



**LBP LEASING AND FINANCE CORPORATION**  
*(A LANDBANK SUBSIDIARY)*

# 2025 ANNUAL REPORT

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(A LANDBANK Subsidiary)

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**LBP LEASING AND FINANCE CORPORATION**  
(A LANDBANK Subsidiary)

# Corporate Profile

**LBP Leasing and Finance Corporation (LLFC)**, formerly LBP Leasing Corporation, is a wholly owned subsidiary of the **Land Bank of the Philippines (LANDBANK)**. Incorporated on March 17, 1983 under the Corporation Code of the Philippines, LLFC was established to complement and enhance the range of financial products and services offered by its parent bank.

As the leasing and financing arm of LANDBANK, LLFC provides structured and responsive financing solutions designed to support the capital requirements of enterprises across various sectors. Its leasing facilities enable clients to expand capacity, upgrade equipment, and modernize operations while maintaining financial flexibility.

Through its leasing programs, LLFC assists enterprises in:

- Aligning financing terms with the projected earning capacity of capital assets;
- Preserving working capital and existing credit lines for core operational needs; and
- Addressing budgetary constraints without compromising strategic growth objectives.

By delivering prudent, client-focused financing solutions, LLFC continues to strengthen its role in advancing sustainable enterprise development and supporting the broader mandate of LANDBANK in promoting economic growth.

Based on the Amended Articles of Incorporation approved by SEC on February 28, 2025, LLFC's primary purpose is:

*"To engage, transact, and deal in the business of leasing and financing in all its aspects and forms, including that of financial leases, direct leases, and operating leases, with the power to arrange, underwrite, manage, develop or administer leases of any and all types of real and personal properties, any and all kinds of equipment, machineries, vehicles, vessels, airplanes, appliances, merchandise and facilities, for whatever use, via finance-related transactions such as but not limited to sale-lease back arrangements, hire-purchase agreements and other lease financing schemes; to extend credit facilities to single proprietorships, and to industrial, commercial or agricultural enterprises, whether public or private in character, by way of loans or direct lending, or discounting, rediscounting or factoring commercial papers or accounts receivables, or by buying or selling contracts, leases, chattel mortgages or other evidence of indebtedness; and to carry on and exercise, generally, the business and powers of a financing company under the Financing Company Act, as amended, and to do any act or engage in any activity that may be directly or indirectly necessary, proper or convenient for the accomplishment of its primary purpose."*

# Our Vision, Mission & Core Values

## **VISION**

By 2030, LLFC will be among the leading leasing and financing institution, playing a pivotal role in supporting the Philippine Government's efforts to foster a strong and sustainable economic development, through its inclusive and innovative financing solutions.

## **MISSION**

To provide broad spectrum of leasing and financial products and services to government agencies, LBP borrowers, and clients in the priority sectors that support the Philippine Development Plan.

## **CORE VALUES**

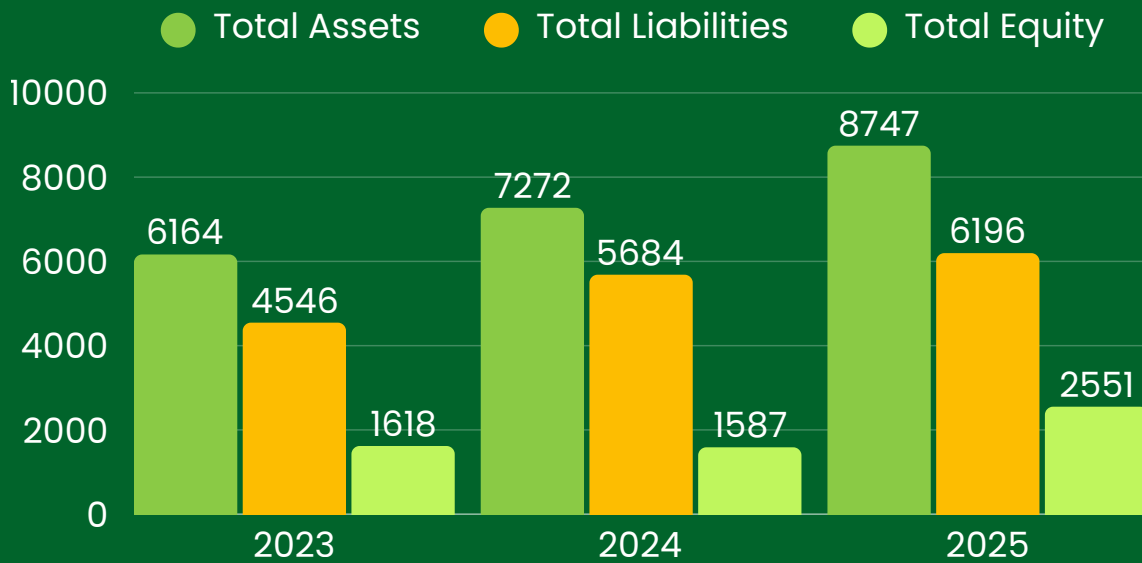
**Adopted from  
LANDBANK**

Innovation  
Accountability  
Customer Focus  
Collaboration  
Excellence  
Social Responsibility  
Resilience

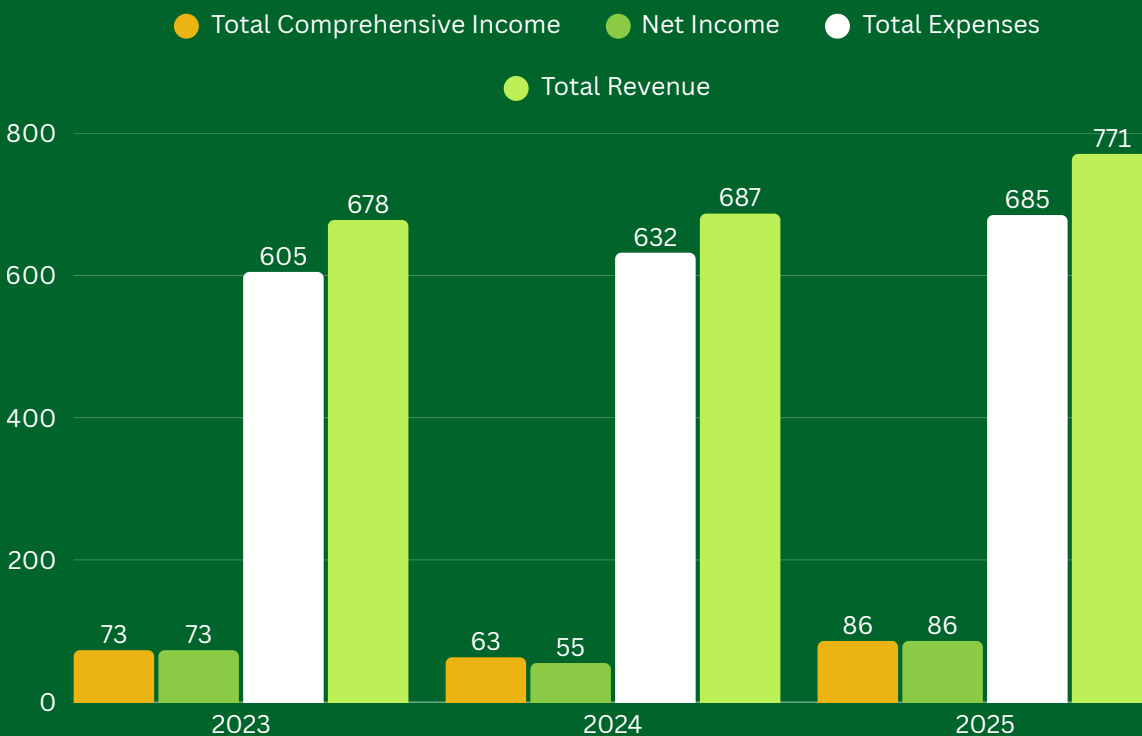
# Operational Highlights

(amount in millions)

## STATEMENT OF FINANCIAL POSITION



## STATEMENT OF COMPREHENSIVE INCOME





# 2025 HIGHLIGHTS

## PERFORMANCE SCORECARD & ACCOMPLISHMENT

The Vision, Mission, and Strategies outlined in the performance scorecard for the year **2025** were thoroughly reviewed and formally approved by the Board of Directors during their meeting on **October 25, 2024**. This strategic review process ensured alignment with the company's long-term goals and priorities. Following the approval, the finalized 2025 GCG-approved Performance Scorecard was officially received and documented on **March 17, 2025**.

The 2025 Performance Scorecard accomplishment garnered an overall rating of **92.37%** and was presented and approved by the Board of Directors' during its meeting on **March 26, 2026**.

| Strategic Objective/ Measure  | 2025 Modified Target                                 | As of December 31, 2025  | Accomplishment | Rating        |
|---|--|--|----------------|---------------|
| <b>SO 1: Sustain Capital and Financial Growth through the effective and efficient use of resources</b>      |  |  |                |               |
| Total Net Portfolio   | P 6.366 Billion                                      | P 6.562 Billion  | 103.90%        | 15.00%        |
| Net Past Due Rate   | 5%   | 6.40%  | 72.00%         | 5.04%         |
| Total Asset Size  | P 7.476 Billion                                      | P 7.630 Billion  | 102.05%        | 10.00%        |
| Increase in Net Income After Tax  | P 90.10 Million                                      | P 83.15 Million  | 92.29%         | 13.84%        |
| Budget Utilization Rate   | 90%  | 62.81%   | 69.79%         | 3.49%         |
| <b>SO 2: Provide financial products that are inclusive and accessible</b>                                   |  |  |                |               |
| Percentage of Portfolio Level allocated to priority sectors   | 91%  | 91.87%   | 100.96%        | 10.00%        |
| <b>SO 3: Enhance customer satisfaction through responsive service delivery</b>                              |  |  |                |               |
| Percentage of Satisfied Customers   | 90%  | 99.94%   | 100.00%        | 5.00%         |
| Percentage of Credit Approvals Processed within the Applicable Time   | 100%   | 100%   | 100.00%        | 10.00%        |
| <b>SO 4: Develop organizational infrastructures that is sustainable, disaster-resilient, and accessible</b> |  |  |                |               |
| Percentage of ISSP Projects Completed   | 100%   | 100% of ISSP Projects were completed   | 100.00%        | 5.00%         |
| <b>SO 5: Embed a culture of efficiency and quality across all levels of the organization.</b>               |  |  |                |               |
| Compliance with ISO QMS   | ISO 9001:2015 Re-certification                       | ISO 9001:2015 Recertified  | 100.00%        | 5.00%         |
| <b>SO 6: Strengthen organizational knowledge, skills and competencies</b>                                   |  |  |                |               |
| Percentage of Employees Meeting Required Competencies   | 10% Increase from the 2024 Competency Level          | 13.77% increase from 2024 competency level   | 100.00%        | 5.00%         |
| Restructuring Plan (RP)   | Complete Submission of RP Requirements to GCG        | Reorganization is ongoing  | 0.00%          | 0.00%         |
| <b>SO 7: Institutionalize a culture of sustainability, resilience, and inclusion</b>                        |  |  |                |               |
| Development and Implementation of Disaster Risk Reduction and Management (DRRM) Plan                        | Board-approved Public Service Continuity Plan (PSCP) | Board Approved on December 17, 2025  | 100.00%        | 5.00%         |
| <b>TOTAL</b>  |  |  |                | <b>92.37%</b> |
| <b>BONUS STRATEGIC MEASURES</b>   |  |  |                |               |
| GAD Budget Utilization  | 5% of Total Budget                                   | Actual Utilization of P89.46 Million or 15.90% of the Total Budget for the year 2025 | 100%           | 1.00%         |

# CORPORATE GOVERNANCE

LBP Leasing and Finance Corporation (LLFC or the "Corporation" is committed to maintain a strong corporate governance culture across the organization by adhering to good governance practices. LLFC has fully complied with the Code of Corporate Governance issued by GCG which is operationalized through its Manual of Corporate Governance.

The Board of Directors, Management, employees, and shareholders believe that corporate governance is a necessary component to enhance its long-term value to its stakeholders and improve financial performance of the Corporation thus they fully subscribe to comply with Good Governance Conditions.

## GOVERNANCE STRUCTURE

### BOARD OF DIRECTORS (BOD)

#### Composition

The Board of Directors (BOD) serves as the highest governing body of LBP Leasing and Finance Corporation (LLFC) and is responsible for providing strategic direction and oversight of the Corporation's operations. In accordance with the Articles of Incorporation and By-Laws, the Board is composed of eleven (11) members, at least two (2) of whom are Independent Directors. The presence of Independent Directors strengthens the Board's ability to exercise objective judgment and enhances transparency and accountability in corporate decision-making.

#### Independence of Directors

Members of the Board are expected to exercise due diligence, sound judgment, and independence in the discharge of their fiduciary duties. Directors are guided by the principles of integrity, accountability, and professionalism, ensuring that all decisions are made in the best interest of the Corporation and its stakeholders.

To promote effective governance and a balanced distribution of authority, the roles of the Chairperson of the Board and the President and Chief Executive Officer (President/CEO) are separate and distinct. This governance structure reinforces checks and balances within the organization.

The Chairperson of the Board provides leadership to the Board, facilitates the effective conduct of its meetings, and ensures that the Board functions efficiently in fulfilling its oversight and governance responsibilities. Meanwhile, the President and Chief Executive Officer is responsible for the overall management, supervision, and direction of the Corporation's day-to-day operations, implementing strategies and policies approved by the Board.

# CORPORATE GOVERNANCE

## **Appointment of Directors**

*As a GOCC, LLFC has Appointive Directors and “shall be appointed by the President of the Philippines from a shortlist prepared by the GCG.”*

*The term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause, however, each Appointive Director shall continue to hold office until the successor is appointed and qualified.*

## **Responsibilities**

The primary function of the BOD is to provide effective leadership and direction to enhance the long-term value of the Corporation to its shareholders and other stakeholders. The BOD has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, financial performance reviews and corporate governance practices.

The principal duties of the BOD include the following among others:

- The board of directors shall define the LLFC's corporate culture and values. It shall establish a code of conduct and ethical standards and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body.
- The board of directors shall be responsible for approving LLFC'S objectives and strategies and in overseeing management's implementation thereof.
- The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel.
- The board of directors shall be responsible for approving and overseeing implementation of the LLFC'S corporate governance framework.
- The board of directors shall be responsible for approving LLFC's risk governance framework and overseeing management's implementation.

## **Review of Risk Management System and Material Control**

The Board of Directors (BOD) conducted a comprehensive review and assessment of the Corporation's internal control framework, risk management systems, and regulatory compliance for the year 2025. Based on this evaluation, the Board affirmed that the Corporation maintains appropriate control mechanisms and governance processes designed to safeguard assets, ensure operational efficiency, manage risks effectively, and uphold compliance with applicable laws, regulations, and internal policies.

# CORPORATE GOVERNANCE

## Board Meetings and Attendance

The BOD holds regular monthly meetings held every last Friday of each month unless agreed otherwise. The **schedule of the 2025 BOD meetings** was presented and approved during the **December 10, 2024**, BOD meeting. In 2025, there were eighteen (18) BOD meetings conducted to evaluate and approve various matters related to LLFC's operations. All members of the BOD were present during the meetings. As such, **83.33%** of the scheduled meetings for the year were successfully completed on time.

| Name                            | Position                 | No. of Meetings Attended |
|---------------------------------|--------------------------|--------------------------|
| Roberto U. Teo                  | Chairperson              | 18                       |
| Nanziancino M. Dilay            | Vice-chairperson         | 18                       |
| Conrado S. Miñano Jr.           | Member                   | 18                       |
| Leticia V. Damasco              | Member                   | 18                       |
| Virgilio M. Sangutan            | Member                   | 18                       |
| Edgar Crisanto R. Violan        | Member                   | 18                       |
| Michael P. Arañas               | Member/President and CEO | 18                       |
| Alvin I. Kong                   | Member                   | 18                       |
| Fritz M. Salazar*               | Member                   | 10                       |
| Adrian Alexander M. Romualdez** | Member                   | 7                        |
| Raul B. Vivas***                | Member                   | 8                        |

*\*Replaced by Dir. Raul B. Vivas*

*\*\*Date of Appointment: April 2, 2025; resigned effective September 15, 2025*

*\*\*\*Appointed on August 8, 2025*

## Meeting without the President

At its meeting on **December 17, 2025**, the Board of Directors convened and carried out its proceedings without the presence of the President/CEO. This practice was observed to allow the Board to freely discuss governance, oversight, and strategic matters, and to ensure independent assessment and objective decision-making in the discharge of its fiduciary duties.

## Release of Materials and Conduct of Meeting

To ensure that Directors have adequate time to review and prepare for meetings, Board of Directors (BOD) and Board Committee materials are distributed at least three (3) working days prior to the scheduled meeting. Any additional information requested by the Directors is promptly provided. For **2025**, all meeting materials were released in accordance with this timeline.

Management proposals submitted for Board approval include relevant background information such as supporting facts, required resources, risk analysis and mitigation strategies, financial impact, regulatory considerations, and management's recommendations. In addition, monthly management reports are provided to the Board to keep Directors informed of the Corporation's operational performance and other matters requiring guidance or action. When necessary, officers and key personnel are invited to attend Board and Committee meetings to provide further clarification and insights on agenda items.

# CORPORATE GOVERNANCE

## Remuneration of the Board

Each Director shall be entitled to per diems, allowances, and other incentives in accordance with the policies and guidelines issued by the Governance Commission for GOCCs (GCG), ensuring alignment with prescribed standards for compensation and governance practices.

## Board Self-Assessment

The BOD has implemented a process for assessing the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board on an annual basis.

The members of the Board conduct an annual self-rating to measure the performance of the Board and Management by accomplishing the Board Self-Assessment Questionnaire. Chairperson of the Board shall provide parameters for the assessment of the President and CEO.

The BOD performance criteria are as follows:

- *Performance of Individual Directors*
- *Fulfillment of Board's Key responsibilities*
- *Quality of Board – Management Relationship*
- *Effectiveness of Board Processes and Meetings*
- *Board Structure*

For the year 2025, the BOD achieved an overall rating of **100%** equivalent to "**Superior**" based on the assessment conducted which was completed on **March 26, 2026**. Results of the BOD assessments is disclosed in the LLFC website under the Corporate Governance Seal.

Pursuant to Governance Commission for GOCCs (GCG) Memorandum Circular No. 2014-03, the Board conducts an annual Performance Evaluation for Directors, which includes a Self-Appraisal by each member of the Board.

The accomplished evaluation forms are submitted to the GCG, which consolidates the results and generates the corresponding ratings. The Board Chairperson is then furnished with the performance ratings for each Director. This process supports continuous improvement in Board effectiveness and reinforces accountability and sound corporate governance practices.

# CORPORATE GOVERNANCE

## BOARD-LEVEL COMMITTEES

To uphold strong corporate governance, the Board has established five (5) key Board-level Committees, each tasked with specific oversight responsibilities:



The composition, responsibilities, and activities of each committee, including meeting schedules and attendance during the year, are detailed in the following pages.

## Board-Level Committee Assessment

The Board-level Committees assess their performance using the approved Guidelines on the Performance rating System of LLFC Board-Level Committees approved on **March 26, 2025**, by the Board of Directors.

The result of each Board-Level Committee Assessment for the year 2025 were **100%** equivalent to a qualitative rating of **"Superior"**. It is disclosed in the LLFC website under the Corporate Governance Seal.

# CORPORATE GOVERNANCE

## EXECUTIVE COMMITTEE

### Composition:



Roberto U. Teo  
Chairperson



Michael P. Arañas  
Member



Conrado S. Miñano, Jr.  
Member



Edgar Crisanto R. Violan  
Member

### Committee Role

The Executive Committee shall possess and may exercise all the powers on specific matters within the competence of the BOD particularly in the management and direction of the affairs of the Corporation and as may be delegated by the majority of the BOD subject to the limitations provided by the Corporation Code.

The Executive Committee performs the following:

- Evaluate and approve lease/credit transactions and restructuring proposals in accordance with the Codified Approving and Signing Authorities;
- Evaluate and recommend to the Board for consideration and approval credit proposals coursed through the Executive Committee;
- Formulate and recommend credit policies for Board consideration and approval;
- Review and monitor the performance of credit facilities previously approved;
- Approve procurement and disposal of Corporate Assets and administrative services in accordance with the Codified Approving and Signing Authorities;
- Approve sale of Acquired Assets in accordance with the Codified Approving and Signing Authorities; and
- Perform such other duties and functions and/or assume such responsibilities as may be delegated by the Board of Directors.

### Meetings and Attendance for the Year

The ExCom met thirteen (13) times during the year 2025. All scheduled meetings are attended by all members of the Committee. The detail of the attendance is also disclosed in the Corporate Governance Seal section of the LLFC website.

# CORPORATE GOVERNANCE

## EXECUTIVE COMMITTEE

### Accomplishments for the year 2025

The Executive Committee (ExeCom) of LBP Leasing and Finance Corporation conducted a full year of strategic deliberations and approvals from January to December 2025. The Committee played a critical role in ensuring efficient credit evaluation, policy compliance, risk management, and operational oversight to support the Corporation's financial and institutional goals. Across all meetings, the Committee consistently reviewed matters arising from previous sessions and received regular AMG Marketing Reports.

Over the course of 2025, the Executive Committee (ExCom) approved a total of twenty-nine (29) accounts and seventeen (17) other items, reflecting its commitment to efficient, responsive, and well-informed decision-making. These approvals underscore the Committee's active role in ensuring that operational and strategic matters are addressed in a timely and judicious manner.

In addition, the ExCom endorsed fifty-seven (57) accounts and sixteen (16) other items to the Board of Directors (BOD) for further deliberation and approval, thereby facilitating a structured and thorough review process at the Board level. The Committee likewise formally noted twenty-five (25) other matters, demonstrating its continued oversight and monitoring of key developments within the Corporation.

Overall, these actions highlight the ExCom's integral role in strengthening governance processes, enhancing coordination with the Board, and supporting the Corporation's strategic objectives.

For a complete overview of these discussions and the accompanying reports, please refer to the detailed records available on the LLFC website under the Corporate Governance Seal.

# CORPORATE GOVERNANCE

## AUDIT COMMITTEE

### Composition:



Nanziancino M. Dilay  
Chairperson



Virgilio M. Sangutan  
Member



Alvin I. Kong  
Member



Leticia V. Damasco  
Member



Raul B. Vivas\*  
Member

*\*Appointed on August 8, 2025; elected as member of the AudCom in September 2025*

### Committee Role

The Audit Committee shall be responsible for overseeing senior management in establishing and maintaining adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency, and effectiveness of operations, and safeguarding of assets.

The Audit Committee shall also be responsible for the assessment of the reports from external auditors and regulatory agencies and ensure that management judiciously and appropriately acts on recommendations on significant deficiencies and/or material weaknesses identified.

The Audit Committee exercises office functional supervision of the Internal Audit Office and Compliance Management and endorses to the Board the appointment or removal of the IAO and CMO Heads as well as appraise their performance.

### Meetings and Attendance for the Year

The Committee had eight (8) meetings in 2025. The Audit Committee members are all present in their scheduled meetings. The details of the attendance is also disclosed in the Corporate Governance Seal section of the LLFC website.

# CORPORATE GOVERNANCE

## AUDIT COMMITTEE

### **Certification of Adequacy of Internal Control**

The Audit Committee has thoroughly reviewed and assessed the adequacy of the Corporation's internal controls, risk management systems, and regulatory compliance for the year **2025**. The findings indicated that these systems were both adequate and effective. The results of this assessment were presented to, and subsequently approved by, the Board of Directors on **December 17, 2025**.

### **Accomplishments for the year 2025**

Throughout 2025, the Audit Committee undertook a comprehensive review of key documents and reports to ensure the Corporation's adherence to regulatory requirements and internal policies. These included the LLFC Compliance Manual and the Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual, as well as the validation results of the PRS assessments.

The Committee also benefited from informative presentations by the LBP Compliance Management Group, which provided valuable insights on emerging regulatory and compliance issues. In addition, it exercised diligent oversight of audit results across critical operational areas, including lease and loan operations, the Accounting Unit, the Human Resource Unit, and a Special Audit.

Through these activities, the Audit Committee reinforced its commitment to strengthening internal controls, promoting operational efficiency, and ensuring full compliance with applicable laws, rules, and regulations.

For a complete overview of these discussions and the accompanying reports, please refer to the detailed records available on the LLFC website under the Corporate Governance Seal.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE COMMITTEE *(Compensation/ Remuneration Committee)*

### Composition:



Roberto U. Teo  
Chairperson



Conrado S. Miñano, Jr.  
Member



Leticia V. Damasco  
Member



Edgar Crisanto R. Violan  
Member

### Committee Role

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities and ensures the Board's effectiveness and its observance of corporate governance principles and guidelines.

It also serves as the Compensation/ Remuneration Committee of the Corporation. The Committee shall also establish a formal and transparent procedure for developing a policy on remuneration of officers and employees to ensure that their compensation is consistent with the Corporation's culture, strategy and business environment in which it operates.

The Committee is responsible for the following:

- Oversee the nomination process for members of the board of directors and for positions appointed by the board of directors.
- Oversee the continuing education program for the board of directors.
- Oversee the performance evaluation process.
- Oversee the design and operation of the remuneration and other incentives policy.
- Developing recommendations to the GCG for updating the CPCS and ensuring the same continues to be consistent with the GOCC's culture, strategy, control environment, as well as the pertinent laws, rules, and regulations.

### Meetings and Attendance for the Year

The Committee had nine (9) meetings in 2025. The Corporate Governance Committee members are all present in their scheduled meetings. The detail of the attendance is also disclosed in the Corporate Governance Seal section of the LLFC website.

# CORPORATE GOVERNANCE

## **CORPORATE GOVERNANCE COMMITTEE** *(Compensation/Remuneration Committee)*

### **Accomplishment for the year 2025**

Throughout 2025, the Corporate Governance Committee played a critical role in strengthening and advancing the Corporation's governance framework through the review and deliberation of key policy and organizational matters. During the year, the Committee endorsed a total of eighteen (18) items to the Board of Directors for consideration and approval. These included, among others, the results of the Validation of the Board-Level Committee Performance Review System (PRS) Assessment for CY 2024, the proposed Reorganizational Plan, and updates to the Human Resource Management Procedural Manual.

In addition, the Committee reviewed and endorsed several office circulars and internal guidelines aimed at reinforcing governance best practices and ensuring alignment with the Corporation's evolving strategic and operational objectives. The Committee likewise formally noted three (3) other items, reflecting its continued oversight and monitoring functions.

For a complete overview of these discussions and the accompanying reports, please refer to the detailed records available on the LLFC website under the Corporate Governance Seal.

# CORPORATE GOVERNANCE

## RISK MANAGEMENT COMMITTEE

### Composition:



Virgilio M. Sangutan  
Chairperson



Nanziancino M. Dilay  
Member



Leticia V. Damasco  
Member



Alvin I. Kong  
Member

### Committee Role

The Risk Management Committee (RiskCom) of LBP Leasing and Finance Corporation (LLFC) is primarily responsible for the development, implementation, and oversight of the Corporation's enterprise risk management framework. It ensures that appropriate systems, policies, and procedures are in place to effectively identify, assess, monitor, and mitigate risks across all areas of operations. The Committee continuously evaluates the evolving risk environment and provides strategic direction to ensure that risks are managed within acceptable levels and do not adversely affect the Corporation's ability to achieve its strategic and operational objectives.

Appointed by the Board of Directors, the RiskCom provides advisory support on LLFC's overall current and prospective risk appetite. It monitors Management's adherence to the approved risk appetite statement and ensures that risk exposures remain aligned with established thresholds.

Moreover, the Committee oversees the state of LLFC's risk culture, promoting risk awareness, accountability, and sound decision-making across the organization, thereby strengthening the Corporation's resilience and long-term sustainability.

### Meetings and Attendance for the Year

The Committee had eight (8) meetings in 2025. The Corporate Governance Committee members are all present in their scheduled meetings. The detail of the attendance is also disclosed in the Corporate Governance Seal section of the LLFC website.

# CORPORATE GOVERNANCE

## RISK MANAGEMENT COMMITTEE

### **Accomplishment for the year 2025**

Throughout the year 2025, the Risk Management Committee achieved key milestones, including:

- Eleven (11) items were approved,
- Ten (10) items were endorsed to the Board of Directors (BOD) for approval, and
- Fifty-two (52) items were noted.

Among the various items addressed, the Risk Management Committee approved and endorsed a wide range of policies, guidelines, manuals, and risk reports, including the Accomplishment Report and Plans and Programs of the Risk Management Office. Additionally, significant documents such as the Risk and Control Assessment Map, Liquidity Gap Reports, Report on Large Exposure, Sources and Uses of Funds, 2025 Industry Risk Assessment and 2025 Business Continuity Risk Assessment Plan were also approved.

For a comprehensive overview of these accomplishments, including the detailed reports and presentations discussed during the year, please refer to the LLFC website under the Corporate Governance Seal.

# CORPORATE GOVERNANCE

## RELATED-PARTY TRANSACTIONS COMMITTEE

### Composition:



Alvin I. Kong  
Chairperson



Virgilio M. Sangutan  
Member



Nanziancino M. Dilay  
Member



Raul B. Vivas  
Member

*\*Appointed on August 8, 2025;  
elected as member of the  
AudCom in November 2025*

### Committee Role

The Related Party Transaction Committee shall evaluate related party transactions to ensure that the transactions are at arm's length basis.

