,871,282	\$991,318	\$482,885	\$7,309,462	\$69,131,512

Right-of-Use Assets

December 31, 2024

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

December 31, 2023

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

Revaluation of Land and Land Improvements, Plant Buildings and Machineries and Equipment

The corresponding fair values of land and land improvements, plant buildings and building improvements, and machineries and equipment are determined based on valuation performed by Philippine SEC-accredited and independent appraisers. The fair value of the land was determined using the market data approach based on available market evidence and the fair values for land improvements, plant buildings, and machineries and equipment were derived using the depreciated replacement cost. The dates of the latest appraisal valuations were December 31, 2024, 2023, and 2022 (see Note 34).

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

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

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

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

Depreciation

Depreciation of property, plant and equipment charged to operations is as follows:

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

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

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

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

Borrowing Costs

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

13. Investment Properties

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

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

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

The Group's investment properties consist of parcels of land held for appreciation, residential and condominium units for lease and for sale, and real properties foreclosed or acquired in settlement of loans which are all valued at cost. Foreclosed investment properties that are still subject to redemption period by the borrowers amounted to ₱2.2 billion and ₱581.7 million as of December 31, 2024 and 2023, respectively. The Group is exerting continuing efforts to dispose these foreclosed properties.

In 2016, the Group reclassified certain properties from "property, plant and equipment" to "Investment property" with aggregate carrying amount of ₱4.7 billion. These properties mainly consist of office spaces in the Allied Bank Center in Makati City leased out and land in Buendia, Makati City being held for future development.

As of December 31, 2024 and 2023, the Group's "Construction in progress" under the "Investment property" account pertains to the construction of building intended for leasing and which is expected to be completed in 2025.

Fair Values of Investment Properties

Below are the fair values of the investment properties as of December 31, 2024, which were determined by professionally qualified, SEC-accredited and independent appraisers based on market values:

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

The estimated fair value of the land and building and improvements was arrived at using the Market Approach. In this approach, the value of the land and building were based on sales and listings of comparable property registered within the vicinity. The approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator.

The valuations were performed by Philippine SEC-accredited and independent valuer. The valuation model used in accordance with that recommended by the International Valuation Standards Council has been applied. These valuation models are consistent with the principles in PFRS 13.

The fair values of land and building and improvements were updated to reflect the value of comparable property registered within the vicinity as of December 31, 2024. The fair value of investment properties of the Group was determined using acceptable valuation approaches and both observable and unobservable inputs (see Note 34).

Rent Income and Direct Operating Expenses of Investment Properties

Rental income and direct operating expenses arising from the investment properties of property development segment amounted to ₱2,429.5 million and ₱1,890.3 million in 2024, ₱2,330.8 million and ₱1,823.9 million in 2023, and ₱2,026.4 million and ₱927.2 million in 2022, respectively (see Note 24). Rental income of the banking segment on its investment properties is presented under "Other income (charges)" (see Note 28).

Depreciation of investment properties charged to operations follows:

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

14. Other Noncurrent Assets

Other noncurrent assets consist of:

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

a. Movements in software costs are as follows:

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

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

- b. Refundable deposits consist principally of amounts paid by the property development segment to its utility providers for service applications and guarantee deposit to Makati Commercial Estate Association (MACEA) for plans processing, monitoring fee and development charge of the Group's projects. Deposits paid to utility companies will be refunded upon termination of the service contract while guarantee deposit paid to MACEA will be refunded upon project completion.
- c. The distribution network access, which was acquired on March 31, 2017, covers APB Myanmar's relations with Myanmar Distribution Group, its exclusive distributor.
- d. The Group recognized goodwill which pertains mainly to ADI amounting to ₱144.70 million. As of December 31, 2024 and 2023, the Group performed its annual impairment testing of goodwill related to its CGUs, ADI.

The recoverable amount of ADI is determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period.

The projected cash flows have been updated to reflect the increase in demand for products based on TDI's projected sales volume increase, selling price increase and cost and expenses increase. The pre-tax discount rate applied to the cash flow projection is 11.79% and 11.59% in 2024 and 2023, respectively. The growth rate used to extrapolate the cash flows of until beyond the five-year period is 6.0% as of December 31, 2024 and 6.2% as of December 31, 2023. Management assessed that this growth rate is comparable with the average growth for the industry in which ADI operates. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of ADI to exceed its recoverable amount, which is based on value-in-use. As of December 31, 2024 and 2023, the recoverable amount of ADI is higher than its carrying value.

- e. Deferred input VAT arises mainly from the acquisition of capital goods.
- f. As of December 31, 2024 and 2023, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱511.5 million and ₱337.6 million, respectively. As of December 31, 2024 and 2023, the total recoverable value of certain chattel mortgage properties of PNB that were impaired is at ₱396.5 million and ₱264.3 million, respectively.
- g. 'Others-net' include postages, refundable deposits, notes taken for interest and sundry debits.
- h. The Group has receivable from an SPV amounting to ₱500 million. This represents fully provisioned subordinated notes received by the Group from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.
- i. Other assets mainly pertain to interoffice floats. The bank provided allowance for probable losses on floats which are long-outstanding.
- j. Movements in the allowance for probable losses on noncurrent assets follow:

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

15. Deposit Liabilities

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

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

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

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

Long-term Negotiable Certificates of Time Deposits (LTNCDs)

Time deposit of the Group includes the following LTNCDs:

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

Other significant terms and conditions of the above LTNCDs follow:

- Issue price at 100.00% of the face value of each LTNCD.
- 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.
- 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.
- 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.
- 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.

- 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.
- Each Holder, by accepting the LTNCDs, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by PNB arising under or in connection with the LTNCDs; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Interest expense on deposit liabilities presented under “Cost of banking services” amounted to ₱15.4 billion, ₱12.1 billion, ₱5.2 billion in 2024, 2023 and 2022, respectively (see Note 24).

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

16. Financial Liabilities at FVTPL

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

17. Bills and Acceptances Payable

Bills and acceptances payable consist of:

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

Annual interest rates are shown below:

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

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

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

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

18. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

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

Trade Payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 days terms. Trade payables arise mostly from trade purchases of the banking group and purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts.

Retention Payable

Retention payable is the amount deducted from the total billing of the contractor which will be paid upon completion of the contracted services of Eton.

Accrued Project Development Costs

Accrued project development costs represent costs incurred by the Property Development segment in the development and construction of real estate projects.

Other Payables

Other payables include outside services, travel and transportation, employee benefits, management, director and other professional fees of the Group which are not individually material.

19. Short-term and Long-term Debts

Short-term Debts

As of December 31, 2024 and 2023, outstanding unsecured short-term debts amounted to ₱3.7 billion and ₱4.3 billion, respectively. The loans, which are subject to annual interest rates ranging from 3.2% to 7.0% in 2024 and 6.5% to 7.0% in 2023, are payable lump-sum on various dates within one year and subject to renewal upon agreement by the Group and counterparty banks.

Long-term Debts

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

PNB's Bonds Payable

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

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

As of December 31, 2024 and 2023, the unamortized transaction cost of bonds payable amounted to ₱49.1 million and ₱26.3 million. Amortization of transaction costs amounting to ₱38.7 million and ₱66.5 million, respectively, was charged to 'Interest expenses - bonds payable' in the consolidated statements of income (see Note 27).

Unsecured term loans of Eton

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

In 2018, Eton entered into an unsecured term loan agreement with Bank of the Philippine Islands (BPI) amounting to ₱5.0 billion. On July 31, 2018, ₱0.5 billion was initially drawn and an additional ₱1.0 billion on September 26, 2018. The term loan with BPI has a nominal rate of 6.8% and 7.9% for the first and second drawdown, respectively. In 2021 and 2020, Eton availed of loan drawdowns

totaling to ₱1.7 billion and ₱1.8 billion, respectively, with a nominal rate of 5% for each of the drawdown. Principal repayments will commence a year from the date of initial borrowing and due quarterly, while interest payments are due quarterly.

Finance costs

Interest recognized on short-term and long-term debts, except for subordinated debts, are presented under “Finance costs” in the consolidated statements of income (see Note 27). Interest costs from subordinated debts are included in the “Cost of banking services” (see Note 24).

