

SEC Number: 109712

File Number: \_\_\_\_\_

**PNB HOLDINGS CORPORATION**

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(Company's Full Name)

2/F PNB Financial  
Center  
Pres. Diosdado  
Macapagal Blvd., Brgy.  
76, Pasay City

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(Company Address)

(632) 8814-1678

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(Telephone Number)

**March 31, 2025**

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(Quarter Ending)

**SEC Form 17-Q Quarterly Report**

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(Form Type)

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(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2025**
2. Commission Identification Number **PW00001056**
3. BIR Tax Identification No. **000-169-158-000**
4. Exact name of issuer as specified in its charter: **PNB HOLDINGS CORPORATION**
5. Province, Country, or other jurisdiction of incorporation or organization:  
**Metro Manila, Philippines**
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of issuer's principal office and postal code:  
**2/F PNB Financial Center Pres. Diosdado Macapagal Blvd., Brgy. 76, Pasay City**
8. Issuer's telephone number, including area code: **(632) 8814-1678**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

**As of March 31, 2025**

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
<b>Common shares</b>	<b>46,932,100,000</b>

Amount of Debt Outstanding  
**-0-**

11. Are any or all of the securities listed on a Stock Exchange?  
Yes [ ] No [X]

Stock Exchange: **Not applicable**  
Securities listed: **Not applicable**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days:  
Yes [x] No [ ]

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# PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

### PNB Holdings Corporation

Statements of Financial Position  
As at March 31, 2025 (Unaudited)  
and December 31, 2024 (Audited)

	2025	2024
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4 and 12)	₱1,917,338,837	₱1,919,455,216
Trade and other receivables (Note 6)	1,004,011,336	959,388,279
Other current assets (Note 7)	537,849,240	570,242,761
<b>Total Current Assets</b>	<b>3,459,199,413</b>	<b>3,449,086,256</b>
<b>Noncurrent Assets</b>		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 5)	218,911,188	218,028,591
Investment properties (Note 8)	46,133,728,217	46,176,006,148
Property and equipment (Note 9)	377,172,688	311,153,431
Deferred income tax assets - net (Note 16)	–	–
<b>Total Noncurrent Assets</b>	<b>46,729,812,093</b>	<b>46,705,188,170</b>
<b>TOTAL ASSETS</b>	<b>₱50,189,011,506</b>	<b>₱50,154,274,426</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 10)	₱386,044,045	₱431,512,283
Current portion of deposits and other current liabilities (Note 11)	49,477,066	58,108,682
Income tax payable	–	–
<b>Total Current Liabilities</b>	<b>435,521,111</b>	<b>489,620,965</b>
<b>Noncurrent Liabilities</b>		
Deposits and other noncurrent liabilities - net of current portion (Note 11)	474,845,795	451,291,427
Retirement liability (Note 15)	5,646,594	5,646,594
Deferred income tax liabilities - net (Note 16)	41,379,376	41,379,376
<b>Total Noncurrent Liabilities</b>	<b>521,871,765</b>	<b>498,317,397</b>
<b>Total Liabilities</b>	<b>957,392,876</b>	<b>987,938,362</b>
<b>Equity</b>		
Capital stock (Note 17)	46,932,100,000	46,932,100,000
Retained earnings (Note 17)	2,132,053,187	2,067,653,217
Other comprehensive income (Notes 5 and 15)	167,465,443	166,582,847
<b>Total Equity</b>	<b>49,231,618,630</b>	<b>49,166,336,064</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱50,189,011,506</b>	<b>₱50,154,274,426</b>

See accompanying Notes to Financial Statements.

**PNB Holdings Corporation**

Unaudited Statements of Comprehensive Income  
For the three months ended March 31, 2025 and 2024

	<b>2025</b>	<b>2024</b>
<b>INCOME</b>		
Rental income and dues (Notes 8 and 13)	<b>₱271,353,712</b>	₱329,058,494
Interest and other income (Note 13)	<b>21,825,612</b>	18,554,613
	<b>293,179,324</b>	347,613,107
<b>COSTS AND EXPENSES</b>		
Cost of rental income (Notes 8 and 14)	<b>(156,389,648)</b>	(139,357,287)
General and administrative expenses (Note 14)	<b>(50,796,825)</b>	(39,638,675)
	<b>207,186,473</b>	178,995,962
<b>INCOME BEFORE INCOME TAX</b>	<b>85,992,851</b>	168,617,145
<b>PROVISION FOR INCOME TAX (Note 16)</b>		
Current	<b>21,592,881</b>	31,701,643
Deferred	-	-
	<b>21,592,881</b>	31,701,643
<b>NET INCOME</b>	<b>64,399,970</b>	136,915,502
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Item that recycles to profit or loss in subsequent periods</i>		
Net changes in unrealized losses on financial assets at FVOCI	<b>282,597</b>	276,488
<i>Item that does not recycle to profit or loss in subsequent periods</i>		
Net changes in unrealized gains on financial assets at FVOCI, net of deferred income tax effect	<b>600,000</b>	15,700,000
	<b>882,597</b>	15,976,488
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱65,282,567</b>	₱152,891,990
<b>BASIC AND DILUTED EARNINGS PER SHARE (Note 19)</b>	<b>₱0.137</b>	₱0.292

See accompanying Notes to Financial Statements.

**PNB Holdings Corporation**

Unaudited Statements of Cash Flows  
For the three months ended March 31, 2025 and 2024

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱85,992,851</b>	₱168,617,145
Adjustments for:		
Depreciation (Note 14)	<b>45,931,633</b>	41,243,345
Interest income (Notes 4, 5 and 13)	<b>(21,760,038)</b>	(18,344,403)
Mark-to-market gain on financial assets at FVTPL (Notes 7 and 13)	<b>(32,889)</b>	(27,609)
Operating income before working capital changes	<b>110,131,557</b>	191,488,478
Decrease (increase) in:		
Trade and other receivables	<b>(50,459,149)</b>	(50,042,226)
Other current assets	<b>32,426,409</b>	(1,125,121)
Increase (decrease) in:		
Trade and other payables	<b>(45,468,242)</b>	55,475,463
Deposits and other liabilities	<b>14,922,753</b>	5,650,972
Cash generated from operations	<b>61,553,329</b>	201,447,565
Income taxes paid, including final tax	<b>(21,592,881)</b>	(18,891,537)
Interest received	<b>27,596,131</b>	19,040,700
Net cash provided by operating activities	<b>67,556,579</b>	201,596,728
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	<b>(69,672,959)</b>	(15,371,842)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	<b>(2,116,380)</b>	186,224,886
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
	<b>1,919,455,217</b>	1,761,523,579
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
	<b>₱1,917,338,837</b>	₱1,947,748,465

*See accompanying Notes to Financial Statements.*

**PNB Holdings Corporation**

Unaudited Statements of Changes in Equity  
For the three months ended March 31, 2025 and 2024

	Capital Stock (Note 17)	Retained Earnings (Note 17)		Net Unrealized Gain on Financial Assets at FVOCI	Other Comprehensive Income (Loss)		Total	Total
		Unappropriated	Appropriated		Actuarial Loss on Retirement Liability (Note 16)			
<b>BALANCES AS AT JANUARY 1, 2024</b>	<b>₱46,932,100,000</b>	<b>₱1,538,663,312</b>	<b>₱-</b>	<b>₱120,896,303</b>	<b>₱-</b>	<b>₱120,896,303</b>	<b>₱48,591,659,615</b>	
Net income	-	136,915,502	-	-	-	-	136,915,502	
Other comprehensive income	-	-	-	15,976,488	-	15,976,488	15,976,488	
Total comprehensive income	-	136,915,502	-	15,976,488	-	15,976,488	152,891,991	
<b>BALANCES AS AT MARCH 31, 2024</b>	<b>₱46,932,100,000</b>	<b>₱1,675,578,814</b>	<b>₱-</b>	<b>₱136,872,791</b>	<b>₱-</b>	<b>₱136,872,791</b>	<b>₱48,744,551,606</b>	
<b>BALANCES AS AT JANUARY 1, 2025</b>	<b>₱46,932,100,000</b>	<b>₱2,067,653,217</b>	<b>₱-</b>	<b>₱168,579,303</b>	<b>(₱1,996,456)</b>	<b>₱166,582,847</b>	<b>₱49,166,336,064</b>	
Net income	-	64,399,970	-	-	-	-	64,399,970	
Other comprehensive income	-	-	-	882,597	-	882,597	882,597	
Total comprehensive income	-	64,399,970	-	882,597	-	882,597	65,282,567	
<b>BALANCES AS AT MARCH 31, 2025</b>	<b>₱46,932,100,000</b>	<b>₱2,132,053,187</b>	<b>₱-</b>	<b>₱169,461,900</b>	<b>(₱1,996,456)</b>	<b>₱167,465,444</b>	<b>₱49,231,618,631</b>	

See accompanying Notes to Financial Statements.