The Related Party Transaction Committee shall be primarily responsible for the evaluation and monitoring of transactions or dealings with related parties of LLFC, regardless of whether or not a price is charged. It shall include not only transactions that are entered into with related parties but also the outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

### Meetings and Attendance for the Year

The Committee had eight (8) meetings in 2025. The RPT members are all present in their scheduled meetings. The detail of the attendance is also disclosed in the Corporate Governance Seal section of the LLFC website.

### Accomplishment for the year 2025

In 2025, the RPT Committee focused on key initiatives, including:

- A detailed discussion on Landbank-related transactions,
- A comprehensive review of the RPT Committee Charter, and
- Accomplishment reports on Landbank Receivables and the Status of Service Vehicles and Drivers deployed within the Bank.

For a complete overview of these discussions and the accompanying reports, please refer to the detailed records available on the LLFC website under the Corporate Governance Seal.

# INTERNAL AUDIT

The **Internal Audit Office (IAO)** of LBP Leasing and Finance Corporation (LLFC) operates under the direct supervision and authority of the Audit Committee of the LLFC Board of Directors. As an independent assurance function, the IAO is mandated to provide an objective evaluation of the adequacy, effectiveness, and efficiency of the Corporation's internal control system, risk management framework, and governance processes. This oversight helps ensure that LLFC's operations, financial reporting, and compliance activities align with applicable laws, regulatory requirements, and corporate policies.

Adopting a risk-based audit methodology, the Internal Audit Office prioritizes the review of critical operational and financial areas that significantly impact the Corporation. In formulating its Annual Audit Plan, the IAO integrates the results of LLFC's risk assessment processes, the Corporation's strategic and operational priorities, and emerging risks identified within the broader Land Bank Group enterprise risk management (ERM) structure.

The Internal Auditor, as Head of the Internal Audit Office, reports functionally to the Audit Committee and administratively to the President/CEO of LLFC. The Audit Committee has exclusive authority over the appointment, evaluation, and removal of the Head of Internal Audit, ensuring full independence and objectivity of the internal audit function. The roles, responsibilities, and authority of the Internal Audit Office are formally established in the LLFC Internal Audit Charter, duly approved by the Audit Committee and the Board of Directors.

# EXTERNAL AUDIT

The **Commission on Audit (COA)** serves as the external auditor of LBP Leasing and Finance Corporation (LLFC), in accordance with its constitutional mandate to audit all government agencies and Government-Owned and Controlled Corporations (GOCCs). COA is vested with the exclusive authority to examine, audit, and settle all accounts involving the revenues, receipts, expenditures, and use of government funds and properties.

In line with this mandate, COA assigns a Resident Auditor and an audit team to LLFC to perform an independent external audit of the Corporation. The scope of the audit covers financial, compliance, and performance areas to determine whether:

- LLFC's financial statements present fairly the financial position and results of operations,
- the Corporation adheres to all applicable laws, rules, regulations, and internal policies, and
- government resources are managed with the principles of economy, efficiency, effectiveness, and accountability.

LLFC upholds the independence and objectivity of the external audit function. The Corporation ensures full cooperation with COA by providing complete and unrestricted access to records, systems, and personnel. In addition, LLFC strictly adheres to COA rules and regulatory issuances to ensure that any non-audit services, if requested, do not impair—nor appear to impair—the independence of the COA audit team.

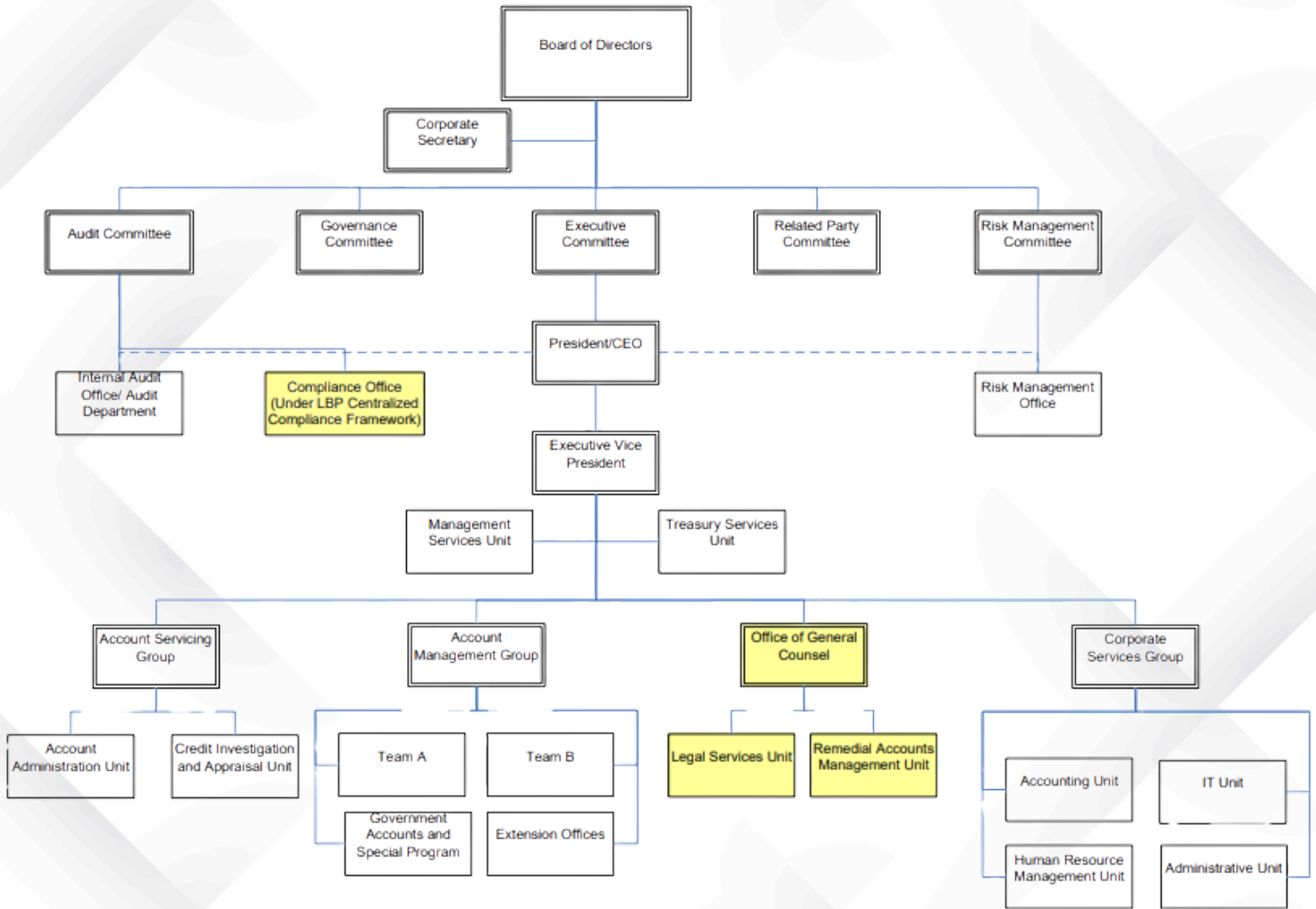
Through COA's oversight, LLFC reinforces its commitment to transparency, accountability, and sound public financial management, consistent with the principles of good corporate governance and the standards set for GOCCs under Philippine law.

# ORGANIZATIONAL STRUCTURE



## REVISED TABLE OF ORGANIZATION

Board Approved February 2023



# RISK MANAGEMENT

The **Risk Management Office** is responsible for developing and implementing guidelines and policies to ensure the effective management of risks across the Corporation. It plays a key role in identifying major risk exposures, assessing, and measuring the extent of these risks on an enterprise-wide basis as part of the Corporation's business operations.

The office also conducts independent monitoring and objective assessments of decisions to accept specific risks, ensuring that these decisions align with Board-approved policies on risk tolerance. Furthermore, it evaluates the effectiveness of corresponding risk mitigation measures to ensure that risks are properly managed and controlled.

The Corporation implements Enterprise Risk Management System (ERM). The adoption of ERM approach in risk management aims to:

- Improved business process;
- Enhanced operational efficiency;
- Improved repayment rate;
- Optimized earning potential; and
- Embedded risk management culture.

ERM is a process effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity and manage risk to be within its risk appetite. It provides reasonable assurance regarding achievement of the entity's objectives.

The Corporation maintains a risk register that identifies the material risks and the internal controls in place to manage and mitigate the risks. The risk register is reviewed annually by the Risk Management Committee.

The Risk Officer reports directly to the Risk Management Committee. The scope of authority and responsibility of the Risk Management Office enumerated in their approved Risk Committee Charter.

# COMPLIANCE & ANTI-MONEY LAUNDERING

Beginning March 2021, LANDBANK implemented LBP Group Centralized Compliance Management (CCM) Framework. With this, the LANDBANK Compliance Officer was designated as LBP Group CCO. The Corporation for its part designated a Compliance Coordinator. Under the CCM Framework the LBP-CMO shall be responsible for the following:

- visit the websites of various regulatory/ government agencies for new regulatory issuances and download the laws, rules and regulations applicable to the activities of the LBP Group,
- Identify the requirements and assess the compliance risk,
- Issues Compliance Bulletin and/or Business Unit Compliance Action Plan for appropriate action, information or reference
- Act as regulatory contact unit/liaison among LBP units, Subsidiaries, BSP, AMLC, COA and other regulatory agencies
- Manage/coordinate BSP examination, COA audit and AMLC inquiry
- Handle/coordinate submission of various adhoc regulatory requirements
- Handle clarification of pertinent provisions of laws, rules and regulations with the regulatory issuances
- Dissemination of new laws, rules & regulations and regulatory requirements to the LBP Units and Subsidiaries
- Clarification/interpretation of relevant laws, rules and regulations and guidance on implementation
- Research on regulations and compliance matters
- Compliance awareness training
- Review and update Compliance and MTTP Manual
- Conduct compliance monitoring and testing
- Report to Senior Management, various Committees and Board of Directors

The Chief Compliance Officer (CCO) of the LBP Group reports directly to the LLFC Audit Committee. LLFC consistently submits the required Anti-Money Laundering Act (AMLA) reports to the LBP-AMLA DES, in accordance with the guidelines established by the Anti-Money Laundering Council (AMLC).



# COMPLIANCE TO GOOD GOVERNANCE CONDITIONS

The Board, Management and Employees of LLFC fully complies with the Code of Corporate Governance governing GOCCs and as embodied in the Corporation's Manual of Corporate Governance, Citizen's Charter, No Gift Policy, and Quality Management System, among others.

## **Whistleblowing Policy**

*The Whistleblowing policy of the Corporation enables employees to report in good faith irregularities, misconduct or raise serious concerns internally with high-level of confidentiality and immunity so that appropriate remedial action could be taken. The guidelines also provide the rights of the whistleblower, protection of the whistleblowers, remedies and sanctions on the violation on the protection of confidentiality, retaliatory actions and false, misleading and malicious reports. It also emphasizes the oversight role of the Board particularly the Corporate Governance Committee in ensuring that the corporate governance principles are adhered to by employees.*

## **Code of Conduct and Ethical Standard including No Gift Policy**

*The Corporation institutionalizes the highest ethical standards through the strict implementation of the provisions of RS 6713, An Act Establishing a Code of Conduct and Ethical Standards for Public Officials and Employees. Board and Officers of LBP Leasing and Finance Corporation are among the Public Officials defined in the aforementioned law.*

*In addition, the Corporation also adopts a Code of Conduct and Employees Discipline to ensure the maintenance of administrative discipline among its officers and employees based on the principle that discipline is fundamental to its success as an organization and as a business concern. As such everyone is required to fully comply with the Code of Conduct and Employees Discipline. The Human Resource Unit under Corporate Services Group monitors compliance in the Code of Conduct by preparing regular reports (i.e. tardiness, among others) and ensuring that offenses are properly sanctioned on a timely basis. The code including other related policies such as No Gift Policy and Anti-Sexual Harassment are disclosed, uploaded and available in the corporate website. **Annually, employees and directors are asked to sign the Certificate of Compliance and Recommitment on the Code of Ethics. For year 2025, the cascading and signing of recommitment form was done on January 15, 2025.***

## **Stakeholders' Interest**

*LBP Leasing and Finance Corporation had put in place various practices for the protection, fair treatment and dealings with all stakeholders. The needs and expectation of Relevant Interested Parties (RIPs) are documented and monitored.*

## **Customers**

*LLFC is committed to providing the needs of its client's through quality service and relevant products and services that adds value to the client's business. The Corporation actively implements the Anti-Red Tape Act which prescribed the creation of Citizen's Charter which was made available to clients and the public assistance desk as well as the **"No Noon Break Policy"**. Because the Corporation strives for continuous improvement, it had adopted a system to immediately address complaints and suggestions by clients.*

## **Directors/Officers and Employees**

*LLFC continues to promote betterment of its officers and employees by sending them to various training and development programs during the year. **ALL** employees as well as directors attended training for the year **2025**. The trainings attended by employees and directors are disclosed in the Corporate Governance seal of the LLFC website.*

*The Corporation also conducts regular fellowship activities to continue to nurture positive relationship among its Directors, officers and employees.*

# 2025 EMPLOYEE TRAINING & DEVELOPMENT



# SCHEDULE OF EMPLOYEE TRAINING FOR THE YEAR 2025

| No. | Training   | No. of Attendees | Date                            | Conducted By:  | Venue  | Purpose  |
|-----|--|------------------|---------------------------------|--|--|----------|
| 1   | Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course  | 4                | Jan 22, 2025                    | Anti-Money Laundering Council  | AMLC Training Portal   | Training |
| 2   | Orientation on Procurement Processes for Project Planning  | 15               | Jan 22, 2025                    | Engr. Antonio Molano Jr.   | Zoom & LLFC Boardroom  | Training |
| 3   | AMLC Registration and Reporting Guidelines   | 3                | Jan 28, 2025                    | Anti-Money Laundering Council  | AMLC Training Portal   | Training |
| 4   | Targeted Financial Sanctions   | 3                | Jan 30, 2025                    | Anti-Money Laundering Council  | AMLC Training Portal   | Training |
| 5   | Targeted Financial Sanctions   | 1                | Feb 11, 2025                    | Anti-Money Laundering Council  | AMLC Training Portal   | Training |
| 6   | CQI AND IRCA Certified ISO 9001:2015 Lead Auditor Training Course  | 1                | February 17-21, 2025            | BSI Group  | Astoria Plaza, Pasig City  | Training |
| 7   | Real Property Valuation and Assessment Reform (RPVARA) and Its Ripple Effect on the Real Property Sector Training                            | 3                | February 22, March 1, & 8, 2025 | Philippine Association of Realty Appraisers, Inc.  | Zoom   | Training |
| 8   | Client Learning Engagement - Regional Training Roll Out (NCR)  | 4                | February 27-28, 2025            | Procurement Service - Department of Budget and Management  | Benito Sy Pow Auditorium, UP Diliman                                       | Training |
| 9   | AMLC Registration and Reporting Guidelines   | 1                | Feb 5, 2025                     | Anti-Money Laundering Council  | AMLC Training Portal   | Training |
| 10  | Breaking Barriers with Emotional Intelligence – A Women's Leadership Approach  | 57               | Mar 19, 2025                    | Ms. Clarice Cabanlit - Philippine Business Coalition for Women Empowerment                       | LLFC Boardroom   | Training |
| 11  | PFA 1st Quarter General Membership Meeting – Economic Outlook 2025: An Economic Briefing on the Growth Opportunities and Challenges for 2025 | 4                | Mar 25, 2025                    | Philippine Finance Association   | One Shangri-La Place, Mandaluyong City                                     | Training |
| 12  | The 6th Data Privacy & Cybersecurity Professionals' Summit   | 2                | March 27-28, 2025               | IAM Training Services  | The Golden Phoenix Hotel, Manila   | Training |
| 13  | 2025 National Women's Month Celebration Kick-Off Activity: Babae sa Lahat ng Sektor, Aangat ang Bukas sa Bagong Pilipinas                    | 8                | Mar 5, 2025                     | Philippine Commission on Women   | Music Hall, SM Mall of Asia, Pasay City                                    | Training |
| 14  | The Basics of the Philippine National Public Key Infrastructure  | 9                | Apr 22, 2025                    | Jeniffer Canlas - Information Technology Officer I of DICT Bureau - Digital Certificate Division | Zoom   | Training |
| 15  | Moodle Training for Teachers   | 4                | April 3-4, 2025                 | Nephila Web Technology, Inc.   | Nephila Web Office, Philippine Social Science Center, Diliman, Quezon City | Training |
| 16  | Moodle Training for Site Administrators  | 1                | April 8 and 10, 2025            | Nephila Web Technology, Inc.   | Google Meet  | Training |
| 17  | Training the Trainers  | 1                | May 13, 2025                    | BusinessCoach, Inc.  | Greenhills, San Juan City  | Training |
| 18  | Orientation on Personal Property Security Registry (PPSR) Online System  | 25               | May 16, 2025                    | Land Registration Authority  | MS Teams   | Training |
| 19  | Seminar on Gender Mainstreaming for Account Management Group   | 16               | May 26, 2025                    | Jemelle Z. Milanes - GAD Consultant  | LLFC Boardroom   | Training |
| 20  | Seminar on Gender Mainstreaming for LLFC Employees   | 68               | May 28, 2025                    | Jemelle Z. Milanes - GAD Consultant  | MS Teams   | Training |
| 21  | Where are we on the New Electronic Invoicing Requirements of the BIR Training  | 5                | Jun 11, 2025                    | Philippine Institute of Certified Public Accountants (PICPA)                                     | Zoom   | Training |
| 22  | Webinar on the Revised Private Retirement Benefit Plan Regulations   | 2                | Jun 18, 2025                    | Large Taxpayers Service of Bureau of Internal Revenue  | Zoom   | Training |
| 23  | The National Information and Communications Technology (ICT) Summit 2025 - Transforming Together: Building an Inclusive Digital Nation       | 2                | June 19-20, 2025                | Department of Information and Communications Technology (DICT),                                  | The Manila Hotel   | Training |
| 24  | Integrated Management System (ISO 9001, ISO 14001, & ISO 45001) Requirements Training Course   | 68               | June 24, 26, and July 1, 2025   | Ana Marisse C. Dalawis - AMCD Management Consultancy Services                                    | MS Teams & LLFC Boardroom  | Training |
| 25  | Gender Mainstreaming Evaluation Framework (GMEF) Orientation and Assessment Workshop   | 12               | June 3-4, 2025                  | Jemelle Z. Milanes - GAD Consultant  | LLFC Boardroom   | Training |

# SCHEDULE OF EMPLOYEE TRAINING FOR THE YEAR 2025

| No. | Training  | No. of Attendees | Date                                  | Conducted By:   | Venue                               | Purpose  |
|-----|---|------------------|---------------------------------------|---|-------------------------------------|----------|
| 26  | Collection and Remedial Management Training   | 23               | Jul 16, 2025                          | Alberto C. Cobangbang and Jogle Ann E. Bolos - Remedial Account Management Unit   | LLFC Boardroom                      | Training |
| 27  | Orientation on Competency Assessment - LLFC Workflow App  | 50               | Jul 18, 2025                          | Angelyn P. Sampaga - HR Unit  | MS Teams                            | Training |
| 28  | SEC Reportorial Requirements, Compliance and Filing Updates for Stock, and Non-Stock Corporations Part 1 and 2  | 3                | Jul 29, 2025                          | Philippine Institute of Certified Public Accountants (PICPA)  | Zoom                                | Training |
| 29  | New IRR of R.A. 12009: Procurement of Goods & Infrastructure  | 5                | July 31, August 1, 4, 5, and 15, 2025 | Center for Global Best Practices  | Zoom                                | Training |
| 30  | Comprehensive Course on Arbitration   | 4                | July 7-11, 2025                       | Department of Justice - Office for Alternative Dispute Resolution   | Zoom                                | Training |
| 31  | Designated Non-Financial Businesses and Professions' (DNFBPs) Implementation of Name Screening for Targeted Financial Sanctions (TFS)   | 73               | Aug 12, 2025                          | Anti-Money Laundering Council   | Zoom                                | Training |
| 32  | Whistleblowing and Integrity Program for Government-Owned and Controlled Corporations   | 3                | Aug 18, 2025                          | Institute of Corporate Directors  | Alphaland Makati Place, Makati City | Training |
| 33  | Loan Documentation and Legal Compliance Training  | 33               | Aug 19, 2025                          | Atty. Chatti Pauline M. Maceda - Legal Officer from Banking Legal Services Dept. of LBP   | LLFC Boardroom                      | Training |
| 34  | Credit Information System Act (CISA) Orientation  | 3                | Aug 29, 2025                          | Credit Information Corporation  | Zoom                                | Training |
| 35  | Online Briefing/Walkthrough and Hands-On Training on Enhanced Cloud-Based electronic Documentary Stamp Tax (eDST) System  | 2                | September 12 and 17, 2025             | Bureau of Internal Revenue  | Zoom                                | Training |
| 36  | 5th National Gender and Development Focal Point System (GFPS) Convention with the theme: Reaping Gains, Celebrating Milestones, and Strengthening the Roles of GFPS for Gender Equality and Women's Empowerment | 3                | September 1-3, 2025                   | Philippine Commission on Women  | Crowne Plaza Manila Galleria        | Training |
| 37  | Cybersecurity Awareness Training  | 4                | Sep 18, 2025                          | Ipsystems Inc.  | MS Teams                            | Training |
| 38  | Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course   | 1                | Sep 22, 2025                          | Anti-Money Laundering Council   | AMLC Training Portal                | Training |
| 39  | AMLC Registration and Reporting Guidelines  | 8                | Sep 23, 2025                          | Anti-Money Laundering Council   | AMLC Training Portal                | Training |
| 40  | Targeted Financial Sanctions  | 8                | Sep 24, 2025                          | Anti-Money Laundering Council   | AMLC Training Portal                | Training |
| 41  | Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course   | 8                | Sep 25, 2025                          | Anti-Money Laundering Council   | AMLC Training Portal                | Training |
| 42  | AMLC Registration and Reporting Guidelines  | 1                | Sep 26, 2025                          | Anti-Money Laundering Council   | AMLC Training Portal                | Training |
| 43  | Targeted Financial Sanctions  | 1                | Sep 29, 2025                          | Anti-Money Laundering Council   | AMLC Training Portal                | Training |
| 44  | Philippine National Public Key Infrastructure (PNPKI) User Training   | 11               | Sep 30, 2025                          | Jeniffer Canlas - Information Technology Officer I & Engr. Loyd Aristotle Santiago - Engineer I of DICT Bureau - Digital Certificate Division | LLFC Boardroom                      | Training |
| 45  | Beyond the Basics: Collections and Remedial Management Training   | 27               | Sep 8, 2025                           | Emellie V. Tamayo - SVP of Asset Recovery Group from Land Bank of the Philippines   | MS Teams & LLFC Boardroom           | Training |
| 46  | ISO 9001:2015 QMS Requirements Awareness Training Course  | 16               | October 2-3, 2025                     | Ana Marisse C. Dalawis - AMCD Management Consultancy Services   | LLFC Boardroom                      | Training |
| 47  | Cybersecurity Awareness Training, Theme: Cyber Guardians, Empowered Cyber Defenders   | 60               | Oct 28, 2025                          | Information Security & Technology Risk Management Department (ISTRMD) - Land Bank of the Philippines  | MS Teams                            | Training |
| 48  | ENADOC Document Management System (DMS) Refresher Session   | 24               | Oct 29, 2025                          | Jeho Miguel Olave - Wordtext Systems, Inc.  | MS Teams                            | Training |
| 49  | Power Apps and Power Automate Workshop  | 4                | Nov 12, 2025                          | ePLDT   | MS Teams                            | Training |
| 50  | Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course   | 2                | Nov 17, 2025                          | Anti-Money Laundering Council   | AMLC Training Portal                | Training |

# SCHEDULE OF EMPLOYEE TRAINING FOR THE YEAR 2025

| No. | Training  | No. of Attendees | Date                 | Conducted By:   | Venue   | Purpose  |
|-----|---|------------------|----------------------|---|---|----------|
| 51  | Retooling on Anti-Money Laundering/Counter Terrorism & Proliferation Financing (AML/CTPF)   | 67               | Nov 18, 2025         | Milagrose P. Maguigad - Head of Anti-Money Laundering Department of Land Bank of the Philippines  | MS Teams & LLFC Boardroom                           | Training |
| 52  | Targeted Financial Sanctions  | 2                | Nov 19, 2025         | Anti-Money Laundering Council   | AMLC Training Portal                                | Training |
| 53  | AMLC Registration and Reporting Guidelines  | 2                | Nov 21, 2025         | Anti-Money Laundering Council   | AMLC Training Portal                                | Training |
| 54  | SC-900T00: Microsoft Security, Compliance, and Identity Fundamentals  | 3                | Nov 21, 2025         | Phoenix One Knowledge Solutions Inc.  | Zoom  | Training |
| 55  | COMPTIA Network Plus (N10-009)  | 1                | November 24-27, 2025 | RivanCyber Training Institute, Inc.   | Rivan IT Building, Makati City                      | Training |
| 56  | VAWfreePH? Youth Got This!" Youth Forum   | 7                | Nov 25, 2025         | Philippine Commission on Women  | SMX Megatrade Hall 2, SM Megamall, Mandaluyong City | Training |
| 57  | Recruitment Management  | 1                | Nov 26, 2025         | Business Maker Academy, Inc.  | Tektite Bldg., Ortigas Center, Pasig City           | Training |
| 58  | OGCC Legal Conclave: Uniting Pillars of Legal Excellence Conference   | 1                | Nov 27, 2025         | Office of the Government Corporate Counsel  | Philippine Public Safety College, Quezon City       | Training |
| 59  | Targeted Financial Sanctions  | 7                | Nov 27, 2025         | Anti-Money Laundering Council   | AMLC Training Portal                                | Training |
| 60  | Risk Management Workshop: Safeguarding People, Reputation, and Performance  | 1                | November 27-28, 2025 | People Management Association of the Philippines  | PMAP Center, Mandaluyong City                       | Training |
| 61  | Compensation and Benefits Management Training   | 1                | Nov 28, 2025         | Business Maker Academy, Inc.  | Tektite Bldg., Ortigas Center, Pasig City           | Training |
| 62  | Online Orientation on Arta Memorandum Circular No. 2025-03 Guidelines on the Application for Multi-stage Systems on Government Services Under R.A. No. 11032 and its Implementing Rules and Regulations | 19               | Nov 7, 2025          | Anti-Red Tape Authority   | Zoom  | Training |
| 63  | Orientation on Anti-Sexual Harassment Law and Safe Spaces Act   | 72               | Dec 1, 2025          | Atty. Judie Rose T. Dimayuga - member of the National Gender and Development Resource Pool (NGRP) | Panco Cafe, Palanca St., Makati City                | Training |
| 64  | AMLC Registration and Reporting Guidelines  | 7                | Dec 10, 2025         | Anti-Money Laundering Council   | AMLC Training Portal                                | Training |
| 65  | Targeted Financial Sanctions  | 1                | Dec 3, 2025          | Anti-Money Laundering Council   | AMLC Training Portal                                | Training |
| 66  | Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course   | 1                | Dec 4, 2025          | Anti-Money Laundering Council   | AMLC Training Portal                                | Training |
| 67  | AMLC Registration and Reporting Guidelines  | 1                | Dec 5, 2025          | Anti-Money Laundering Council   | AMLC Training Portal                                | Training |
| 68  | Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course   | 7                | Dec 9, 2025          | Anti-Money Laundering Council   | AMLC Training Portal                                | Training |

# 2025 CORPORATE SOCIAL RESPONSIBILITY




# CSR



CSR

*Corporate Social Responsibility (CSR) is a fundamental pillar of modern business, and LBP Leasing and Finance Corporation (LLFC) is unwavering in its commitment to creating a lasting, positive impact through a variety of transformative initiatives. LLFC actively champions CSR programs that focus on advancing environmental sustainability, promoting meaningful community engagement, and upholding the highest standards of ethical business practices. In addition, the Corporation is dedicated to championing gender equality and making significant investments in the well-being, growth, and development of its employees. These forward-thinking initiatives not only strengthen LLFC's position as a responsible corporate entity but also provide invaluable opportunities to give back to society, contributing to its broader social, economic, and environmental objectives. Through these efforts, LLFC continues to foster a culture of responsibility and empowerment that aligns with both its corporate values and the collective goals of the communities it serves.*



## ENVIRONMENT

*The Corporation continues to actively implement its energy conservation program, promoting the efficient and responsible use of energy across all levels of the organization. This initiative underscores LLFC's strong commitment to supporting national government policies, particularly those under the Government Energy Management Program (GEMP), and to advancing operational efficiency, environmental stewardship, and long-term sustainability.*

*In line with the Department of Energy's intensified efforts in 2025 to strengthen energy efficiency compliance among government and private sector institutions—anchored on Republic Act No. 11285 (Energy Efficiency and Conservation Act) and reinforced through recent policy issuances and programs—the Corporation aligns its initiatives with the government's target of improving energy performance and reducing overall consumption. These include policies promoting the adoption of energy-efficient technologies, stricter monitoring of energy usage, and capacity-building activities for energy stakeholders.*

*Further supporting these objectives, on **May 15, 2025**, LLFC's Energy Efficiency and Conservation Team participated in the Virtual Energy Audit Orientation for selected government entities in NCR, Marinduque, and Iloilo, organized by the Department of Energy through its Energy Efficiency and Conservation Public Sector Management Division (EPSMD). This activity forms part of the DOE's broader strategy to enhance institutional capacity, ensure compliance with energy efficiency standards, and promote data-driven energy management practices across covered establishments.*





# COMMUNITY

LBP Leasing and Finance Corporation (LLFC) remains steadfast in its commitment to corporate social responsibility by actively engaging in initiatives that support marginalized and vulnerable sectors of society. As part of its ongoing community outreach efforts, the Corporation conducted a meaningful CSR activity on December 9, 2025, at the The Haven: National Center for Women.