Compliance with debt covenants

Eton is required to comply with certain non-financial covenants and maintain certain financial ratios, such as current ratio, debt service coverage ratio and debt equity ratio. As at December 31, 2024, Eton did not meet the debt service coverage ratio (DSCR) requirement. Nonetheless, on December 31, 2024, Eton was able to obtain from the bank a waiver for compliance to maintain DSCR of not less than 1:1 until July 31, 2025. Consequently, the classification of the loan amortizations due beyond 12 months from December 31, 2024 remains as a non-current liability. The loan covenant does not include cross-default provision.

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

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

Customers’ Deposits

Customers’ deposits represent payments from buyers of residential units which will be applied against the corresponding contracts receivables which are recognized based on the revenue recognition policy of the Group. This account includes the excess of collections over the recognized receivables amounting to ₱695.6 million and ₱900.2 million as of December 31, 2024 and 2023, respectively.

Payables to Landowners

In various dates in 2014, Eton executed a ₱1,061.2 million promissory note, subject to interest rate of PDSTF 3 years plus 0.50% spread, to various landowners in relation to its purchase of land located in Laguna with total purchase price of ₱1.3 billion. In June 2017, the payment of the various promissory notes were extended for another three years. In 2020, various landowners requested for extension, and the payment of the various promissory notes was extended for another three years. In 2022, the promissory note was further extended for another year using the same interest rate. In 2024, payable to landowners amounting to ₱868.8 million was repaid.

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

Deposits, Deferred Credits and Others

Other liabilities of the property development segment include tenants’ rental deposits, advance rentals and other deferred credits. Security deposits pertain to the amounts paid by the tenants at the inception of the lease which is refundable at the end of the lease term. Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term depending on the lease contract. Deferred credits represent the excess of the principal amount of the security deposits over its fair value. Amortization of deferred credits is included in “Rental income” in the consolidated statements of income. Other liabilities also include liabilities of disposal group classified as held for sale amounting to ₱122.3 million as of December 31, 2023 (nil as of December 31, 2024) and banking segment’s liabilities which include insurance contract liabilities, accounts payable, bills purchased - contra, remittance-related payables, overages, advance rentals and sundry accounts.

21. Derivative Financial Instruments

The table in the next page show the fair values of derivative financial instruments entered into by the Group, recorded as derivative assets or derivative liabilities (included under “Financial assets and liabilities at FVTPL”) , together with the notional amounts. The notional amount is the amount of a derivative’s underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

20. Other Liabilities

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

(Forward)

The notional amounts indicate the volume of transactions outstanding as of December 31, 2024 and 2023 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

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

*The notional amounts pertain to original currencies.

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

*The notional amounts pertain to original currencies.

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

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

* Presented as part of "Foreign exchange gains-net".

** Presented as part of "Trading and investment securities gains-net"

The changes in fair value of the derivatives are included in "Trading and securities gains - net" presented as part of "Banking revenues" in the consolidated statements of income (see Note 24).

22. Related Party Transactions

The Company has transacted with its subsidiaries, associates and other related parties as follows:

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

**Parent Company, Subsidiaries,
Associates and Joint Ventures**

Bank Holding Companies:	
All Seasons Realty Corp.	Pol Holdings, Inc.
Allmark Holdings Corp.	Proton Realty & Development Corporation
Caravan Holdings, Corp.	Rapid Movers & Forwarders Co. Inc.
Dunmore Development Corp.	Upright Profits Ltd.
Dynaworld Holdings Inc.	
Fil-Care Holdings Inc.	
Ivory Holdings, Inc.	
Kenrock Holdings Corp.	
Kentwood Development Corp.	
La Vida Development Corp.	
Leadway Holdings, Inc.	
Merit Holdings & Equities Corp.	
Multiple Star Holdings Corp.	
Pioneer Holdings & Equities, Inc.	
Profound Holdings Inc.	
Purple Crystal Holdings, Inc.	
Safeway Holdings & Equities Inc.	
Society Holdings Corp.	
Solar Holdings Corp.	
Total Holdings Corp.	
Donfar Management Ltd.	
Fast Return Enterprises Ltd.	
Fragile Touch Investments Ltd.	
Key Landmark Investments Ltd.	
Mavelstone International Ltd.	
True Success Profits Ltd.	
Uttermost Success, Ltd.	
PNB and Subsidiaries	
Mabuhay Digital Philippines, Inc.	
Mabuhay Digital Technologies, Inc.	

The consolidated statements of income include the following revenue and other income-related (costs and other expenses) account balances arising from transactions with related parties:

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

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

	Financial Statement Account	Terms and Conditions	Amount/Volume		Outstanding Balance	
			2024	2023	2024	2023
			(In Thousands)			
Parent Company		On demand; non-interest bearing				
	Due from related parties	Maturity terms ranging from 90 days to 3 years;				
	Trade receivables	2.5% interest per annum	(₱1,195,000)	(₱1,195,000)	₱96,000	₱914,000
	Nontrade receivables	- do -	-	(121,253)	-	-
	Account payable and other liabilities	- do -	(2,595)	(6,153)	-	2,595
		30 to 60 days terms; non-interest bearing	2,060	364,852	-	(2,060)
		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				
	Finance receivables	- do -	1,621,730	1,997,271	44,810,665	55,298,956
Entities Under Common Control	Trade receivables	- do -	1,968	2,085	18,461	7,497
	Other receivables	- do -	56,094	30,793	67,439	11,345
	Due from related parties	On demand; non-interest bearing	(31,359)	(22,753)	1,393,364	1,424,723
	Advances to suppliers	- do -	31,871	(30,394)	44,746	12,875
		With annual rates ranging from 0.10% to 1.50% and maturity ranging from 30 days to 365 days				
	Deposit liabilities		(3,033,990)	(5,980,997)	(49,367,453)	(46,333,463)
	Account payable and other liabilities	30 to 90 days terms; non-interest bearing	2,607	273,186	(207,686)	(205,079)
	Due to related parties	On demand; non-interest bearing	(14,001)	-	(64,001)	(50,000)

As of December 31, 2024 and 2023, the outstanding related party balances are unsecured and settlement occurs in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with Tangent, parent company

- In December 2021, Tangent obtained loans from the Group totaling ₱5.7 billion. In 2022, Tangent obtained additional loans amounting to ₱0.6 billion, which ₱4.7 billion was paid in various dates in the same year.
- In 2024 and 2023, the Group declared cash dividends to stockholders of which ₱10.1 billion and ₱9.7 billion, respectively, were paid to Tangent.

Transactions with Associates

- Dividend income from PMFTC amounted to ₱13.5 billion in 2024 and ₱16.7 billion in 2023 (see Note 11).
- The Group purchases raw materials such as raw and refined sugar and molasses from VMC.
- ABI entered into an operating lease agreement with AB HPI to lease portions of its two breweries, in Cabuyao, Laguna and El Salvador, Misamis Oriental, subject to the terms and conditions of an asset lease agreement signed last November 15, 2016. The lease has a fixed yearly increase as specified in the contract.
- In 2024 and 2023, ABI rendered services in favor of AB HPI related to supplies, both imported and locally-purchased, advertising expense, promotions, professional fees, engineering fee and shared expenses in the plant.

Transactions with Entities under Common Control

- Due to related parties include cash advances provided to the Group to support its working capital requirements.
- Several subsidiaries of the Group entered into management services agreements with Basic Holdings Corporation for certain considerations. Management fees are recorded under “Outside services” in “Cost of goods sold” and “Professional fees” in the “General and administrative expenses” (see Note 24).
- The property development segment purchases parcels of land from other related parties for use in its various projects.
- Several entities under common control maintain peso and foreign currency denominated deposits and short-term and long-term loans with PNB. Interest income and financing charges related to these transactions are reported under “Banking revenue” and “Cost of banking services”, respectively (see Note 24).

23. Retirement Benefits

The Group has funded, noncontributory defined benefit retirement plans, administered by a trustee, covering all of its permanent employees. As of December 31, 2024 and 2023, the Group is in compliance with Article 287 of the Labor Code, as amended by Republic Act No. 7641.