## **PNB Holdings Corporation**

Notes to the Unaudited Financial Statements

As at and for the period ended March 31, 2025

(With comparative figures and notes as at December 31, 2024

and for the period ended March 31, 2024)

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### **1. Corporate Information**

PNB Holdings Corporation (the "Company") was incorporated in the Philippines on May 20, 1920 to invest, subscribe for, sell, transfer, exchange or otherwise dispose of all kinds of stocks, bonds, certificates of deposit, contract of instruments whatsoever representing evidence of title or interest in the capital of any property or assets and leases of all kinds.

The Revised Corporation Code, Republic Act No. 11232, which took effect in 2019 provides that corporations with certificates of incorporation issued prior to the effectivity of this Code, and which continue to exist, shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing a majority of its outstanding capital stock, notifies the Commission that it elects to retain its specific corporate term pursuant to its articles of incorporation.

On October 9, 2020, the Company's Board of Directors (BOD) and stockholders approved the amendments to the secondary purposes of the Company to invest and acquire by purchase, transfer, exchange or otherwise, to own, use, improve, develop, operate, sell, assign, transfer, exchange, lease, mortgage, pledge, and the like, any or all properties of every kind and description and wherever situated and as to the extent permitted by law (including but not limited to real estate, and any right or interest therein), to exercise all rights, powers and privileges of ownership or any other interest therein, including the right to develop, conduct, operate and maintain the real estate business, such as but not limited to the operation, maintenance of commercial spaces for rent, to construct, erect, manage, and administer buildings for commercial, residential, or mixed use purposes to engage in any and all kinds of real estate business. This was subsequently approved by the Philippine Securities and Exchange Commission (SEC) on January 13, 2021.

On October 20, 2020, the Company's BOD and stockholders approved the increase of its authorized capital stock from ₱500.0 million divided into 5.0 million shares with a par value of ₱100.0 per share to ₱50,500.0 million divided into 505.0 million shares with a par value of ₱100.0 per share. On December 11, 2020, the Company filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the SEC on January 13, 2021. Out of the increase in the authorized capital stock of 500.0 million shares, 466.8 million with a par value of ₱100.0 per share have been subscribed by Philippine National Bank (PNB) through the exchange of real estate properties (see Note 8). This resulted to the Company becoming a wholly owned subsidiary of the bank.

On April 23, 2021, PNB's BOD approved the property dividend declaration of up to 239,353,710 common shares of PNB Holdings Corporation, representing 51.00% ownership, with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021, or ₱23.9 billion. On December 24, 2021, the Philippine SEC issued a certificate of filing the notice of property dividend declaration.

Furthermore, PHC's BOD approved in the meeting held last June 03, 2022 and June 15, 2022 the reduction in par value of the Corporation's share of stocks from Php100.00 per share to Php1.00 per share; thereby increasing the number of shares from 500 million to 50.5 billion

The Company's intermediate parent company is LT Group Inc., a publicly-listed company incorporated and domiciled in the Philippines. The Company's ultimate parent company, Tangent Holdings Corporation, is incorporated in the Philippines.

The Company's registered business address is 2nd Floor, PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Philippines.

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## 2. Summary of Material Accounting Policies

### Basis of Preparation and Statement of Compliance

The financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) and are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. All amounts are rounded to the nearest Peso except when otherwise indicated.

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

### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2024. The Company 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 an impact on the financial statements of the Company.

- 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.
- 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.
- 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.

### Standards Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

#### *Effective beginning on or after January 1, 2026*

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards - Volume 11
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

#### *Effective beginning on or after January 1, 2027*

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

- PFRS 19, Subsidiaries without Public Accountability

#### *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*

### Financial Instruments - Classification and Measurement

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15.

As of March 31, 2025 and December 2024, the Company's financial assets pertain to financial assets at amortized cost (debt instrument), fair value through profit or loss (FVTPL) and fair value through OCI (FVOCI).

#### *Financial assets at FVTPL*

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Company determines the appropriate classification of financial assets at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified. Classification of financial assets is determined by both the contractual cash flow characteristics of the financial assets (cash flow characteristics test) and the Company's business model for managing the financial assets (business model test). The Company first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (Solely Payment of Principal and Interest (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 FVOCI or at amortized cost.

The Company determines its business model at the level that best reflects how it manages Company of financial assets to achieve its business objective. The Company'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 Company's original expectations, the Company 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.

#### *Financial assets at FVOCI*

The Company's financial assets at FVOCI include quoted debt and equity securities. After initial measurement, financial assets at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, as applicable, from the reported earnings and are included in the statement of comprehensive income as "Net changes in unrealized gains on financial assets at FVOCI".

Debt securities at FVOCI are those that meet both the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of the restatement of foreign currency-denominated debt securities at FVOCI, is reported in profit or loss. Interest earned on holding debt securities at FVOCI are reported as 'Interest' in profit or loss using the effective interest rate (EIR) method.

When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the other comprehensive income (OCI) is recognized in the profit or loss. Where the Company holds more than one investment in the same security, these are deemed to be disposed based on specific identification. The expected credit losses (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to "Provision for ECL" in profit or loss.

Equity securities designated at FVOCI are those that the Company made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statement of comprehensive income under "Other income" when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are adjusted to the carrying amount of the investment. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statement of comprehensive income is reclassified to "Retained earnings" or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

#### *Impairment of financial assets*

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and refundable deposits, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis.

#### Investment Properties

Investment properties are measured initially at its deemed cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be directly measured in which case the investment property acquired is measured at the carrying amount of the asset given up. The fair value at the date of receipt of the investment properties is considered its deemed cost.

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and impairment loss, if any.

Expenditures incurred after the investment properties have been put into operations are normally charged against income in the year in which the costs are incurred, unless they meet the capitalization criteria under applicable accounting standards. According to standards, subsequent expenditure should

be recognized in the carrying amount of the investment property if it is expected to produce future economic benefits to the entity and its costs can be reliably measured.

Depreciation of investment properties commences once these are available for use and is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

<u>Category</u>	<u>Years</u>
Buildings	17 to 25
Condominium units	50
Building improvements	10

Investment properties are derecognized when they have either been disposed of or when the investment property is 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 statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties 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.

The disclosure of the fair value of investment properties is determined by a Philippine SEC-accredited and independent valuer based on Market Approach using sales and listings of comparable properties having same potential use with the investment properties owned by the Company.

#### Asset Under Construction

Construction in progress represents costs incurred for the construction of buildings, infrastructure, and other capital projects that are not yet completed. These costs include materials, labor, and overhead directly attributable to the construction activities. Upon completion, the total cost of the project is transferred to the appropriate asset category and depreciated over its useful life.

Expenditures related to construction in progress are capitalized when they meet the criteria for recognition as an asset. Costs that do not meet these criteria are expensed as incurred. The capitalization of costs ceases when the asset is ready for its intended use.

Construction in progress is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

#### Leases

##### *The Company as lessor*

In operating leases where the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Company recognizes rental income on a straight-line basis over the lease terms. The Company 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.

#### Employee Benefits

##### *Short-term Benefits*

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

### *Retirement Benefits*

The Company has a defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes retirement benefits cost, comprising of current service costs and interest costs in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

Remeasurements pertaining to actuarial gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the present value of the defined benefit obligation. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

### Revenue, Income and Cost Recognition

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

### *Rental income*

Rental income arising on leased properties under operating lease is accounted for on a straight-line basis over the lease terms on ongoing leases.

### *Charges and expenses recoverable from tenants*

Income arising from expenses recharged to tenants recorded as "Rental dues" is recognized in the period in which the compensation becomes receivable. The Company is acting as a principal.

### *Cost of rental income*

Cost of rental income is recognized in relation to the leasing activities of the Company. This includes depreciation of the investment properties being leased out, real property taxes and other directly attributable costs.

### *Interest income*

Interest on held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVOCI 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 Company 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 Company 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 Company adjusts the carrying amount of the financial instrument through "Finance charges" in the statement of comprehensive income based on the original EIR.

### *Mark-to-market gain on financial asset at FVTPL*

The Company recognizes in "Other income (charges)" the results arising from trading activities, all gains and losses from changes in fair value of financial assets at FVTPL, and gains and losses from disposal of debt securities at FVOCI.

### Income Taxes

Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in profit or loss in the statements of comprehensive income, except to the extent that it relates to items directly recognized in OCI.