During the visit, LLFC representatives personally engaged with the residents and facilitated the distribution of essential goods, including basic necessities aimed at supporting the daily needs and well-being of women and children under the center's care. The activity also provided an opportunity for the Corporation's employees to foster empathy, solidarity, and a deeper understanding of the challenges faced by survivors of abuse and other difficult circumstances.

This initiative forms part of LLFC's broader mission to create a positive and lasting impact beyond its core business operations. By supporting institutions such as The Haven, the Corporation contributes to the national government's efforts to protect, rehabilitate, and empower disadvantaged women, while reinforcing its role as a socially responsible partner in nation-building.

Through sustained CSR programs, LLFC continues to uphold its core values of compassion, integrity, and service, ensuring that its growth is inclusive and responsive to the needs of the communities it serves.



# CUSTOMER AND EMPLOYEE SAFETY, HEALTH AND WELLNESS

LBP Leasing and Finance Corporation (LLFC) formally implemented its Guidelines on Occupational Safety and Health Standards, which took effect on November 29, 2024. These guidelines are intended to ensure the provision and maintenance of a safe and healthful working environment for all employees by systematically minimizing occupational risks and hazards. This is achieved through the establishment of comprehensive safety and health programs, adherence to applicable statutory and regulatory requirements, and the promotion of employee health and wellness, in accordance with CSC-DOH Joint Memorandum Circular No. 1, series of 2020.

Throughout calendar year 2025, LLFC undertook and facilitated a series of initiatives aimed at advancing employee well-being and promoting workplace wellness. These initiatives contributed to the development of a supportive and positive work environment conducive to the overall health of the workforce. Moreover, these activities were designed to encourage the adoption of healthy lifestyle practices and to enhance the general quality of life of employees.

In addition to the foregoing initiatives, LLFC employees complied with the mandatory chest X-ray examination conducted on January 16, 2025 as part of the requirements for the issuance of a Sanitary Permit. To further reinforce workplace health and safety protocols, the Corporation likewise implemented regular monthly pest control services and periodic office disinfection. These measures are intended to mitigate health risks, uphold sanitary standards, and prevent the transmission of communicable diseases, thereby promoting a safe, clean, and health-conscious working environment.

Details are presented below:



| Activity   | No. of Employees | Date Conducted    |
|--|------------------|-------------------|
| <b>X-Ray Examination</b>   | 66*              | January 16, 2025  |
| <b>Health and Wellness Activities:</b>   |                  |                   |
| <i>Breaking Barriers with Emotional Intelligence – A Women’s Leadership Approach</i> | 57               | March 19, 2025    |
| Growth Mindset Retreat Session   | 73               | April 29-30, 2025 |
| <b>Pest Control Sessions</b>   | N/A              | Monthly           |
| <b>Office Disinfection</b>   | N/A              | Monthly           |

\*Normal Results

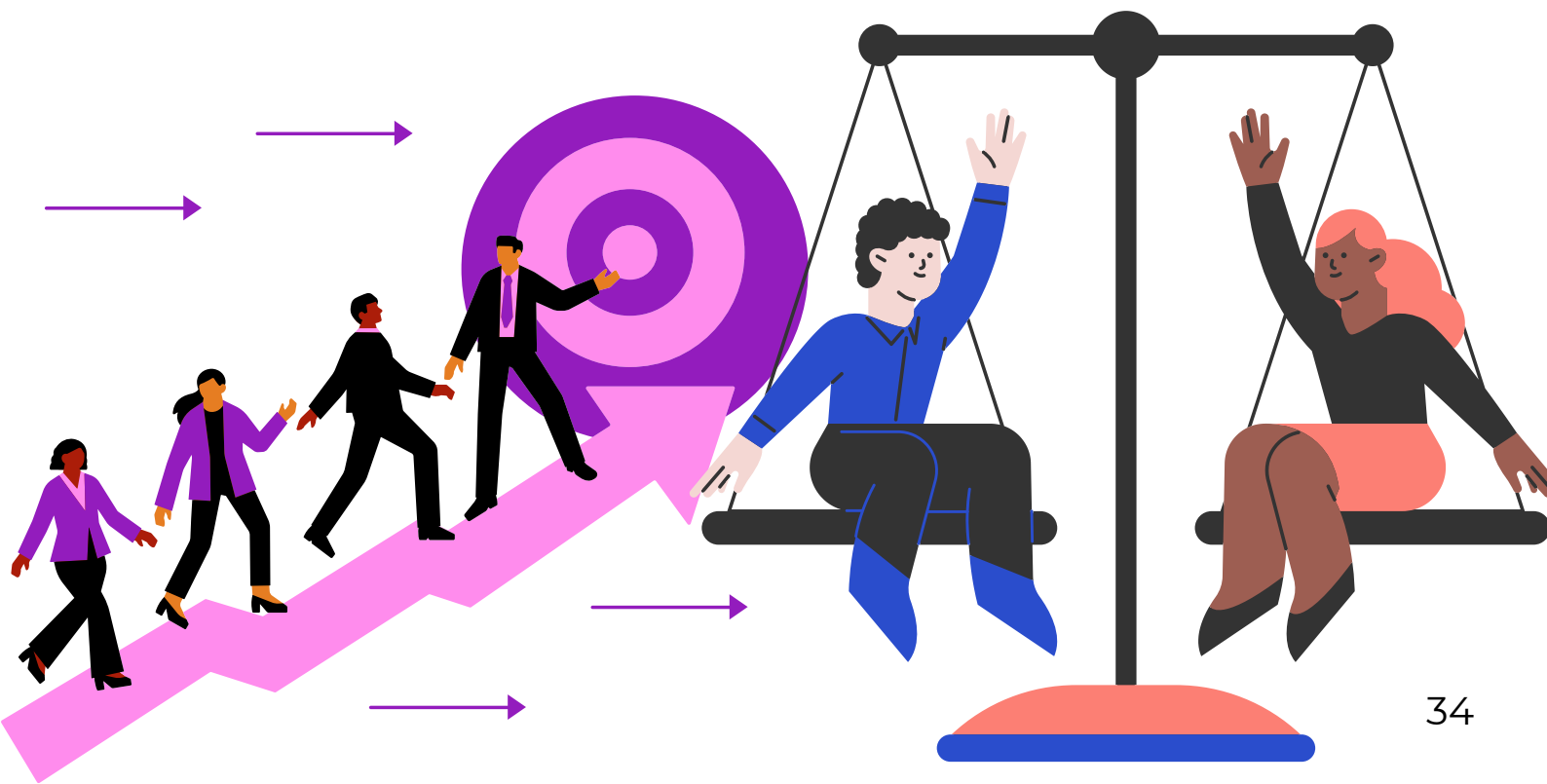
# CLIENT SATISFACTION SURVEY

*LLFC adopted the ARTA-issued Client Satisfaction Measure for 2025 and attained an outstanding overall rating of 99.94%. The survey was administered by an independent third-party provider, ensuring a high level of objectivity, transparency, and reliability in the results. Notwithstanding the shift in methodology, LLFC consistently garnered positive feedback from its customers, highlighting its unwavering commitment to delivering exceptional service.*

*This remarkable achievement underscores LLFC's strong customer-centric approach and reinforces its dedication to continuous improvement. It further affirms the organization's commitment to meeting—and exceeding—the evolving expectations of its clients and stakeholders while upholding the highest standards of service quality.*



# GENDER AND DEVELOPMENT



# GENDER AND DEVELOPMENT

Pursuant to Republic Act No. 9710, otherwise known as the Magna Carta of Women, all government agencies, including State Universities and Colleges (SUCs), Government-Owned and Controlled Corporations (GOCCs), and Local Government Units (LGUs), are mandated to institutionalize gender mainstreaming as a strategic approach to advancing women's human rights and eliminating gender-based discrimination across policies, programs, systems, and organizational structures.

In line with this mandate, LBP Leasing and Finance Corporation (LLFC) effectively implemented a comprehensive suite of Gender and Development (GAD) Programs, Activities, and Projects (PAPs) in 2025, aligned with its approved GAD Plan and Budget. As part of its capacity-building efforts, LLFC personnel actively participated in various GAD-related trainings, including Gender Mainstreaming sessions, as well as orientations and workshops on the Gender Mainstreaming Evaluation Framework (GMEF). These initiatives were complemented by key activities such as the conduct of an Organizational Audit using the GMEF and the enhancement of workplace facilities, including the reconfiguration of the breastfeeding area, among others. The full details of LLFC's CY 2025 GAD Plans and Programs are accessible through the GAD Corner of its official website.

Moreover, LLFC actively championed gender advocacy through its participation in major national observances, including the Annual Celebration of National Women's Month with the theme "WE Make CHANGE Work for Women," and the 18-Day Campaign to End Violence Against Women (VAW) with the theme "UNiTEd for a VAW-free Philippines." Highlights of these initiatives are featured in the GAD Corner of LLFC's website, reflecting the Corporation's sustained commitment to fostering gender equality, empowering women, and promoting an inclusive, safe, and enabling environment for all.





LBP LEASING AND FINANCE CORPORATION  
*(A LANDBANK SUBSIDIARY)*

# BOARD OF DIRECTORS

AS OF  
**DECEMBER 31, 2025**

# BOARD OF DIRECTORS



**ROBERTO U. TEO**  
Chairperson

*Mr. Roberto U. Teo, 76, has been a Member of the Board of Directors of LBP Leasing and Finance Corporation (LLFC) since June 2017 and currently serves as Chairperson of the Board. In this role, he provides strategic direction and leadership, and is an active member of both the Executive Committee and the Corporate Governance Committee, contributing to effective policy oversight and decision-making.*

*He has consistently upheld high standards of corporate governance, financial integrity, and organizational sustainability, helping position the Corporation for resilience and long-term growth. His extensive experience and deep understanding of both the public and financial sectors enable him to navigate complex challenges and inspire stakeholder confidence.*

*Mr. Teo has a distinguished career in public administration, having held key positions in Davao City, including Assistant City Administrator for Operations and Administration, Economic Enterprise Manager, and Chief of the Davao City Investments Promotions Center. He also served as a Board Member of the Tourism Infrastructure and Enterprise Zone Authority (TIEZA), representing the travel and tours sector.*

*He earned his Bachelor of Science in Chemical Engineering from De La Salle College (1971) and a Master's in Business Management from the Asian Institute of Management (1974), and completed executive programs in Pennsylvania, USA.*

*In 2025, he further enhanced his expertise through specialized trainings on corporate governance, OECD principles, Philippine National Public Key Infrastructure, and Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF), including Targeted Financial Sanctions and AMLC reporting guidelines.*

*With his strong leadership, extensive experience, and commitment to continuous learning, Mr. Teo remains instrumental in driving LLFC's sustained growth and governance excellence.*

# BOARD OF DIRECTORS



## NANZIANCINO M. DILAY

Vice- Chairperson

*Mr. Nanziancino M. Dilay, 76, was appointed as a Director of LBP Leasing and Finance Corporation (LLFC) in July 2019 and currently serves as Vice-Chairperson of the Board of Directors. He also chairs the Audit Committee, ensuring strong financial oversight and transparency, and is a member of the Risk Management Committee, where he contributes to the effective identification and mitigation of organizational risks.*

*With his extensive background in governance and financial management, Mr. Dilay plays a key role in upholding the Corporation's standards of accountability, transparency, and operational excellence. His leadership continues to strengthen LLFC's position in a dynamic and competitive environment.*

*Prior to joining LLFC, Mr. Dilay had a distinguished career in public service. He served as Director of Philippine Pharma Procurement from 2017 to 2019 and spent over two decades with the Bureau of Customs (1992–2014), holding various leadership roles. Earlier in his career, he was a Technical Assistant at the Supreme Court of the Philippines from 1973 to 1992.*

*Mr. Dilay holds a Bachelor of Arts in Political Science from San Sebastian College – Manila (1970) and a Master's in Customs Administration from the Philippine Maritime Institute (2011).*

*In 2025, he further enhanced his expertise through specialized training programs on corporate governance, OECD principles, Targeted Financial Sanctions (TFS), Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF), DNFBPs compliance, and AMLC reporting guidelines.*

*With his broad experience in both government and corporate sectors, coupled with his continued professional development, Mr. Dilay remains a valuable contributor to LLFC's governance, risk management, and long-term strategic direction.*

# BOARD OF DIRECTORS



**MICHAEL P. ARAÑAS**  
Member/President and CEO

*Mr. Michael P. Arañas, 79, has been a valued member of the LBP Leasing and Finance Corporation (LLFC) Board since July 30, 2020. In November 2021, he was elected President and Chief Executive Officer (CEO), where he provides visionary leadership focused on sustainability, innovation, and operational excellence. Under his stewardship, LLFC has continued to achieve significant growth and strengthen its industry presence.*

*As an active member of the Executive Committee, Mr. Arañas plays a key role in shaping and implementing the Corporation's strategic initiatives, ensuring alignment with its long-term goals. He also brings prior board experience from the Philippine Sugar Corporation, where he served as a Director from 2017 until its dissolution in 2018.*

*Mr. Arañas has extensive experience in the banking sector, having served in various capacities across institutions such as Family Bank and Trust Co., BPI Family Bank, Security Bank, Consumer Bank, Philippine Farmers Bank, Corfarm Bank, Davao Lending House, Inc., and Lapanday Agri Development Corporation. This broad exposure has equipped him with deep expertise in banking operations, financial management, and corporate leadership.*

*He earned his Bachelor of Science in Electrical Engineering from the University of the Philippines and pursued further studies in AB General at Davao Central Colleges and BSBA at Ateneo de Davao University, where he received a bronze medallion for academic excellence. He later completed his Master of Business Administration (MBA).*

*In 2025, Mr. Arañas further strengthened his expertise through specialized training programs on corporate governance and financial compliance, including Driving Board Excellence: The Power of the OECD Principles, Targeted Financial Sanctions (TFS), Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF), DNFBPs compliance, and AMLC registration and reporting guidelines.*

*With his extensive leadership experience, strong banking background, and commitment to continuous professional development, Mr. Arañas remains a driving force behind LLFC's sustained growth and strategic success.*

# BOARD OF DIRECTORS



## VIRGILIO M. SANGUTAN

Member

**Mr. Virgilio M. Sangutan, 67**, took his oath as Director of LBP Leasing and Finance Corporation (LLFC) in May 2019. He currently serves as Chairperson of the Risk Management Committee and is a member of both the Audit Committee and the Related Party Transactions (RPT) Committee, contributing to robust oversight in risk, compliance, and governance.

Mr. Sangutan is a seasoned leader with extensive experience in business and innovation. He served as President and Board Director of the Davao Inventors Association, Inc. from 2006 to 2010, and as Board Director of the Southeastern Mindanao Inventors Association from 1995 to 2005, playing a key role in promoting innovation and supporting the inventors' community. He is also an entrepreneur, serving as the owner of MI Herbal Laboratory and President of Inventfoods Manufacturing, Inc., reflecting his strong commitment to sustainable and innovative business practices.

He earned his Bachelor of Science in Banking and Finance from Divine Word College of Legazpi in 1982 and pursued further studies in law at Ateneo de Davao University, as well as units toward a Master's in Business Administration at the University of Southeastern Philippines.

**In 2025**, Mr. Sangutan further enhanced his expertise through specialized training programs on corporate governance and financial compliance, including Driving Board Excellence: The Power of the OECD Principles, Targeted Financial Sanctions (TFS), Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF), DNFBPs compliance, and AMLC registration and reporting guidelines.

With his strong background in entrepreneurship, innovation, and governance, Mr. Sangutan continues to be a valuable contributor to LLFC's risk management and strategic direction.

# BOARD OF DIRECTORS



## CONRADO S. MIÑANO, JR. Member

**Mr. Conrado S. Miñano, 72**, has been a Member of the Board of Directors of LBP Leasing and Finance Corporation since June 2, 2017. He actively contributes to the Corporation's strategic direction as a key member of both the Executive Committee and the Corporate Governance Committee, ensuring effective oversight and governance.

A highly accomplished retired General of the Philippine National Police, Mr. Miñano had a distinguished career spanning several decades. He served as Deputy Director of the Northern Police District in Caloocan City and as Director of the Communications and Electronics Division at Camp Crame from 2007 to 2009. His service has been recognized with numerous commendations from civic, religious, and military organizations for his dedication and leadership.

Mr. Miñano is a proud graduate of the Philippine Military Academy, Class of 1977, and pursued legal studies at Jose Rizal University, enhancing his knowledge of law and governance.

**In 2025**, he further strengthened his expertise through specialized training programs on corporate governance and financial compliance, including Driving Board Excellence: The Power of the OECD Principles, Targeted Financial Sanctions (TFS), Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF), DNFBPs compliance, and AMLC registration and reporting guidelines.

With his extensive experience in law enforcement, governance, and risk management, coupled with his commitment to continuous learning, Mr. Miñano remains a valuable asset to LLFC, contributing to both strategic decision-making and organizational sustainability.

# BOARD OF DIRECTORS



**LETICIA V. DAMASCO**  
Member

***Ms. Leticia V. Damasco, 76,** has been a valued member of the LBP Leasing and Finance Corporation (LLFC) Board of Directors since January 2018. She plays a key role in strategic decision-making and serves on the Audit, Risk Management, and Corporate Governance Committees, reflecting her commitment to financial oversight, risk management, and governance excellence.*

*She brings over 32 years of banking experience, primarily from her tenure at the Land Bank of the Philippines (LBP), where she rose to Department Manager III. She also served as Director of the Philippine Postal Bank (2017–2018) and the Rural Bank of Sta. Rosa (Nueva Ecija), Inc. (2019–2021), providing strategic guidance on financial and operational matters. Earlier, she taught economics and finance at the Manuel V. Gallego Foundation Colleges (1973–1981).*

*Ms. Damasco holds a Bachelor of Arts in Economics from the Philippine Women's University (1971) and a Master of Arts in Psychology from the Philippine Statesman College (1996), combining financial expertise with insights into human behavior.*

***In 2025,** she enhanced her professional knowledge through specialized trainings on the Philippine National Public Key Infrastructure (PNPKI), Driving Board Excellence: The Power of the OECD Principles, Targeted Financial Sanctions (TFS), Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF), DNFBPs compliance, and AMLC reporting guidelines.*

*With her extensive banking background, governance expertise, and dedication to continuous learning, Ms. Damasco remains a highly respected and influential leader within LLFC.*

# BOARD OF DIRECTORS



## EDGAR CRISANTO R. VIOLAN

Member

**Mr. Edgar Crisanto R. Violan, 66,** was appointed to the LBP Leasing and Finance Corporation (LLFC) Board in May 2020. He serves as an active member of both the Executive Committee and the Corporate Governance Committee, playing a key role in guiding strategic decisions and upholding the highest standards of governance, transparency, and ethical management.

Prior to joining LLFC, Mr. Violan served as a Director of the Philippine Mining Development Corporation and as Chief Administrative Officer at the Department of Transportation and Communications (DOTC)–Land Transportation Franchising and Regulatory Board (LTFRB) Region XI, shaping regional transportation policies and administration.

He holds a Bachelor of Science in Public Administration, Cum Laude, from the University of Southeastern Philippines (1980), a Bachelor of Laws from Ateneo de Davao University (1984), and completed advanced studies in Economics at Rizal Memorial Colleges. He also serves as a Colonel in the Philippine Army Reserve and a Regional Cadre Instructor for Incident Command System courses, demonstrating his commitment to leadership and public service.

**In 2025,** Mr. Violan enhanced his expertise through specialized training in the Philippine National Public Key Infrastructure (PNPKI), Driving Board Excellence: The Power of the OECD Principles, Targeted Financial Sanctions (TFS), Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF), DNFBNs compliance, AMLC reporting guidelines, and participation in the Philippine Finance Association’s National Convention.

With his extensive experience in public service, law, military leadership, and continuous professional development, Mr. Violan remains a highly respected and influential contributor to LLFC’s governance, strategic direction, and operational success.

# BOARD OF DIRECTORS



**ALVIN I. KONG**  
Member

*Mr. Alvin I. Kong, 75, has been a distinguished member of the LBP Leasing and Finance Corporation (LLFC) Board since April 29, 2021. He currently serves as Chairperson of the Related-Party Transaction (RPT) Committee and is an active member of both the Risk Management and Audit Committees, contributing to the Corporation's strategic direction, risk oversight, and financial integrity.*

*His leadership across these committees reflects his strong commitment to corporate governance, transparency, and effective risk management, playing a key role in ensuring the organization's stability and long-term success.*

*Mr. Kong brings extensive banking experience from leading financial institutions, including Associated Citizens Bank, Bank of Commerce, Maybank of the Philippines, Philippine National Bank, and Al-Amanah Islamic Bank, providing him with deep expertise in financial services and operations.*

*He holds a Bachelor of Science in Business Administration, major in Economics, from the University of the East and pursued MBA studies at both the Lyceum of the Philippines and the University of the East. He also completed units in Customs Administration at the Philippine Maritime Institute.*

*In 2025, he further enhanced his expertise through training programs on AML/CTF Fundamentals, AMLC Registration and Reporting Guidelines, Basic Corporate Finance, and Targeted Financial Sanctions, strengthening his competencies in financial compliance and risk management.*

*With his extensive experience, strong academic background, and commitment to continuous learning, Mr. Kong remains a highly respected and effective contributor to LLFC's governance and strategic initiatives.*

# BOARD OF DIRECTORS



**FRITZ M. SALAZAR**  
Member

*Mr. Fritz M. Salazar, 52, has been a member of the LLFC Board of Directors since March 16, 2017. He plays an active role in guiding the company, serving on both the Executive Committee and the Related-Party Transaction Committee until his replacement by Mr. Raul B. Vivas in August 2025*

*He helps ensure the company follows strong governance practices, makes sound financial decisions, and maintains transparency in its operations. His work supports LLFC's goal of steady and sustainable growth.*

*Originally from Tacloban City, Mr. Salazar also has experience as a business owner. He is a franchisee of Sam's Everything On Sticks, a food cart business, showing his entrepreneurial skills. Before this, he worked at Metrobank as a Bank Officer from 1989 to 2010, gaining solid experience in banking, finance, and customer service.*

*He earned a Bachelor of Science in Commerce from Saint Paul Business School of Tacloban (now Saint Paul School of Professional Studies).*

*In 2025, he further enhanced his professional expertise by participating in several training programs, including Anti-Money Laundering (AML) and Corporate Finance, as well as specialized courses such as The Basics of the Philippine National Public Key Infrastructure (PNPKI) and Driving Board Excellence: The Power of the OECD Principles.*

*With his background in banking, business, and continuous learning, Mr. Salazar brings valuable knowledge and leadership to the LLFC Board.*

# BOARD OF DIRECTORS



## ADRIAN ALEXANDER M. ROMUALDEZ

Member

**Mr. Adrian Alexander M. Romualdez, 48**, was appointed as a member of the Board of Directors of LBP Leasing and Finance Corporation (LLFC) in April 2025. Following his appointment, he was elected to serve on the Audit Committee, Risk Management Committee, and Related-Party Transactions (RPT) Committee, where he contributes his extensive expertise in corporate governance, regulatory compliance, and risk oversight. Mr. Romualdez subsequently resigned from the LLFC Board, effective September 15, 2025.

Mr. Romualdez is a seasoned compliance and regulatory professional with over two decades of experience across banking, financial services, fintech, and multinational organizations. He is currently the Assistant Vice President and Senior Regulatory Officer at Globe Fintech Innovations, Inc., a position he has held since April 2023, leading regulatory compliance initiatives in support of digital financial services and innovation.

Prior to this role, he served as Assistant Vice President and Regulatory Compliance Head at G-Xchange, Inc. from January 2022 to April 2023. He also held senior leadership roles at UnionBank of the Philippines, including AVP and Senior Compliance Officer and AVP and Deputy Contact Center Head. Earlier in his career, he held key positions at J.P. Morgan & Chase as AVP for Corporate Investment Banking, Philippine National Bank as Head of the Insourcing Operations Division, and American International Group (AIG) as Senior Manager for Operations.

Mr. Romualdez holds a Bachelor of Science in Business Administration, major in Business Management, from De La Salle University – College of St. Benilde, earned in 2002. He has completed several executive and professional training programs, including Anti-Money Laundering, Data Privacy, Legal Fundamentals, Process Excellence, and Financial Literacy, most recently in 2025. In the same year, he further strengthened his governance expertise by completing the Corporate Governance Orientation Program for Government-Owned or -Controlled Corporations (GOCCs).

With his extensive industry experience, strong governance background, and commitment to continuous professional development, Mr. Romualdez remains a valuable contributor to LLFC's mission of delivering inclusive, sustainable, and development-oriented financial solutions to the Filipino public.