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

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

The following tables summarize the components of net retirement plan assets and net retirement benefits liability recognized in the consolidated statements of financial position, the net benefit expenses recognized in the consolidated statements of income and the remeasurement losses (gains) recognized in consolidated statements of comprehensive income.

Net retirement plan assets:

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

Net retirement benefits liabilities:

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

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

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

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

	2024	2023
Cash and cash equivalents	25%	30%
Receivables	7%	6%
Equity investments	32%	30%
Debt investments	30%	28%
Others	7%	6%
Fair value of plan assets	100%	100%

The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The plan assets have diverse investments and do not have concentration risk.

The Group's defined pension plan are funded through the contributions made by the Group to the trust.

The principal assumptions used in determining pension benefit obligations for the Group's plans as of January 1 are shown below:

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

As of December 31, 2024, the discount and future salary increase rates are 6.06% - 7.11% and 5.00% - 10.00%, respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligations as of the end of the reporting period, assuming all other assumptions were held constant (in thousands):

	2024		2023	
	Change in rate	Increase (Decrease) in Present Value of Defined Benefit Obligations	Change in rate	Increase (Decrease) in Present Value of Defined Benefit Obligations
Discount rates	+0.50%	(₱694,324)	+1.00%	(₱613,074)
	-0.50%	745,174	-1.00%	658,840
Future salary increases	+1.00%	864,970	+1.00%	729,825
	-1.00%	(798,892)	-1.00%	(678,685)

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1% increment in salary increase rate, 0.5% decrement in the discount rate and a 10% improvement in the employee turnover rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1% decrement in salary increase rate, 0.5% increment in the discount rate and a 10% increase in the employee turnover rate but with reverse impact.

The Group employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan asset of the Group is allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's failure to contribute in accordance with its general funding strategy.

Shown below is the maturity analysis of the undiscounted benefit payments of the Group (in thousands):

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

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

Transactions with Retirement Plans

Management of the retirement funds of the banking segment is handled by the PNB Trust Banking Group (TBG). The fair value of the plan assets as of December 31, 2024 and 2023 for the Group includes investments in the PNB shares of stock with fair value amounting to ₱227.7 million and ₱152.1 million classified as financial assets at FVTPL. No limitations and restrictions are provided and voting rights over these shares are exercised by a trust officer or any of its designated alternate officer of TBG.

As of December 31, 2024 and 2023, financial assets at FVTPL and at amortized costs include government and private debt securities and various funds. Deposits with other banks pertain to Special Deposit Accounts placement with BSP.

The retirement funds of the other companies in the Group are maintained by PNB, as the trustee bank. PNB's retirement funds have no investments in debt or equity securities of the companies in the Group.

24. Revenue and Cost of Goods Sold and Services

Revenue consist of:

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

Disaggregated revenue information

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

2024:

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

2023:

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

2022:

	Goods/Services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of consumer goods	₱47,776,757	₱—	₱—	₱47,776,757
Service fees and commission income	6,997,609	—	—	6,997,609
Real estate sales	—	225,119	—	225,119
Interest income	—	—	45,126,781	45,126,781
Rental income	—	—	2,026,439	2,026,439
Trading and securities losses - net	—	—	(1,280,783)	(1,280,783)
	₱54,774,366	₱225,119	₱45,872,437	₱100,871,922

Banking revenue consists of:

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

Sale of consumer goods consists of:

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

Cost of goods sold and services consists of:

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

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

Cost of banking services consist of:

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

25. Selling Expenses

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

(Forward)

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

26. General and Administrative Expenses

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

Others include expense items mainly relating to banking operations, which are individually not significant as to amounts.

27. Finance Costs and Finance Income

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

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

28. Other Income (Charges)

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

- 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.
- Net gains on sale or exchange of assets include sale of investment properties of the banking segment in 2024, 2023 and 2022 amounting to ₱269.8 million, ₱3,048.6 million, ₱5,703.9 million, respectively.
- Others include income and expense items mainly relating to banking operations, which are individually not significant as to amounts.

29. Income Taxes

Income taxes include the corporate income tax, which is discussed below, and final taxes paid, which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as “Provision for income tax” in the consolidated statements of income.

Under Philippine tax laws, PNB and its certain subsidiaries are subject to percentage and other taxes (presented as “Taxes and Licenses” in the consolidated statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. Republic Act No. 9294, an act restoring the tax exemption of OBUs and FCDUs, provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% income tax.

- Details of the Group’s deferred income tax assets and liabilities as of December 31 follow:

	2024		2023	
	Net Deferred Income Tax Assets ⁽¹⁾	Net Deferred Income Tax Liabilities ⁽²⁾	Net Deferred Income Tax Assets ⁽³⁾	Net Deferred Income Tax Liabilities ⁽⁴⁾
	(In Thousands)			
Recognized directly in the consolidated statements of income:				
Deferred income tax assets on:				
Allowance for impairment loss on:				
Receivables	₱9,893,939	₱265,474	₱9,558,221	₱93,004
Inventories	41,841	12,873	15,617	5,603
Property, plant and equipment	7,722	6,435	7,386	—
Accumulated depreciation on investment properties	546,490	—	585,363	—
Allowance for probable losses on excise taxes	—	40,154	—	51,071
Accrued expenses	444,217	71,059	419,064	19,958
Reserves and others	207,267	173,886	195,889	153,521
Net retirement benefits liabilities	152,248	979,874	152,571	135,865
Difference between right-of-use assets and lease liabilities	145,929	636,987	119,359	95,323
Deferred rent income	114,373	50,621	182,557	14,218
Unamortized past service cost	11,350	19,815	10,857	3,887
Unrealized losses on:				
Sale of property to a subsidiary	79,411	2,117	41,021	2,692
Inventories on hand	—	1,795	—	2,283
Advance rentals	—	103,848	—	29,167
Unrealized forex losses	—	18,301	—	569
	11,644,787	2,383,239	11,287,905	607,161
Deferred income tax liabilities on:				
Fair value gain on investment properties	(1,917,719)	—	(1,590,323)	—
Unrealized foreign exchange gains	(555,002)	(3,829)	(391,385)	(82)
Gain on re-measurement of a previously held interest	(246,651)	—	(277,365)	—

(Forward)

	2024		2023	
	Net Deferred Income Tax Assets ⁽¹⁾	Net Deferred Income Tax Liabilities ⁽²⁾	Net Deferred Income Tax Assets ⁽³⁾	Net Deferred Income Tax Liabilities ⁽⁴⁾
	<i>(In Thousands)</i>			
Excess of fair values over carrying values of property, plant and equipment acquired through business combination	(P119,659)	(P16,684)	(P181,761)	(P21,220)
Borrowing cost capitalized to property, plant, and equipment	(118,193)	(697,699)	(109,381)	(197,083)
Net retirement plan assets	(78,674)	(107,631)	(1,377)	(102,284)
Net changes in fair values of FVTPL financial assets	(70,700)	(5,973,172)	(16,948)	(5,985,173)
Deferred rental income	(54,129)	(244,494)	(12,976)	(68,670)
Difference between tax and book basis of accounting for real estate transactions	—	(250,658)	—	(70,401)
Unamortized debt cost	(3,606)	(4,262)	(3,450)	(1,197)
Gain on asset share swap	—	(443,110)	—	(443,110)
Others	(31,906)	(613,515)	(24,779)	(25,597)
	(3,196,239)	(8,355,054)	(2,609,745)	(6,914,817)
	8,448,548	(5,971,815)	8,678,160	(6,307,656)
<i>Recognized directly in equity:</i>				
Deferred income tax assets on:				
Remeasurement losses on retirement benefits	5,546	—	2,735	46,427
Deferred income tax liabilities on:				
Revaluation increment on property, plant and equipment	(961,156)	(1,679,192)	(1,775,705)	(1,920,906)
Remeasurement gains on defined benefit plans	(44,294)	(608,881)	(42,368)	(19,462)
Unrealized gains on changes in fair value of financial assets at FVTOCI	(502)	(215,381)	(2,116)	(73,660)
	(1,005,952)	(2,503,454)	(1,820,189)	(2,014,028)
	(1,000,406)	(2,503,454)	(1,817,454)	(1,967,601)
	P7,448,142	(P8,475,269)	P6,860,706	(P8,275,257)