#### *Current tax*

Current 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 reporting date.

#### *Deferred tax*

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise 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 income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable 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 reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

Current income tax and deferred income tax relating to items recognized directly in OCI are recognized in the statement of comprehensive income.

#### Earnings per Share

The Company presents basic and diluted earnings per share (EPS). Basic and diluted EPS is calculated by dividing the net income by the weighted average number of capital stock outstanding during the year.

#### Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components. The operating results of an operating segment are reviewed regularly by the chief operating decision maker to determine the resources to be allocated to the segment and assess its performance, and for which financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire investment properties and property and equipment.

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### 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements requires the Company 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 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 we believed to be reasonable under the circumstances.

#### Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the financial statements. 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 financial statements as they become reasonably determinable.

#### *Provision for expected credit losses of trade and other receivables and refundable deposits*

The Company uses a provision matrix to calculate ECLs for trade and other receivables. 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 provision matrix is initially based on the Company's historical observed default rates.

The Company uses low credit risks simplification for cash in banks, refundable deposits and government securities at FVOCI.

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product) and ECLs are significant estimates. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Company's trade and other receivables is disclosed in Note 6.

#### *Operating lease commitments - the Company as lessor*

The Company has entered into commercial property leases of its investment property. The Company has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases (see Notes 8 and 18).

#### *Determination of fair value of financial and nonfinancial instruments*

Where the fair values of financial and nonfinancial instruments recorded or disclosed in the financial statements are derived from available market data, they are determined using external valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values (see Notes 8 and 20).

#### *Assessment of impairment of noncurrent nonfinancial assets and estimation of recoverable amount*

The Company evaluates its nonfinancial assets, which include investment properties for any impairment in value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Company estimates the recoverable amount as the higher of the asset's fair value less costs to sell and value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements.

#### Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, 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:

##### *Estimation of allowance for expected credit losses of debt instruments at amortized cost*

The level of allowance for loans and receivables is evaluated by management based on past collection history and other factors which include, but are not limited to the length of the Company's relationship with the customer, the customer's payment behavior and known market factors that affect the collectability of the accounts.

As of March 31, 2025 and December 31, 2024, allowance for ECL amounted to ₱20.0 million.

Other than these, there has been no movement in the allowance for expected credit losses. This is following the management's assessment that all outstanding receivables are collectible during the ordinary course of business.

##### *Estimation of useful lives of nonfinancial assets*

The Company estimates the useful lives of its nonfinancial assets based on the period over which the assets are expected to be available for use. The estimated useful lives of the nonfinancial assets are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of nonfinancial assets would increase depreciation and amortization expense and decrease noncurrent assets.

There were no changes in the estimated useful lives of depreciable nonfinancial assets in 2025 and 2024. The carrying values of the Company's investment properties (excluding land) amounted to ₱2,861.7 million and ₱2,904.0 million as of March 31, 2025 and December 31, 2024, respectively (see Note 8). The carrying values of the Company's property and equipment (excluding construction in progress) amounted to ₱51.9 million and ₱30.0 million as of March 31, 2025 and December 31, 2024, respectively (see Note 9).

##### *Recognition of deferred income tax assets*

The Company reviews the carrying amounts at each financial reporting date and adjusts deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The determination of future taxable profits requires the estimation and use of assumptions about the Company's future taxable income and timing of reversal of temporary differences. The Company recognized deferred income tax assets of ₱72.8 million as of March 31, 2025 and December 31, 2024 (see Note 16).

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#### 4. Cash and Cash Equivalents

	2025	2024
Cash on hand	₱104,440	₱104,440
Cash in banks (Note 12)	404,575,485	429,822,607
Cash equivalents (Note 12)	1,512,658,912	1,489,528,169
	<b>₱1,917,338,837</b>	<b>₱1,919,455,216</b>

Cash in banks and cash equivalents earn interest at the prevailing bank deposit rates. Interest income earned from cash in banks and cash equivalents amounted to, ₱21.7 million and ₱18.3 million for 2025 and 2024, respectively (see Notes 12 and 15).

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## 5. Financial Assets at FVOCI

This account consists of:

	2025	2024
Equity securities	<b>₱213,000,000</b>	₱212,400,000
Government securities	<b>5,911,188</b>	5,628,591
	<b>₱218,911,188</b>	₱218,028,591

In 2025 and 2024, effective annual interest rate of government securities ranges from 5.38% to 6.13%. Interest income earned on financial assets at FVOCI amounted to ₱43,000 in 2025 and ₱24,500 in 2024 (see Note 13).

The movements in the net unrealized gains on financial assets at FVOCI follow:

	2025	2024
Balance at beginning of year	<b>₱168,579,303</b>	₱120,896,303
<i>Recycles to profit or loss in subsequent periods</i>		
Changes in fair values of government securities	<b>282,597</b>	(180,452)
<i>Does not recycle to profit or loss in subsequent periods</i>		
Changes in fair values of equity securities	<b>600,000</b>	56,278,099
	<b>882,597</b>	56,097,647
Deferred income tax effect	-	(8,414,647)
Net changes in unrealized gains	<b>882,597</b>	47,683,000
Balance at end of year	<b>₱169,461,900</b>	₱168,579,303

The movements of financial assets at FVOCI follow:

	2025	2024
Balance at beginning of year	<b>₱218,028,591</b>	₱161,930,944
Net unrealized fair value gains	<b>882,597</b>	56,097,647
Retirement	-	-
Balance at end of year	<b>₱218,911,188</b>	₱218,028,591

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## 6. Trade and Other Receivables

	2025	2024
Lease receivables (Note 12)	<b>₱998,925,355</b>	₱948,466,206
Interest	<b>4,482,380</b>	10,318,473
Others	<b>20,624,734</b>	20,624,734
	<b>1,024,032,469</b>	979,409,413
Allowance for ECL	<b>(20,021,133)</b>	(20,021,133)
	<b>₱1,004,011,336</b>	₱959,388,280

Other receivable pertains to advances made to the National Government in relation to the Company's sugar trading operations in the past amounting to ₱20.0 million. A favorable judgment from the office of the Solicitor General on the arbitration case against the Bureau of Treasury involving said advances was affirmed by the Department of Justice in 1998. However, it is not yet certain when the loans and receivables will finally be collected by the Company. As of March 31, 2025 and December 31, 2024, these receivables aggregating to ₱20.0 million were fully provided with allowance for credit losses.

Other than these, there has been no movement in the allowance for expected credit losses.

## 7. Other Current Assets

	2025	2024
Deferred rent assets	<b>₱312,141,836</b>	₱312,141,836
Prepayments:		
Real property taxes	<b>110,438,924</b>	147,251,897
Others	<b>17,645,802</b>	6,181,650
Advances to contractors and suppliers	<b>54,832,884</b>	70,901,622
Creditable withholding tax	<b>21,131,690</b>	24,244,590
Financial assets at FVTPL (Note 12)	<b>3,311,704</b>	3,278,815
Refundable deposits	<b>1,778,226</b>	1,778,227
Others	<b>16,568,173</b>	4,464,122
	<b>₱537,849,239</b>	₱570,242,759

- a. Deferred rent assets pertain to difference of rental income based on lease terms over rental income using straight line basis (see Note 19).
- b. Other prepayments consist of annual fees and licenses for the building, association dues and other prepaid expenses.
- c. Advances to contractors and suppliers are recouped every settlement of progress billing based on percentage of accomplishment of each contract package. The activities related to these advances will be completed within the Company's normal operating cycle.

- d. Financial assets at FVTPL

This account consists of the following:

	2025	2024
Investment in UITF (Note 12)	<b>₱3,277,569</b>	₱3,245,385
Equity securities	<b>34,135</b>	33,430
	<b>₱3,311,704</b>	₱3,278,815

The Company recognized net trading gains on financial assets at FVTPL as follows:

	2025	2024
Unrealized fair value gains (losses):		
Investment in UITF (Note 12)	<b>₱32,184</b>	₱34,479
Equity securities	<b>705</b>	(6,870)
	<b>₱32,889</b>	₱27,609

The movements of financial assets at FVTPL follow:

	2025	2024
Balance at beginning of year	<b>₱3,278,815</b>	₱3,165,972
Mark-to-market gain on financial assets at FVTPL	<b>32,889</b>	112,843
Balance at end of year	<b>₱3,311,704</b>	₱3,278,815

- e. Refundable deposits consist principally of amounts paid to utility providers for service applications.
- f. Other current assets consist of advances to officers and employees, input VAT and miscellaneous assets.