# BOARD OF DIRECTORS



## **RAUL B. VIVAS**

Member

*Mr. Raul B. Vivas, 62, was appointed as a member of the Board of Directors of LBP Leasing and Finance Corporation (LLFC) in August 2025. Following his appointment, he was elected to the Audit Committee and the Related-Party Transactions (RPT) Committee, where he plays a vital role in strengthening financial oversight, governance, and regulatory compliance.*

*Mr. Vivas brings over 40 years of distinguished experience in banking and financial services having held progressive leadership roles in some of the country's most reputable institutions, including BDO Unibank. His extensive expertise in operations, branch management, and client relationship development has equipped him with a strong understanding of industry dynamics, risk management, and customer-focused service delivery.*

*Throughout his career, he has demonstrated a consistent track record of operational excellence, strategic thinking, and effective leadership, contributing to organizational growth and stability. His deep familiarity with banking systems and best practices enables him to provide valuable insights that support LLFC's strategic objectives and enhance its operational performance.*

*Mr. Vivas holds a Bachelor of Arts in Philosophy from the University of the Philippines. Known for his integrity, professionalism, and people-centered leadership style, he brings balanced judgment and a results-oriented perspective to the Board.*

*In 2025, he further enhanced his expertise by attending various specialized training programs, including The Basics of the Philippine National Public Key Infrastructure (PNPKI), Corporate Governance Orientation Program for GOCCs, Designated Non-Financial Businesses and Professions (DNFBPs) Implementation of Name Screening for Targeted Financial Sanctions (TFS), Targeted Financial Sanctions, Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course, and AMLC Registration and Reporting Guidelines. These programs strengthened his competencies in governance, regulatory compliance, and risk management.*

*With his extensive industry experience and commitment to continuous learning, Mr. Vivas continues to be a valuable contributor to LLFC's mission of delivering inclusive, sustainable, and development-oriented financial solutions to the Filipino public.*



# PRODUCTS AND SERVICES



## **PRODUCT AND SERVICES**

### **FINANCE LEASE**

The credit facility includes Direct Lease, Sale & Leaseback and Sublease Arrangement

### **TERM LOANS**

This provides long-term financing to fund Permanent Working Capital, Acquisition of Equipment or Other Capital Assets, Acquisition of Land and Building, Construction

### **CREDIT LINES**

This facility includes Working Capital Requirements, Receivables/Contract Financing and Purchase Order Financing

### **PROPERTY LEASE FOR GOVERNMENT OFFICES**

This facility includes Building Acquisition, Building Construction and Property Renovation & Expansion

## **CHECKLIST OF REQUIREMENTS**

1. Duly Accomplished Business Information Sheet
2. SEC Registration
3. Articles of Incorporation & By-Laws with Latest General Information Sheet (Corporation)
4. Article of Co-Partnership & Partner's Resolution (Partner)
5. Certificate of Business Registration with DTI (for Sole Partnership)
6. Mayor's Permit and License to Operate
7. List of Stockholders, Members of the Board of Director, and Key Officers
8. Audited Financial Statements and Annual Income Tax Return (ITR) for the past three years
9. Latest Internim Financial Statements
10. Company Profile with Brief Project Background, Plans Products & Services, Target Market
11. Curriculum Vitae and one (1) valid Government Issued ID of the Owner/President and Corporate Secretary

# FOR COMPLAINTS AND INQUIRIES:



## **Customer Care**

Officer : Office of the President

Address : 15F Sycip Law Center #105 Paseo De Roxas, Makati City

Contact No. : 8818-2200 Local 240

Email: [customercare@lbpleasing.com](mailto:customercare@lbpleasing.com)

## **Data Protection Officer**

Email: [dpo@lbpleasing.com](mailto:dpo@lbpleasing.com)

Address: 15F Sycip Law Center #105 Paseo De Roxas, Makati City



**LBP LEASING AND FINANCE CORPORATION**  
(A LANDBANK SUBSIDIARY)

# **UNAUDITED PFRS FINANCIAL STATEMENTS AS OF DECEMBER 31, 2025**



**LBP LEASING AND FINANCE CORPORATION**  
(Formerly LBP Leasing Corporation)  
(A wholly-owned subsidiary of Land Bank of the Philippines)  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2025 and 2024**  
(In Philippine Peso)

|  | 2025                 | 2024 (Restated)      |
|--|----------------------|----------------------|
| <b>ASSETS</b>                                      |                      |                      |
| <b>Current assets</b>                              |                      |                      |
| Cash and cash equivalents                          | 279,049,300          | 569,757,669          |
| Financial Assets at Amortised Cost                 | 2,195,775,143        | 1,844,054,428        |
| Other current assets                               | 30,135,924           | 50,073,514           |
| <b>Total current assets</b>                        | <b>2,504,960,367</b> | <b>2,463,885,611</b> |
| <b>Non-current assets</b>                          |                      |                      |
| Financial Assets at Amortised Cost                 | 4,832,125,799        | 4,827,398,318        |
| Investment properties, net                         | 146,555,878          | 68,098,669           |
| Equipment and other property for lease, net        | 950,427,081          | 742,561,834          |
| Property and equipment, net                        | 35,882,401           | 35,386,033           |
| Non-current assets held for sale, net              | 52,061,754           | 31,821,995           |
| Deferred tax asset                                 | 334,598,458          | 266,986,585          |
| Investment in Subsidiary, Net                      | 0                    | 6,052,387            |
| Other non-current assets                           | 3,401,071            | 10,142,530           |
| <b>Total non-current assets</b>                    | <b>6,355,052,442</b> | <b>5,988,448,351</b> |
| <b>TOTAL ASSETS</b>                                | <b>8,860,012,809</b> | <b>8,452,333,962</b> |
| <b>LIABILITIES AND EQUITY</b>                      |                      |                      |
| <b>LIABILITIES</b>                                 |                      |                      |
| <b>Current liabilities</b>                         |                      |                      |
| Financial Liabilities, current portion             | 3,218,409,045        | 3,159,847,846        |
| Current portion of deposit on lease contracts      | 484,113,915          | 213,659,896          |
| Inter-Agency Payables                              | 20,446,018           | 22,740,760           |
| Other payables                                     | 185,222,052          | 148,765,753          |
| <b>Total current liabilities</b>                   | <b>3,908,191,030</b> | <b>3,545,014,255</b> |
| <b>Non-current liabilities</b>                     |                      |                      |
| Financial Liabilities, net of current portion      | 1,049,339,474        | 1,152,419,926        |
| Deposit on lease contracts, net of current portion | 1,198,904,625        | 1,113,543,890        |
| Retirement liability                               | 21,201,532           | 21,282,008           |
| <b>Total non-current liabilities</b>               | <b>2,269,445,631</b> | <b>2,287,245,824</b> |
| <b>Total liabilities</b>                           | <b>6,177,636,661</b> | <b>5,832,260,079</b> |
| <b>Equity</b>                                      |                      |                      |
| Capital stock                                      |                      |                      |
| Issued capital                                     | 877,383,070          | 877,383,070          |
| Additonal paid-in capital                          | 497,140,380          | 497,140,380          |
| Treasury stock                                     | (30)                 | (20)                 |
|  | <b>1,374,523,420</b> | <b>1,374,523,430</b> |
| Retained earnings                                  |                      |                      |
| Appropriated                                       | 700,000,000          | 922,279,972          |
| Unappropriated                                     | 612,344,888          | 327,762,641          |
|  | <b>1,312,344,888</b> | <b>1,250,042,613</b> |
| Accumulated other comprehensive income (loss)      |                      |                      |
| Remeasurement of retirement benefit obligation     | (4,492,160)          | (4,492,160)          |
|  | <b>(4,492,160)</b>   | <b>(4,492,160)</b>   |
| <b>Total equity</b>                                | <b>2,682,376,148</b> | <b>2,620,073,883</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>                | <b>8,860,012,809</b> | <b>8,452,333,962</b> |

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**LBP LEASING AND FINANCE CORPORATION**  
(Formerly LBP Leasing Corporation)  
(A wholly-owned subsidiary of Land Bank of the Philippines)  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2025 and 2024**  
(In Philippine Peso)

|  | 2025               | 2024 (Restated)    |
|--|--------------------|--------------------|
| <b>INTEREST INCOME</b>                                       |                    |                    |
| Leases   | 384,690,851        | 459,231,005        |
| Loans  | 313,534,234        | 259,181,536        |
| Deposits in banks  | 5,932,351          | 30,410             |
| Others   | 147,524            | -                  |
|  | <b>704,304,960</b> | <b>718,442,951</b> |
| <b>INTEREST EXPENSE</b>                                      |                    |                    |
| Borrowed funds   | 227,979,596        | 240,492,090        |
| <b>NET INTEREST INCOME</b>                                   | <b>476,325,364</b> | <b>477,950,861</b> |
| <b>OTHER INCOME</b>  |                    |                    |
| Operating leases   | -                  | -                  |
| Other income   | 130,595,811        | 28,090,456         |
|  | <b>130,595,811</b> | <b>28,090,456</b>  |
| <b>DIRECT EXPENSES</b>                                       |                    |                    |
| Security, messengerial, janitorial and contractual services  | 102,692,578        | 115,921,022        |
| Provision for credit and impairment losses                   | 69,575,849         | 41,956,762         |
| Compensation and fringe benefits - Marketing operations      | 30,570,294         | 23,241,603         |
| Documentary stamp used                                       | 26,982,139         | 25,957,067         |
| Depreciation-equipment and other property for lease          | -                  | -                  |
| Insurance  | 4,423,749          | 6,414,314          |
| Repairs and maintenance                                      | -                  | 490,589            |
| Taxes  | 33,088,921         | -                  |
| Transfer mortgage and registration fees                      | 1,099,679          | 732,217            |
|  | <b>268,433,209</b> | <b>214,713,574</b> |
| <b>GROSS INCOME</b>  | <b>338,487,966</b> | <b>291,327,743</b> |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>                   |                    |                    |
| Insurance Premiums and Other Fees                            | 16,799,355         | 45,187,590         |
| Compensation and fringe benefits                             | 80,278,507         | 75,711,444         |
| Depreciation/amortization                                    | 12,516,267         | 14,263,250         |
| Other Maintenance and Operating Expenses                     | 75,723,042         | 56,352,195         |
|  | <b>185,317,171</b> | <b>191,514,478</b> |
| <b>NET INCOME BEFORE INCOME TAX</b>                          | <b>153,170,795</b> | <b>99,813,265</b>  |
| Income tax expense   | 59,613,420         | 31,656,327         |
| <b>NET INCOME AFTER TAX</b>                                  | <b>93,557,375</b>  | <b>68,156,938</b>  |
| <b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>                     |                    |                    |
| <i>Item that will not be reclassified to profit and loss</i> |                    |                    |
| Remeasurement gain/(loss) on retirement benefit obligation   | -                  | 8,618,912          |
| <b>TOTAL COMPREHENSIVE INCOME</b>                            | <b>93,557,375</b>  | <b>76,775,850</b>  |
| <b>EARNINGS PER SHARE</b>                                    | <b>1.07</b>        | <b>0.78</b>        |

*The Notes on pages 56 to 138 form part of these financial statements.*

**LBP LEASING AND FINANCE CORPORATION**  
(Formerly LBP Leasing Corporation)  
(A wholly-owned subsidiary of Land Bank of the Philippines)  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2025 and 2024  
(In Philippine Peso)

|   | 2025                   | 2024 (Restated)        |
|---|------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                        |                        |
| <b>Cash Inflow</b>  |                        |                        |
| Interest received   | 572,896,850            | 698,344,950            |
| Other income received   | 63,951,471             | 577,584,723            |
| Cash received from clients                                    | 1,243,397,935          | 2,734,342,718          |
| <b>Total Cash Inflow</b>                                      | <b>1,880,246,256</b>   | <b>4,010,272,390</b>   |
| <b>Cash Outflow</b>   |                        |                        |
| Cash paid to clients  | (1,873,226,137)        | (3,097,725,066)        |
| Cash paid to settle expenses                                  | (242,583,050)          | (858,379,215)          |
| Interest paid   | (232,247,113)          | (360,042,113)          |
| Income taxes paid   | -                      | -                      |
| <b>Total Cash Outflow</b>                                     | <b>(2,348,056,300)</b> | <b>(4,316,146,395)</b> |
| <b>Net cash generated from/(used in) operating activities</b> | <b>(467,810,043)</b>   | <b>(305,874,004)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                        |                        |
| <b>Cash Inflow</b>  |                        |                        |
| Disposal of Investment property                               | 447,854                | 697,854                |
| Disposal of leased assets                                     | 8,631,832              | 8,631,832              |
| Disposal of property and equipment                            | (6,723,685)            | (6,723,685)            |
|   | -                      | -                      |
| <b>Cash Outflow</b>   |                        |                        |
| Acquisitions of leased assets                                 | (420,700,799)          | (212,835,552)          |
| Acquisitions of property and equipment                        | (20,421,682)           | 3,512,311              |
| <b>Net cash provided by/(used in) investing activities</b>    | <b>(438,766,480)</b>   | <b>(206,717,240)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                        |                        |
| <b>Cash Inflow</b>  |                        |                        |
| Proceeds from borrowings under line of credit agreement       | 3,690,050,314          | 3,743,105,968          |
| <b>Total Cash Inflow</b>                                      | <b>3,690,050,314</b>   | <b>3,743,105,968</b>   |
| <b>Cash Outflow</b>   |                        |                        |
| Payment of long term debt                                     | (2,985,510,482)        | (2,985,510,482)        |
| Reacquisition of shares                                       | (10)                   | -                      |
| Cash dividends paid   | (88,671,668)           | (87,545,125)           |
| BIR Audit Tax Deficiency                                      | -                      | -                      |
| <b>Total Cash Outflow</b>                                     | <b>(3,074,182,160)</b> | <b>(3,073,055,607)</b> |
| <b>Net cash provided by/(used in) financing activities</b>    | <b>615,868,154</b>     | <b>670,050,361</b>     |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>              | <b>(290,708,370)</b>   | <b>157,459,117</b>     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>         | <b>569,757,669</b>     | <b>412,298,553</b>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>               | <b>279,049,300</b>     | <b>569,757,669</b>     |

*The Notes on pages 56 to 138 form part of these financial statements.*

**LBP LEASING AND FINANCE CORPORATION**  
(Formerly LBP Leasing Corporation)  
(A wholly-owned subsidiary of Land Bank of the Philippines)  
**STATEMENTS OF CHANGES IN EQUITY**  
For the years ended December 31, 2025 and 2024  
(In Philippine Peso)

|   | Issued Capital        | Additional Paid-in Capital | Treasury Stock | Retained Earnings  |                       | Accumulated Other Comprehensive Gains/(Losses) | Total                   |
|---|-----------------------|----------------------------|----------------|--------------------|-----------------------|--|-------------------------|
|   |                       |                            |                | Unappropriated     | Appropriated          |  |                         |
|   |                       |                            |                | Note 18(a)         | Note 18(b)            |  |                         |
| <b>Balance, 1 January 2024, Restated</b>            | <b>877,383,070</b>    | <b>497,140,380</b>         | <b>(20)</b>    | <b>728,442,373</b> | <b>822,279,972</b>    | <b>(13,111,072)</b>                            | <b>2,912,134,703</b>    |
| Cash dividend to National Government                |                       |                            |                | (154,821,328)      |                       |  | (154,821,328)           |
| Prior period adjustment                             |                       |                            |                | (214,015,343)      |                       |  | (214,015,343)           |
| Reacquisition of common stock                       |                       |                            |                | -                  |                       |  | -                       |
| Reissuance of common stock                          |                       |                            |                | -                  |                       |  | -                       |
| Appropriation of Retained Earnings                  |                       |                            |                | (100,000,000)      | 100,000,000           |  | -                       |
| Net income for the year                             |                       |                            |                | 68,156,938         |                       |  | 68,156,938              |
| Remeasurement gain on retirement benefit obligation |                       |                            |                |                    |                       | 8,618,912                                      | 8,618,912               |
| <b>Balance, 31 December 2024, Restated</b>          | <b>877,383,070</b>    | <b>497,140,380</b>         | <b>(20)</b>    | <b>327,762,641</b> | <b>922,279,972</b>    | <b>(4,492,160)</b>                             | <b>2,620,073,883</b>    |
| Cash dividend to National Government                |                       |                            |                | (88,671,668)       |                       |  | (88,671,668)            |
| Reacquisition of common stock                       |                       |                            |                |                    |                       |  | -                       |
| Reissuance of common stock                          |                       |                            |                |                    |                       |  | -                       |
| Treasury Stocks                                     |                       |                            | (10.00)        |                    |                       |  | (10)                    |
| Appropriation of Retained Earnings                  |                       |                            |                |                    |                       |  | -                       |
| Net income for the year                             |                       |                            |                | 93,557,375         |                       |  | 93,557,375              |
| Unrealized loss on Available for Sale Securities    |                       |                            |                | -                  |                       |  | -                       |
| Unrealized gain on exchange/foreclosure             |                       |                            |                | -                  |                       |  | -                       |
| ULFC balance  |                       |                            |                | 257,416,569        | (222,279,972)         |  | 35,136,597              |
| Remeasurement gain on retirement benefit obligation |                       |                            |                | -                  | -                     | 22,279,972                                     | 22,279,972              |
| <b>Balance, 31 December 2025</b>                    | <b>877,383,070.00</b> | <b>497,140,380.00</b>      | <b>(30.00)</b> | <b>590,064,916</b> | <b>700,000,000.00</b> | <b>17,787,812.00</b>                           | <b>2,682,376,148.25</b> |

*The Notes on pages 56 to 138 form part of these financial statements.*

**LBP LEASING AND FINANCE CORPORATION**  
(A Wholly Owned Subsidiary of Land Bank of the Philippines)

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

(All amounts in Philippine Peso, unless otherwise stated)

## **1. GENERAL INFORMATION**

### **1.1 Corporate Information**

LBP Leasing and Finance Corporation (the Corporation or LLFC), formerly LBP Leasing Corporation, was registered with the Securities and Exchange Commission (SEC) on March 17, 1983 under SEC Registration No. 111115. The Corporation was granted by the SEC a license to operate as a finance company on March 18, 1983.

The Corporation's name was changed from LBP Leasing Corporation (LLC) to LBP Leasing and Finance Corporation (LLFC) effective November 3, 2015. The Corporation's registered address is at the 15th Floor Sycip Law Center, No. 105 Paseo De Roxas, Makati City.

The Corporation is a wholly-owned subsidiary of Land Bank of the Philippines (LBP), a government-owned and controlled financial institution. LLFC is classified as a Government Financial Institution (GFI) and is subject to the regulatory powers of the Governance Commission for Government-Owned or Controlled Corporations (GCG) as defined under Republic Act (RA) No. 10149, otherwise known as the GOCC Governance Act of 2011.

### **1.2 Merger with UCPB Leasing and Finance Corporation**

On August 6, 2024, the President of the Republic of the Philippines signed Executive Order No. 65, Series of 2024, directing the merger of LLFC (the surviving entity) and UCPB Leasing and Finance Corporation (ULFC), both wholly-owned subsidiaries of Land Bank of the Philippines (LBP). The merger was approved by the SEC on February 28, 2025 (the merger effectivity date).

Prior to the merger, ULFC was registered with the SEC on January 2, 1989, under SEC Registration No. AS00158561. ULFC was incorporated and operated as a finance company under RA No. 8556, The Financing Company Act of 1998, primarily engaged in providing services such as lease financing, check discounting, and trade receivable financing. In September 2010, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) approved ULFC's application to engage in quasi-banking functions; however, in January 2012, the Company decided to cancel its quasi-banking license, which was approved by the BSP on April 26, 2012. On November 20, 2020, the GCG formally confirmed the classification of ULFC as a GFI.

Upon effectivity of the merger on February 28, 2025, all assets, liabilities, and capital of ULFC were transferred to and absorbed by LLFC. ULFC's separate legal existence ceased upon the merger effectivity date. The merger was accounted for using the pooling of interests method in accordance with the guidance provided under Philippine Interpretation Committee (PIC) Q&A No. 2012-01, PIC Q&A No. 2015-01, and PIC Q&A No. 2018-13, as the merger involved entities under common control (both LLFC and ULFC are wholly-owned subsidiaries of LBP). The accounting for this merger is further discussed in Note 5.

Upon the effectivity of the merger, LLFC succeeded to the 100 per cent ownership of United Foreign Exchange Corporation (UFEC), formerly known as UCPB Foreign Exchange Corporation a wholly owned subsidiary of ULFC. UFEC was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) under Company Registration No. AS94002946. UFEC's primary purpose was to engage in the business

of dealing and brokering in all currencies, options, futures, and forwards relating to foreign exchange.

UFEC has not been in active operations since January 1, 2004, following the issuance of stringent Bangko Sentral ng Pilipinas (BSP) regulations on the foreign exchange market. The Board of Directors and stockholders of UFEC resolved to dissolve the Corporation by shortening its corporate term. Accordingly, UFEC is treated as having been legally dissolved effective December 31, 2023, pursuant to Article IV of its Amended Articles of Incorporation, as approved by majority vote of the Board of Directors and by the sole stockholder on July 4, 2024, and subsequently registered with the SEC.

As at the merger effectivity date of February 28, 2025, UFEC had no active business operations, had no employees, and was engaged solely in the completion of its winding-up and dissolution proceedings.

### **1.3 Amendments to Articles of Incorporation and By-Laws**

On February 28, 2025, the SEC issued Certificates of Filing of Amended Articles of Incorporation and Amended By-Laws of the Corporation. The amendments were adopted by the Board of Directors on August 30, 2024 and approved by the stockholders on September 19, 2024, by the vote of stockholders owning or representing at least two-thirds of the outstanding capital stock, pursuant to Section 15 (for Articles) and Section 47 (for By-Laws) of the Revised Corporation Code of the Philippines, Republic Act No. 11232.

#### **(a) Amended Articles of Incorporation — Restated Corporate Purposes**

The Corporation's **Articles II (Primary and Secondary Purposes) and Article VII (Authorized Capital Stock)** were amended to reflect the expanded scope of the Corporation's business following the merger with ULFC.

The restated primary purpose of the Corporation is as follows:

*To engage, transact, and deal in the business of leasing and financing in all its aspects and forms, including that of financial leases, direct leases, and operating leases, with the power to arrange, underwrite, manage, develop or administer leases of any and all types of real and personal properties, any and all kinds of equipment, machineries, vehicles, vessels, airplanes, appliances, merchandise and facilities, for whatever use, via finance-related transactions such as but not limited to: sale-leaseback arrangements, hire-purchase agreements and other lease financing schemes; to extend credit facilities to single proprietorships, and to industrial, commercial or agricultural enterprises, whether public or private in character, by way of loans or direct lending, or discounting, rediscounting or factoring commercial papers or accounts receivables, or by buying or selling contracts, leases, chattel mortgages or other evidence of indebtedness; and to carry on and exercise, generally, the business and powers of a financing company under the Financing Company Act, as amended, and to do any act or engage in any activity that may be directly or indirectly necessary, proper or convenient for the accomplishment of its primary purpose.*

(As amended by the Board of Directors and Stockholders on August 30, 2024, and September 19, 2024, respectively.)

**(b) Amended Articles of Incorporation — Authorized Capital Stock**

Pursuant to the same amendments, the authorized capital stock of the Corporation was restated as follows:

|   |  |
|---|--|
| <b>Authorized capital stock</b>                   | P1,500,000,000 (One Billion Five Hundred Million Pesos)  |
| <b>Number of shares authorized</b>                | 150,000,000 shares of common stock   |
| <b>Par value per share</b>                        | P10.00   |
| <b>Amendment history</b>                          | As amended December 5, 1996 and June 25, 1997 (by the Board of Directors and Stockholders, respectively); and as further amended August 30, 2024 (BOD) and September 19, 2024 (Stockholders) |
| <b>Issued and outstanding shares (100% - LBP)</b> | 87,738,307 shares as at December 31, 2025  |
| <b>Total subscribed and paid-up capital</b>       | 87,738,307 as at December 31, 2025   |

The Corporation has only one stockholder, Land Bank of the Philippines (LBP), which owns 100 per cent of the issued and outstanding capital stock of the Corporation. Further details on the Corporation's capital stock are disclosed in Note 20.

**(c) Amended By-Laws — Key Changes**

The following key changes to the Corporation's By-Laws were approved and registered with the SEC effective February 28, 2025:

| <b>ARTICLE / SECTION</b> | <b>SUBJECT</b>                           | <b>NATURE OF AMENDMENT</b>  |
|--------------------------|--|---|
| Art. III, Sec. 4         | Notice of Meetings — Stockholders        | Notices of annual and special stockholder meetings may now be transmitted via electronic mail, in addition to personal delivery, mail, telegraph, or cable.   |
| Art. III, Sec. 7         | Voting — Stockholders                    | Stockholders may vote in person, through remote communication, or by proxy. Remote communication voting was expressly added to recognize hybrid and virtual meeting formats.  |
| Art. IV, Sec. 1          | General Powers of the Board of Directors | Expanded enumeration of BOD powers (items a–h) including acquisition of properties and securities, incurring indebtedness, sale/disposal of assets, guaranteeing obligations, delegation of authority, and write-off of accounts. |
| Art. IV, Sec. 12         | Board Meetings — Remote Participation    | Directors who cannot physically attend or vote at board meetings may participate and vote through remote communication such as videoconferencing,   |

| ARTICLE / SECTION | SUBJECT                                   | NATURE OF AMENDMENT   |
|-------------------|---|---|
|                   |   | teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate.  |
| Art. V, Sec. 1. e | Related Party Transaction Committee (New) | A new standing committee — the Related Party Transaction Committee — was formally constituted. It is primarily responsible for the evaluation and monitoring of transactions or dealings with related parties of LLFC, whether or not a price is charged, including outstanding transactions entered into with an unrelated party that subsequently becomes a related party. The committee shall be composed of at least three (3) members of the Board of Directors (BOD). |

#### **1.4 Principal Activities**

The Corporation's principal activities, in relation to or in furtherance of its primary purpose, include but are not limited to the following:

- (a) Purchasing, acquiring, owning, holding, renting, leasing, sub-leasing, or otherwise disposing of and dealing in real property, whether improved or unimproved, including contracting for construction, civil engineering, building utility, interior and exterior finishings, and design and supervision thereof;
- (b) Owning, leasing, or subleasing transportation equipment, plant equipment, vessels, airplanes, machineries, computers, power generation equipment, construction equipment, heavy equipment, industrial and agricultural machinery, home and office appliances, furniture and furnishings, hospital and dental equipment, and other movables, including full service operating lease solutions for vehicles;
- (c) Lending funds with or without collateral, including pledge or chattel mortgage of equipment, machinery, merchandise, or real property, subject to compliance with SEC Memorandum Circular No. 18, Series of 2019 on Prohibition on Unfair Debt Collection Practices;
- (d) Purchasing, selling or otherwise transacting in mortgage papers, installment contracts, quedans, warehouse receipts, and other similar contracts and instruments, and advancing funds on the security thereto;
- (e) Guaranteeing arrangements for credit and other financial accommodations for productive enterprises or end-users and acting as a credit broker, fiscal or collection agent, credit evaluator, or general or specialized representative of business enterprises in matters involving credit extension and financing as well as credit evaluation and collection;
- (f) Purchasing or otherwise acquiring, discounting, negotiating, collecting, mortgaging, pledging, assigning, selling, or otherwise dealing in accounts receivables, promissory notes, bonds, debentures, and other evidence of indebtedness; and
- (g) Undertaking the collection of accounts receivables, negotiable instruments, letters of credit, acceptances, drafts, bills of exchange, and other evidence of indebtedness.

## **1.5 Authorization of Financial Statements**

The Board of Directors (BOD), through Resolution No. [\_\_\_\_\_], approved and authorized for issuance the Corporation's financial statements as of and for the year ended December 31, 2025, with comparative figures for December 31, 2024 (as restated to reflect the pooling of interests merger), on [DATE].

## **2. STATEMENT OF COMPLIANCE WITH PHILIPPINE FINANCIAL REPORTING STANDARDS**

The financial statements of the Corporation have been prepared in compliance with Philippine Financial Reporting Standards/Philippine Accounting Standards (PFRSs/PASs) as issued and adopted by the Philippine Financial Reporting Standards Council (FRSC) and approved by the Board of Accountancy.

The financial statements have also been prepared with modifications arising from the application of financial reporting reliefs issued by the BSP, as follows:

- a) Staggered booking of allowance for credit losses (ACL) over a maximum period of five (5) years — pursuant to BSP Memorandum M-2020-008 dated March 14, 2020, as approved by the SEC in Memorandum Circular No. 32-2020 dated November 17, 2020, in response to the COVID-19 pandemic.

The BSP approved LLFC's application for the staggered booking of allowance for credit losses on June 27, 2021, with a reckoning start date of February 2021 and running until February 2026. The Corporation is currently assessing the impact of the merger on the remaining deferred balance and the applicability of this relief to the combined entity. The details of the staggered ACL are disclosed in Note 10.

In light of the merger between ULFC and LLFC, and the findings of the Commission on Audit (COA) audit, ULFC's staggered booking of ACL was fully discontinued prior to the merger effectivity date. As at the merger date of February 28, 2025, 100 per cent of the required ACL of the former ULFC was fully booked.

### **(b) Departure from BSP Prudential Reporting — Recognition of Acquired Properties at Fair Value.**

For BSP prudential reporting purposes, the Corporation classifies and measures Real and Other Properties Acquired (ROPA) — consisting of properties acquired through foreclosure or dation in payment of delinquent accounts — in accordance with BSP regulatory guidelines, including BSP Memorandum No. M-2020-068 and the Manual of Regulations for Non-Bank Financial Intermediaries (MORNBF1), which prescribe specific valuation, provisioning, and classification requirements.

For the purpose of these audited financial statements, which are prepared in accordance with Philippine Financial Reporting Standards (PFRSs), the Corporation departs from BSP prudential reporting in the following manner:

- (i) ROPA classified as Investment Property - accounted for under PAS 40, Investment Property, using the cost model. The fair value of the property at the date of acquisition through foreclosure or dation is recognized as the initial cost of the property.

- Subsequent measurement is at cost less accumulated depreciation and any impairment loss;
- (ii) ROPA classified as Property and Equipment (PPE) - accounted for under PAS 16, Property, Plant and Equipment, using the cost model. The fair value at the date of acquisition is recognized as cost; and
  - (iii) ROPA classified as Non-current Assets Held for Sale (NCAHS) - accounted for under PFRS 5, Non-current Assets Held for Sale and Discontinued Operations. These are measured at the lower of carrying amount and fair value less costs to sell at the date of reclassification.

As a result, the carrying amounts of ROPA and the related gains or losses on foreclosure recognized in these financial statements may differ from those reported in the Corporation's prudential reports submitted to the BSP. The effect of this difference is disclosed in Notes 10, 12, and 13.

### **3. MATERIAL ACCOUNTING POLICIES**

#### **3.1 Basis of Financial Statement Preparation**

The financial statements have been prepared under the historical cost basis, except when otherwise stated. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Acquired properties (ROPA) are initially recognized at their fair value at the date of acquisition (foreclosure date or date of dation in payment), which becomes the deemed cost under the cost model applied thereafter. This approach results in a presentation that differs from the BSP prudential reports submitted to the BSP, which apply specific regulatory valuation requirements for ROPA. The nature and effect of this difference are disclosed in Note 2 and Notes 10, 12, and 13.

These financial statements are presented in Philippine peso, the Corporation's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

#### **3.2 Presentation of Financial Statements**

The financial statements are presented in accordance with PAS 1, Presentation of Financial Statements. The Corporation presents all items of income and expenses in a single statement of comprehensive income.

The Corporation presents its statement of financial position broadly in order of liquidity. Analysis regarding recovery (asset) or settlement (liability) within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 30.

### **3.3 Basis of Combination — Pooling of Interests**

The merger of LLFC and ULFC, both wholly-owned subsidiaries of LBP, was accounted for using the pooling of interests method in accordance with PIC Q&A No. 2012-01 (as amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13) and consistent with PFRS 3, Business Combinations, which excludes business combinations under common control from its scope.

Under the pooling of interest method:

- (a) The financial statements of the combined entity are presented as if the combination had occurred from the beginning of the earliest comparative period presented. Accordingly, the comparative figures as at and for the year ended December 31, 2024 have been restated to reflect the combined operations of LLFC and ULFC.
- (b) The assets and liabilities of ULFC are recognized in these financial statements at their historical carrying amounts as recorded in ULFC's separate financial statements as at the merger effectivity date, without any step-up to fair value.
- (c) No goodwill or other purchase price allocation adjustments arise from the combination.
- (d) Transaction costs directly attributable to the merger are expensed in the period incurred.
- (e) Any difference between the carrying amount of the net assets of ULFC transferred and the consideration transferred (if any) is adjusted directly in equity.

Intercompany balances and transactions, unrealized gains and losses, and intragroup income and expenses resulting from transactions between LLFC and ULFC have been eliminated in full combination.

### **3.4 Current versus Non-current Classification**

The Corporation presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The Corporation classifies all other assets and liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

### **3.5 Use of Judgments and Estimates**

The preparation of financial statements in compliance with PFRSs requires the use of certain critical accounting estimates and requires management to exercise judgment in the most appropriate application of accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Note 4.

### **3.6 Changes in Accounting Policies and Disclosures**

#### **(a) New Standards and Amendments Effective January 1, 2025**

The following amendment was adopted by the Corporation effective January 1, 2025:

- Amendment to PAS 21, The Effects of Changes in Foreign Exchange Rates — Lack of Exchangeability (effective for annual periods beginning on or after January 1, 2025). This amendment specifies how to assess whether a currency is exchangeable into another currency and how to determine a spot exchange rate when a currency is not exchangeable. The adoption of this amendment did not have a material impact on the Corporation's financial statements.