⁽¹⁾ Pertain to IPI, PWI, ABNC, AVSI, ADI, Eton and PNB

⁽²⁾ Pertain to LTG, Saturn, PLL, AAC, TDI, ABI and FTC

⁽³⁾ Pertain to IPI, ADI, Eton and PNB

⁽⁴⁾ Pertain to LTG, Saturn, PLL, AAC, TDI, ABI, PWI and FTC

Details of the Group's net deferred income tax assets and liabilities are as follows:

	2024	2023
	<i>(In Thousands)</i>	
Net deferred income tax assets:		
PNB and subsidiaries	P7,246,077	P6,767,127
Eton and subsidiaries	79,411	41,021
Bank holding companies	72,838	15,125
ABI and subsidiaries	32,622	31,204
TDI and subsidiaries	17,194	3,893
PHC	—	2,336
	P7,448,142	P6,860,706
Net deferred income tax liabilities:		
PNB and subsidiaries	P7,263,772	P7,278,366
Paramount	443,110	443,110
Eton and subsidiaries	245,714	69,013
TDI and subsidiaries	154,263	196,203
PHC	114,218	—

(Forward)

	2024	2023
	<i>(In Thousands)</i>	
ABI and subsidiaries	P85,752	P113,953
FTC	84,910	105,649
Bank holding companies	64,584	55,545
LTG	18,946	13,418
	P8,475,269	P8,275,257

b. Provision for current income tax consists of:

	2024	2023	2022
	<i>(In Thousands)</i>		
Final tax	P4,228,277	P3,073,051	P1,856,890
RCIT	3,066,724	2,561,791	4,570,745
MCIT	41,124	30,595	17,875
Provision for current income tax	P7,336,125	P5,665,437	P6,445,510

c. As of December 31, 2024 and 2023, the Group has not recognized deferred income tax assets on certain deductible temporary differences such as NOLCO, excess MCIT and other items based on the assessment that sufficient taxable profit will not be available to allow the deferred income tax assets to be utilized as follows:

	2024	2023
	<i>(In Thousands)</i>	
Allowance for credit losses	P4,989,949	P8,262,820
NOLCO	3,218,028	2,701,181
Unamortized past service cost	2,101,775	1,578,746
Net retirement benefits liability	25,178	545,305
Unrealized foreign exchange loss	11,940	115,483
Excess MCIT	96,347	27,486
Allowance for inventory obsolescence	10,294	—
Derivative liabilities	—	555,811
Unrealized loss on AFS investment	—	147,661
Others	588,694	952,417

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

	December 31, 2023	Additions	Expired	December 31, 2024	Expiry Year
Year Incurred					
2021	P1,046,192	P—	P—	P1,046,192	2026
2022	334,371	—	—	334,371	2025
2023	984,313	—	—	984,313	2026
2024	—	853,152	—	853,152	2027
	P2,364,876	P853,152	P—	P3,218,028	

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2021 and 2022 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2024, the Group has incurred NOLCO in taxable years 2020 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act.

Details of the Group’s MCIT follow (in thousands):

Year Incurred	December 31, 2023	Addition	Expired	December 31, 2024	Expiry Year
2021	₱525	₱–	₱525	₱–	2024
2022	120	–	–	120	2025
2023	26,841	–	–	26,841	2026
2024	–	69,386	–	69,386	2027
	₱27,486	₱69,386	₱525	₱96,347	

- d. A reconciliation of the Group’s provision for income tax computed based on income before income tax at the statutory income tax rates to the provision for income tax shown in the consolidated statements of income is as follows:

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

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

30. Equity

Capital Stock

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

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

- a. Capital stock is held by a total of 380 and 377 stockholders as of December 31, 2024 and 2023, respectively.
- b. Track record of registration:

Date	Number of Shares Licensed	Issue/Offer Price
August 1948	100,000	₱1.00
November 1958	500,000	1.00
December 1961	1,000,000	1.00
March 1966	2,000,000	1.00
March 1966	6,000,000	1.00
October 1995	247,500,000	1.00
October 2011	398,138,889	4.22
April 2013	1,840,000,000	20.50

In April 2013, LTG issued 1,840.0 million shares for ₱37.7 billion, where excess over par value amounting to ₱35.9 billion was recorded as capital in excess of par. Stock issue costs amounting to ₱1.1 billion were charged against capital in excess of par in 2013. Other offering-related expenses amounting to ₱59.0 million were charged directly to “General and administrative expenses”.

Retained Earnings and Dividends

- a. The Company’s BOD approved the declaration and distribution of the following cash dividends:

Date of declaration	Date of record	Date of payment	Dividend per share	In Absolute Amount
2024:				
November 29, 2024	December 2, 2024	December 9, 2024	₱0.35	₱3,787,486,111
September 3, 2024	September 4, 2024	September 13, 2024	0.30	3,246,416,667
May 31, 2024	June 3, 2024	June 14, 2024	0.30	3,246,416,667
March 8, 2024	March 11, 2024	March 22, 2024	0.30	3,246,416,667
				₱13,526,736,112

Date of declaration	Date of record	Date of payment	Dividend per share	In Absolute Amount
2023:				
November 17, 2023	December 5, 2023	December 15, 2023	₱0.30	₱3,246,416,667
August 15, 2023	September 4, 2023	September 13, 2023	0.30	3,246,416,667
May 15, 2023	May 30, 2023	June 13, 2023	0.30	3,246,416,667
February 17, 2023	March 6, 2023	March 17, 2023	0.30	3,246,416,667
				₱12,985,666,668
2022:				
November 18, 2022	December 6, 2022	December 14, 2022	₱0.50	₱5,410,694,440
August 17, 2022	September 2, 2022	September 13, 2022	0.30	3,246,416,667
May 17, 2022	May 31, 2022	June 13, 2022	0.30	3,246,416,667
March 16, 2022	March 30, 2022	April 8, 2022	0.30	3,246,416,667
				₱15,149,944,441

- b. Retained earnings include undistributed earnings amounting to ₱175.4 billion, ₱172.3 billion, ₱154.1 billion as of December 31, 2024, 2023 and 2022, respectively, representing accumulated earnings of subsidiaries and equity in net earnings of associates and joint ventures, which are not available for dividend declaration until received in the form of dividends from the combining entities and associates. Retained earnings available for dividend declaration as at December 31, 2024 amounted to ₱47.8 billion.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury (shares of stock of the company held by subsidiaries), unrealized foreign exchange gains except those attributable to cash and cash equivalents, fair value adjustment or gains arising from mark-to-market valuation, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of December 31, 2024 and 2023.

Other Equity Reserves

Other equity reserves as at December 31 consist of:

	2024	2023
	<i>(In Thousands)</i>	
Equity adjustments arising from business combination under common control (Note 1)	₱445,113	₱445,113
Equity adjustments from sale of the Company's shares of stock held by a subsidiary	(6,448,518)	(6,448,518)
Equity adjustment in aggregate reserves on life insurance policies	1,462,428	58,055
Effect of transaction with non-controlling interest	66,658	66,658
Effect of sale of a subsidiary to the Company	99,655	99,655
Effect of sale of direct interest in a subsidiary	186,572	186,572
	(₱4,188,092)	(₱5,592,465)

Shares of Stock of the Company Held by Subsidiaries

Shares held by subsidiaries include ₱5.0 million shares owned by All Seasons amounting to ₱12.5 million as of December 31, 2024 and 2023. As of December 31, 2011, Saturn owned ₱76.5 million shares of the Company. On July 25, 2012, the shares of stocks owned by Saturn were sold to Tangent at ₱4.50 per share. As a result, the excess of the selling price over the cost of the treasury shares amounting to ₱193.2 million is presented as an addition to other equity reserves.