## 8. Investment Properties

	2025			
	Land	Buildings and Building Improvements	Condominium Units	Total
<b>Cost</b>				
Beginning and end of year	<b>₱43,271,988,143</b>	<b>₱3,520,258,746</b>	<b>₱35,213,415</b>	<b>₱46,827,460,304</b>
<b>Accumulated Depreciation</b>				
Beginning of year	-	635,527,025	15,927,131	651,454,156
Depreciation	-	42,100,150	177,781	42,277,931
End of year	-	677,627,175	16,104,912	693,732,087
<b>Net Book Values</b>	<b>₱43,271,988,143</b>	<b>₱2,842,631,571</b>	<b>₱19,108,503</b>	<b>₱46,133,728,217</b>
	2024			
	Land	Buildings and Building Improvements	Condominium Units	Total
<b>Cost</b>				
Beginning of year	₱43,271,988,143	₱3,405,011,857	₱35,213,415	₱46,712,213,415
Transfers (Note 9)	-	115,246,889	-	115,246,889
End of year	43,271,988,143	3,520,258,746	35,213,415	46,827,460,304
<b>Accumulated Depreciation</b>				
Beginning of year	-	469,785,857	15,216,007	485,001,864
Depreciation	-	165,741,168	711,124	166,452,292
End of year	-	635,527,025	15,927,131	651,454,156
<b>Net Book Values</b>	<b>₱43,271,988,143</b>	<b>₱2,884,731,721</b>	<b>₱19,286,284</b>	<b>₱46,176,006,148</b>

- a. Rental income arising from the investment properties amounted to ₱271.4 million in 2025 and ₱329.1 million in 2024 (see Notes 12 and 13). Direct costs arising from the investment properties amounted to ₱156.4 million in 2025 and ₱139.4 million in 2024 (see Notes 12 and 14).

Depreciation of investment properties amounting to ₱42.3 million in 2025 and ₱39.8 million in 2024 was recognized as part of "Cost of rental income" account (see Note 14).

- b. The estimated fair value of land, condominium units, and buildings for lease, are as follows:

Property	Approach	March 31, 2025	December 31, 2024
Land	Market approach	<b>₱68,706,456,000</b>	₱68,706,456,000
Buildings for lease	Market approach	<b>12,190,636,700</b>	12,190,636,700
Condominium units	Market approach	<b>170,243,000</b>	170,243,000
		<b>₱81,067,335,700</b>	₱81,067,335,700

The estimated fair value of the investment properties was arrived at using the Market Approach. In this approach, the value of the investment properties was based on sales and listings of comparable property having the same potential use with the subject properties (e.g., for future development, for rent) 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 a 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, Fair Value Measurement.

The fair values of investment properties for lease as of December 31, 2024 was retained as there has been no significant update on the value of comparable property registered within the vicinity as of March 31, 2025. The valuation of the buildings for lease as of first quarter of 2025 are updated to reflect utilization from the dates of the latest valuation.

The fair values of the Company's investment properties have been determined by the appraisal method by accredited independent external appraiser based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

Description of the valuation techniques used in the valuation of Company's investment properties is as follows:

Valuation Techniques

Market Data Approach A process of comparing the subject property being appraised based on the property's highest and best use (i.e., current use of the properties) to similar comparable properties recently sold or being offered for sale.

Significant Unobservable Inputs

Price per square meter Ranges from ₱84,000 to ₱1,718,000 in 2025 and ₱84,000 to ₱1,718,000 in 2024.

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 unit in terms of area. Evaluate if the unit size of property or comparable conforms to the average cut of the units in the area and estimate the impact of unit size differences on condominium unit values.

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.

- c. As disclosed in Note 1, the Company increased its authorized capital stock from ₱500.0 million divided into 5.0 million shares with a par value of ₱100.0 per share to ₱50,500.0 million divided into 505.0 million shares with a par value of ₱100.0 per share prior to the property-share exchange in 2021. Out of the increase in the authorized capital stock of 500.0 million shares, 466.8 million shares with a par value of ₱100.0 per share have been subscribed by PNB through the exchange of real estate properties (see Note 18) which was recorded initially at fair value amounting to ₱46,677.0 million in 2021. The fair value at the date of receipt of the investment properties is considered its deemed cost.

## 9. Property and Equipment

	2025			
	Furniture, Fixtures & Office Equipment	Transportation Equipment	Construction in Progress	Total
<b>Cost</b>				
Beginning of year	₱18,594,220	₱20,951,727	₱281,163,848	₱320,709,795
Additions	24,143,680	1,423,004	44,106,275	69,672,959
End of year	42,737,900	22,374,731	325,270,123	390,382,754
<b>Accumulated Depreciation</b>				
Beginning of year	6,332,324	3,224,040	-	9,556,364
Depreciation	2,558,683	1,095,019	-	3,653,702
End of year	8,891,007	4,319,059	-	13,210,066
<b>Net Book Values</b>	<b>₱33,846,893</b>	<b>₱18,055,672</b>	<b>₱325,270,123</b>	<b>₱377,172,688</b>

  

	2024			
	Furniture, Fixtures & Office Equipment	Transportation Equipment	Construction in Progress	Total
<b>Cost</b>				
Beginning of year	₱7,768,464	₱8,566,649	₱11,316,690	₱27,651,803
Additions	10,825,756	12,385,078	385,094,047	408,304,881
Transfers (Note 8)	-	-	(115,246,889)	(115,246,889)
End of year	18,594,220	20,951,727	281,163,848	320,709,795
<b>Accumulated Depreciation</b>				
Beginning of year	1,756,322	285,555	-	2,041,877
Depreciation	4,576,002	2,938,485	-	7,514,487
End of year	6,332,324	3,224,040	-	9,556,364
<b>Net Book Values</b>	<b>₱12,261,896</b>	<b>₱17,727,687</b>	<b>₱281,163,848</b>	<b>₱311,153,431</b>

## 10. Trade and Other Payables

	2025	2024
Taxes payable:		
Deferred output VAT payable	₱115,388,001	₱124,108,332
Output tax payable	33,810,203	52,483,843
Other tax payable	2,980,072	6,701,768
Accrued expenses	133,616,994	147,312,602
Accounts payable (Note 12)	91,100,106	94,415,088
Others	9,148,663	6,490,648
	<b>₱386,044,039</b>	<b>₱431,512,281</b>

- Taxes payable includes output VAT, deferred output VAT, documentary stamp taxes and expanded withholding taxes payable to the Philippine tax authority.
- Accounts payable includes amount payable to suppliers which are normally settled within the Company's normal operating cycle.
- Accrued expenses represent various accruals such as utilities and association dues of the Company for its expenses.
- Other payables consist of advances from officers, retention payable and other nontrade payables.

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## 11. Deposits and Other Liabilities

	2025	2024
Security deposits (Note 12)	P252,869,880	P242,086,226
Advance rentals (Note 12)	271,452,981	267,313,883
	<b>524,322,861</b>	509,400,109
Less current portion of:		
Security deposits	20,718,270	29,349,886
Advance rentals	28,758,796	28,758,796
	<b>49,477,066</b>	58,108,682
	<b>P474,845,795</b>	P451,291,427

Security deposits pertain to the amounts paid by tenants at the inception of the lease which are refundable at the end of the lease term. Security deposits are initially recorded at fair value, which was obtained by discounting future cash flows using the applicable rates of similar types of instruments.

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.

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## 12. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Company has transacted with LT Group, Inc. and other related parties as follows:

### **Parent Company and Entities under Common Control**

#### *Parent Company*

LT Group, Inc. (LTG)

#### *Entities under common control*

Allianz PNB Life Insurance, Inc.  
Alliedbankers Insurance Corporation  
Asia Brewery, Inc.  
Basic Holdings Corporation  
Eton Properties Management Corporation  
Eton Properties Philippines, Inc.  
Lucky Travel Corporation  
Mabuhay Digital Technologies, Inc.  
Macroasia Corporation  
Macroasia Mining Corporation  
PAL Holdings, Inc.  
Philippine Airlines  
Philippine National Bank  
PNB Capital and Investment Corporation  
PNB Employees Savings and Loans Association Inc.  
PNB Retirees and Employees Multi Purpose Cooperative  
PNB Securities, Inc.  
PNB-Mizuho Leasing and Finance Corporation  
Tanduay Brands International, Inc.  
Watergy Business Solutions, Inc.