#### **(b) New Standards and Amendments Issued But Not Yet Effective**

The following new and amended standards have been issued but are not yet effective as at December 31, 2025:

- (i) Amendments to PFRS 9 and PFRS 7, Classification and Measurement of Financial Instruments — Comparative Information (effective for annual periods beginning on or after January 1, 2026). The amendments clarify requirements related to the date of recognition and derecognition of financial assets and liabilities, contractual cash flow characteristics of financial assets, and introduce certain disclosure requirements for financial instruments. The Corporation is currently assessing the impact of these amendments.
- (ii) Annual Improvements to IFRS Accounting Standards (effective for annual periods beginning on or after January 1, 2026) - addressing amendments to PFRS 7 and PFRS 9 relating to disclosure of deferred differences, gain or loss on derecognition, credit risk disclosures, derecognition of lease liabilities, and transaction price. The Corporation does not expect these to have a material impact.
- (iii) PFRS 18, Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027, replacing PAS 1). PFRS 18 introduces key new concepts relating to the structure of the statement of profit or loss, required disclosures for management-defined performance measures reported outside the financial statements, and enhanced principles on aggregation and disaggregation. The Corporation is currently assessing the impact of PFRS 18.

### **3.7 Financial Instruments**

#### **Initial Recognition and Measurement**

A financial asset or financial liability is recognized in the statement of financial position when the Corporation becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition is done using settlement date accounting.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

## Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on its quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

## Day 1' difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, LLFC recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, LLFC determines the appropriate method of recognizing the 'Day 1' difference.

## Classification of Financial Assets

The Corporation classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost, and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification depends on the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

### *Financial assets at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as non-current assets.

LLFC's cash and cash equivalents and financial assets at amortized cost, as disclosed in Notes 6 and 8, respectively, are included in this category.

Cash pertains to cash on hand and in banks.

Cash equivalents includes short-term placements with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

The financial assets at amortized account include the aggregate rental on finance lease transactions. Unearned income on finance lease transactions is shown as deduction from the "Financial Assets at Amortized Cost" account in the statement of financial position.

#### *Financial assets at FVOCI*

A financial asset is measured at FVOCI if it meets the SPPI test and is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The financial assets shall be measured at FVOCI if both of the following conditions are met:

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

For equity instruments, LLFC may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in Other Comprehensive Income (OCI) are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

The Corporation does not currently have financial assets at FVOCI.

#### *Financial assets at FVPL*

Financial assets that do not meet the criteria for amortized cost or FVOCI classification are measured at FVPL.

Financial assets at FVPL are either classified as held for trading or designated at FVPL. A

financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which LLFC had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

LLFC may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

The Corporation does not currently have financial assets at FVPL.

### **Reclassification of Financial Assets**

LLFC reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be

recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

### **Derecognition of financial assets**

#### Financial assets

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when (1) the rights to receive cash flows from the asset have expired; (2) LLFC retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; (3) LLFC has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of ownership of the asset, or (4) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

When LLFC has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of LLFC's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that LLFC could be required to repay.

### **Classification of Financial Liabilities**

Financial liabilities are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The Corporation's financial liabilities are classified and measured at amortized cost.

#### *Financial liabilities at amortized cost.*

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in LLFC having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

LLFC's financial liabilities and clients' deposits on lease contracts as disclosed in Notes 7 and 19, respectively, are included in this category.

### Derecognition of financial liabilities

Financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10 per cent from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which LLFC could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10 per cent threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

### Impairment of Financial Assets (Expected Credit Loss)

The Corporation recognizes an allowance for expected credit losses (ECL) based on the guidelines set by the BSP, which are consistent with PFRS 9. The ECL model covers all financial assets measured at amortized cost and FVOCI.

LLFC recognizes credit impairment/allowance for credit losses even before objective evidence of impairment becomes apparent.

The Corporation's credit exposures are classified into three stages:

| Stage of Credit Impairment | Characteristics   | Time Horizon in measuring ECL |
|----------------------------|---|-------------------------------|
| Stage 1                    | Credit exposure that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk      | 12 - month ECL                |
| Stage 2                    | Credit exposure that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition | Lifetime ECL                  |

| Stage of Credit Impairment | Characteristics   | Time Horizon in measuring ECL |
|----------------------------|---|-------------------------------|
| Stage 3                    | Credit exposure with objective evidence of impairment, thus, considered as “non-performing” | Lifetime ECL                  |

12-Month ECL — The Corporation sets up an allowance equivalent to one per cent for all outstanding collectively assessed financial assets that are not individually significant, except those considered risk-free under existing rules and regulations.

Lifetime ECL — Individually assessed financial assets are measured using lifetime ECL. The Corporation has established a provision matrix based on the minimum guidelines set by the BSP aligned to the following classification:

| Classification                | Stage of Credit Impairment |
|-------------------------------|----------------------------|
| Especially Mentioned          | Stage 2                    |
| Substandard (underperforming) | Stage 2                    |
| Substandard (non-performing)  | Stage 3                    |
| Doubtful                      | Stage 3                    |
| Loss                          | Stage 3                    |

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Estimates of changes in future cash flow reflect and are directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by LLFC to reduce any differences between loss estimates and actual loss experience.

#### Transfer from 12 - month ECL to Lifetime ECL

LLFC transfers exposures from Stage 1 to Stage 2 or 3 when there is a significant increase in credit risk. Management set other indicators aside from missed payments which may place an exposure to increased its credit risk since initial recognition.

#### Transfer from Lifetime ECL to 12 - month ECL

LLFC transfers exposures from Stage 3 to Stage 1 only when there is sufficient evidence to support their full collection. As a general rule, full collection is probable when payment of interest and/or principal are received for at least six months.

Interest income continues to be recognized based on the original EIR of the asset except those classified under “Stage 3” which recognizes interest income based on the amortized cost carrying amount of the asset (net of allowance for losses).

Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to ‘recovery on charged-off assets’ in the statement of comprehensive income.

### ***Restructured accounts***

Where possible, LLFC seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan’s original EIR, except if classified under “Stage 3” criteria. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in ‘Provision for impairment losses’ in the statement of comprehensive income.

Non-performing restructured exposures that have exhibited improvement in creditworthiness of the counterparty may only be transferred from Stage 3 to Stage 1 after a total of one-year probation period; six months from Stage 3 to Stage 2, and another six months from stage 2 to Stage 1; or directly from Stage 3 to Stage 1, without passing through Stage 2, after 12 months.

Restructured accounts classified as “performing” prior to restructuring will be initially classified under Stage 2. Transfer from Stage 2 to Stage 1 will follow the six-month rule on transfer from lifetime ECL to 12 - month ECL.

### **3.8 Investment Properties**

Investment properties, which include land, are initially recorded at cost including transaction costs. Investment properties acquired in exchange for loans and receivables are recorded at the fair value of the properties on acquisition dates. Foreclosed properties are classified as investment property from foreclosure dates.

#### **ROPA Classified as Investment Property — Initial Recognition at Fair Value**

Real and Other Properties Acquired (ROPA) that meet the definition of investment property under PAS 40 are initially recognized at the fair value of the property at the foreclosure date or the date of dation in payment. This fair value is determined based on an appraisal conducted by in-house or accredited independent appraisers at or near the acquisition date and represents the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. This fair value becomes the cost of the investment property for subsequent measurement under the cost model.

The gain or loss arising on foreclosure or dation — being the difference between the fair value of the property received and the carrying amount of the loan or receivable extinguished — is recognized in profit or loss in the period of acquisition under 'Gain (Loss) on Foreclosure of Properties' within Other Income (refer to Note 23).

Subsequent to initial recognition, investment properties (other than land) are measured at cost less accumulated depreciation and any accumulated impairment losses. The fair value determined at the acquisition date serves as the cost base for depreciation and impairment testing and does not change unless capital improvements are made. Land is stated at cost less any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of five to ten years.

The fair value of investment properties as at each reporting date — required for disclosure purposes under PAS 40, paragraph 79(e) - is determined by in-house and/or accredited independent appraisers and is disclosed in Note 10. This fair value disclosure is separate from and subsequent to the initial recognition fair value described above; it serves only as a disclosure and does not affect the carrying amount under the cost model.

Fair value is supported by market evidence and is determined by appraisers with sufficient experience with respect to both location and the nature of the investment property. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged against current operations in the year in which costs are incurred.

Investment properties are derecognized when they have been disposed of or permanently withdrawn from use with no future economic benefit expected from disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in "Gain on sale of properties" included under "Other Income" in the statement of comprehensive income in the period 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 and commencement of an operating lease to another party. 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.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by LLFC as an owner-occupied property becomes an investment property, LLFC accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

### **3.9 Property and Equipment and Equipment and Other Property for Lease (EOPL)**

Property and equipment and EOPL are initially measured at cost. At the end of each financial reporting period, these are measured at cost less accumulated depreciation and impairment in value.

The initial cost of an asset consists of its purchase price, directly attributable costs of bringing the asset to its working condition for its intended use and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

### **ROPA Classified as Property and Equipment — Initial Recognition at Fair Value**

Properties acquired through foreclosure or dation in payment of delinquent accounts (ROPA) that are intended for use in the Corporation's operations are classified as property and equipment in accordance with PAS 16. Such properties are initially recognized at their fair value at the date of acquisition, which is determined based on an appraisal by in-house or accredited independent appraisers. This fair value constitutes the cost of the asset for all subsequent measurement, depreciation, and impairment purposes under the cost model.

The gain or loss on foreclosure is recognized in profit or loss at the time of acquisition, computed as the difference between the fair value of the property received and the carrying amount of the related loan or receivable derecognized.

The carrying amount of ROPA classified as PPE may differ from the carrying amount reported in the BSP prudential books due to differences in the initial valuation basis. The effect of this difference, where determinable and material, is disclosed in Note 12.

Subsequent expenditures relating to an item of property and equipment and EOPL are recognized as addition to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to LLFC. The carrying amount of property and equipment and EOPL includes the cost of testing machinery to ensure that these function as intended and also all costs attributable to bringing the asset to the location and condition for it to be capable of operating. All repairs and maintenance costs are charged to the operations during the year in which these are incurred.

Depreciation is computed using the straight-line method. The Corporation is guided by the estimated useful lives prescribed under Commission on Audit (COA) Circular No. 2017-004 dated December 13, 2017, as follows:

| Property and Equipment                   | Estimated Useful Life |
|--|-----------------------|
| Buildings                                | 30 to 50 years        |
| Transportation equipment (motor vehicle) | 5 to 15 years         |
| Office equipment, furniture and fixtures | 2 to 15 years         |
| Other property and equipment             | 2 to 15 years         |

The Corporation maintains a residual value of 10 per cent of cost. Depreciation commences on the following month after purchase/completion, irrespective of the date within the month. Equipment and other properties for lease are amortized over the terms of the leases or the estimated useful lives of the assets, whichever is shorter.

Equipment and other properties for lease are amortized over the terms of the leases or the estimated useful lives of the asset, whichever is shorter.

The carrying values of the property and equipment and EOPL are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in profit or loss.

An item of property and equipment and EOPL, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

### **3.10 Non-current Assets Held for Sale**

Non-current assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These are measured at the lower of carrying amount and fair value less costs to sell and are not subject to depreciation or amortization from the date of classification.

Non-current assets held for sale include foreclosed collateral of delinquent customers that the Corporation intends to sell within one year from the date of classification as held for sale.

Upon initial classification as held for sale, ROPA transferred to this category from investment properties or PPE are measured at the lower of: (a) carrying amount (being fair value at foreclosure date less accumulated depreciation and impairment recognized up to the date of reclassification); and (b) fair value less costs to sell, as determined by an appraisal conducted by in-house or accredited independent appraisers. Any write-down to fair value less costs to sell at the time of reclassification is recognized as an impairment loss in profit or loss. No depreciation is charged on non-current assets held for sale from the date of reclassification.

The fair value less costs to sell used in the lower-of measurement under PFRS 5 may differ from the regulatory carrying value or valuation reserve applied under BSP prudential requirements. The effect of this difference, where determinable and material, is disclosed in Note 13.

LLFC classifies assets as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

If LLFC has classified an asset as held for sale but the criteria for it to be recognized as held for sale are no longer satisfied, LLFC shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or re-measurement of held for sale assets is recognized as part of Other Income account in the statement of comprehensive income.

### **3.11 Intangible Assets**

Intangible assets are separately measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost net of amortization. Intangible assets are amortized over their estimated useful lives ranging from one to five years using the straight-line method.

The Corporation's intangible assets consist primarily of computer software and is lodged under the other asset account.

### **3.12 Other Assets**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at cost. Subsequently, these are charged to statements of comprehensive income as they are consumed in operations or as they expire with the passage of time.

Prepayments are classified in the statement of financial position as current assets and expected to be incurred within one year, otherwise, prepayments are classified as non-current assets.

Other assets pertain to expenditures which have future economic benefits and are not identified as financial assets, prepayments, or equipment. These are classified as current in the statement of financial position because the benefit from such assets are expected to be realized within one year from the financial reporting date, otherwise, they are classified as non-current.

### **3.13 Impairment of Non-Financial Assets**

At each reporting date, the Corporation reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the asset is written down to its recoverable amount.

The recoverable amount of the assets is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to its present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication

exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of comprehensive income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### **3.14 Leases**

#### **Corporation as Lessor — Finance Lease**

Finance leases, where the Corporation transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under financial assets at amortized cost as finance lease receivables. The difference between the gross lease receivable and the net investment in the lease is recognized as unearned finance income, and amortized over the lease term using the effective interest rate method.

All income resulting from the receivable is included as part of "Interest Income" in the statement of comprehensive income.

#### **Corporation as Lessor — Operating Lease**

Leases where the Corporation does not transfer substantially all the risks and rewards of ownership are classified as operating leases. Rent income from operating leases is recognized on a straight-line basis over the lease term and recorded under Other Income.

#### **Corporation as Lessee — PFRS 16**

The Corporation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, in accordance with PFRS 16, Leases. LLFC recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets - LLFC recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| Right-of-use assets                      | Estimated Useful Life |
|--|-----------------------|
| Buildings                                | 10-20 years           |
| Transportation Equipment (motor vehicle) | 7 years               |
| Office Equipment, Furniture and Fixtures | 5-10 years            |

| Right-of-use assets          | Estimated Useful Life |
|------------------------------|-----------------------|
| Other Property and Equipment | 5 years               |

If ownership of the leased asset transfers to LLFC at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

**Lease liabilities** - At the commencement date of the lease, LLFC recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by LLFC and payments of penalties for terminating the lease, if the lease term reflects LLFC exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, LLFC uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**Short-term leases and leases of low-value assets** - LLFC applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

LLFC does not recognize right-of-use assets and lease liabilities for most leases. However, LLFC has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

### **3.15 Check Discounting and Trade Receivable Financing**

Check discounting involves the purchase of post-dated checks from clients at a discount. The gross value of checks discounted, net of the discount, is recorded as check discounting receivables under loans and receivables. The discount is recognized as interest income over the discount period using the effective interest rate method.

Trade receivable financing involves the purchase or financing of trade receivables from clients. Such receivables are recognized at their face amount net of applicable fees or discounts, which are amortized as interest income over the financing period.

These products were acquired from ULFC as part of the merger and are included in the combined entity's financial statements from January 1, 2024 (restated comparative period).

### **3.16 Residual Value of Leased Assets and Deposits on Lease Contracts**

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

### **3.17 Employee Benefits**

#### **Retirement Benefit Obligations**

The Corporation has a funded non-contributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise: (a) service cost, including current and past service costs and gains or losses on non-routine settlements, recognized in profit or loss; (b) net interest on the net defined benefit liability or asset, recognized in profit or loss; and (c) remeasurements comprising actuarial gains and losses and return on plan assets, recognized immediately in other comprehensive income and not reclassified to profit or loss in subsequent periods.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods. All re-measurements recognized in other comprehensive income account "Re-measurement gains (losses) on retirement plan" are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of LLFC, nor can they be paid directly to LLFC. Fair value of plan assets is based on market price information. When no market price is

available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

### **Compensated Absences**

Compensated absences are recognized for the number of paid leave days remaining at the end of each reporting period. These are included in accrued expenses at the undiscounted amount the Corporation expects to pay. These are included in "Accrued Other Expenses Payable" account at the undiscounted amount that LLFC expects to pay as a result of the unused entitlement.

### **3.18 Related Parties**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Key management personnel and post-employment benefit plans for the benefit of the Corporation's employees are also considered related parties.

### **3.19 Income Tax**

#### **Current Income Tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxable income differs from net income as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current tax relating to items recognized directly in equity is recognized in equity and not in other comprehensive income. LLFC periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate

#### **Deferred Tax**

Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available against which deductible temporary differences and

carryforward of unused tax credits and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each financial 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 income 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 asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which LLFC expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognized in profit or loss for the period, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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 the deferred taxes relate to the same taxable entity and the same taxation authority.

### **3.20 Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as LLFC perform its obligations; (b) LLFC's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) LLFC's performance does not create an asset with an alternative use to LLFC and LLFC has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

LLFC also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. LLFC has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

(a) Interest Income — For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR) method. The deferred lease income is amortized over the lease term using the EIR method. For Stage 3 accounts, interest income is recognized based on the amortized cost carrying amount (net of allowance for losses).

(b) Leasing Income — Revenue from finance leases is recognized using the EIR method. Operating lease income is recognized on a straight-line basis over the lease term.

(c) Check Discounting and Trade Receivable Financing Income — Income is recognized over the discount period or financing term using the EIR method.

(d) Service Charges, Penalties, and Other Fees — Recognized when earned or when there is reasonable certainty of collectability.

(e) Gain/Loss on Foreclosure and Asset Sale — Recognized upon settlement, based on the difference between the net proceeds and the carrying amount of the related asset.

(f) Other Income — Recognized in the period where they are earned.

### **3.21 Costs and Expenses Recognition**

Costs and expenses are recognized in profit or loss when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen and that can be reliably measured. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method. Cost of services are expenses incurred that are associated with services rendered. Operating expenses are cost attributable to administrative, marketing and other business activities of LLFC.

### **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a “qualifying asset” or an asset that necessarily takes a substantial period to get ready for its intended use or sale, are included in the cost of the asset. Other borrowing costs which consist of

interest and other costs that LLFC incurs in connection with borrowing of funds are recognized as expenses in the year in which these costs are incurred using the effective interest method.

### **3.22 Inter-agency and Other Payables**

Inter-agency and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest rate method. Inter-agency and other payables classified as current liabilities are measured at the undiscounted amount of cash to be paid, which is normally the invoice amount.

### **3.23 Provisions and Contingencies**

Provisions are recognized when: (a) the Corporation has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes unless the possibility of an outflow is remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is probable.

### **3.24 Dividends**

Dividends are recognized as a liability in the Corporation's financial statements in the period in which the dividends are declared and approved by the Board of Directors, in accordance with RA No. 7656 (An Act Requiring Government-Owned and Controlled Corporations to Declare and Remit at Least Fifty Per Cent of their Annual Net Earnings as Cash, Stock, or Property Dividends to the National Government).

### **3.25 Equity**

Common stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

### Treasury Shares

Own equity instruments which are re-acquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of LLFC's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

LLFC's retained earnings account is composed of:

#### Appropriated retained earnings

Appropriated retained earnings represent the portion of retained earnings that have been set aside by action of the Board of Directors for a specific use.

#### Unappropriated retained earnings

Unappropriated retained earnings represent the amount of accumulated profits and gains realized out of the normal and continuous operations of LLFC after deducting distributions to stockholders and transfers to capital stock or other accounts, and which are:

- not appropriated by the Board of Directors for corporate expansion or projects;
- not covered by a restriction for dividend declaration under a loan agreement; and
- not required to be retained under special circumstances obtaining in LLFC such as when there is a need for a special reserve for probable contingencies.

#### Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense, including items previously presented under the separate statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income (loss) of LLFC pertains to gain (loss) on remeasurement of retirement benefit obligation.

### **3.26 Earnings Per Share**

Basic earnings per share is calculated by dividing profit or loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any stock dividend.

### **3.27 Events After the Financial Reporting Date**

Post-year-end events up to the date of the auditors' report that provide additional information about the Corporation's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in accordance with PFRSs requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

##### **4.1 Key Estimates**

###### **Estimation of Allowance for Credit Losses (ECL)**

The determination of expected credit losses requires management to exercise significant judgment in: (a) the assessment of significant increase in credit risk since initial recognition; (b) the estimation of probability of default, loss given default, and exposure at default for the combined portfolio; (c) the identification and weighting of macroeconomic scenarios; and (d) the application of management overlays for post-model adjustments.

Financial assets at FVOCI are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. In addition, LLFC evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

LLFC reviews its financial assets at amortised cost to assess impairment at least on an annual basis to assess whether additional provision for credit losses should be recognized. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance for credit losses.

In 2025 and 2024, management assessed allowances for credit losses amounting to P1,323,393,833 and P1,433,469,980 (restated), respectively, for the combined entity (refer to Note 15).

###### **Estimation of Useful Lives of Property and Equipment, EOPL, and Investment Properties**

Management estimates the useful lives of property and equipment, EOPL, and investment properties based on the period over which the assets are expected to be available for use, taking into account physical wear and tear, technical or commercial obsolescence, and legal or other limits on use. Estimated useful lives are reviewed periodically and are updated if expectations change.

In addition, estimation of the useful lives of property and equipment, EOPL and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment, EOPL and investment properties would increase recorded operating expenses and decrease non-current assets.

The estimated useful lives of investment properties, property and equipment, EOPL are set out in Notes 3.8 and 3.9.

Estimation of impairment of Investment properties, property and equipment, EOPL and non-current assets held for sale

LLFC assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that LLFC considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

LLFC recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the assets' net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, the cash generating unit to which the asset belongs.

Allowance for impairment losses on Investment Properties amounted to nil as of December 31, 2025 and 2024 (Note 10) while allowance for impairment losses on Property and Equipment amounted to nil and nil in 2025 and 2024 (Note 10). There are no impairment losses on EOPL for the years 2025 and 2024.

The carrying values of the Corporation's non-financial assets as at December 31 are as follows:

|  | <b>2025</b> | <b>2024 (Restated)</b> |
|--|-------------|------------------------|
| Investment Properties (Note 10)                              | 146,555,877 | 68,098,669             |
| Equipment and Other Properties for Lease - EOPL<br>(Note 11) | 165,672     | 344,314                |
| Property and Equipment (Note 12)                             | 3           | 980,010                |
| Non-current Assets Held for Sale (Note 13)                   | 52,061,754  | 31,821,995             |

### **Estimation of Fair Value of Acquired Properties (ROPA)**

The determination of the fair value of properties acquired through foreclosure or dation in payment requires significant management judgment. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date (PFRS 13, Fair Value Measurement).

For ROPA recognized as Investment Properties, PPE, or Non-current Assets Held for Sale, the Corporation determines fair value using the following valuation approaches:

| <b>PROPERTY TYPE</b>                 | <b>VALUATION APPROACH</b>                             | <b>KEY INPUTS AND ASSUMPTIONS</b>   |
|--------------------------------------|---|---|
| <b>Land</b>                          | Market/Sales Comparison Approach                      | Recent arm's length sales of comparable land in the same area; adjustments for location, size, shape, topography, and accessibility; sourced from accredited appraisers and published market data |
| <b>Buildings and Improvements</b>    | Cost Approach (Replacement Cost less Depreciation)    | Replacement cost of the structure; condition and remaining economic life; depreciation based on age and physical deterioration  |
| <b>Land and Buildings (combined)</b> | Market Approach (primary) + Cost Approach (secondary) | Comparable sales data; location, lot area, building area, age, and condition adjustments  |
| <b>Condominium Units</b>             | Market/Sales Comparison Approach                      | Recent transactions for comparable units in the same building or vicinity; per-square-meter rates adjusted for floor level, view, and condition   |
| <b>Other Properties</b>              | Cost Approach or Market Approach, as applicable       | Appraiser judgment based on available market data; reproduction/replacement cost as applicable  |

Valuations are performed by in-house appraisers and/or accredited independent appraisers with sufficient experience in respect of both the location and the nature of the acquired property. The Corporation's appraisers are members of accredited professional organizations and comply with the requirements of the Real Estate Service Act (RESA Law), RA No. 9646.

The key sources of estimation uncertainty in fair value determination include: (a) the selection of comparable transactions and adjustments applied thereto; (b) the assessment of physical condition and remaining economic life for the cost approach; (c) the assumptions regarding the time required to sell and costs to sell for NCAHS; and (d) the frequency and recency of appraisals in relation to prevailing market conditions.

Changes in any of the inputs used in the appraisal would affect the initial recognized cost of ROPA and any gain or loss on foreclosure. Sensitivity to these inputs is not quantified separately, as the fair values are determined by qualified appraisers based on market evidence prevailing at the appraisal date.

### **Estimation of Retirement Benefit Cost**

The determination of the Corporation's pension cost is dependent on actuarial assumptions, including discount rate, expected rate of return on plan assets, and salary increase rate.

Differences between actual results and assumptions are accumulated and amortized over future periods.

The retirement benefit cost charged to operations amounted to P7,028,095 and P6,155,896 (restated) for the years ended December 31, 2025 and 2024, respectively (refer to Note 25). The related liability stands at P21,201,532 and P21,282,008 as at December 31, 2025 and 2024, respectively, as disclosed in Note 26(b).

### **Realizability of Deferred Tax Assets**

The Corporation reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to utilize all or part of the deferred income tax asset.

The Corporation's deferred tax assets recognized amounted to P334,598,458 and P266,986,585 (restated) as at December 31, 2025 and 2024, respectively (refer to Note 29).

## **4.2 Key Judgments**

In the process of applying LLFC's accounting policies, Management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

### **Determination of Functional Currency**

Based on the economic substance of the underlying circumstances, the functional currency of the Corporation is determined to be the Philippine Peso, as it is the currency that mainly influences the rendering of its leasing and financing services and the associated cost structure.

### **Classification of Financial Instruments**

The Corporation exercises judgment in classifying financial instruments, particularly in assessing the business model within which assets are held and whether contractual cash flows represent solely payments of principal and interest (SPPI test).

### **Classification of Lease Agreements**

The Corporation has entered into various lease agreements both as a lessee and a lessor. Critical judgment is exercised to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership.

### **Determination of Lease Term**

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend if it is reasonably certain to be exercised, or any periods covered by an option to terminate if it is reasonably certain not to be exercised. Significant judgment is applied in evaluating whether extension and termination options are reasonably certain to be exercised.

### **Accounting for Common Control Business Combination**

The Corporation applied judgment in determining the appropriate method for accounting for the merger with ULFC. Based on management's assessment and consistent with the guidance under

PIC Q&A No. 2012-01, 2015-01, and 2018-13, the pooling of interests method was applied given that both entities are under common control (wholly-owned subsidiaries of LBP). Further details are provided in Note 5.

## 5. MERGER ACCOUNTING — POOLING OF INTERESTS

### 5.1 Background

Pursuant to Executive Order No. 65, Series of 2024, the President of the Republic of the Philippines directed the merger of LLFC (surviving entity) and UCPB Leasing and Finance Corporation (ULFC) (absorbed entity). Both LLFC and ULFC are wholly-owned subsidiaries of Land Bank of the Philippines (LBP). The Articles of Merger were approved by the SEC on February 28, 2025 (the merger effectivity date), at which point ULFC's separate legal existence ceased and all its assets, liabilities, and obligations were absorbed by LLFC.

### 5.2 Basis of Accounting

As the merger involves entities under common control, it is excluded from the scope of PFRS 3, Business Combinations. In the absence of specific guidance under PFRSs for business combinations under common control, management applied the guidance in PIC Q&A No. 2012-01 (as amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13), which prescribes the pooling of interests method. This method requires:

- (a) Restatement of comparative periods — the combined financial statements are presented as if LLFC and ULFC had always been combined, with the earliest comparative period presented (January 1, 2024) reflecting the combined opening balances.
- (b) Carrying value recognition — ULFC's assets and liabilities are recognized at their historical carrying amounts as recorded in ULFC's books on the merger date. No fair value step-up is applied and no goodwill arises.
- (c) Equity adjustment — any difference between the carrying amount of ULFC's net assets and the consideration transferred is adjusted directly in equity.