Non-controlling Interests

Below are the changes in non-controlling interests:

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

31. Basic/Diluted Earnings Per Share

The following tables reflect the net income and share data used in the earnings per share computations:

Basic/diluted earnings per share were calculated as follows:

	2024	2023	2022
	<i>(In Thousands)</i>		
Net income attributable to equity holders of the Company	₱28,920,989	₱25,421,454	₱25,137,400
Divided by weighted-average number of shares	10,821,389	10,821,389	10,821,389
Basic/diluted EPS for net income attributable to equity holders of the Company	₱2.67	₱2.35	₱2.32

Net income from continuing operations is attributable to:

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

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

	2024	2023	2022
	<i>(In Thousands)</i>		
Net income from continuing operations attributable to equity holders of the Company	₱28,920,989	₱25,421,454	₱25,137,400
Divided by weighted-average number of shares	10,821,389	10,821,389	10,821,389
Basic/diluted EPS for net income from continuing operations attributable to equity holders of the Company	₱2.67	₱2.35	₱2.32

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

32. Financial Risk Management Objectives and Policies

The Group's financial risk management strategies are handled on a group-wide basis, side by side with those of the other related companies within the Group. The Group's management and the BOD of the various companies comprising the Group review and approve policies for managing these risks. Management closely monitors the funds and financial transactions of the Group.

Financial Risk Management Objectives and Policies of the Banking Segment

Risk Management Framework

The banking segment's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the banking segment's BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by the banking segment's senior management.

The banking segment's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the banking segment's continuing profitability.

The banking segment defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Bank's capital position to drop below its desired level; resulting in either an increase in risk-weighted assets or a reduction in earnings and/or qualifying capital which translate into a reduction in Capital Adequacy Ratio (CAR) by 20 basis points (bps).

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

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

Resulting from the assessments based on the premise identified above, the banking segment's Parent Bank agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2020-2022, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the Internal Capital Adequacy Assessment Process (ICAAP) document and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:

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

Pillar 2 Risks:

4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational Risk
8. Strategic Business Risk
9. Information Security / Cyber Security / Data Privacy Risk
10. Information Technology
11. Human Resource Risk

The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:

- implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- establishing recommended limits based on the results of its analysis of exposures.

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:

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

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

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

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

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

Credit risk concentration

The banking segment's credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The banking segment analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and investment securities. To mitigate risk concentration, the banking segment constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty

For each CRR, the banking segment sets limits per client or counterparty based on the regulatory Single Borrowers Limit. For trading and investment securities, the banking segment limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration

The table below shows the banking segment's credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

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

*Loans and receivables exclude residual value of the leased asset

** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets'

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

*Loans and receivables exclude residual value of the leased asset

** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets'

c. Concentration by Industry

The tables in the next page show the industry sector analysis of the banking segment's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

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

* Loans and receivables exclude residual value of the leased asset (Note 8).

** Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

*** Other financial assets include the following financial assets: "Due from BSP", "Due from other banks", "Interbank loans receivable", "Securities held under agreements to resell" and other financial assets booked under "Other Assets".

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

* Loans and receivables exclude residual value of the leased asset (Note 8).

** Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

*** Other financial assets include the following financial assets: "Due from BSP", "Due from other banks", "Interbank loans receivable", "Securities held under agreements to resell" and other financial assets booked under "Other Assets".

The internal limit of the banking segment based on the Philippine Standard Industry Classification sub-industry is 12% for priority industry, 8% for regular industry, 30% for power industry and 25% for activities of holding companies versus total loan portfolio.

Credit quality per class of financial assets

Loans and Receivables

The segmentation of the banking segment's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the banking segment's exposures can be categorized as either of the following:

- **Non-Retail Portfolio** - consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the banking segment's Non-Retail Portfolio segments are as follows: Sovereigns, Financial Institutions, Specialized Lending (e.g., Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs.
- **Retail Portfolio** - consists of exposures to individual person/s or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar credit risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

The credit quality of the Non-Retail Portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The banking segment's Parent Bank maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

The banking segment developed specific borrower rating models to capture specific and unique risk characteristics of each of the Non-Retail Portfolio segments. The BRR is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well. The banking segment uses a single scale with 26 risk grades for all its borrower risk rating models. The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the banking segment in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9-grades, i.e., FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g., CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the banking segment in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the banking segment's receivables from customers are defined below:

Credit quality	26-grade CRR system
High S&P Equivalent Global Rating: AAA to BBB-	<p>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.</p> <p>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.</p> <p>BRR 3 Strong</p>

Credit quality	26-grade CRR system
	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Standard S&P Equivalent Global Rating: BB+ to BB-	<p>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.</p> <p>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.</p> <p>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.</p>
Substandard S&P Equivalent Global Rating: B+ to CCC-	<p>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.</p> <p>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.</p>
Impaired S&P Equivalent Global Rating: D	<p>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.</p>

For the Retail segment of the portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the banking segment's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31:

	2024			Total
	Stage 1	Stage 2	Stage 3	
	(In Millions)			
Subject to CRR				
Non-Retail - Corporate				
High	₱212,959	₱744	₱-	₱213,703
Standard	251,875	4,763	-	256,638
Substandard	36,970	19,858	-	56,828
Impaired	-	-	33,776	33,776
	501,804	25,365	33,776	560,945
Subject to Scoring & Unrated				
Non-Retail	9,288	137	934	10,359
Corporate	7,641	114	876	8,631
LGU	1,647	23	58	1,728
Retail	47,567	956	8,041	56,564
Auto Loans	5,382	36	807	6,225
Housing Loans	21,169	318	5,298	26,785
Retail SME	4,371	123	996	5,490
Credit Card	16,645	479	940	18,064
Others	6,901	344	1,589	8,834
	63,756	1,437	10,564	75,757
	₱565,560	₱26,802	₱44,340	₱636,702
	2023			Total
	Stage 1	Stage 2	Stage 3	
	(In Millions)			
Subject to CRR				
Non-Retail - Corporate				
High	₱220,424	₱7	₱-	₱220,431
Standard	240,185	6,626	-	246,811
Substandard	46,359	20,817	-	67,176
Impaired	-	-	32,477	32,477
	506,968	27,450	32,477	566,895
Subject to Scoring & Unrated				
Non-Retail	7,232	39	561	7,832
Corporate	5,049	10	498	5,557
LGU	2,183	29	63	2,275
Retail	43,677	863	10,877	55,417
Auto Loans	5,215	22	1,264	6,501
Housing Loans	20,090	249	7,962	28,301
Retail SME	4,163	152	1,067	5,382
Credit Card	14,209	440	584	15,233
Others	8,573	2,088	1,667	12,328
	59,482	2,990	13,105	75,577
	₱566,450	₱30,440	₱45,582	₱642,472

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

	2024				Total
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	
	(In Millions)				
Housing Loans	₱253	₱127	₱120	₱5,096	₱5,596
Auto Loans	20	29	35	759	843
Retail SME	35	6	9	949	999
Credit Card	682	406	342	683	2,113
LGU	7	-	-	51	58
Others	265	76	21	1,430	1,792
Total	₱1,262	₱644	₱527	₱8,968	₱11,401
	2023				Total
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	
	(In Millions)				
Housing Loans	₱165	₱198	₱229	₱7,629	₱8,221
Auto Loans	15	19	15	1,236	1,285
Retail SME	36	16	13	1,627	1,692
Credit Card	635	367	309	553	1,864
LGU	13	-	-	51	64
Others	27	36	204	1,599	1,866
Total	₱891	₱636	₱770	₱12,695	₱14,992

Trading and Investment Securities and Other Financial Assets

In ensuring quality investment portfolio, PNB uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e., Moody's Investors Service) as follows:

- Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.
- A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.
- Baa1 and below - represents those investments which fall under any of the following grade:
 - Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
 - Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
 - B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
 - Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
 - Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
 - C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the banking segment, excluding receivables from customers, which are monitored using external ratings.

	December 31, 2024					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
	(In Millions)					
Due from BSP ^{1/}	P–	P–	P–	P–	P\$5,128	P\$5,128
Due from other banks	4,915	11,127	1,038	17,080	3,108	20,188
Interbank loans receivables	3,241	17,814	–	21,055	1,738	22,793
Securities held under agreements to resell	–	12,582	12,356	24,938	78,589	103,527
Financial assets at FVTOCI						
Government securities	1,640	2,933	135,511	140,084	27,741	167,825
Private debt securities	949	203	292	1,444	14,134	15,578
Quoted equity securities	89	–	–	89	2,743	2,832
Unquoted equity securities	–	–	–	–	25,509	25,509
Investment securities at amortized cost						
Government securities	438	805	81,099	82,342	14,475	96,817
Private debt securities	753	523	714	1,990	13,762	15,752
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	–	–	–	–	14,791	14,791

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of PNB.