The Company has transacted with its parent and other related parties as follows:

	Financial Statement Account		Amount/Volume		Outstanding Balance		Terms and Conditions
			2025	2024	2025	2024	
<b>With LTG</b>	Lease receivables	c	<b>₱-</b>	(₱1,334,134)	<b>₱-</b>	₱-	Unsecured; noninterest-bearing, not impaired
<b>With subsidiaries of LTG</b>	Cash and cash equivalents	a	<b>(2,136,379)</b>	157,817,718	<b>1,917,114,917</b>	1,919,251,296	Deposits and placements; interest-bearing
	Financial assets at FVTPL	b	<b>32,183</b>	133,887	<b>3,277,569</b>	3,245,386	Unsecured; noninterest-bearing, not impaired
	Lease receivables	c	<b>73,444,746</b>	(247,507,749)	<b>884,929,195</b>	811,484,449	Unsecured; noninterest-bearing, not impaired
	Advance rental	c	<b>42,774,738</b>	(163,272,304)	<b>249,062,136</b>	206,287,398	Unsecured; noninterest-bearing
	Security deposit	c	<b>1,030,353</b>	21,367,383	<b>228,829,843</b>	227,799,490	Unsecured; noninterest-bearing
	Management fees	d	<b>10,080,000</b>	39,821,428	-	-	Unsecured; noninterest-bearing

As of March 31, 2025 and December 31, 2024, the outstanding related party balances are unsecured and settlement occurs in cash, unless otherwise indicated. The Company has not recorded any impairment of receivables relating to amounts owed by related parties, unless otherwise indicated. 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:

- The Company's cash in banks and cash equivalents are deposited with PNB. Interest income on its cash in banks and cash equivalents amounted to ₱21.7 million and ₱18.3 million in 2025 and 2024, respectively (see Notes 4 and 13).
- The Company's investment in UITF Peso Money Market Fund recorded under "Financial assets at FVTPL" account is with PNB. Trading gain (loss) on its investment in UITF amounted to ₱32,184 and ₱34,479 in 2025 and 2024, respectively (see Note 7).
- The Company has various lease contract with its related parties for the use of its office spaces. Outstanding lease receivables as of March 31, 2025 and December 31, 2024 amounted to ₱884.9 million and ₱811.5 million, respectively (see Note 6).

The related security deposits and advance rental received amounted to ₱228.8 million and ₱249.1 million as of March 31, 2025, respectively, and ₱227.8 million and ₱206.3 million as of December 31, 2024, respectively. Total rental income and rental dues recognized amounted to ₱208.3 million and ₱273.7 million in 2025 and 2024, respectively (see Notes 11 and 13).

- The Company has existing service contract agreements with Basic Holdings Corporation. Total management fee recognized under "Outside services" amounted to ₱10.1 million and ₱17.1 million in 2025 and 2024, respectively (see Note 14). There is no outstanding balance as of March 31, 2025 and December 31, 2024.

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### 13. Income

#### Rental Income and Dues

a. Breakdown as follows:

	2025	2024
Rental income (Notes 8 and 12)	<b>₱215,787,705</b>	<b>₱261,995,507</b>
Rental dues (Notes 8 and 12)	<b>55,566,007</b>	67,062,987
	<b>₱271,353,712</b>	<b>₱329,058,494</b>

Rental dues are recognized over time. Rental dues are earned and collected from commercial tenants. There are no contract balances related to the rental dues as of March 31, 2025 and December 31, 2024.

b. Performance Obligations

The Company recognizes rental dues charged to tenants using an input method to measure progress towards complete satisfaction of the services, since the customers simultaneously receive and consume the benefits as the Company performs its obligation. The Company has no outstanding performance obligations as of March 31, 2025 and December 31, 2024.

#### Interest and Other Income

	2025	2024
Interest income:		
Cash and cash equivalents (Notes 4)	<b>₱21,717,038</b>	₱18,319,903
Financial assets at FVOCI (Note 5)	<b>43,000</b>	24,500
Mark-to-market gain on financial assets at FVTPL (Notes 7 and 12)	<b>32,889</b>	27,609
Other income	<b>32,685</b>	182,601
	<b>₱21,825,612</b>	<b>₱18,554,613</b>

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### 14. Cost and Expenses

a. Cost of Rental Income

	2025	2024
Depreciation	<b>₱42,277,931</b>	₱39,791,613
Taxes and licenses	<b>36,777,258</b>	34,463,909
Utilities	<b>34,759,298</b>	25,875,990
Outside services (Note 12)	<b>28,529,328</b>	26,193,195
Repairs and maintenance	<b>5,785,954</b>	5,967,216
Personnel cost	<b>5,676,615</b>	3,263,466
Others	<b>2,583,264</b>	3,801,898
	<b>₱156,389,648</b>	<b>₱139,357,287</b>

Other cost of rental income consists of insurance, supplies and association dues.

b. General and Administrative Expenses

	<b>2025</b>	2024
Personnel cost	<b>₱21,490,322</b>	₱12,875,153
Outside services	<b>11,122,146</b>	19,107,317
Trainings, seminars and representation	<b>4,409,740</b>	668,019
Taxes and licenses	<b>4,148,509</b>	2,565,440
Depreciation expense	<b>3,723,992</b>	1,497,276
IT-related expenses	<b>3,236,343</b>	1,121,851
Transportation and travel	<b>878,038</b>	457,464
Miscellaneous expenses	<b>1,787,735</b>	1,346,155
	<b>₱50,796,825</b>	₱39,638,675

Miscellaneous expenses consist of stationery and supplies, reproduction costs, rent expenses, telecommunication, gas and oil, notarial fees, meal reimbursements, and other expenses.

c. Personnel Cost

	<b>2025</b>	2024
Salaries and wages	<b>₱26,633,122</b>	₱14,333,555
Other employee benefits	<b>533,815</b>	1,805,064
	<b>₱27,166,937</b>	₱16,138,619

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15. **Retirement Liability**

Requirement of Republic Act (RA) 7641

RA 7641 provides for the minimum retirement pay to qualified private sector employees in the Philippines. Benefits due under RA 7641 are accounted for as defined benefit plan under PAS 19. However, there are instances when an employer establishes a defined contribution plan and does not have an equivalent defined benefit plan covering the benefits required under RA 7641.

An employee upon reaching the age of 60 years or more, but not beyond 65 years which is declared the compulsory retirement age, who has served at least five years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six months being considered as one whole year.

The Company is in compliance of the minimum requirement of RA 7641 as at March 31, 2025 and December 31, 2024. No retirement benefits were recognized for the 1st quarter of 2025 and 2024.

Defined Benefit Plan

As of December 31, 2024, the Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under RA7641 which is of the final salary defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service. The benefit is paid in a lump sum upon retirement.

On February 26, 2025, the BOD approved the Company's defined benefit plan.

There are no unusual or significant risks to which the retirement liability exposes the Company. However, it should be noted that in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Company.

## 16. Income Tax

a. Details of the Company's provision for current income tax follow:

	2025	2024
RCIT	P17,249,512	P28,041,585
Final tax	4,343,369	3,660,058
	<b>P21,592,881</b>	<b>P31,701,643</b>

b. The Company's recognized deferred income tax assets (liabilities) follow:

	March 31, 2025	December 31, 2024
Deferred income taxes recognized in profit or loss:		
Deferred income tax assets on:		
Advance rentals	P66,828,472	P66,828,472
Allowance for ECL	5,005,283	5,005,283
Unrealized loss on foreign exchange	171,277	171,277
Retirement benefits	167,804	167,804
	<b>72,172,836</b>	<b>72,172,836</b>
Deferred income tax liabilities on:		
Deferred rent	(75,773,004)	(75,773,004)
Accretion of security deposit	(8,606,373)	(8,606,373)
Unrealized gain on financial assets at FVTPL	(89,032)	(89,032)
	<b>(84,468,409)</b>	<b>(84,468,409)</b>
Deferred income taxes recognized in other comprehensive income:		
Deferred income tax asset on actuarial loss on retirement liability	665,486	665,486
Deferred income tax liability on gains arising from net unrealized gains on financial assets at FVOCI	(29,749,289)	(29,749,289)
	<b>(P41,379,376)</b>	<b>(P41,379,376)</b>

c. The reconciliation of the provision for income tax computed using the statutory income tax rate to the provision for income tax as shown in the statements comprehensive of income is summarized as follows:

	2025	2024
Provision for income tax at the statutory income tax rate	P21,498,213	P 42,154,286
Adjustments for:		
Income subjected to final tax	(5,440,010)	(4,586,101)
Final income tax	4,343,369	3,660,058
Adjustment in the current period for income tax as a result of OSD application	1,191,309	(9,526,600)
Provision for income tax	<b>P21,592,881</b>	<b>P31,701,643</b>

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## 17. Equity

### Capital Stock

Information on the number of shares of the Company's capital stock as of March 31, 2025 and December 31, 2024 follow:

	Shares	Amount
Authorized capital stock - ₱1 par	50,500,000,000	₱50,500,000,000
Issued	46,932,100,000	46,932,100,000

There is no appropriation of retained earnings as of March 31, 2025 and December 31, 2024.