### 5.3 Assets and Liabilities of ULFC Recognized at Merger Date

The following table summarizes the carrying amounts of ULFC's assets and liabilities as recognized at the merger effectivity date of February 28, 2025:

| ULFC Assets and Liabilities at February 28, 2025          | Carrying Amount (P) |
|---|---------------------|
| <b>ASSETS</b>   |                     |
| Cash and Cash Equivalents                                 | 477,265,277         |
| Lease and Other Receivables – net                         | 638,218,845         |
| Equity Investments – net                                  | 6,069,806           |
| Residual Value - Equipment and Other Properties for Lease | 87,725,075          |
| Intangible Assets – net                                   | 120                 |
| Real Property, Furniture, Fixtures and Equipment - net    | 97,426              |
| Right of Use Asset  | 1,485,127           |
| Sales Contract Receivable – net                           | 1,780,238           |

| <b>ULFC Assets and Liabilities at February 28, 2025</b> | <b>Carrying Amount (P)</b> |
|---|----------------------------|
| ROPA – net  | 34,198,273                 |
| Other Assets  | 165,051,673                |
| <b>TOTAL ASSETS</b>                                     | <b>1,411,891,860</b>       |
| <b>LIABILITIES</b>                                      |                            |
| Accounts Payable and Other Liabilities                  | 59,099,519                 |
| Deposits on Lease Contracts                             | 87,725,076                 |
| <b>TOTAL LIABILITIES</b>                                | <b>146,824,595</b>         |
| <b>NET ASSETS (Equity)</b>                              | <b>1,265,067,265</b>       |

#### **5.4 Effect of Pooling on Comparative Period (Restatement of 2024)**

In accordance with the pooling of interests method, the 2024 comparative figures presented in these financial statements have been restated to reflect the combined operations of LLFC and ULFC as if they had always been merged. The following table presents the reconciliation between the previously reported LLFC stand-alone figures and the restated combined figures for the year ended December 31, 2024:

|  | <b>LLFC Stand-Alone</b> | <b>ULFC</b>       | <b>2024 Restated Combined</b> |
|--|-------------------------|-------------------|-------------------------------|
| <b>STATEMENT OF FINANCIAL POSITION</b>   |                         |                   |                               |
| Total Assets                             | 7,271,802,000           | 1,180,531,911     | 8,452,333,961                 |
| Total Liabilities                        | 3,489,329,949           | 147,851,578       | 5,832,260,079                 |
| Total Equity                             | 2,195,078,552           | 1,032,680,334     | 2,620,073,883                 |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b> |                         |                   |                               |
| Total Income                             | 687,063,640             | 59,469,767        | 746,533,407                   |
| Total Expenses                           | 632,348,292             | 46,028,177        | 678,376,469                   |
| <b>Net Income After Tax</b>              | <b>54,715,348</b>       | <b>13,491,590</b> | <b>68,156,938</b>             |

#### **5.5 Transaction Costs**

Legal, professional, and other transaction costs directly attributable to the merger amounting to P2,871,881 were expensed in the period incurred and are included in General and Administrative Expenses in the statement of comprehensive income.

## **5.6 UFEC — Investment in Subsidiary (Dissolution and Winding-Up)**

Upon the merger effectivity date, LLFC assumed 100 per cent ownership of United Foreign Exchange Corporation (UFEC), formerly a wholly-owned subsidiary of ULFC. UFEC is a domestic company primarily engaged in dealing in foreign currencies and financial instruments. UFEC has suspended its commercial operations since 2004 due to stringent BSP regulations on the foreign exchange market. The dissolution of UFEC was approved on March 4, 2021, with corporate life shortened until December 31, 2023; however, UFEC continues to exist for winding-up purposes.

### **(a) Investment in Subsidiary**

Prior to the merger, ULFC carried its investment in UFEC under the equity method in accordance with PAS 28, Investments in Associates and Joint Ventures, as UFEC was a wholly-owned subsidiary. As of December 31, 2024, the balance of UFEC account is presented as Investment in Subsidiary – net with value of P6,052,387.

### **(b) Transfer of Residual UFEC Balances to Accounts Receivable**

Consistent with the merger and the winding-up of UFEC, any remaining net assets, receivables, or claims of LLFC against UFEC arising from the dissolution process are to be transferred to and reflected under Accounts Receivable — UFEC (Winding-up) in the statement of financial position of the Corporation. This treatment reflects the change in the nature of the balance from an equity interest to a recoverable claim receivable from the dissolving entity during its wind-up period, consistent with the economic substance of the transaction.

The carrying amount reclassified from Investment in Subsidiary to Accounts Receivable — UFEC (Winding-up) amounted to P6,069,805. Management has assessed the recoverability of the amounts receivable from UFEC during its winding-up period.

## **6. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES**

The Corporation's principal financial instruments comprise cash and cash equivalents, finance lease receivables, loans and receivables, trade receivable financing receivables, bills payable, accounts payable, accrued liabilities, lease liabilities, and deposits on lease contracts.

The Corporation is exposed to the following risks arising from financial instruments:

- Credit Risk
- Interest Rate Risk
- Liquidity Risk

### **6.1 Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Corporation's risk management policies. Risk management policies are reviewed regularly to reflect changes in market conditions and activities.

The Audit Committee oversees how management monitors and ensures compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks face by LLFC. Risk management processes within LLFC are audited by the Internal Audit Unit that examines both adequacy of the procedures and LLFC's compliance with the procedures. The Internal Audit Unit discusses the results of all of its assessments with management and reports its findings and recommendations to the Audit Committee

## **6.2 Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation manages credit risk by implementing adequate credit evaluation and approval processes, setting limits for individual borrowers, groups of borrowers, and industry segments, and maintaining a diversified portfolio.

LLFC assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. In LLFC's rating scale, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded as necessary. LLFC regularly validates the performance of the rating and their predictive power with regard to default events.

### **Collateral and other credit risk mitigation**

The amount and type of collateral required depends on an assessment of the credit risk of the obligor. LLFC implements certain requirements regarding the acceptability of types of collateral and valuation.

Collateral comes in the form of financial and non-financial assets. The main types of collaterals obtained include liens over cash deposits, real estate properties, chattel mortgages and mortgages over residential properties. LLFC also obtains guarantees from parent companies for loans of borrowing entities belonging to a group of companies.

LLFC monitors market value of collateral, and requests for additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowances for credit losses.

The following table shows the breakdown of receivables as to collateral:

|                              | <b>2025</b>          | 2024 (Restated) |
|------------------------------|----------------------|-----------------|
| Secured                      |                      |                 |
| Property under finance lease | <b>P293,042,918</b>  | 2,728,357,338   |
| Real estate mortgage         | <b>319,098,157</b>   | 616,611,328     |
| Chattel mortgage             | <b>7,503,382,272</b> | 4,430,601,526   |
|                              | <b>8,115,523,347</b> | 7,775,570,192   |
| Unsecured                    | <b>250,771,428</b>   | 329,352,533     |
|                              | <b>8,366,294,775</b> | 8,104,922,725   |

### Impairment assessment

LLFC recognizes impairment losses based on the results of its specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a significant credit rating downgrade, infringement of the original terms of the contract, or when there is an inability to pay the principal or the interest beyond a certain threshold. These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

### Maximum exposure to credit risk before collateral held or other credit enhancements.

|                                    | 2025                  |                       | 2024 (Restated) |                  |
|------------------------------------|-----------------------|-----------------------|-----------------|------------------|
|                                    | Carrying Value        | Maximum Exposure      | Carrying Value  | Maximum Exposure |
| Financial assets:                  |                       |                       |                 |                  |
| Cash in Banks                      | <b>P278,948,524</b>   | <b>P278,948,524</b>   | 571,689,971     | 571,689,971      |
| Financial Assets at Amortised Cost | <b>8,366,294,775</b>  | <b>8,366,294,775</b>  | 8,104,922,725   | 8,104,922,725    |
|                                    | <b>P8,645,243,299</b> | <b>P8,645,243,299</b> | 8,676,612,696   | 8,676,612,696    |

The preceding table represents the maximum credit risk exposure of LLFC at December 31, 2025 and 2024, without taking into account any collateral held or other credit enhancements as it is impracticable to determine the fair values of these collaterals held by LLFC as security against its financial assets at amortised cost. The exposures set out above are based on gross carrying amounts as reported in the statement of financial position.

LLFC does not have significant exposure to any individual customer or counter-party nor does it have any major concentration of credit risk related to any financial instrument. The credit exposure granted to Republic of the Philippines and/or its agencies/departments/bureaus are considered non-risk and not subject to any ceiling in accordance with BSP Circular No. 514.

LLFC maintains its Cash in bank in its Parent Bank and with other universal banks which are highly rated among the top 10 in the country.

### Concentrations of risks of financial assets with credit risk exposure

The Corporation's credit exposures by industry sector as at December 31 are presented below:

#### As at December 31, 2025

|  | Cash               | Financial Assets at Amortised Cost |
|--|--------------------|------------------------------------|
| Wholesale and retail trade             | 0                  | 1,332,853,622                      |
| Manufacturing                          | 0                  | 2,733,428,597                      |
| Public utilities                       | 0                  | 906,920,592                        |
| Services                               | 0                  | 1,729,146,166                      |
| Banks and other financial institutions | 278,948,524        | 606,468,830                        |
| Real estate                            | 0                  | 409,555,527                        |
| Public sector                          | 0                  | 211,958,762                        |
| Agriculture, fishing and forestry      | 0                  | 1,257,597                          |
| Others                                 | 0                  | 434,705,082                        |
| <b>Total</b>                           | <b>278,948,524</b> | <b>8,366,294,775</b>               |

|   | Cash               | Financial Assets at Amortised Cost |
|---|--------------------|------------------------------------|
| <b>Less: Allowance for probable losses/fair value changes</b> | <b>0</b>           | <b>(1,338,393,833)</b>             |
|   | <b>278,948,524</b> | <b>7,027,900,942</b>               |

*As at December 31, 2024 (Restated)*

|  | Cash        | Financial Assets at Amortised Cost |
|--|-------------|------------------------------------|
| Wholesale and retail trade                             | 0           | 1,084,522,669                      |
| Manufacturing  | 0           | 2,342,469,874                      |
| Public utilities                                       | 0           | 902,738,116                        |
| Services   | 0           | 1,746,342,556                      |
| Banks and other financial institutions                 | 571,689,971 | 824,587,092                        |
| Real estate  | 0           | 356,873,720                        |
| Public sector  | 0           | 264,253,896                        |
| Agriculture, fishing and forestry                      | 0           | 46,206,187                         |
| Others   | 0           | 536,928,615                        |
| Total  | 571,689,971 | 8,104,922,725                      |
| Less: Allowance for probable losses/fair value changes | 0           | (1,433,469,980)                    |
|  | 571,689,971 | 6,671,452,745                      |

### Credit Quality of Financial Assets

The credit quality of financial assets, net of unearned lease income, interest and discount but gross of allowance for credit losses is as follows:

**As at December 31, 2025**

|   | Neither past due nor impaired | Past due but not impaired | Impaired             | Total                |
|---|-------------------------------|---------------------------|----------------------|----------------------|
| <b>Cash in Banks</b>                      | <b>278,948,524</b>            | <b>0</b>                  | <b>0</b>             | <b>278,948,524</b>   |
| <b>Financial Assets at Amortised Cost</b> | <b>5,415,649,328</b>          | <b>0</b>                  | <b>2,950,645,446</b> | <b>8,366,294,775</b> |
|   | <b>5,688,528,046</b>          | <b>0</b>                  | <b>2,950,645,446</b> | <b>8,645,243,299</b> |

*As at December 31, 2024 (Restated)*

|                                    | Neither past due nor impaired | Past due but not impaired | Impaired      | Total         |
|------------------------------------|-------------------------------|---------------------------|---------------|---------------|
| Cash in Banks                      | 571,689,971                   | 0                         | 0             | 571,689,971   |
| Financial Assets at Amortised Cost | 5,041,740,173                 | 0                         | 3,063,182,552 | 8,104,922,725 |
|                                    | 5,613,430,144                 | 0                         | 3,063,182,552 | 8,676,612,696 |

### Neither past due nor impaired

When entering into new markets or new industries, LLFC focuses on businesses with good credit rating in order to minimize the potential increase in credit risk exposure. Loans and lease receivables that are neither past due nor impaired are due from accounts that have appropriate

and strong credit history, with minimal account defaults and whose receivables are fully recoverable based on past experiences.

#### Past due but not impaired

Past due loans and lease receivables are not considered impaired, unless other information is available to the contrary. Collateralized past due loans are not considered impaired when cash flows that may result from foreclosure of the related collateral are higher than the carrying amount of the loans.

#### Impaired

Impaired loans and lease receivables include accounts which are individually and collectively assessed for impairment. The total impairment provision for loans and lease receivables represents provision for individually and collectively impaired loans and lease receivables. Further information on impairment of loans and lease receivable is provided in Note 9.8.

### **6.3 Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Corporation follows a prudent policy in managing its assets and liabilities to ensure that exposure to interest rate fluctuations is kept within acceptable limits. The majority of the Corporation's lease and financing receivables carry fixed interest rates, with a portion subject to periodic repricing.

As at December 31, 2025, approximately 58 per cent of the Corporation's finance lease and loans receivable are subject to interest repricing (2024: 61 per cent). The remaining receivables earn annual fixed interest rates ranging from 2 per cent to 17.25 per cent in 2025 and 2024.

### **6.4 Liquidity Risk**

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations when they fall due. The Corporation manages liquidity risk through a combination of maintaining adequate cash reserves, access to credit facilities, and ongoing monitoring of maturity profiles of financial assets and liabilities.

The primary business of LLFC entails the borrowing and re-lending of funds. Consequently, it is subject to substantial leverage and may therefore be exposed to potential financial risks that accompany borrowing. In relation to its various borrowing arrangements, LLFC is currently subject to certain requirements relating to the maintenance of acceptable liquidity and leverage ratios.

Analysis of financial liabilities by remaining contractual maturities. The following table presents the maturity profile of the Corporation's financial liabilities based on contractual undiscounted repayment obligations as at December 31, 2025:

**As at December 31, 2025**

|                             | Up to 1 Year         | Over 1 Year to<br>3 Years | Over 3 Years         | Total                |
|-----------------------------|----------------------|---------------------------|----------------------|----------------------|
| Bills Payable               | 3,023,103,333        | 278,750,000               | 770,589,474          | 4,072,442,807        |
| Accounts Payable — Trade    | 168,838,890          | 0                         | 0                    | 168,838,890          |
| Accrued Interest Payable    | 23,241,964           | 0                         | 0                    | 23,241,964           |
| Other Payables              | 185,222,052          | 0                         | 0                    | 185,222,052          |
| Lease Liability             | 3,224,857            | 0                         | 0                    | 3,224,857            |
| Deposits on Lease Contracts | 484,113,916          | 654,940,333               | 543,964,291          | 1,683,018,540        |
| <b>Total</b>                | <b>3,887,745,012</b> | <b>933,690,333</b>        | <b>1,314,553,765</b> | <b>6,135,989,110</b> |

**As at December 31, 2024**

|                             | Up to 1 Year         | Over 1 Year to<br>3 Years | Over 3 Years       | Total                |
|-----------------------------|----------------------|---------------------------|--------------------|----------------------|
| Bills Payable               | 2,978,018,000        | 836,666,667               | 313,000,000        | 4,127,684,667        |
| Accounts Payable — Trade    | 158,324,769          | 0                         | 0                  | 158,324,769          |
| Accrued Interest Payable    | 23,391,787           | 0                         | 0                  | 23,391,787           |
| Other Payables              | 146,012,494          | 2,753,259                 | 0                  | 148,765,753          |
| Lease Liability             | 2,866,549            | 0                         | 0                  | 2,866,549            |
| Deposits on Lease Contracts | 213,659,896          | 748,722,623               | 364,821,267        | 1,327,203,786        |
| <b>Total</b>                | <b>3,522,273,495</b> | <b>1,588,142,549</b>      | <b>677,821,267</b> | <b>5,788,237,311</b> |

**6.5 Capital Management**

The Corporation's capital management objectives are to provide an adequate return to the stockholder and to ensure the Corporation's ability to continue as a going concern. The Corporation is subject to the minimum paid-up capital requirement under RA No. 8556 (as amended) and related BSP/SEC regulations. Capital adequacy is monitored on an ongoing basis.

| Capital Summary      | 2025          | 2024 (Restated) |
|----------------------|---------------|-----------------|
| Total Liabilities    | 6,177,636,660 | 5,832,260,079   |
| Total Equity         | 2,682,376,148 | 2,620,073,883   |
| Debt-to-Equity Ratio | 2.30          | 2.26            |

**7. FAIR VALUE MEASUREMENT**

The Corporation's principal financial instruments comprise cash and cash equivalents, finance lease receivables, loans and receivables, bills payable, accounts payable and other liabilities, and deposits on lease contracts.

### **7.1 Carrying Amount versus Fair Value**

The following table compares the carrying amounts and fair values of the Corporation's financial assets and financial liabilities as at December 31, 2025 and 2024:

| <b>Financial Assets and Liabilities</b>  | <b>Carrying Amount 2025</b> | <b>Fair Value 2025</b> | <b>Carrying Amount 2024 Restated</b> | <b>Fair Value 2024 Restated</b> |
|--|-----------------------------|------------------------|--------------------------------------|---------------------------------|
| <b>Financial Assets:</b>                 |                             |                        |                                      |                                 |
| Cash and Cash Equivalents (Note 8)       | 279,049,300                 | 279,049,300            | 569,757,669                          | 569,757,669                     |
| Finance Lease Receivables — net (Note 9) | 3,748,236,562               | 3,748,236,562          | 3,533,162,593                        | 3,533,162,593                   |
| Loans and Receivables — net (Note 9)     | 3,066,740,121               | 3,066,740,121          | 2,584,106,793                        | 2,584,106,793                   |
| <b>Total Financial Assets</b>            | <b>7,094,025,983</b>        | <b>7,094,025,983</b>   | <b>6,687,027,055</b>                 | <b>6,687,027,055</b>            |
| <b>Financial Liabilities:</b>            |                             |                        |                                      |                                 |
| Bills Payable (Note 16)                  | 4,072,442,807               | 4,072,442,807          | 4,127,684,667                        | 4,127,684,667                   |
| Accounts Payable — Trade (Note 17)       | 168,838,890                 | 168,838,890            | 158,324,769                          | 158,324,769                     |
| Accrued Interest Payable (Note 17)       | 23,241,964                  | 23,241,964             | 23,391,787                           | 23,391,787                      |
| Other Payables (Note 17)                 | 185,222,052                 | 185,222,052            | 148,765,753                          | 148,765,753                     |
| Lease Liability (Note 17)                | 3,224,857                   | 3,224,857              | 2,866,549                            | 2,866,549                       |
| Deposits on Lease Contracts (Note 19)    | 1,683,018,540               | 1,683,018,540          | 1,327,203,786                        | 1,327,203,786                   |
| <b>Total Financial Liabilities</b>       | <b>6,135,989,110</b>        | <b>6,135,989,110</b>   | <b>5,788,237,311</b>                 | <b>5,788,237,311</b>            |

The Corporation considers that the carrying amounts of the following financial assets and financial liabilities are a reasonable approximation of their fair value: cash and cash equivalents, trade and other payables. For finance lease receivables and loans and receivables, the estimated fair value represents the discounted amount of estimated future cash flows, discounted at current market rates.

### **7.2 Fair Value Hierarchy**

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 — Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation's financial instruments are measured at amortized cost. There are no financial instruments measured at fair value on a recurring basis as at December 31, 2025 and 2024. There were no transfers between fair value hierarchy levels during the year.

### **7.3 Fair Value of Non-Financial Assets (ROPA) — Disclosure Only**

Acquired properties (ROPA) classified as Investment Properties, Property and Equipment, and Non-current Assets Held for Sale are measured under the cost model. Accordingly, fair values are not recognized in the statement of financial position for subsequent measurement purposes. However, the following fair value information is disclosed for the purposes of: (a) PAS 40 paragraph 79(e) (Investment Properties — disclosure of fair value); (b) PFRS 5 (NCAHS — measurement at lower of carrying amount and fair value less costs to sell); and (c) transparency regarding the difference between PFRS carrying amounts and BSP prudential carrying amounts.

All fair values of ROPA are classified under Level 3 of the fair value hierarchy, as the valuations are based on appraisals using significant unobservable inputs (market comparables adjusted by appraiser judgment, cost approach using replacement cost assumptions, and condition assessments). There have been no transfers between levels during the year.

| <b>ASSET CLASS</b>                | <b>Level</b> | <b>PFRS Carrying Amount Dec 31, 2025</b> | <b>Disclosed Fair Value Dec 31, 2025</b> | <b>Valuation Technique / Key Unobservable Input</b>                          |
|-----------------------------------|--------------|--|--|--|
| Investment Properties — Land      | 3            | 109,365,478                              | 126,724,100                              | Sales comparison; price per sq.m. of comparable lots                         |
| Investment Properties — Buildings | 3            | 37,190,400                               | 40,215,697                               | Cost approach; replacement cost less physical depreciation                   |
| PPE — Acquired Properties (ROPA)  | 3            | 3  | 345,000                                  | Sales comparison / cost approach; condition and location adjustments         |
| Non-current Assets Held for Sale  | 3            | 52,061,754                               | 94,314,030                               | Sales comparison; FV less estimated costs to sell (5–10% of appraised value) |
| <b>TOTAL</b>                      |              | 198,617,635                              | 261,598,827                              |  |

Comparable information for December 31, 2024 (restated):

| ASSET CLASS                       | Level | PFRS Carrying Amount Dec 31, 2024 | Disclosed Fair Value Dec 31, 2024 | Valuation Technique                     |
|-----------------------------------|-------|-----------------------------------|-----------------------------------|---|
| Investment Properties — Land      | 3     | 11,704,000                        | 11,704,000                        | Sales comparison                        |
| Investment Properties — Buildings | 3     | 0.00                              | 0.00                              | Cost approach                           |
| PPE — Acquired Properties (ROPA)  | 3     | 0.00                              | 0.00                              | Sales comparison / cost approach        |
| Non-current Assets Held for Sale  | 3     | 31,821,995                        | 38,155,300                        | Sales comparison; FV less costs to sell |
| <b>TOTAL</b>                      |       | <b>43,525,995</b>                 | <b>49,859,300</b>                 |   |

## 8. CASH AND CASH EQUIVALENTS

This account consists of:

|  | 2025               | 2024 (Restated)    |
|--|--------------------|--------------------|
| Cash on Hand                           | 100,776            | 105,000            |
| Cash in Banks                          | 278,948,524        | 569,652,669        |
| <b>Total Cash and Cash Equivalents</b> | <b>279,049,300</b> | <b>569,757,669</b> |

Cash in banks includes deposits maintained primarily with the Parent Bank (LBP) and with other universal banks which are highly rated among the top banks in the country. Cash in banks earn interest at floating rates based on daily bank deposit rates. Annual interest earned on deposits in banks is 0.50 per cent in 2025 and 2024.

Interest income earned from deposits in banks reported in the statements of comprehensive income totaled P5,932,351 and P4,140,054 (restated) for the years ended December 31, 2025 and 2024, respectively (refer to Note 21).

Cash on hand includes petty cash funds amounting to P100,776 and P105,000 (restated) as at December 31, 2025 and 2024, respectively.

## 9. FINANCE LEASE AND LOANS RECEIVABLES

### 9.1 Summary of Receivables

The current portion consists of:

|                                       | 2025                 | 2024 (Restated) |
|---------------------------------------|----------------------|-----------------|
| Finance Lease Receivables             | 991,348,040          | 610,420,905     |
| Finance Lease Receivables – LBP       | 37,753,531           | 46,198,021      |
| Loans and Receivables – Others        | 1,687,798,916        | 1,706,067,501   |
| Allowance for Probable Losses         | (734,049,604)        | (802,815,358)   |
|                                       | <b>1,982,850,883</b> | 1,559,871,069   |
| Accounts Receivable – Clients         | 22,949,650           | 17,009,344      |
| Allowance for Probable Losses         | (6,061,653)          | (6,220,057)     |
|                                       | <b>16,887,997</b>    | 10,789,287      |
| Accrued Interest Receivable           | 113,905,133          | 117,207,489     |
| Sales contracts receivable            | 4,065,610            | 2,477,203       |
| Allowance for Probable Losses         | (34,300,510)         | (39,097,412)    |
|                                       | <b>83,670,233</b>    | 80,587,280      |
| Due from Parent Bank                  | 111,476,838          | 190,725,285     |
| Due from National Government Agencies | 2,024,203            | 3,991,497       |
| Due from Officers and Employees       | 415,557              | 418,866         |
| Allowance for Probable Losses         | (1,550,568)          | (2,328,856)     |
|                                       | <b>112,366,030</b>   | 192,806,792     |
|                                       | <b>2,195,775,143</b> | 1,844,054,428   |

The non-current portion consists of:

|   | 2025                  | 2024 (Restated) |
|---|-----------------------|-----------------|
| Finance Lease Receivables               | 2,833,953,265         | 2,981,458,774   |
| Allowance for Probable Losses           | (34,811,583)          | (144,705,892)   |
|   | <b>2,799,141,682</b>  | 2,836,752,882   |
| Finance Lease Receivables – LBP         | 255,289,387           | 310,467,798     |
| Allowance for Probable Losses           | (978,588)             | (2,645,140)     |
|   | <b>254,310,799</b>    | 307,822,658     |
| Loans and Receivables – Others          | 2,305,314,645         | 2,118,480,042   |
| Allowance for Probable Losses           | (526,641,327)         | (435,657,265)   |
|   | <b>1,778,673,318</b>  | 1,682,822,777   |
|   | <b>P4,832,125,799</b> | P4,827,398,317  |
| Total Financial Asset at Amortised Cost | <b>P7,027,900,942</b> | P6,671,452,745  |

As at December 31, 2025, 58 per cent of LLFCs' finance lease and loans receivable are subject to interest re-pricing (2024: 60 per cent). The remaining loans earn annual fixed interest rates ranging from 2 per cent to 17.25 per cent in 2025 and 2024.

Due from Parent Bank represents amounts for the chauffeuring services rendered in relation to finance and operating lease facilities entered into with the Parent Bank and fleet management services for those vehicles with expired lease term but serviced by LLFC.

In 2025, total revenues generated from finance lease facilities with the Parent Bank amounted to P 293,042,917. In 2024, revenues amounted to P 356,665,819 from finance leases, as disclosed in Notes 22 and 28 to the financial statements.

## **9.2 Finance Lease Receivables**

Finance lease receivables are presented as net investment in lease, being the gross minimum lease receivables (including residual values) less unearned leasing income. Finance lease agreements have lease terms ranging from 24 to 180 months.

An analysis of the LLFC's finance lease receivables as at December 31, 2025 and 2024 is presented as follows:

|  | <b>2025</b>          | 2024 (Restated) |
|--|----------------------|-----------------|
| Finance Lease Receivables:                         |                      |                 |
| Within 1 year                                      | <b>144,257,893</b>   | 99,713,036      |
| Beyond 1 year but not beyond 5 years               | <b>1,612,653,114</b> | 1,738,656,411   |
| Beyond 5 years                                     | <b>416,133,287</b>   | 479,667,037     |
|  | <b>2,173,044,294</b> | 2,318,036,484   |
| Residual value of leased assets:                   |                      |                 |
| Within 1 year                                      | <b>299,236,615</b>   | 147,646,924     |
| Beyond 1 year but not beyond 5 years               | <b>1,046,635,779</b> | 943,201,265     |
| Beyond 5 years                                     | <b>1,799,000</b>     | 5,131,800       |
|  | <b>1,347,671,394</b> | 1,095,979,989   |
| <b>Total minimum lease receivable</b>              | <b>3,520,715,688</b> | 3,414,016,473   |
| Less: Unearned Leasing Income                      |                      |                 |
| Within 1 year                                      | <b>25,223,754</b>    | 6,290,576       |
| Within 1 year (BIR reserves)                       | <b>36,299,376</b>    | 37,887,321      |
| Beyond 1 year                                      | <b>464,592,340</b>   | 536,001,810     |
| Beyond 1 year (BIR reserves)                       | <b>0</b>             | 0               |
|  | <b>526,115,470</b>   | 580,179,707     |
| <b>Net investment in finance lease receivables</b> | <b>2,994,600,218</b> | 2,833,836,766   |
| Past due receivables                               |                      |                 |
| Within 1 year                                      | <b>222,326,833</b>   | 115,976,185     |
| Beyond 1 year                                      | <b>146,432,358</b>   | 105,239,596     |
|  | <b>368,759,191</b>   | 221,215,781     |
| Restructured accounts                              |                      |                 |
| Within 1 year                                      | <b>0</b>             | 0               |
| Beyond 1 year                                      | <b>98,034,868</b>    | 85,232,605      |
|  | <b>98,034,868</b>    | 85,232,605      |

|                                  | 2025                 | 2024 (Restated)      |
|----------------------------------|----------------------|----------------------|
| Past due - restructured accounts |                      |                      |
| Within 1 year                    | 326,848              | 16,966,379           |
| Beyond 1 year                    | 0                    | 16,628,578           |
|                                  | <b>326,848</b>       | <b>33,594,957</b>    |
| Items in Litigation              |                      |                      |
| Within 1 year                    | 487,327,737          | 316,413,036          |
| Beyond 1 year                    | 0                    | 225,678,393          |
|                                  | <b>487,327,737</b>   | <b>542,091,429</b>   |
|                                  | <b>3,949,048,862</b> | <b>3,715,971,538</b> |
| Less: Unearned Leasing Income    |                      |                      |
| Within 1 year                    | 100,604,755          | 42,116,558           |
| Beyond 1 year                    | 23,142,801           | 81,975,101           |
|                                  | <b>123,747,556</b>   | <b>124,091,659</b>   |
|                                  | <b>3,825,301,306</b> | <b>3,591,879,879</b> |

Finance lease receivables earn annual interest rates ranging from 9 per cent to 17.25 per cent in 2025 and 2024. As at December 31, 2025 and 2024, 27 per cent of finance lease receivables are subject to interest repricing.

Deferred Leasing Income Reserves — Finance lease receivables are net of reserves amounting to P36,299,376 and P 37,887,321 (restated) as at December 31, 2025 and 2024, respectively. The deferred leasing income reserves represent amounts intended for the payment of executory costs, which include repairs and maintenance, insurance premium, property taxes, and other charges.