^{2/} Loans and receivables - Others is composed of accrued interest receivable, accounts receivable, sales contracts receivable and other miscellaneous receivables, net of allowances (see Note 8)

	December 31, 2023					
	Rated		Baa1 and below	Subtotal	Unrated	Total
	Aaa to Aa3	A1 to A3				
	(In Millions)					
Due from BSP ^{1/}	P–	P–	P–	P–	₱5,410	₱5,410
Due from other banks	3,421	13,011	4,012	20,444	810	21,254
Interbank loans receivables	8,816	22,455	–	31,271	4,372	35,643
Securities held under agreements to resell	21,931	22,581	25,197	69,709	–	69,709
Financial assets at FVTOCI						
Government securities	1,526	3,542	119,143	124,211	160	124,371
Private debt securities	–	3,633	10,547	14,180	–	14,180
Quoted equity securities	–	–	–	–	1,049	1,049
Unquoted equity securities	–	–	–	–	24,929	24,929
Investment securities at amortized cost						
Government securities	476	7,029	96,971	104,476	57	104,533
Private debt securities	–	12,300	6,523	18,823	–	18,823
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	–	–	–	–	17,486	17,486

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of PNB.

^{2/} Loans and receivables - Others is composed of accrued interest receivable, accounts receivable, sales contracts receivable and other miscellaneous receivables, net of allowances (see Note 8)

Liquidity Risk and Funding Management

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

The banking segment's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the banking segment's business operations or

unanticipated events created by customer behavior or capital market conditions. The banking segment seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the banking segment on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The tables below show the banking segment's financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	2024					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
	(In Millions)					
Financial Assets						
COCI	P20,638	P–	P–	P–	P–	P20,638
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	P402,708	P168,572	P49,561	P77,405	P766,343	P1,464,589

	2024					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
<i>(In Millions)</i>						
Financial Liabilities						
Deposit liabilities:						
Demand	P244,799	P–	P–	P–	P–	P244,799
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	P838,167	P122,823	P26,335	P17,875	P28,260	P1,033,460

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

	December 31, 2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
<i>(In Millions)</i>						
Financial Assets						
COCI	P21,151	P–	P–	P–	P–	P21,151
Due from BSP and other banks	120,467	–	–	–	–	120,467
Interbank loans receivable	28,531	5,489	968	1,023	–	36,011
Securities held under agreements to resell	69,812	–	–	–	–	69,812
Financial assets at FVTPL:						
Government securities	4,294	534	39	92	3,587	8,546
Private debt securities	–	30	19	995	662	1,706
Equity securities	3	–	–	–	–	3
Derivative assets:						
Gross contractual receivable	87,950	17,614	2,100	445	30	108,139
Gross contractual payable	(87,391)	(17,458)	(2,071)	(441)	(29)	(107,390)
Financial Assets at FVTOCI:						
Government securities	33,490	46,205	1,285	2,180	47,002	130,162
Private debt securities	938	1,112	1,988	2,370	9,480	15,888
Equity securities	1,411	–	–	–	24,567	25,978
Investment securities at amortized cost						
Government securities	6,210	4,082	5,719	4,000	124,961	144,972
Private debt securities	1,347	3,825	1,334	1,705	27,485	35,696
Financial assets at amortized cost:						
Receivables from customers	149,406	61,187	28,126	23,387	510,204	772,310
Other receivables	14,813	666	388	242	1,377	17,486
Other assets	383	–	–	–	19	402
Total financial assets	P452,815	P123,286	P39,895	P35,998	P749,345	P1,401,339

	December 31, 2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Liabilities						
Deposit liabilities:						
Demand	P229,771	P–	P–	P–	P–	P229,771
Savings *	367,398	–	–	–	–	367,398
Time and LTNCDS *	190,634	98,115	16,667	19,936	14,355	339,707
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	53,574	7,507	3,407	673	–	65,161
Gross contractual receivable	(53,335)	(7,274)	(3,341)	(658)	–	(64,608)
Bills and acceptances payable	6,020	10,282	2,290	504	1,139	20,235
Bonds payable	–	15	–	42,762	–	42,777
Accrued interest payable and accrued other expenses payable	4,683	55	218	113	479	5,548
Other liabilities	8,055	3	–	77	1,215	9,350
Total financial liabilities	P806,800	P108,703	P19,241	P63,407	P17,188	P1,015,339

* 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, 2024 and 2023, LCR reported to the BSP with certain adjustments is 254.47% and 271.54%, respectively.

The banking segment also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2024 and 2023, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2024	2023
Available stable funding	P953,256	P894,199
Required stable funding	596,764	595,019
NSFR	159.74%	150.28%

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**
(In Millions)				
December 29, 2024	₱15.74	₱239.88	₱—	₱255.63
Average Daily	8.45	171.61	—	180.06
Highest	24.10	425.89	—	443.69
Lowest	1.31	70.83	—	73.49
December 29, 2023	₱3.99	₱86.63	₱—	₱90.62
Average Daily	9.26	133.08	—	142.34
Highest	33.27	313.88	—	320.92
Lowest	1.78	62.67	—	67.76

* FX VaR is the bankwide foreign exchange risk

** The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days

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:

	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	P38,456	P7,682	P3,454	P4,416	P21,304	P75,312
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	P303,819	P94,068	P24,821	P66,131	P125,549	P614,388
Financial Liabilities*						
Deposit liabilities:						
Savings	P158,682	P72,693	P27,725	P51,339	P264,897	P575,336
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	P249,531	P115,920	P36,720	P64,082	P293,964	P760,217
Repricing gap	P54,288	(P21,852)	(P11,899)	P2,049	(P168,414)	(P145,829)
Cumulative gap	54,288	32,436	20,537	22,586	(145,829)	
* Financial instruments that are not subject to repricing/rollforward were excluded.						
** Receivables from customers excludes residual value of leased assets (Note 8).						
***Excludes LTNCD.						

	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
	(In Millions)					
Financial Assets*						
Due from BSP and other banks	P58,150	P9,074	P3,369	P8,901	P37,160	P116,654
Interbank loans receivable and securities held under agreements to resell	98,093	5,439	734	1,063	—	105,329
Receivables from customers and other receivables - gross**	161,956	49,845	28,902	39,616	104,404	384,723
Total financial assets	P318,199	P64,358	P33,005	P49,580	P141,564	P606,706

	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
	(In Millions)					
Financial Liabilities*						
Deposit liabilities:						
Savings	P158,675	P56,242	P27,796	P49,150	P249,146	P541,009
Time***	81,037	40,011	6,280	5,894	12,530	145,752
Bonds payable	—	—	—	41,491	—	41,491
Bills and acceptances payable	10,303	5,297	1,747	185	2,631	20,163
Total financial liabilities	P250,015	P101,550	P35,823	P96,720	P264,307	P748,415
Repricing gap	P68,184	(P37,192)	(P2,818)	(P47,140)	(P122,743)	(P141,709)
Cumulative gap	68,184	30,992	28,174	(18,966)	(141,709)	
* Financial instruments that are not subject to repricing/rollforward were excluded.						
** Receivables from customers excludes residual value of leased assets (Note 8).						
***Excludes LTNCD.						

The following table sets forth, for the year indicated, the impact of changes in interest rates on the banking segment's repricing gap for the years ended December 31:

	2024		2023	
	Statement of Income	Equity	Statement of Income	Equity
	(In Millions)			
+50bps	P136	P136	P120	P120
-50bps	(136)	(136)	(120)	(120)
+100bps	272	272	240	240
-100bps	(272)	(272)	(240)	(240)

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

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

As of December 31, 2024 and 2023, the maximum negative Delta EVE is at P10.5 billion or 7.85% and P6.2 billion or 5.43% of CET1, respectively.

Foreign currency risk

Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The banking segment takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the banking segment's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the banking segment's Parent Bank and foreign currency-denominated borrowings appearing in the regular books of the banking segment's Parent bank.