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## 18. Leases

### *The Company as lessor*

The Company entered into lease agreements with related parties and third parties covering its investment property portfolio. These leases generally provide fixed monthly rent. The Company records rental income on a straight-line basis over the lease term.

Future minimum rental receivable under non-cancellable operating leases follows:

	March 31, 2025	December 31, 2024
Within one year	₱868,103,045	₱756,874,299
After one year but not more than five years	3,663,716,670	2,413,554,691
More than five years	53,350,848	571,471,694
	<b>₱4,585,170,563</b>	<b>₱3,741,900,684</b>

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## 19. Earnings per Share

Basic and diluted earnings per share are computed as follows:

	2025	2024
Net income (a)	₱64,399,970	₱136,915,502
Weighted average number of shares issued and outstanding (b)	469,321,000	469,321,000
Basic and diluted earnings per share (a/b)	<b>₱0.137</b>	<b>₱0.292</b>

There are no potential dilutive capital stocks as of March 31, 2025 and 2024.

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## 20. Financial Risk Management Objectives and Policies and Fair Value Disclosures

The Company's principal financial instruments are cash in banks, financial assets at FVTPL and financial assets at FVOCI. The Company has various financial assets and financial liabilities such as trade and other receivables, refundable deposits, trade and other payables and security deposits which arise directly from its operations. Management closely monitors the cash fund and financial transactions of the Company. Cash funds are normally deposited with banks considered as related parties, and financial transactions are normally dealt with related parties. These strategies, to an extent, mitigate the Company's interest rate and credit risks.

Exposure to credit, liquidity and foreign currency risks arises in the normal course of the Company's business activities. The main objectives of the Company's financial risk management policies are: (a) to identify and monitor such risks on an ongoing basis, (b) to minimize and mitigate such risks, and (c) to provide a degree of certainty about costs.

The BOD reviews and approves the policies for managing these risks which are described below.

*Equity price risk*

Equity price risk is the risk that the fair values of investment in equity securities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

The effect on equity and pre-tax income as a result of change in the fair value of equity instruments held as financial assets at FVOCI and financial assets at FVTPL, due to reasonably possible change in equity indices, with all other variables held constant are as follows:

	<b>2025</b>		
	Change in Equity Price	Effect on Pre-tax Income	Effect on Equity*
<b>Financial assets at FVTPL</b>	<b>1.00%</b>	<b>₱33,219</b>	<b>₱-</b>
	-1.00%	(33,219)	-
<b>Financial assets at FVOCI</b>	<b>0.40%</b>	-	<b>886,170</b>
	-0.40%	-	<b>(886,170)</b>
	<b>2024</b>		
	Change in Equity Price	Effect on Pre-tax income	Effect on Equity*
Financial assets at FVTPL	+0.87%	₱28,593	₱-
	-0.87%	(28,593)	-
Financial assets at FVOCI	+9.87 %	-	21,511,214
	-9.87%	-	(21,511,214)

*\*The impact on the Company's equity for financial assets at FVOCI excludes the impact of transactions affecting income.*

*Credit risk*

Credit risk refers to the potential loss arising from any failure by counterparties to fulfil their obligations, as and when they fall due.

Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. The Company's credit risks are primarily attributable to cash in banks, trade and other receivables and other financial assets.

The carrying amount of cash in banks, trade and other receivables and refundable deposits represent the Company's maximum exposure to credit risk.

The Company's maximum exposure to credit risk for the components of the statements of financial position follows:

	<b>March 31, 2025</b>	December 31, 2024
Financial assets at amortized cost:		
Cash and cash equivalents*	<b>₱1,917,234,397</b>	₱1,919,350,776
Trade and other receivables		
Lease receivables	<b>998,925,355</b>	948,466,206
Interest receivable	<b>4,482,380</b>	10,318,473
Others	<b>20,624,734</b>	20,624,734
Refundable deposits	<b>1,778,226</b>	1,778,227
	<b>₱2,943,045,092</b>	₱2,900,538,416

*\*Excludes cash on hand amounting to ₱104,440 as of March 31, 2025 and December 31, 2024.*

*Credit quality per class of financial assets*

Description of the credit quality grades used by the Company follows:

*a. Financial assets at FVTPL and FVOCI*

High grade - Counterparties that are consistently profitable, have strong fundamentals and pays out dividends.

Standard grade - Counterparties that recently turned profitable and have the potential of becoming a high-grade Company. These counterparties have sound fundamentals.

Substandard grade - Counterparties that are not yet profitable, speculative in nature but have the potential to turn around fundamentally.

*b. Lease receivables*

High grade - High probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - Collections are probable due to the reputation and the financial ability of the counterparty to pay.

The tables below show credit quality by class of financial assets based on the Company's credit quality grades (gross of allowance for credit losses):

	2025			
	Stage 1		Stage 3	
	High Grade	Standard Grade	Impaired	Total
Cash in banks	₱404,575,485	₱-	₱-	₱404,575,485
Cash equivalents	1,512,658,912	-	-	1,512,658,912
Financial assets at FVTPL:				
Investment in UITF	3,277,569	-	-	3,277,569
Equity securities	34,135	-	-	34,135
Financial assets at FVOCI:				
Equity securities	213,000,000	-	-	213,000,000
Government securities	5,911,188	-	-	5,911,188
Loans and receivables:				
Lease receivables	-	998,925,355	-	998,925,355
Interest receivable	4,482,380	-	-	4,482,380
Others	-	603,601	20,021,133	20,624,734
Refundable deposit	-	1,778,226	-	1,778,226
	<b>₱2,143,939,669</b>	<b>₱1,001,307,182</b>	<b>₱20,021,133</b>	<b>₱3,165,267,984</b>

	2024			
	Stage 1		Stage 3	
	High Grade	Standard Grade	Impaired	Total
Cash in banks	₱429,822,607	₱-	₱-	₱429,822,607
Cash equivalents	1,489,528,169	-	-	1,489,528,169
Financial assets at FVTPL:				
Investment in UITF	3,245,385	-	-	3,245,385
Equity securities	33,430	-	-	33,430
Financial assets at FVOCI:				
Equity securities	212,400,000	-	-	212,400,000
Government securities	5,628,591	-	-	5,628,591
Loans and receivables:				
Lease receivables	-	948,466,206	-	948,466,206
Interest receivable	10,318,473	-	-	10,318,473
Others	-	603,601	20,021,133	20,624,734
Refundable deposit	-	1,778,226	-	1,778,226
	<b>₱2,150,976,655</b>	<b>₱950,848,033</b>	<b>₱20,021,133</b>	<b>₱3,121,845,821</b>

In 2025 and 2024, there is no set up of additional provisions on these receivables since management assessed that there is no credit risk arising from these receivables due to continuous collections from the related counterparties.

The credit risk exposure on the financial assets computed in 2024 is still consistent for the current year, as set out in the provision matrix below:

March 31, 2025:

(in millions)	Refundable deposits	Trade and other receivables					Total
		Days past due					
		Current	<31 days	31-60 days	61-90 days	> 90 days	
<b>Expected credit loss rate</b>	-%	0.01% - 4.23%	0.05% - 4.96%	0.05% - 5.46%	0.90% - 8.97%	2.00% - 10.28%	
<b>Total gross carrying amount</b>	<b>₱1.8</b>	<b>₱21.3</b>	<b>₱25.7</b>	<b>₱207.4</b>	<b>₱39.6</b>	<b>₱729.6</b>	<b>₱1,025.5</b>
<b>Subjected to lifetime ECL</b>	-	-	-	-	-	20.0	20.0
<b>Estimated total gross carrying amount at default</b>	<b>1.8</b>	<b>21.3</b>	<b>25.7</b>	<b>207.4</b>	<b>39.6</b>	<b>709.6</b>	<b>1,005.5</b>
<b>Expected credit loss - 12-month ECL</b>	-	-	-	-	-	-	-
<b>Expected credit loss - lifetime ECL</b>	-	-	-	-	-	20.0	20.0
<b>Expected credit loss (Note 6)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱20.0</b>	<b>₱20.0</b>

December 31, 2024:

(in millions)	Refundable deposits	Trade and other receivables					Total
		Days past due					
		Current	<31 days	31-60 days	61-90 days	> 90 days	
<b>Expected credit loss rate</b>	-%	0.01% - 4.23%	0.05% - 4.96%	0.05% - 5.46%	0.90% - 8.97%	2.00% - 10.28%	
<b>Total gross carrying amount</b>	<b>₱1.8</b>	<b>₱292.1</b>	<b>₱27.7</b>	<b>₱5.7</b>	<b>₱24.8</b>	<b>₱629.2</b>	<b>₱981.2</b>
<b>Subjected to lifetime ECL</b>	-	-	-	-	-	20.0	20.0
<b>Estimated total gross carrying amount at default</b>	<b>1.8</b>	<b>292.1</b>	<b>27.7</b>	<b>5.7</b>	<b>24.8</b>	<b>609.2</b>	<b>961.2</b>
<b>Expected credit loss - 12-month ECL</b>	-	-	-	-	-	-	-
<b>Expected credit loss - lifetime ECL</b>	-	-	-	-	-	20.0	20.0
<b>Expected credit loss (Note 6)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱20.0</b>	<b>₱20.0</b>

#### *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 Company'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 Company's financial strength and undermine public confidence. Concentration risk per business.