### **9.3 Finance Lease Receivables - LBP**

|   | 2025               | 2024 (Restated)    |
|---|--------------------|--------------------|
| Finance Lease Receivables – LBP                   |                    |                    |
| Within 1 year                                     | 37,753,531         | 46,198,021         |
| Beyond 1 year but not beyond 5 years              | 351,082,245        | 447,299,188        |
| Beyond 5 years                                    | 0                  | 0                  |
|   | <b>388,835,776</b> | <b>493,497,209</b> |
| Residual value of leased assets:                  | 0                  | 0                  |
| Within 1 year                                     | 0                  | 0                  |
|   | 0                  | 0                  |
| Total minimum lease receivable                    | <b>388,835,776</b> | <b>493,497,209</b> |
| Less: Unearned leasing income                     |                    |                    |
| Within 1 year                                     | 0                  | 0                  |
| Beyond 1 year                                     | 95,792,858         | 136,831,390        |
|   | <b>95,792,858</b>  | <b>136,831,390</b> |
| Net investment in finance lease receivables – LBP | <b>293,042,918</b> | <b>356,665,819</b> |

**9.4 Loans and receivables – others**

The breakdown of loans and receivables – others as at December 31, 2025 and 2024 are as follows:

|                                  | 2025                 | 2024 (Restated) |
|----------------------------------|----------------------|-----------------|
| Loans and Receivables – Others   |                      |                 |
| Within 1 year                    | 1,177,410,454        | 782,060,595     |
| Beyond 1 year                    | 572,452,364          | 847,132,524     |
|                                  | <b>1,749,862,818</b> | 1,629,193,119   |
| Past due receivables             |                      |                 |
| Within 1 year                    | 103,835,475          | 101,046,702     |
| Beyond 1 year                    | 19,042,815           | 11,913,881      |
|                                  | <b>122,878,290</b>   | 112,960,583     |
| Restructured accounts            |                      |                 |
| Within 1 year                    | 208,604,011          | 518,131,758     |
| Beyond 1 year                    | 976,732,419          | 822,993,423     |
|                                  | <b>1,185,336,430</b> | 1,341,125,181   |
| Past due – restructured accounts |                      |                 |
| Within 1 year                    | 227,390,624          | 158,626,546     |
| Beyond 1 year                    | 502,456,329          | 170,522,127     |
|                                  | <b>729,846,953</b>   | 329,148,672     |
| Items in litigation-Current      |                      |                 |
| Within 1 year                    | 0                    | 0               |
| Beyond 1 year                    | 354,241,565          | 0               |
|                                  | <b>354,241,565</b>   | 0               |
| Items in litigation-Past Due     |                      |                 |
| Within 1 year                    | 182,667,443          | 373,451,536     |
| Beyond 1 year                    | 0                    | 360,000,000     |
|                                  | <b>182,667,443</b>   | 733,451,536     |
|                                  | <b>4,324,833,499</b> | 4,145,879,092   |
| Less: Unearned Interest Income   |                      |                 |
| Within 1 year                    | 212,109,091          | 227,249,835     |
| Beyond 1 year                    | 119,610,847          | 94,081,913      |
|                                  | <b>331,719,938</b>   | 321,331,748     |
|                                  | <b>3,993,113,561</b> | 3,824,547,344   |

**9.5 Summary of Financial Assets at Amortized Cost**

Loans and lease receivables

|                                 | 2025                 | 2024 (Restated) |
|---------------------------------|----------------------|-----------------|
| Finance lease receivables       | 3,825,301,306        | 3,591,879,879   |
| Finance lease receivables – LBP | 293,042,918          | 356,665,819     |
| Loans and receivables - others  | 3,993,113,561        | 3,824,547,343   |
|                                 | <b>8,111,457,785</b> | 7,773,093,041   |

**9.6 Other receivables**

|                                       | 2025                | 2024 (Restated)    |
|---------------------------------------|---------------------|--------------------|
| Due from Parent bank                  | 111,476,838         | 190,725,285        |
| Sales contracts receivable            | 4,065,610           | 2,477,203          |
| Accounts receivable – clients         | 22,949,649          | 17,009,344         |
| Accrued interest receivable           | 113,905,133         | 117,207,489        |
| Due from officers and employees       | 415,557             | 418,866            |
| Due from national government agencies | 2,024,203           | 3,991,497          |
|                                       | <b>P254,836,990</b> | <b>331,829,684</b> |

**Deferred Leasing Income Reserves**

The amount of Finance Lease Receivables is net of Reserves amounting to P204,165,956 million for BIR in 2025 and P256,707,736 million for BIR in 2024. The Deferred Leasing Income Reserves is amount intended for the payment of executory costs, which includes repairs and maintenance, insurance premium, property taxes and other charges.

**Interest and lease income on receivables**

Interest and lease income on receivables as presented in the statements of comprehensive income follows:

|                             | 2025                | 2024 (Restated)     |
|-----------------------------|---------------------|---------------------|
| Lease Contracts Receivables | 384,690,851         | 466,783,727         |
| Loans and Receivables       | 313,534,234         | 248,608,276         |
| Sales contracts receivable  | 147,524             | 193,725             |
|                             | <b>P698,372,609</b> | <b>P715,585,728</b> |

**9.7 Non-Performing Loans (NPL) Classification**

| NPL Analysis  | 2025                 | 2024 (Restated)      |
|---|----------------------|----------------------|
| Total NPLs — Finance Lease                              | 743,812,540          | 683,897,679          |
| Total NPLs — Loans and Receivables                      | 1,331,209,036        | 1,119,919,116        |
| <b>Total NPLs</b>                                       | <b>2,075,021,576</b> | <b>1,803,816,795</b> |
| Less: NPLs fully covered by allowance for credit losses | (1,549,190,474)      | (1,442,540,508)      |
| <b>NPLs not fully covered by allowance</b>              | <b>P525,831,102</b>  | <b>361,276,287</b>   |

Net Past Due Rate: 9.26 per cent as at December 31, 2025 (2024 restated: 10.95 per cent).

**9.8 Reconciliation of Allowance for Credit Losses**

A reconciliation of the allowance for credit losses for the combined entity by class is as follows:

| <b>Allowance for Credit Losses 2025</b> | <b>Finance Lease Receivables</b> | <b>Loans &amp; Receivables- Others</b> | <b>Accrued interest receivable</b> | <b>Accounts receivable - others</b> | <b>Total</b>          |
|---|----------------------------------|--|------------------------------------|-------------------------------------|-----------------------|
| At January 1, 2025 (Restated)           | P415,383,105                     | P970,440,551                           | P38,467,147                        | P9,179,178                          | P1,433,469,981        |
| Provisions during the year              | 8,269,899                        | 61,305,950                             | 0                                  | 0                                   | 69,575,849            |
| Write-offs during the year              | (10,833,803)                     | (39,393,671)                           | 0                                  | 0                                   | (50,227,474)          |
| Foreclosures and adjustments            | (42,711,539)                     | (65,979,391)                           | (4,796,902)                        | (936,692)                           | (114,424,523)         |
| <b>At December 31, 2025</b>             | <b>P370,107,662</b>              | <b>P926,373,440</b>                    | <b>P33,670,245</b>                 | <b>P8,242,486</b>                   | <b>P1,338,393,833</b> |
| Specific impairment provision           | P360,934,381                     | P888,784,648                           | P33,670,245                        | P7,090,378                          | P1,290,479,653        |
| Collective impairment provision         | 9,173,281                        | 37,588,792                             | 0                                  | 1,152,107                           | 47,914,180            |
| <b>Total impairment provision</b>       | <b>P370,107,662</b>              | <b>P926,373,441</b>                    | <b>P33,670,245</b>                 | <b>P8,242,486</b>                   | <b>P1,338,393,834</b> |

| <b>Allowance for Credit Losses — 2024 (Restated)</b> | <b>Finance Lease Receivables</b> | <b>Loans &amp; Receivables -Others</b> | <b>Accrued interest receivable</b> | <b>Accounts receivable - others</b> | <b>Total</b>   |
|--|----------------------------------|--|------------------------------------|-------------------------------------|----------------|
| At January 1, 2024 (Restated)                        | P295,841,241                     | P844,635,703                           | P29,169,996                        | P10,645,005                         | P1,180,291,944 |
| Provisions during the year                           | 0                                | 40,256,067                             | 0                                  | 1,700,695                           | 41,956,762     |
| Write-offs during the year                           | 0                                | 0                                      | 0                                  | 0                                   | 0              |

| <b>Allowance for Credit Losses — 2024 (Restated)</b> | <b>Finance Lease Receivables</b> | <b>Loans &amp; Receivables -Others</b> | <b>Accrued interest receivable</b> | <b>Accounts receivable - others</b> | <b>Total</b>          |
|--|----------------------------------|--|------------------------------------|-------------------------------------|-----------------------|
| Foreclosures and adjustments                         | 119,541,864                      | 85,548,781                             | 9,297,151                          | (3,166,522)                         | 211,221,274           |
| <b>At December 31, 2024 (Restated)</b>               | P415,383,105                     | P970,440,551                           | P38,467,147                        | P9,179,178                          | P1,433,469,980        |
| Specific impairment provision                        | P408,875,503                     | P953,842,124                           | P38,467,147                        | P7,248,781                          | P1,408,433,555        |
| Collective impairment provision                      | 6,507,602                        | 16,598,427                             | 0                                  | 1,930,396                           | 25,036,425            |
| <b>Total impairment provision</b>                    | <b>P415,383,105</b>              | <b>P970,440,551</b>                    | <b>P38,467,147</b>                 | <b>P9,179,177</b>                   | <b>P1,433,469,980</b> |

### **9.9 BSP Reporting**

#### **COVID-19 BSP Relief — Staggered Booking of ACL**

The BSP approved LLFC's application for staggered booking of allowance for credit losses on June 27, 2021, with a reckoning start date of February 2021 running until February 2026. ULFC's staggered ACL booking was fully discontinued prior to the merger effectivity date, and 100 per cent of ULFC's required ACL was fully booked as at the merger date.

| <b>LLFC Staggered ACL Balance</b>                 | <b>2025</b>        | <b>2024 (Restated)</b> |
|---|--------------------|------------------------|
| Total approved amount for staggered booking       | <b>321,092,894</b> | 321,092,894            |
| Amount booked in prior years                      | <b>262,353,427</b> | 212,005,313            |
| Amount booked during the year                     | <b>46,152,438</b>  | 50,348,114             |
| <b>Remaining deferred balance — (end of year)</b> | <b>12,587,029</b>  | <b>58,739,466</b>      |

#### **As to industry/economic sector (in per cent)**

|  | <b>2025</b>  | <b>2024 (Restated)</b> |
|--|--------------|------------------------|
| Services                               | <b>20.67</b> | 21.55                  |
| Manufacturing                          | <b>32.67</b> | 28.90                  |
| Banks and other financial institutions | <b>7.25</b>  | 10.17                  |

|                                   | 2025          | 2024 (Restated) |
|-----------------------------------|---------------|-----------------|
| Public sector                     | 2.53          | 3.26            |
| Wholesale and retail trade        | 15.93         | 13.38           |
| Public utilities                  | 10.84         | 11.14           |
| Real estate                       | 4.90          | 4.40            |
| Agriculture, fishing and forestry | 0.02          | 0.57            |
| Others                            | 5.19          | 6.63            |
|                                   | <b>100.00</b> | <b>100.00</b>   |

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30 per cent of total loan portfolio. However, BSP Circular No. 514 and BSP Manual of Regulations for Banks and Non-Bank Financial Intermediaries, specifically provide that loans, other credit accommodations and guarantees to the Republic of the Philippines (ROP) and/or its agencies/departments/bureaus, which are credit granted to public sectors, shall be considered non-risk and not subject to any ceiling.

### As to collateral

|                              | 2025                 | 2024 (Restated)      |
|------------------------------|----------------------|----------------------|
| Secured                      |                      |                      |
| Property under finance lease | 293,042,918          | 2,728,357,338        |
| Real estate mortgage         | 319,098,157          | 616,611,328          |
| Chattel mortgage             | 7,503,382,272        | 4,430,601,526        |
|                              | <b>8,115,523,347</b> | <b>7,775,570,192</b> |
| Unsecured                    | 250,771,426          | 329,352,534          |
|                              | <b>8,366,294,773</b> | <b>8,104,922,726</b> |

BSP Circular No. 351 allows non-banks with no unbooked valuation reserves and capital adjustments required by the BSP to exclude from non-performing classification those receivables from customers classified as 'Loss' in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said loans shall not be accrued.

### Non-Performing Loans

As at December 31, 2025, and 2024, non-performing loans (NPLs) not fully- covered by allowance for credit losses follow:

|   | 2025               | 2024 (Restated)    |
|---|--------------------|--------------------|
| Total NPLs  | 2,075,021,576      | 1,803,816,795      |
| Less: NPLs fully-covered by allowance for credit losses | (1,549,190,474)    | (1,442,540,508)    |
|   | <b>525,831,102</b> | <b>361,276,287</b> |

As at December 31, 2024, and 2023, secured and unsecured NPLs follow:

|           | 2025                 | 2024 (Restated)      |
|-----------|----------------------|----------------------|
| Secured   | 2,075,021,547        | 1,803,816,743        |
| Unsecured | 29                   | 52                   |
|           | <b>2,075,021,576</b> | <b>1,803,816,795</b> |

**9.10 GCG Performance Scorecard Reporting**

| <b>Total Portfolio (GCG Reporting)</b>                | <b>2025</b>           | <b>2024 (Restated)</b> |
|---|-----------------------|------------------------|
| Finance Lease Receivables                             | P3,825,301,306        | P3,591,879,879         |
| Finance Lease Receivables — LBP                       | 293,042,918           | 356,665,819            |
| Loans and Receivables — Others                        | 3,993,113,561         | 3,824,547,344          |
| <b>Total Loans and Lease Receivables</b>              | <b>P8,111,457,785</b> | <b>P7,773,093,041</b>  |
| Equipment and Other Properties for Lease (EOPL) — net | 950,427,080           | 742,561,834            |
| Add: Deferred Leasing Income – BIR Reserves           | 36,299,376            | 37,887,321             |
| Less: Nominal Values                                  | (354)                 | (51)                   |
| Add: Capitalized Interest of old unpaid PNs           | 46,461                | 0                      |
| Less: Deposits on Lease Contracts                     | (1,665,936,600)       | (1,309,284,816)        |
| <b>TOTAL PORTFOLIO</b>                                | <b>P7,432,293,748</b> | <b>P7,244,257,329</b>  |

| <b>Past Due Accounts (GCG Reporting)</b>  | <b>2025</b>           | <b>2024 (Restated)</b> |
|---|-----------------------|------------------------|
| Finance Lease Receivables                 | P894,823,312          | P817,671,247           |
| Loans and Receivables — Others            | 1,017,584,690         | 1,175,560,768          |
| <b>Total Past Due – Gross Amount</b>      | <b>P1,912,408,002</b> | <b>P1,993,232,015</b>  |
| Less: Deposits on Lease Contracts         | (237,647,233)         | (159,077,410)          |
| Deferred Leasing Income                   | (112,601,235)         | (113,004,488)          |
| Interest Earned Not Yet Collected (IENYC) | (78,980,633)          | (76,410,765)           |
| <b>TOTAL PAST DUE</b>                     | <b>P1,483,178,902</b> | <b>P1,644,739,352</b>  |

| <b>Specific Loan Loss (GCG Reporting)</b> | <b>2025</b>           | <b>2024 (Restated)</b> |
|---|-----------------------|------------------------|
| Past Due Accounts                         | P794,791,566          | P855,484,388           |
| Current and Other Accounts                | 454,927,464           | 508,485,375            |
| <b>TOTAL SPECIFIC LOSS PROVISION</b>      | <b>P1,249,719,030</b> | <b>P1,363,969,763</b>  |
| <b>NET PAST DUE RATE</b>                  | <b>9.26%</b>          | <b>10.89%</b>          |

**10. INVESTMENT PROPERTIES**

Investment properties include acquired land and buildings held to earn rentals, for capital appreciation, or both. The movements in investment properties are presented below:

| <b>Movement in Investment Properties</b> | <b>2025</b>        | <b>2024 Restated</b> |
|--|--------------------|----------------------|
| <b>Cost:</b>                             |                    |                      |
| At January 1                             | <b>82,271,569</b>  | 101,288,669          |
| Additions (through foreclosure)          | <b>137,559,800</b> | 11,704,000           |

| <b>Movement in Investment Properties</b>               | <b>2025</b>         | <b>2024 Restated</b> |
|--|---------------------|----------------------|
| Disposals  | <b>(4,979,000)</b>  | (514,800)            |
| Transfer to Non-current Assets Held for Sale (Note 12) | <b>(52,098,892)</b> | (30,206,300)         |
| <b>At December 31</b>                                  | <b>162,753,477</b>  | <b>82,271,569</b>    |
| <b>Accumulated Depreciation:</b>                       |                     |                      |
| At January 1   | <b>14,172,900</b>   | 12,148,200           |
| Depreciation for the year                              | <b>2,024,700</b>    | 2,024,700            |
| <b>At December 31</b>                                  | <b>16,197,600</b>   | <b>14,172,900</b>    |
| <b>Allowance for Impairment:</b>                       |                     |                      |
| At January 1   | <b>1,100,000</b>    | 1,100,000            |
| Transfer to Non-current Assets Held for Sale           | <b>(1,100,000)</b>  | (1,100,000)          |
| <b>At December 31</b>                                  | <b>146,555,877</b>  | <b>68,098,669</b>    |
| <b>Net Book Value, December 31</b>                     | <b>146,555,877</b>  | <b>68,098,669</b>    |

The Corporation foreclosed various real properties during the year, resulting in a gain (loss) on foreclosure amounting to P64,505,084 and P4,044,162 (restated) in 2025 and 2024, respectively, as disclosed in Note 23.

The aggregate appraised market value of investment properties as at December 31, 2025 and 2024 amounted to P166,939,797 and P 11,704,000 (restated), respectively. Fair values have been determined based on valuations made by in-house and/or accredited independent appraisers based on prevailing market values of similar properties in the same area, taking into account the economic conditions prevailing at the time of valuation.

Management is exhausting all available options to dispose of investment properties, including conducting regular bidding throughout the year.

### **ROPA Classified as Investment Property — Composition and PFRS vs. BSP Prudential Reconciliation**

Investment properties of the Corporation consist principally of real properties acquired through foreclosure of mortgage collateral or through dation in payment (dacion en pago) by delinquent borrowers (collectively, ROPA). The following table presents the composition of investment properties by nature of acquisition and by property type as at December 31:

| PROPERTY TYPE                           | No. of Properties | Cost (FV at Acquisition) | Accum. Depr.      | Carrying Amount 2025 | Disclosed FV 2025  |
|---|-------------------|--------------------------|-------------------|----------------------|--------------------|
| Foreclosed — Land                       | 64                | 87,685,539               | 1,100,00          | 86,585,539           | 155,725,069        |
| Foreclosed — Buildings and Improvements | 5                 | 21,941,707               | 11,195,515        | 10,746,192           | 59,127,300         |
| Dacion en Pago — Land                   | 0                 | 0                        | 0                 | 0                    | 0                  |
| Dacion en Pago — Buildings              | 0                 | 0                        | 0                 | 0                    | 0                  |
| <b>TOTAL</b>                            | <b>69</b>         | <b>109,627,246</b>       | <b>12,295,515</b> | <b>97,331,731</b>    | <b>214,852,369</b> |

### PFRS vs. BSP Prudential Carrying Amount — Reconciliation

The difference between the carrying amounts reported in these audited financial statements (PFRS basis) and the carrying amounts in the Corporation's BSP prudential reports arises primarily from: (a) differences in the initial valuation basis used at foreclosure date; and (b) differences in provisioning/allowance rates applied. The following table reconciles these differences:

| RECONCILING ITEM   | December 31, 2025  | December 31, 2024 Restated |
|--|--------------------|----------------------------|
| Carrying amount per BSP prudential books — Investment Properties                               | <b>98,431,731</b>  | 62,552,448                 |
| Add: Adjustment to reflect fair value at acquisition date (PFRS basis)                         | <b>53,126,231</b>  | 8,837,776                  |
| Less: Difference in allowance for impairment (PFRS vs. BSP provisioning rates)                 | <b>0</b>           | 1,100,000                  |
| Other adjustments (timing differences, accounting policy alignment, accumulated depreciations) | <b>(5,002,085)</b> | (4,391,555)                |
| <b>Carrying amount per PFRS — Investment Properties</b>  | <b>146,555,877</b> | <b>68,098,669</b>          |

### Appraiser Qualifications and Appraisal Frequency

The appraised market values disclosed in this note are determined by in-house appraisers and/or accredited independent real estate appraisers who are licensed under the Real Estate Service Act (RESA Law, RA No. 9646) and hold valid Professional Identification Cards issued by the Professional Regulation Commission (PRC). Independent appraisers are engaged at least once every three years per property, or more frequently when there is a significant indicator that the fair value has changed materially. Properties where the last appraisal is more than 12 months old from the reporting date are identified and noted by management as a trigger for reassessment in the following period.

**11. EQUIPMENT AND OTHER PROPERTY FOR LEASE (EOPL)**

The Corporation enters into financial lease transactions with various lessees by property lease, equipment purchase from suppliers, or sale and leaseback, with lease terms ranging from 24 to 180 months. Assets acquired pending execution of the lease contract are recorded under EOPL — Finance Lease until the Certificate of Acceptance from the client is received and the implementation memorandum for booking to Finance Lease Receivables is approved.

| EOPL by Type  | 2025               | 2024 (Restated)    |
|---|--------------------|--------------------|
| Finance Lease — Equipment in transit/under construction | 950,261,409        | 742,217,520        |
| Operating Lease — Vehicles                              | 165,672            | 344,314            |
| <b>Total EOPL</b>                                       | <b>950,427,080</b> | <b>742,561,834</b> |

| EOPL — Operating Lease Roll-forward | 2025             | 2024 Restated    |
|-------------------------------------|------------------|------------------|
| <b>Cost:</b>                        |                  |                  |
| At January 1                        | 3,443,148        | 6,256,486        |
| Disposals                           | (1,786,428)      | (2,813,338)      |
| <b>At December 31</b>               | <b>1,656,720</b> | <b>3,443,148</b> |
| <b>Accumulated Depreciation:</b>    |                  |                  |
| At January 1                        | 3,098,834        | 5,630,838        |
| Depreciation for the year           | 0                | 0                |
| Disposals                           | (1,607,786)      | (2,532,004)      |
| <b>At December 31</b>               | <b>1,491,048</b> | <b>3,098,834</b> |
| <b>Net Book Value, December 31</b>  | <b>165,672</b>   | <b>P344,314</b>  |

As at December 31, 2025, borrowing costs on the construction of property under finance lease agreements, representing capitalized interest expenses, amount to P56,353,389 (2024 restated: P28,544,665).

In 2025, the Corporation disposed of vehicles previously covered by operating lease agreements with total carrying value of P178,642 realizing a gain of P161,358 (2024 restated: gain of P713,666), as disclosed in Note 23.

## 12. PROPERTY AND EQUIPMENT

The composition of and movements in this account are as follows:

| As at December 31, 2025                  | Buildings and Improvements | Furniture and Fixtures | Transportation Equipment | Right-of-Use Assets | Total             |
|--|----------------------------|------------------------|--------------------------|---------------------|-------------------|
| <b>Cost:</b>                             |                            |                        |                          |                     |                   |
| At January 1, 2025                       | 42,566,207                 | 23,895,062             | 10,149,950               | 7,001,362           | 83,612,581        |
| Additions                                |                            | 7,865,075              |                          | 3,630,441           | 11,495,516        |
| <b>At December 31, 2025</b>              | <b>42,566,207</b>          | <b>31,760,137</b>      | <b>10,149,950</b>        | <b>10,631,803</b>   | <b>95,108,097</b> |
| <b>Accumulated Depreciation:</b>         |                            |                        |                          |                     |                   |
| At January 1, 2025                       | 26,998,778                 | 12,911,619             | 5,509,059                | 3,787,104           | 49,206,560        |
| Depreciation for the year                | 1,256,777                  | 3,573,163              | 1,308,024                | 3,881,177           | 10,019,141        |
| <b>At December 31, 2025</b>              | <b>28,255,555</b>          | <b>16,484,782</b>      | <b>6,817,083</b>         | <b>7,668,281</b>    | <b>59,225,701</b> |
| <b>Net Book Value, December 31, 2025</b> | <b>14,310,652</b>          | <b>15,275,356</b>      | <b>3,332,867</b>         | <b>2,963,522</b>    | <b>35,882,397</b> |
| <hr/>                                    |                            |                        |                          |                     |                   |
| As at December 31, 2024 (Restated)       | Buildings and Improvements | Furniture and Fixtures | Transportation Equipment | Right-of-Use Assets | Total             |
| At January 1, 2024 (Restated)            | 42,566,207                 | 23,895,062             | 10,149,950               | 7,001,362           | 83,612,581        |
| Net movements during 2024                | 26,998,778                 | 12,911,619             | 5,509,059                | 3,787,104           | 49,206,560        |
| <b>At December 31, 2024 (Restated)</b>   | <b>15,567,429</b>          | <b>10,983,443</b>      | <b>4,640,891</b>         | <b>3,214,258</b>    | <b>34,406,021</b> |

LLFC foreclosed other properties realizing a gain on foreclosure amounting to P64,505,084 and P4,044,162 in 2025 and 2024, respectively, as disclosed in Note 23 under the Gain on Exchange of Non-Financial Assets.

### ROPA Classified as Property and Equipment

Included in the PPE balance are properties acquired through foreclosure of collateral or dation in payment (ROPA) that are used in the Corporation's operations. The following presents the carrying amount of ROPA included within the PPE balance as at December 31:

| COMPONENT   | December 31, 2025 | December 31, 2024 Restated |
|---|-------------------|----------------------------|
| Cost at acquisition (fair value at foreclosure/dation date) | 3,778,943         | 40,952,720                 |
| Accumulated depreciation                                    | (3,778,940)       | (39,900,123)               |
| Allowance for impairment                                    |                   | (72,587)                   |
| <b>Net carrying amount — ROPA within PPE</b>                | <b>3</b>          | <b>980,010</b>             |

ROPA classified as PPE is initially recognized at the fair value of the property at the date of acquisition. There is no gain (loss) on foreclosure for ROPA under PPE recognized in the in 2025 and 2024 (restated) (refer to Note 23).

#### Difference Between PFRS and BSP Prudential Carrying Amounts — PPE-ROPA

| RECONCILING ITEM   | December 31, 2025 | December 31, 2024 Restated |
|--|-------------------|----------------------------|
| Carrying amount per BSP prudential books — ROPA within PPE             | 226,528           | 906,102                    |
| Adjustment: fair value at acquisition date vs. BSP book value          | 226,525           | 146,495                    |
| Difference in provisioning (BSP valuation reserve vs. PFRS impairment) |                   | (72,587)                   |
| <b>Carrying amount per PFRS (Audited AFS) - ROPA within PPE</b>        | <b>3</b>          | <b>980,010</b>             |

Management has reviewed the carrying values of LLFC's property and equipment as of December 31, 2025 and 2024 for impairment. Based on the results of its evaluation, LLFC booked no allowance for impairment for years 2025 and 2024.

### 13. NON-CURRENT ASSETS HELD FOR SALE

This account pertains to a group of assets that will be disposed of through sale in a single transaction. These assets are available for immediate sale in their present condition and management believes that such sale is highly probable.

|   | 2025              | 2024 Restated     |
|---|-------------------|-------------------|
| <b>Cost:</b>  |                   |                   |
| At January 1  | 32,921,995        | 635,000           |
| Reclassification from PPE and Investment Properties | 24,220,899        | 32,514,495        |
| Disposal  | (3,981,140)       | (227,500)         |
| <b>At December 31</b>                               | <b>53,161,754</b> | <b>32,921,995</b> |
| <b>Allowance for Impairment:</b>                    |                   |                   |
| At January 1  | 1,100,000         | 0                 |

|                                    | 2025              | 2024 Restated |
|------------------------------------|-------------------|---------------|
| Addition                           | 0                 | 1,100,000     |
| Disposal                           | 0                 | 0             |
| <b>At December 31</b>              | <b>1,100,000</b>  | 1,100,000     |
| <b>Net Book Value, December 31</b> | <b>52,061,754</b> | 31,821,995    |

Valuations were conducted by both in-house and third-party appraisers based on prevailing market values of similar properties and current economic conditions. Management is actively marketing these properties for sale.

### **PFRS 5 Re-measurement at Lower of Carrying Amount and Fair Value Less Costs to Sell**

Non-current assets held for sale consist entirely of ROPA that the Corporation is actively marketing for disposal. Under PFRS 5, these assets are measured at the lower of carrying amount (at the date of reclassification from investment properties or PPE) and fair value less costs to sell. Costs to sell include incremental direct costs to transact the sale (e.g., transfer taxes, documentation costs, commissions).