Foreign currency deposits are generally used to fund the banking segment's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the banking segment's Parent Bank has additional foreign currency assets and liabilities in its foreign branch network.

The banking segment's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The banking segment believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the banking segment is involved.

The table below summarizes the banking segment's exposure to foreign exchange rate risk excluding those under FCDU (amounts in Philippine peso equivalent).

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

* Other currencies include UAE Dirham (AED), Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), PHP, Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso were ₱57.85 to USD1.00 as of December 31, 2024 and ₱55.37 to USD1.00 as of December 31, 2023.

The following tables set forth the impact of the range of reasonably possible changes in the USD:PHP exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2024 and 2023:

	2024		2023	
	Income Before Income Tax	Equity	Income Before Income Tax	Equity
		<i>(In Millions)</i>		
+1.00%	₱215	(₱225)	₱372	(₱380)
-1.00%	(215)	225	(372)	380

The Group does not expect the impact of the volatility on other currencies to be material.

Financial Risk Management Objectives and Policies of the Companies in the Group other than the Banking Segment

Risk Management Strategies

The Group's principal financial instruments comprise of short-term and long-term debts and COCI. The main purpose of these financial instruments is to ensure adequate funds for the Group's operations and capital expansion. Excess funds are invested in available-for-sale financial assets with a view to liquidate these to meet various operational requirements when needed. The Group has various other financial assets and financial liabilities such as receivables and accounts payable and accrued expenses which arise directly from its operations.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risks (consisting of foreign exchange risk, interest rate risk and equity price risk).

Credit Risk

The Group manages its credit risk by transacting with counterparties of good financial condition and selecting investment grade securities. The Group trades only with recognized, creditworthy third parties. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. Management closely monitors the fund and financial condition of the Group.

In addition, credit risk of property development segment is managed primarily through analysis of receivables on a continuous basis. The credit risk for contracts receivables is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities having similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

Concentration risk per business segment could arise on the following:

- Distilled spirits segment's annual sales pertain mainly to two trusted parties with sales to them comprising about 95% of the total segment revenue.
- Beverage segment annual sales pertain mainly to 13 parties with sales to them comprising about 100% of the total beverage sales.

Credit quality per class of financial assets

“Standard grade” accounts consist of financial assets from trusted parties with good financial condition. “Substandard grade” accounts, on the other hand, are financial assets from other counterparties with relatively low defaults. The Group did not regard any financial asset as “high grade” in view of the erratic cash flows or uncertainty associated with the financial instruments. “Past due but not impaired” are items with history of frequent default, nevertheless, the amount due are still collectible. Lastly, “Impaired financial assets” are those that are long-outstanding and have been provided with allowance for doubtful accounts.

Set out below is the information about the credit risk exposure on the Group's financial assets using provision matrix (in millions):

As of December 31, 2024:

		Trade and other receivables					
Cash in Banks	Due from related parties	Days past due					Total
		Current	< 30 days	30-60 days	61-90 days	> 90 days	
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
Expected credit loss	₱—	₱—	₱1.2	₱20.6	₱22.3	₱9.5	₱276.7
							₱21,313.0
							₱330.3

As of December 31, 2023:

			Trade and other receivables					
	Cash in banks	Due from related parties	Current	Days past due				Total
				< 30 days	30-60 days	61-90 days	> 90 days	
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	P243,791.0	P2,338.7	P8,209.4	P2,623.9	P2,836.0	P1,698.0	P3,638.7	P19,006.0
Expected credit loss	P–	P–	P1.1	P18.4	P19.9	P8.5	P297.4	P345.3

Liquidity Risk and Funding Management

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

The Group's objective is to maintain a balance between continuity of funding and sourcing flexibility through the use of available financial instruments. The Group manages its liquidity profile to meet its working and capital expenditure requirements and service debt obligations. As part of the liquidity risk management program, the Group regularly evaluates and considers the maturity of its financial assets (e.g., trade receivables, other financial assets) and resorts to short-term borrowings whenever its available cash or matured placements is not enough to meet its daily working capital requirements. To ensure availability of short-term borrowings, the Group maintains credit lines with banks on a continuing basis.

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

The following tables show the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as well as the financial assets used for liquidity management (in millions):

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

*Excluding non-financial liabilities amounting to ₱1.2 million and ₱1.3 million as of December 31, 2024 and 2023, respectively.

Market Risks of the Group other than the Banking Segment

The Group's operating, investing, and financing activities are directly affected by changes in foreign exchange rates and interest rates. Increasing market fluctuations in these variables may result in significant equity, cash flow and profit volatility risks for the Group. For this reason, the Group seeks to manage and control these risks primarily through its regular operating and financing activities.

Management of financial market risk is a key priority for the Group. The Group generally applies sensitivity analysis in assessing and monitoring its market risks. Sensitivity analysis enables management to identify the risk position of the Group as well as provide an approximate quantification of the risk exposures. Estimates provided for foreign exchange risk, cash flow interest rate risk, price interest rate risk and equity price risk are based on the historical volatility for each market factor, with adjustments being made to arrive at what the Group considers to be reasonably possible.

Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of changes in the levels of equity indices and value of individual stocks. In 2024, 2023 and 2022, changes in fair value of equity instruments held as equity instruments at FVTOCI due to a reasonable possible change in equity interest, with all other variables held constant, will increase profit by ₱578.0 million, ₱320.0 million, ₱396.0 million, respectively, if equity prices will increase by 10%. An equal change in the opposite direction would have decrease equity by the same amount.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. As of December 31, 2024 and 2023, the Group's long-term debts are not exposed to the risk in changes in market interest rates since the debts are issued at fixed rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly at interval of three months or six months.

Foreign currency risk

The non-banking segment of the Group is not significantly affected by foreign currency risk since the Group has no significant foreign currency transactions.

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		Net exposure [c-d]
				Financial instruments	Fair value of Financial collateral	
	[a]	[b]	[c]	[d]		[e]
<i>(In Thousands)</i>						
December 31, 2024:						
Derivative liabilities (Notes 16 and 21)	P61,485,068	P60,561,015	P924,053	P350,702	P-	P573,331
Securities sold under agreements to repurchase (Note 17)*	12,338,999	-	12,338,999	-	14,221,461	-
Total	P73,824,067	P60,561,015	P13,263,052	P350,702	P14,221,461	P573,331
December 31, 2023:						
Derivative liabilities (Notes 16 and 21)	P65,163,569	P64,607,758	P555,811	P196,010	P-	P359,801
Securities sold under agreements to repurchase (Note 17)*	10,053,531	-	10,053,531	-	11,972,805	-
Total	P75,217,100	P64,607,758	P10,609,342	P196,010	P11,972,805	P359,801

* Included in bills and acceptances payable in the consolidated statement of financial position.

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, excluding the extent of over-collateralization.

33. Offsetting of Financial Assets and Financial Liabilities

The Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

Financial assets recognized at end of reporting period by type	Gross carrying Amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the consolidated statement of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Financial collateral	
	[a]	[b]	[c]	[d]		[e]
<i>(In Thousands)</i>						
December 31, 2024:						
Derivative assets (Notes 6 and 21)	P87,097,900	P86,010,793	P1,087,107	P104,745	P-	P983,909
Securities sold under agreements to repurchase (Note 5)	103,480,119	-	103,480,119	-	104,909,516	-
Total	P190,578,019	P86,010,793	P104,567,226	P104,745	P104,909,516	P983,909
December 31, 2023:						
Derivative assets (Notes 6 and 21)	P108,139,719	P107,390,520	P749,199	P37,098	P-	P712,101
Securities sold under agreements to repurchase (Note 5)	69,694,538	-	69,694,538	-	57,785,321	11,909,217
Total	P177,834,257	P107,390,520	P70,443,737	P37,098	P57,785,321	P12,621,318