Concentration risk of the Company could arise from revenue from a certain customer, particularly with related parties which comprises 69% of the total revenue.

#### *Liquidity risk*

Liquidity risk is defined as risk that the Company would not be able to settle or meet its obligations on time or at a reasonable price. The Company maintains sufficient cash in order to fund its operations.

The following tables show the maturity profile of the Company's other financial liabilities (undiscounted amounts of principal and related interest) as well as the undiscounted cash flows from financial assets used for liquidity management.

As of March 31, 2025:

	On demand	Less than 1 year	More than 1 year	Total
<b>Financial liabilities:</b>				
Trade and other payables:				
Accrued expenses	P-	P133,616,994	P-	P133,616,994
Accounts payables	-	91,100,106	-	91,100,106
Others	-	9,148,663	-	9,148,663
Security deposits*	-	20,718,270	232,151,610	252,869,880
	P-	P254,584,033	P232,151,610	P486,735,643
<b>Financial assets:</b>				
Cash and cash equivalents	P1,917,338,837	P-	P-	P1,917,338,837
Financial assets at FVTPL	-	3,311,704	-	3,311,704
Trade and other receivables	-	1,004,011,336	-	1,004,011,336
	P1,917,338,837	P1,007,323,040	P-	P2,924,661,877

\*Including interest to maturity amounting to P34.4 million

As of December 31, 2024:

	On demand	Less than 1 year	More than 1 year	Total
<b>Financial liabilities:</b>				
Trade and other payables:				
Accrued expenses	P-	P147,312,602	P-	P147,312,602
Accounts payables	-	94,415,088	-	94,415,088
Others	-	6,490,648	-	6,490,648
Security deposits*	-	29,349,886	212,736,340	242,086,226
	P-	P277,568,224	P212,736,340	P490,304,564
<b>Financial assets:</b>				
Cash and cash equivalents	P1,919,455,216	P-	P-	P1,919,455,216
Financial assets at FVTPL	-	3,278,815	-	3,278,815
Trade and other receivables	-	959,388,280	-	959,388,280
	P1,919,455,216	P962,667,095	P-	P2,882,122,311

\*Including interest to maturity amounting to P34.4 million

#### Fair Value Information

Presented below is the comparison of the carrying values and fair values of the Company's financial assets and liabilities that are presented in the statements of financial position.

	March 31, 2025		December 31, 2024	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>				
Cash on hand	P104,440	P104,440	P104,440	P104,440
Cash in banks	404,575,485	404,575,485	429,822,607	429,822,607
Cash equivalent	1,512,658,912	1,512,658,912	1,489,528,169	1,489,528,169
Financial assets at FVTPL*	3,311,704	3,311,704	3,278,815	3,278,815
Financial assets at FVOCI	218,911,188	218,911,188	218,028,591	218,028,591
Trade and other receivables:				
Lease receivables	998,925,355	998,925,355	948,466,206	948,466,206
Interest	4,482,380	4,482,380	10,318,473	10,318,473
Others	603,601	603,601	603,601	603,601
Refundable deposits*	1,778,226	1,778,226	1,778,226	1,778,226
	P3,145,351,291	P3,145,351,291	P3,101,929,128	P3,101,929,128

	March 31, 2025		December 31, 2024	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Liabilities</b>				
Trade and other payables:				
Accrued expenses	₱133,616,994	₱133,616,994	₱147,312,602	₱147,312,602
Accounts payable	91,100,106	91,100,106	94,415,088	94,415,088
Others	9,148,663	9,148,663	6,490,648	6,490,647
Security deposits**	252,869,880	252,869,880	242,086,226	242,086,226
	<b>₱486,735,643</b>	<b>₱486,735,643</b>	<b>₱490,304,564</b>	<b>₱490,304,564</b>

\*Presented as part of "Other current assets" account.

\*\*Presented as part of "Deposits and other liabilities" account.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash, trade and other receivables, loans payable and trade and other payables*

The carrying values of the cash, trade and other receivables, trade and other payables and loans payable approximate their fair values due to the short-term nature of these financial instruments.

*Equity securities at FVTPL and FVOCI*

Fair values are generally based on quoted market prices.

*Government securities at FVOCI*

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

*Refundable deposits*

The carrying value of deposits is the best estimate of its fair value since the related contracts and agreements pertaining to these deposits have indeterminable terms.

*Security deposits*

The fair values of security deposits are estimated using the discounted cash flow method based on the discounted value of future cash flows using the applicable risk-free rates for similar types of instruments. The discount rates used range from 4.00% to 7.00% as of March 31, 2025 and December 31, 2024. Management has determined the inputs to be Level 3.

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- quoted prices in active markets for identical assets (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices) (Level 2); and,
- those inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

In 2025 and 2024, there were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 measurements.

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.

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## 21. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating, complies with externally imposed capital requirements and maintains healthy capital ratios in order to support its business and maximize stockholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes for the period ended March 31, 2025 and December 31, 2024. Accordingly, the Company is not subject to externally imposed capital requirements.

The table below summarizes the total capital considered by the Company:

	2025	2024
Capital stock	<b>₱46,932,100,000</b>	₱46,932,100,000
Retained earnings	<b>2,132,053,187</b>	2,067,653,217
	<b>₱49,064,153,187</b>	₱48,999,753,217

## **Item 2 – Management’s Discussion and Analysis of the Results of Operation and Financial Condition**

The following discussion and analysis of the PHC’s financial condition and results of operations should be read in conjunction with the unaudited interim financial statements as at and for three months ended March 2025 and 2024 included in this report and its Notes to Financial Statements found in Item I (Page 5).

### **REVIEW OF 1Q 2025 FINANCIAL OPERATIONS VS. 1Q 2024**

#### **Revenues**

PNB Holdings Corporation (PHC) currently operates exclusively in the leasing business, managing commercial real estate properties across retail and office segments. In 1Q 2025, PHC recorded ₱271.35 million in revenues, representing an 18% decline compared to ₱329.06 million in 1Q 2024. This decline is primarily attributed to lower occupancy rates, from 90% in 2024 to 83% in 2025, and lower average revenue per unit by 13%.

Despite the challenging market conditions, PHC remains committed to stabilizing rental income and optimizing property asset utilization to support long-term financial sustainability.

#### **Expenditures**

##### *Cost of rental income and operating expenses*

PHC’s total cost and operating expenses for 1Q 2025 amounted to ₱207.19 million, representing a 16% increase from ₱179.00 million in 1Q 2024. This increase was driven by capacity-building efforts in preparation for the redevelopment of its prime properties. Additionally, depreciation rose due to rehabilitation work on its three prime properties.

##### *Capital expenditures*

PHC recorded a 353% increase in capital expenditures (CAPEX) in 1Q 2025, totaling ₱69.67 million, compared to ₱15.37 million in 1Q 2024. This increase was primarily driven by new project developments, aimed at expanding leasing capacity, enhancing property assets, strengthening long-term tenant engagement, and introducing properties for sale to diversify revenue streams and capture market demand

Despite a 18% decline in leasing revenues, PHC’s investment in new developments positions the company for future revenue streams through property sales and mixed-use projects.

#### **Other Income**

Other income refers mainly to interest income from bank placements. In 2025, it increased by ₱3.4 million or 19% due to higher volume of investment.

#### **Profitability**

Based on the preceding discussion, the gross profit margin in 2025 has decreased to 42%, compared to 58% in 2024, due to lower revenue and higher costs and expenses. Similarly, earnings before income tax have dropped to 32% in 2025 from 52% in 2024.