34. Fair Value Measurement

The Group has assets and liabilities that are measured at fair value on a recurring and non-recurring basis in the consolidated statements of financial position after initial recognition. Recurring fair value measurements are those that another PFRSs requires or permits to be recognized in the consolidated statements of financial position at the end of each reporting period. These include financial assets and liabilities at FVTPL and FVTOCI. Non-recurring fair value measurements are those that another PFRSs requires or permits to be recognized in the consolidated statement of financial position in particular circumstances. These include land and land improvements, buildings and building improvements and machineries and equipment measured at revalued amount and investment properties measured at cost but with fair value measurement disclosure.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties, land and land improvements, plant buildings and building improvements and machineries and equipment. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

As of December 31, the carrying values of the Group's financial assets and liabilities approximate their respective fair values, except for the following financial instruments:

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

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

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

Debt securities. Fair values for quoted securities are based on market prices from debt exchanges. For unquoted securities, fair value are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

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

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

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

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

Earnings Per Share

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

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

Dividends on Common Shares

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

Events After the Reporting Period

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

Segment Reporting

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

Material Accounting Policies Generally Applicable to Banking

Banking Revenue

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

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

Service Fees and Commission Income

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

Fees from services that are provided over a certain period of time

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

Bancassurance fees

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

Fee income from providing transaction services

The banking segment recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the banking segment recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

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

Credit Card Fees

Interchange fee and revenue from rewards redeemed

The banking segment takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the banking segment's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The banking segment operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the banking segment. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The banking segment allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The banking segment defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The banking segment includes the deferred balance under 'Other liabilities' in the consolidated statement of financial position.

Commissions on credit cards

The banking segment recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

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

* Net of expected credit losses

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

*** Net of impairment losses

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

The unquoted debt securities fair values are estimated based on the market data approach that makes use of market multiples derived from a set of comparable. Multiples were determined that is most relevant to assessing the value of the unquoted securities (e.g., earnings, book value). The selection of the appropriate multiple within the range is based on qualitative and quantitative factors specific to the measurement.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Significant input used in determining fair values of financial instruments under Level 2 comprises of interpolated market rates of benchmark securities. For investments in UITFs, fair values are determined based on published NAVPU as of reporting date.

As of December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of property, plant and equipment and investment properties held by the Group:

	Valuation Techniques	Significant Unobservable Inputs	Range of Estimates
Property, plant and equipment:			
Land and land improvements	Market Data Approach	Price per square meter	₱6,000 - ₱6,200
Plant buildings and building improvements			
Building	Replaceable Fixed Asset Valuation Approach	Replacement cost	₱4,287 - ₱10,000
		Estimated total floor area	24 - 1,548 sq.m
Building improvements	Replaceable Fixed Asset Valuation Approach	Replacement cost	₱2.8 million - 26.5 million
		Estimated number of components	315 - 723 components
Machineries and equipment	Replaceable Fixed Asset Valuation Approach	Replacement cost	₱3,200 - ₱8.6 million
		Estimated number of components	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:

Valuation Techniques	Description
Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Replaceable Fixed Asset Valuation Approach	This method requires an analysis of the buildings and other land improvements by breaking them down into major components. Bills of quantities for each component using the appropriate basic unit are prepared and related to the unit cost for each component developed on the basis of current costs of materials, labor, plant and equipment prevailing in the locality to arrive at the direct costs of the components. Accrued depreciation was based on the observed condition.
Replacement Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of Reproduction Cost New of the improvements.
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

35. Notes to Consolidated Statements of Cash Flows

Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2024 and 2023 follow:

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

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

Others include the effects of foreign exchange revaluations, amortization of transaction costs, and accretion of interest.

Non-cash Transactions

The Group applied creditable withholding taxes against its income tax payable amounting to ₱2.0 billion, ₱1.2 billion, ₱2.4 billion in 2024, 2023 and 2022, respectively.

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

Non-cash Investing Activities

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

36. Capital Management

The main thrust of the Group's capital management policy is to ensure that the Group complies with externally imposed capital requirements, maintains a good credit standing and has a sound capital ratio to be able to support its business and maximize the value of its shareholders equity. The Group is also required to maintain debt-to-equity ratios to comply with certain loan agreements and covenants in 2024 and 2023.

The Group's dividend declaration is dependent on the availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change were made in the objectives, policies or processes in 2024 and 2023.

The Group considers its total equity reflected in the consolidated statements of financial position as its capital. The Group monitors its use of capital and the Group's capital adequacy by using leverage ratios, specifically, debt ratio (total debt/total equity and total debt) and debt-to-equity ratio (total debt/total equity). Included as debt are the Group's total liabilities while equity pertains to total equity as shown in the consolidated statements of financial position.

The table below shows the leverage ratios of the Group:

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

Regulatory Qualifying Capital for the Banking Segment

The banking segment is subject to the regulatory requirements of the BSP. PNB manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods. PNB has complied with all externally imposed capital requirements throughout the year.

BSP reporting for capital management

Under existing BSP regulations, the determination of PNB's compliance with regulatory requirements and ratios is based on the amount of PNB's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on Regulatory Accounting Principles (RAP), which differ from PFRSs in some respects. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (PNB and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of PNB, provided that the same shall be excluded for dividend purposes.

PNB considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, PNB maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. PNB has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. PNB complies with the required annual submission of updated ICAAP.

BSP Reporting for Basel III Leverage Ratio

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%. BLR is computed based on RAP.

37. Leases, Provision and Contingencies and Other Matters

Leases

The Group as lessor

The Group entered into lease agreements with third parties covering its investment property portfolio, certain motor vehicles and items of machinery. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenues, whichever is higher. The Group records rental income on a straight-line basis over less non-cancellable lease term. Any difference between the calculated rental income and amount actually received is recognized as "Deferred rent" (see Note 8).

The Group has tenants' rental deposits and advance rentals which are presented under "Other noncurrent liabilities". Tenants' rental deposits pertain to the amounts paid by the tenants at the inception of the lease which is refundable at the end of the lease term. Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term depending on the lease contract.

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

	2024	2023
<i>(In Thousands)</i>		
Within one year	₱—	₱7
After one year but not more than five years	—	2,734
More than five years	—	—
	₱—	₱2,741

The Group as lessee

The Group has entered into commercial leases for its branch sites/premises, land where the related investment property or property, plant and equipment is build/constructed, warehouse and warehouse equipment, ATM offsite location and other equipment. These non-cancellable leases have lease terms of 1 to 40 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group's ROU asset is composed of the PNB's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy' in the consolidated statements of income) amounted to ₱395.6 million, ₱264.1 million, ₱270.2 million in 2024, 2023 and 2022, respectively, for the Group, of which ₱291.7 million, ₱187.0 million, ₱201.6 million in 2024, 2023 and 2022, respectively, pertain to the PNB. Rent expense in 2024 and 2023 pertains to expenses from short-term leases and leases of low-value assets.

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

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

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

Future minimum lease receivables under finance leases are as follows:

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

Trust Operations

Securities and other properties held by PNB in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of PNB. Such assets held in trust were carried at a value of ₱190.6 billion and ₱168.0 billion as of December 31, 2024 and 2023, respectively. In connection with the trust functions of PNB, government securities amounting to ₱2.4 billion and ₱1.8 billion (included under 'Financial assets at amortized cost') as of December 31, 2024 and 2023, respectively, are deposited with the BSP in compliance with trust regulations.

In compliance with existing banking regulations, PNB transferred from surplus to surplus reserves the amounts of ₱39.2 million, ₱29.9 million, ₱24.7 million in 2024, 2023 and 2022, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital.

Provisions and Contingencies

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the consolidated financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

Excise Tax Refund Claim

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

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

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

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

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

On February 8, 2019, TDI received the decision of the Court of Tax Appeals (CTA) Second Division denying TDI's claim for refund since TDI failed to prove that there is actual payment of the excise tax being claimed. On February 22, 2019, TDI filed a Motion for Reconsideration. On July 28, 2019, the motion was denied by the CTA Second Division. TDI filed a Petition for Review to the CTA En Banc on August 1, 2019. On October 28, 2020, the petition was denied, affirming the decisions and resolutions made by CTA Second Division. On November 16, 2020, a Motion for Reconsideration was filed by the legal counsel before the CTA En Banc which was also denied on March 22, 2021 for lack of merit. On July 29, 2021, TDI filed a Petition for Review on Certiorari at the Supreme Court.

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

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	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.

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