#### **Cash Flow**

PHC’s operating cash flow in 1Q 2025 totaled ₱67.56 million, marking a 66% decrease from ₱201.60 million in 1Q 2024, driven by lower rental collections and slower occupancy recovery.

Despite the decline, PHC maintained positive cash flow from operations, supported by effective lease renewals and cost management initiatives.

PHC’s investing cash flow recorded an outflow of ₱69.67 million, reflecting its 353% increase in CAPEX for new project developments for sale and property enhancements.

While the high CAPEX spending impacted short-term liquidity, PHC expects future revenue streams from property sales and enhanced leasing assets.

### **Business Segments**

In terms of revenue contribution by asset, PNB Financial Center remains the top contributor at 68%, followed by PNB Makati Center at 26%. The remaining 6% comes from CITEM Hall, Buendia Property, and IWG.

## **REVIEW OF MARCH 31, 2025 FINANCIAL CONDITION VS. DECEMBER 31, 2024**

### **Assets**

PHC ended the first quarter of 2025 with ₱50.19 billion in total assets, reflecting a ₱34.74 million increase from the December 2024 balance of ₱50.15 billion. This growth was primarily driven by a ₱24.62 million rise in non-current assets, particularly assets under construction and property, plant, and equipment. Additionally, current assets increased by ₱10.11 million, mainly due to net changes in receivables and other current assets."

### **Liabilities**

PHC ended the first quarter of 2025 with ₱957.39 million in total liabilities, down from ₱987.94 million in 2024. The ₱30.55 million decrease was primarily due to payments to suppliers and contractors, as well as the offsetting of customer deposits and advance rentals against receivables. As of March 2025, PHC remained debt-free.

### **Equity**

PHC ended the first quarter of March 2025 with ₱49.23 billion in equity, with the majority contributed by capital stock amounting to ₱46.93 billion. Retained earnings totaled ₱2.13 billion, reflecting a ₱64.4 million increase from first quarter net income after tax.

### **Solvency**

PHC's current assets, including cash and cash equivalents, trade and other receivables, and other current assets, total ₱3.46 billion, resulting in a current ratio of 7.94:1. This reflects substantial liquidity, ensuring ample resources to support ongoing operations and redevelopment projects.

Additionally, PHC maintains a debt-to-equity ratio of 0.02:1, demonstrating strong solvency and a solid equity base, allowing the company to comfortably meet its financial obligations.

Given these financial indicators, PHC's net book value per share stands at ₱104.9, further highlighting its robust financial position

PHC has no contingent liabilities from its regular business operations that would materially or adversely impact its financial condition. Additionally, PHC has no off-balance sheet transactions, arrangements, or obligations in the first quarter of 2025.

Furthermore, there are no anticipated trends, events, uncertainties, or seasonal factors expected to impact PHC's ongoing operations.

## **CAUSES FOR ANY MATERIAL CHANGES (+/-5% OR MORE) IN THE FINANCIAL STATEMENTS**

### **Income Statement items – Period ending March 31, 2025 versus March 31, 2024**

**Rental income and dues** declined by 18% (P57.71 million), primarily due to reduced occupancy following lease terminations and rightsizing efforts. Several leases, including those with related parties, were discontinued in 2024, contributing to the decrease.

**Interest and other income** increased by 18% (P3.27 million). This growth was driven by higher interest rates and an increase in the average volume of time deposits in 2025.

**Cost of rental income** rose by 12% (P17.03 million), primarily driven by the fixed contracted capacity of electricity. Additionally, higher personnel costs, depreciation, taxes and licenses, and outside services contributed to the increase.

**General and administrative expenses** increased by 28% (P11.11 million), primarily due to higher manpower and other manpower-related costs associated with capacity-building initiatives.

**Provision for income tax** decreased by 32% (P10.11 million) due to lower taxable income.

### **Balance Sheet items – as of March 31, 2025 (Unaudited) versus December 31, 2024 (Audited)**

**Trade and other receivable** grew by 6% (P32.43 million), mainly due to the delay of payments from customers.

**Other current assets** went down by 5% (P32.39 million), primarily due to the recoupment of advances to contractors and suppliers, as well as the amortization of real property taxes. However, this decline was partially offset by an increase in creditable withholding taxes and input tax.

**Property and equipment** increased by 21% (P66.02 million), driven by new development projects, office improvements, and the purchase of various equipment.

**Trade and other payables** decreased by 11% (P45.47 million) due to payments to suppliers and contractors. Taxes accrued in 2025 were also paid in 2025.

**Current portion of deposits and other current liabilities** declined by 15% (P14.92 million), primarily due to the application and refund of security deposits and advances for contracts that have ended.

**Deposits and other noncurrent liabilities – net of current portion** increased by 5% (P23.55 million) due to additional tenant in 2025.

## Part II – OTHER INFORMATION

### Item 3. Developments as of March 31, 2025

- |  |   |   |
|--|---|---|
| <b>A. New project or investments in another line of business or corporation</b>  | None  |   |
| <b>B. Composition of Board of Directors (As of May 7, 2025)</b>  | Dr. Lucio C. Tan<br>Karl T. Say<br>Lucio C. Tan III<br>William T. Lim<br>Atty. Eusebio V. Tan<br>Cielo Macapagal-Salgado<br>Elaine Y. Co<br>Ma. Cecilia Gonzalez<br>Rowena Nazareth | Chairman<br>President<br>Director<br>Director<br>Independent Director<br>Independent Director<br>Independent Director<br>Independent Director |
| <b>C. Performance of the corporation or result/progress of operations</b>  | Items I and II: Unaudited financial statements; and management's discussion on the results of operations.   |   |
| <b>C. Declaration of dividends</b>   | None  |   |
| <b>E. Contracts of merger, consolidation, or joint venture; contract of management, licensing, marketing, distributorship, technical assistance, or similar agreements</b> | None  |   |
| <b>F. Offering of rights, granting of Stock Options and corresponding plans therefore</b>  | None  |   |
| <b>G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate</b>   | None  |   |
| <b>H. Other information, material events, or happenings that may have affected or may affect the market price of the security</b>  | None  |   |
| <b>I. Transferring of assets, except in the normal course of business</b>  | None  |   |

#### Item 4. Other Notes to 1Q 2025 Operations and Financials

<b>J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents</b>	Item 2: Management's Discussion on Results of Operations and Analysis.
<b>K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period</b>	None
<b>L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities</b>	None
<b>M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period</b>	None
<b>N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations</b>	None
<b>O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date</b>	None
<b>P. Other material events or transactions during the interim period</b>	None
<b>Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation</b>	None
<b>R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period</b>	None

<b>S. Material commitments for capital expenditures, general-purpose and expected sources of funds</b>	<p>For the year 2025, PHC has budgeted ₱1,177 million for capital expenditures. Of the total amount, ₱69.67million has already been disbursed as of March 31, 2025.</p> <p>The bulk of PHC's 2025 budget will be allocated to capital expenditures for the redevelopment of its properties in Buendia and enhancement of its existing facilities.</p>
<b>T. Known trends, events, or uncertainties that have had or that are reasonably expected to have an impact on sales/revenues/ income from continuing operations</b>	None
<b>U. Significant elements of income or loss that did not arise from continuing operations</b>	None
<b>V. Causes for any material change/s from period to period, in one, or more line items of the financial statements</b>	Item 2: Management's Discussion on Results of Operations and Analysis.
<b>W. Seasonal aspects that had a material effect on the financial condition or results of operations</b>	PHC's development operations are dependent on market conditions, and the timing of project launches depend on several factors, such as completion of plans and permits, as well as appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of the project launch.
<b>X. Disclosures not made under SEC Form 17-C</b>	None

**Item 5. Performance Indicator**

The table below sets forth the comparative performance indicators of PHC:

<b>Ratio</b>	<b>Formula</b>	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Current ratio	Current assets / Current liabilities	7.94	7.04
Acid test ratio	Quick assets / Current liabilities	6.72	5.89
Solvency ratio	EBITDA / Total debt <sup>2</sup>	N/A	N/A
Debt-to-equity ratio	Total liabilities / Total equity	0.02	0.02
Asset-to-equity ratio	Total assets / Total equity	1.02	1.02
Interest rate coverage ratio	EBITDA / Interest expense	N/A	N/A
Net profit margin	Net income / Revenue	0.24	0.42

**SIGNATURE**

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

Issuer: **PNB Holdings Corporation**

By:

  
Karlu Tan-Say  
President

  
Joselito R. Consubi  
Chief Operating Officer

  
Maryknoll B. Zamora, CPA, MBA, JD  
Chief Financial Officer

  
John Klein R. Santos, CPA  
Senior Manager / Financial Controller

Date: May 15, 2025