As at December 31, 2025 and 2024, all NCAHS have been assessed and are carried at the lower of carrying amount and fair value less costs to sell, as follows:

#### **As at December 31, 2024**

| PROPERTY / GROUP          | Carrying Amount   | FV Less Costs<br>to Sell | Carrying Amount in<br>AFS |
|---------------------------|-------------------|--------------------------|---------------------------|
| Foreclosed Land           | 45,259,592        | 82,945,500               | 45,259,592                |
| Foreclosed Buildings      | 5,739,300         | 5,931,000                | 5,739,300                 |
| Dacion en Pago Properties | 1,062,862         | 5,437,530                | 1,062,862                 |
| <b>TOTAL — 2025</b>       | <b>52,061,754</b> | <b>94,314,030</b>        | <b>52,061,754</b>         |

#### **As at December 31, 2024 (Restated)**

| PROPERTY / GROUP             | Carrying Amount   | FV Less Costs<br>to Sell | Carrying Amount in<br>AFS |
|------------------------------|-------------------|--------------------------|---------------------------|
| Foreclosed Land              | 24,874,500        | 29,681,000               | 24,874,500                |
| Foreclosed Buildings         | 5,739,300         | 5,739,300                | 5,739,300                 |
| Dacion en Pago Properties    | 1,208,195         | 2,735,000                | 1,208,195                 |
| <b>TOTAL — 2024 Restated</b> | <b>31,821,995</b> | <b>38,155,300</b>        | <b>31,821,995</b>         |

**PFRS vs. BSP Prudential Reconciliation — NCAHS**

| RECONCILING ITEM   | December 31, 2025 | December 31, 2024<br>Restated |
|--|-------------------|-------------------------------|
| Carrying amount per BSP prudential books<br>— ROPA classified as NCAHS   | 52,061,754        | 31,821,995                    |
| PFRS 5 write-down: carrying amount in<br>excess of FV less costs to sell | 0.00              | 0.00                          |
| Difference in provisioning/valuation<br>reserve (PFRS vs. BSP)           | 0.00              | 0.00                          |
| <b>Carrying amount per PFRS (Audited<br/>AFS) — NCAHS</b>                | <b>52,061,754</b> | <b>31,821,995</b>             |

The impairment allowance for NCAHS recognized in profit or loss during the year amounts to P1,100,000 in 2025 and P1,100,000 in 2024 (restated), included under 'Provision for Impairment Losses on ROPA' within General and Administrative Expenses (refer to Note 25).

**Age and Disposition Status of Non-current Assets Held for Sale**

PFRS 5 requires that a sale be completed or expected to be completed within one year from the date of initial classification. Assets that are actively marketed but where circumstances outside management's control prevent the sale from occurring within the expected period may continue to be classified as NCAHS provided that management's commitment to sell remains in place. The following table presents the aging of NCAHS as at December 31, 2025:

| NCAHS AGING CATEGORY   | No. of<br>Properties | Cost (P)          | Carrying<br>Amount (P) | % of Total  |
|--|----------------------|-------------------|------------------------|-------------|
| Classified within the last 12 months                         | 68                   | 53,161,754        | 52,061,754             | 100.00%     |
| Classified 12 to 24 months ago                               |                      | 0                 | 0                      | %           |
| Classified more than 24 months ago<br>(extended disposition) |                      | 0                 | 0                      | %           |
| <b>TOTAL NCAHS</b>   | <b>68</b>            | <b>53,161,754</b> | <b>52,061,754</b>      | <b>100%</b> |

For NCAHS classified for more than one year, management has evaluated whether the PFRS 5 held-for-sale classification criteria continue to be met. Management remains committed to the disposal of all properties through active marketing, participation in public bidding, and coordination with the BSP/COA on disposition requirements. The extension in disposal timeframe is attributable to market conditions and regulatory requirements applicable to GOCCs.

**14. OTHER ASSETS****As at December 31, 2025**

|   | Due within 1 year | Due beyond 1 year | Total             |
|---|-------------------|-------------------|-------------------|
| Prepayments and Prepaid Expenses        | 7,373,419         | 0                 | 7,373,419         |
| Creditable Withholding Tax (CWT)        | 9,966,356         | 0                 | 9,966,356         |
| Computer Software and Intangibles — net | 754,684           | 1,064,847         | 1,819,531         |
| Refundable Deposits                     | 0                 | 2,315,918         | 2,315,918         |
| Due from National Government Agencies   | 10,244,535        | 0                 | 10,244,535        |
| Advance Rental                          | 1,004,189         | 0                 | 1,004,189         |
| Other Investment                        | 0                 | 20,000            | 20,000            |
| Other Assets — others                   | 792,742           | 306               | 793,048           |
| <b>Total Other Assets</b>               | <b>30,135,925</b> | <b>3,401,071</b>  | <b>33,536,996</b> |

**As at December 31, 2024**

|   | Due within 1 year | Due beyond 1 year | Total             |
|---|-------------------|-------------------|-------------------|
| Prepayments and Prepaid Expenses        | 18,112,340        | 0                 | 18,112,340        |
| Creditable Withholding Tax (CWT)        | 13,652,060        | 7,030,273         | 20,682,333        |
| Computer Software and Intangibles — net | 163,313           | 780,091           | 943,404           |
| Refundable Deposits                     | 0                 | 2,192,409         | 2,192,409         |
| Due from National Government Agencies   | 16,209,351        | 0                 | 16,209,351        |
| Advance Rental                          | 925,949           | 119,451           | 1,045,400         |
| Other Investment                        | 0                 | 20,000            | 20,000            |
| Other Assets — others                   | 1,010,501         | 306               | 1,010,807         |
| <b>Total Other Assets</b>               | <b>50,073,514</b> | <b>10,142,530</b> | <b>60,216,044</b> |

Prepayments are initially recorded as assets and measured at cost. Subsequently, these are charged to the statement of comprehensive income as they are consumed in operations or as they expire. Computer software is amortized over one to five years using the straight-line method.

Movements of the Intangibles account are as follows:

|                                    | 2025             | 2024 (Restated) |
|------------------------------------|------------------|-----------------|
| <b>Cost</b>                        |                  |                 |
| At January 1                       | 6,829,602        | 6,386,082       |
| Additions                          | 1,375,538        | 443,520         |
| At December 31                     | 8,205,140        | 6,829,602       |
| <b>Accumulated Amortization</b>    |                  |                 |
| At January 1                       | 5,886,198        | 5,483,090       |
| Amortization for the year          | 499,411          | 403,108         |
| At December 31                     | 6,385,609        | 5,886,198       |
| <b>Net book value, December 31</b> | <b>1,819,531</b> | <b>943,404</b>  |

Amortization charges for the year amounted to P499,411 and P403,108 (restated) in 2025 and 2024, respectively.

## 15. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Changes in the allowance for probable losses are as follows:

|   | 2025                 | 2024 (Restated)      |
|---|----------------------|----------------------|
| At January 1                                    |                      |                      |
| Finance Lease Receivables                       | 415,383,105          | 295,841,241          |
| Loans and Receivables - Others                  | 970,440,551          | 844,635,703          |
| Other Receivables                               | 47,646,325           | 39,815,001           |
| Investment Properties                           | 0                    | 0                    |
| Property and Equipment                          | 0                    | 0                    |
| Non-current Asset Held for Sale                 | 1,100,000            | 1,100,000            |
|   | <b>1,434,569,981</b> | <b>1,181,391,944</b> |
| Provisions for the Year                         | 69,575,849           | 41,956,762           |
| Write-Offs                                      | (50,227,474)         | 0                    |
| Disposal  | (23,351,915)         | (13,679,961)         |
| Accounts Charged-Off/Other Adjustments (Note 8) | (91,072,609)         | 224,901,235          |
| At December 31                                  | <b>1,339,493,833</b> | <b>1,434,569,981</b> |

Allocations of allowance for credit and impairment losses are as follows:

|                                 | 2025                 | 2024 (Restated)      |
|---------------------------------|----------------------|----------------------|
| Finance Lease Receivables       | 370,107,662          | 415,383,105          |
| Loans and Receivables - Others  | 926,373,440          | 970,440,551          |
| Other Receivables               | 41,912,731           | 47,646,325           |
| Non-current Asset Held for Sale | 1,100,000            | 1,100,000            |
|                                 | <b>1,339,493,833</b> | <b>1,434,569,981</b> |

With the foregoing level of allowance for credit and impairment losses, Management believes that LLFC has sufficient allowance provided for losses that may arise from the non-collection or non-realization of its receivables and other risk assets.

## 16. BILLS PAYABLE

This account consists of short-term and long-term borrowings from various financial institutions, including the Parent Bank (LBP) and other universal banks. Bills payable are measured at amortized cost.

| Bills Payable                            | 2025                 | 2024 (Restated)      |
|--|----------------------|----------------------|
| Due within 1 year (current)              | 3,023,103,333        | 2,978,018,000        |
| Due beyond 1 year but not beyond 3 years | 278,750,000          | 836,666,667          |
| Due beyond 3 years                       | 770,589,474          | 313,000,000          |
| <b>Total Bills Payable</b>               | <b>4,072,442,807</b> | <b>4,127,684,667</b> |

Interest rates on bills payable ranged from 5.75 per cent to 8.2 per cent per annum in 2025 (2024: 5.75 per cent to 7.75 per cent per annum).

The Corporation is currently subject to certain requirements relating to the maintenance of acceptable liquidity and leverage ratios as required under the relevant loan agreements. As at December 31, 2025, the Corporation is in compliance with all loan covenant requirements.

Interest expense on bills payable for the years ended December 31, 2025 and 2024 amounted to P227,284,476 and P239,659,227 (restated), respectively, as disclosed in Note 24.

## 17. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

|   | 2025               | 2024 (Restated)    |
|---|--------------------|--------------------|
| Accounts Payable — Trade                            | 168,838,890        | 158,324,769        |
| Accrued Interest Payable                            | 23,241,964         | 23,391,787         |
| Accrued Other Expenses                              | 57,569,636         | 59,595,055         |
| Lease Liability                                     | 3,224,857          | 2,866,549          |
| Miscellaneous Liabilities                           | 110,901,781        | 48,795,804         |
| Other Liabilities                                   | 16,750,635         | 40,374,894         |
| <b>Total Accounts Payable and Other Liabilities</b> | <b>380,527,763</b> | <b>333,348,858</b> |

Accounts payable consists of unreleased checks to suppliers of properties leased by borrowers and advances received from customers upon availing of a loan or lease contract for notarial fees, appraisal fees, registration fees, and other related expenses.

Accrued other expenses include management and professional fees, rent, and other accrued expenses.

Miscellaneous liabilities represent advance payments received from various clients that will be applied against insurance, notarial, documentary stamps, appraisal fees, registration and mortgage fees

## 18. INTER-AGENCY PAYABLES

This account consists of:

|                      | 2025              | 2024 (Restated)   |
|----------------------|-------------------|-------------------|
| Due to BIR           | 16,403,549        | 21,581,199        |
| Due to GSIS          | 2,804,876         | 772,999           |
| Due to Pag-ibig Fund | 135,940           | 121,047           |
| Due to Philhealth    | 1,101,653         | 265,515           |
|                      | <b>20,446,018</b> | <b>22,740,760</b> |

All other inter-agency payables were remitted to the Agency concerned in January 2026. Due to BIR remittances will be net of applicable creditable withholding tax booked under Other Assets (Note 13). LLFC transitioned its membership from SSS to GSIS effective August 1, 2023.

## 19. DEPOSITS ON LEASE CONTRACTS

Deposits on lease contracts represent amounts received from lessees at the inception of the lease, approximating the estimated residual value of the leased assets at the end of the lease term. At the end of the lease term, the lessee may apply this deposit as payment for the residual value of the leased property. These are measured at amortized cost.

| Deposits on Lease Contracts — Maturity   | 2025                 | 2024 (Restated)      |
|--|----------------------|----------------------|
| Due within 1 year (current)              | 484,113,916          | 213,659,896          |
| Due beyond 1 year but not beyond 3 years | 654,940,333          | 748,722,623          |
| Due beyond 3 years                       | 543,964,291          | 364,821,267          |
| <b>Total Deposits on Lease Contracts</b> | <b>1,683,018,540</b> | <b>1,327,203,786</b> |

## 20. CAPITAL STOCK

LLFC has 150,000,000 authorized ordinary shares at P10 par value per share. The pertinent information on the components of LLFC's capital stock as of December 31, 2025 and 2024 is presented hereunder:

|                                 | 2025              | 2024 (Restated)   |
|---------------------------------|-------------------|-------------------|
|                                 | No. of Shares     |                   |
| Issued and paid                 | 87,738,307        | 87,738,307        |
| Treasury Stock                  | (3)               | (2)               |
| <b>Total outstanding shares</b> | <b>87,738,304</b> | <b>87,738,305</b> |

As of January 1, 2024, there is an outstanding two treasury share which was reacquired in the previous years. During 2025, one issued and paid outstanding share was reacquired due to resignation of one director.

The SEC approved the increase in the authorized capital stock of LLFC to 150,000,000 common shares at P10 par value or P1,500,000,000 along with the merger with ULFC on 28 February 2025. Consistent with the pooling of interest, 2024 values of Capital Stock was restated based on the approved increase.

## 21. RETAINED EARNINGS

As at December 31, 2025 and 2024, Retained Earnings consist of:

|                                    | 2025                 | 2024 (Restated)      |
|------------------------------------|----------------------|----------------------|
| Retained Earnings - Appropriated   | 700,000,000          | 922,279,972          |
| Retained Earnings - Unappropriated | 604,483,538          | 327,762,641          |
| <b>Total Retained Earnings</b>     | <b>1,304,483,538</b> | <b>1,250,042,613</b> |

### Appropriation of retained earnings

On December 10, 2024, the Board of Directors of LLFC through its Resolution No. 24-255, approved the appropriation of retained earnings amounting to P700,000,000 for the business expansion. The business expansion will be used in the planned merger with UCPB Leasing and Finance Corporation (ULFC) which is expected to materialize by 2025.

This will also be used for the financing requirements for several property lease projects for offices of various government agencies, one of which is already on-going while several others are in negotiation stage.

### 21.1 Movement in Unappropriated Retained Earnings

|   |                    |
|---|--------------------|
| <b>At January 1, 2024 (as restated)</b>     | <b>728,442,373</b> |
| Dividends declared during the year          | (154,821,328)      |
| Transfer to appropriated retained earnings  | (100,000,000)      |
| Net income for the year                     | 68,156,938         |
| Prior period adjustments (if any)           | (214,015,343)      |
| <b>At January 1, 2025 — as restated</b>     | <b>327,732,641</b> |
| Net income for the year                     | 93,557,375         |
| Dividends declared during the year          | (88,671,668)       |
| PY Adjustment/ULFC Consolidation Adjustment | (257,416,569)      |
| <b>At December 31, 2025</b>                 | <b>590,064,916</b> |

### 21.2 Dividend Declarations

Pursuant to RA No. 7656, the Corporation is required to declare and remit at least 50 per cent of its annual net earnings as cash dividends to the National Government through LBP, as its sole stockholder.

For the year ended December 31, 2025, the BOD through Resolution No. 25-103 approved the declaration of cash dividends amounting to P87,933,567 out of unappropriated retained earnings. Dividends were remitted to Bureau of Treasury on May 15, 2025. In addition, dividends amounting to P738,101 were remitted by UCPB Leasing and Finance Corporation to Bureau of Treasury on May 10, 2025.

For the year ended December 31, 2024, the BOD through Resolution No. 24-078 approved the declaration of cash dividends amounting to P87,545,125 out of unappropriated retained earnings. Dividends were remitted to Bureau of Treasury on April 30, 2024. On the other hand ULFC remitted P67,276,203 dividend for the same year.

As of December 31, 2024, the UCPB Leasing and Finance Corporation has remitted dividends amounted to P42,904,739 and P24,371,464 covering the years 2020 and 2021 respectively.

### **21.3 Accumulated Other Comprehensive Gains/(Losses)**

|  | <b>Remeasurement on Retirement<br/>Benefit Obligation</b> |
|--|---|
| <b>Balance, January 1, 2024</b>            | <b>(9,702,889)</b>  |
| Add/(Deduct): Transactions during the year | (3,408,183)   |
| <b>Balance, December 31, 2024</b>          | <b>(13,111,072)</b>                                       |
| Add/(Deduct): Transactions during the year | 8,618,912   |
| <b>Balance, December 31, 2025</b>          | <b>(4,492,160)</b>  |

## **22. INTEREST AND LEASING INCOME**

Interest and leasing income as presented in the statement of comprehensive income consists of:

|  | <b>2025</b>        | <b>2024 (Restated)</b> |
|--|--------------------|------------------------|
| Interest Income — Finance Lease Receivables          | <b>259,651,571</b> | 282,319,910            |
| Interest Income — Finance Lease Receivables — LBP    | <b>125,039,280</b> | 176,911,095            |
| Interest Income — Loans and Receivables              | <b>313,681,758</b> | 255,071,892            |
| Interest Income — Cash and Cash Equivalents (Note 8) | <b>5,932,351</b>   | 4,140,054              |
| <b>Total Interest and Leasing Income</b>             | <b>704,304,960</b> | <b>718,442,951</b>     |

Revenue from finance lease (lessor) is recognized using the EIR method over the lease term. Check discounting and trade receivable financing income is recognized over the discount/financing period using the EIR method, consistent with the accounting policies described in Note 3.15.

## **23. OTHER INCOME**

Other income consists of:

|   | <b>2025</b>      | <b>2024 (Restated)</b> |
|---|------------------|------------------------|
| Fleet Management Service Fees                 | <b>(211,652)</b> | 2,787,288              |
| Gain on Exchange/Sale of Non-financial Assets | <b>5,974,973</b> | 1,958,098              |
| Recovery on Charged-Off Assets                | <b>160,000</b>   | 360,000                |

|                               |                    |                   |
|-------------------------------|--------------------|-------------------|
| Gain on Foreclosure of Assets | <b>64,505,084</b>  | 4,044,162         |
| Miscellaneous Income          | <b>60,167,406</b>  | 18,940,908        |
| <b>Total Other Income</b>     | <b>130,595,811</b> | <b>28,090,456</b> |

## 24. INTEREST EXPENSE

This account consists of:

|   | <b>2025</b>        | <b>2024 (Restated)</b> |
|---|--------------------|------------------------|
| Interest Expense on Bills Payable (Note 16)   | <b>227,284,476</b> | 239,659,227            |
| Interest Expense on Lease Liability (Note 27) | <b>186,987</b>     | 324,730                |
| Other Interest Expense                        | <b>508,133</b>     | 508,133                |
| <b>Total Interest Expense</b>                 | <b>227,979,596</b> | <b>240,492,090</b>     |

## 25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31 consist of:

|  | <b>2025</b>        | <b>2024 (Restated)</b> |
|--|--------------------|------------------------|
| Salaries and Employee Benefits                   | <b>73,250,412</b>  | 67,761,496             |
| Retirement Benefit Costs (Note 26)               | <b>7,028,095</b>   | 6,155,896              |
| Depreciation and Amortization (Note 12)          | <b>12,516,267</b>  | 14,263,250             |
| Occupancy and Rent Expense (Note 27)             | <b>4,267,807</b>   | 5,207,327              |
| Taxes and Licenses                               | <b>12,964,196</b>  | 41,384,914             |
| Communication and Utilities                      | <b>3,422,691</b>   | 3,057,942              |
| Litigation and Other Legal Expenses              | <b>25,814,963</b>  | 13,754,434             |
| Management and Professional Fees                 | <b>5,088,599</b>   | 1,738,692              |
| Representation and Entertainment                 | <b>5,941,714</b>   | 5,976,228              |
| Security and Messengerial Services               | <b>6,425,392</b>   | 6,430,601              |
| Miscellaneous Expenses                           | <b>28,597,035</b>  | 25,783,698             |
| <b>Total General and Administrative Expenses</b> | <b>185,317,171</b> | <b>191,514,478</b>     |

Taxes and licenses include documentary stamp tax, real property tax, and other business-related taxes and fees.

## 26. PERSONNEL SERVICES

### (a) Compensation and employee benefits

Expenses recognized for compensation and employee benefits are presented below:

|                         | 2025               | 2024<br>(Restated) |
|-------------------------|--------------------|--------------------|
| Salaries and wages      | <b>65,577,375</b>  | 65,299,597         |
| Bonuses                 | <b>17,660,170</b>  | 7,821,864          |
| Social security cost    | <b>8,717,112</b>   | 8,158,922          |
| Directors' remuneration | <b>7,972,803</b>   | 4,359,000          |
| Retirement benefit cost | <b>7,028,095</b>   | 6,155,896          |
| Other benefits          | <b>3,893,246</b>   | 5,363,716          |
|                         | <b>110,848,801</b> | 97,158,995         |

Personnel Services benefits include annual salaries, paid leaves, bonuses and other non-monetary benefits. The expenses accrued for the compensated absences of the employees recorded under Salaries and Wages account for the years CY 2025 and 2024 amounted to P2,369,601. The accrued compensated absences refer to the monetary value of the accumulated leave credit of employees.

The breakdown of Personnel Services as to direct and general and administrative expense as at December 31, 2025 and 2024 is as follows:

|                                      | 2025               | 2024 (Restated) |
|--------------------------------------|--------------------|-----------------|
| Direct expense – marketing operation | <b>30,570,294</b>  | 23,241,603      |
| General and administrative expense   | <b>80,278,507</b>  | 73,917,392      |
|                                      | <b>110,848,801</b> | 97,158,995      |

### (b) Retirement benefits

#### (i) Characteristics and funding

LLFC has a funded non-contributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits (equivalent to 22.5 days' pay for every year of service) after satisfying certain age and service requirements.

The funds are administered by LBP Trust Banking Group (LBP-TBG) which is responsible for the investment strategy of the plan.

The Retirement Trust Fund account with LBP-TBG was opened on November 28, 2012. Prior to the opening of Retirement Trust Fund account with LBP and the availability of the Funding Actuarial Valuation report, LLFC accrues Retirement Costs based on actual services rendered by the employees and Article V of the LBP Subsidiaries Retirement Benefit Plan which defines the percentage of entitlement of incumbents to retirement benefits. Among the salient provisions of the Trust Agreement are the following:

- The Trustor (LLFC) shall deliver and pay to the Trustee such sums representing the annual contributions of the Trustor as provided in the Plan, starting with the contributions for the year 2012 in the amount of Six Million Seven Hundred Fifty-One Thousand One Hundred Fifty Pesos and 86 Centavos (P6,751,150.86) Philippine Currency.
- The Trustor waives all its rights and interests to the money or properties which are and will be paid or transferred to the Fund, to the extent required to provide the benefits payable pursuant to the Plan.
- The Trustee shall administer the Fund to be held in trust for the purpose stated in and subject to all the terms and conditions of this Agreement as well as the Plan, which shall be deemed part of this Agreement. It shall invest and re-invest the Fund, together with all increments and proceeds in fixed-income government securities.
- The Trustee has the right and power to cause any asset acquired from the investment/re-investment of the fund to be held, registered and issued in its own name as Trustee or in the name of its nominee, provided, that the books and records of the Trustee shall at all times show that all such properties are part of the Fund. It shall open and maintain savings and/or checking account as may be determined necessary from time to time in the performance of the trust and the authority herein conferred to the Trustee as well as pay all costs, fees, charges and such other expenses connected with the investments, administration, preservation and maintenance of the Fund and to charge the same to the Fund.
- The Trustee shall exercise any right or privileges pertaining to the bonds, securities or other properties held in trust. It shall open a savings account with its own commercial banking sector, for and in the name of the Fund wherein all funds awaiting investments and those received as contribution or by way of income or earnings from the investment/re-investments of the fund may be deposited temporarily. The Trustee shall execute and deliver any and all documents and to perform any act which may be deemed necessary or proper to carry out the powers granted.
- In the management of the Fund, the Trustee shall pay to the members or the beneficiaries the benefits under the Plan upon written advice of the Trustor. It shall keep and maintain books of accounts and/or records of the management and operations of the fund, which the Trustor or its authorized representative may inspect from time to time during office hours. It shall, at the end of every calendar quarter, submit the financial reports, i.e. Balance sheet, Statement of Income and Expenses, Schedule of Investments, Investment Activity Report statements and such other reports as may be requested by the Trustor. Such reports shall be deemed conclusive should the Trustor fail to object thereto in writing within 30 days from receipt thereof. The Trustor shall administer the funds held in trust with such degree of skill and care as a prudent man would exercise in the conduct of an enterprise of like character and with similar aims. It shall secure the Tax Exemption Certificate from the Bureau of Internal Revenue so that the Plan may be entitled to tax exemption benefits as provided by law.
- For its services, the Trustee shall be entitled to a fee equivalent to 0.5 per cent per annum of the average total assets of the Fund, computed daily and collected after the end of each calendar quarter, subject to a minimum of P10,000.00 per year. The

Trustee is hereby authorized to debit its fee from the Fund. The above fee is quoted with the understanding that the same may be reviewed at the request of either party and adjusted in a mutually satisfactory basis.

- Except for fraud, bad faith or gross negligence, the Trustee shall not be liable for any loss or depreciation in the value of the Fund resulting from the investments or re-investments thereof as authorized herein, or from the performance of any act in accordance with the provision of this Agreement. This Agreement does not guarantee a yield, return or income on the investments/re-investments of the fund as the same can fall as well as rise depending on prevailing market conditions and is not covered by the Philippine Deposit Insurance Corporation (PDIC). Losses, if any, shall be for the account of the Trustor.
- This Agreement shall remain in full force and effect until the termination of the Plan, unless sooner terminated by either party hereto by giving a 30 day advance written notice to the other.

LLFC's retirement plan is exposed to the following risks:

- Interest rate risk: decreases/increases in the discount rate used will increase/decrease the defined benefit obligation
- Longevity risk: changes in the estimation of mortality rates of current and former employees.
- Salary risk: increases in future salaries increase the gross defined benefit obligation.

(ii) Actuarial assumptions

Management has engaged the services of an independent appraiser to undertake an actuarial valuation of LLFC's plan assets and present value of its defined benefit obligation using the Accrued Benefit Actuarial Cost Method (Projected Unit Credit) and in accordance with the provision of PAS 19, as revised (PAS 19R).

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation are as of December 31, 2024.

The valuation results are based on the employee data as of the valuation dates provided by LLFC to the independent appraiser. The discount rate assumption is based on the Banker of the Philippines (BAP) PHP Bloomberg BVAL reference rates (BVAL) benchmark reference curve for the government securities market (previously the PDEX (PDST-R2) market yields on government bonds) as of the valuation dates considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

The sensitivity analysis was conducted to determine based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant. Management believes that as of the reporting date, changes in the discount rate and future salary increase will not significantly affect the retirement obligation of LLFC. Management believes that retirement obligation will not be sensitive to the salary rate increases because it is expected to be within the same level of

the remaining life of the obligation while the discount rate is not expected to drastically increase or decrease at its existing level.

The principal actuarial assumptions used as at the statements of financial position date follows:

|   | 2025 | 2024   |
|---|------|--|
| Discount rate                             |      | 6.09%  |
| Expected rate of return<br>on plan assets |      | 6.09%  |
| Salary projection rate                    |      | 9.00%  |
| Mortality rate                            |      | 2017 Philippine Intercompany<br>Mortality Table                    |
| Disability rate                           |      | The Disability Study, Period 2<br>Benefit 5 (Society of Actuaries) |
| Normal retirement age                     |      | 60   |
| Projected retirement<br>credit            |      | 22.5 days' pay per year of<br>service                              |
| Actuarial cost method                     |      | Projected unit credit method                                       |
| Manner of benefit<br>payment              |      | Lump sum   |
| Withdrawal rates                          |      |  |
| 19-24                                     |      | 7.32%  |
| 25-29                                     |      | 11.25%   |
| 30-34                                     |      | 7.14%  |
| 35-39                                     |      | 4.00%  |
| 40-44                                     |      | 6.36%  |
| 45-49                                     |      | 3.63%  |
| 50-54                                     |      | 0.00%  |
| >55                                       |      | 4.20%  |

The summary of valuation results as at the statements of financial position date follows:

|  | 2025 | 2024       |
|--|------|------------|
| Number of lives covered                                  |      | 62         |
| Average age in years                                     |      | 40.6       |
| Expected average remaining working lives of<br>employees |      | 19.40      |
| Average years of past service                            |      | 9.1        |
| Annual covered payroll                                   |      | 43,223,916 |
| Present value of defined benefit obligation (DBO)        |      | 47,446,640 |
| Current service cost (CSC)                               |      | 4,547,989  |
| Fair value of plan assets                                |      | 26,164,632 |
| Deficit / (Surplus)                                      |      | 21,282,008 |
| Contributions  |      | 0          |
| Benefits paid from plan assets                           |      | 5,488,747  |
| Benefits paid from booked reserved                       |      | 0          |
| Settlements from plan assets                             |      | 0          |
| Settlements from booked reserved                         |      | 0          |

As of December 31, 2025, the principal balance of the retirement fund stands at P\_\_\_\_\_ compared to P21,282,008 as of December 31, 2024.

(iii) Reconciliation of defined benefit obligation and fair value of scheme assets

|  | Defined benefit obligation |             | Fair value of plan assets |              | Net defined liability |             |
|--|----------------------------|-------------|---------------------------|--------------|-----------------------|-------------|
|  | 2025                       | 2024        | 2025                      | 2024         | 2025                  | 2024        |
| <b>Balance, 1 January</b>                      |                            | 49,499,486  |                           | (25,754,462) |                       | 23,745,024  |
| Service cost – current                         |                            | 4,547,989   |                           | 0            |                       | 4,547,989   |
| Interest cost (income)                         |                            | 3,004,619   |                           | (1,396,712)  |                       | 1,607,907   |
| <b>Included in profit or loss</b>              |                            | 7,552,608   |                           | (1,396,712)  |                       | 6,155,896   |
| <b>Employer Contribution</b>                   |                            | 0           |                           | 0            |                       | 0           |
| (a) Actuarial loss (gain) from:                |                            |             |                           |              |                       |             |
| - Demographic assumptions                      |                            | 22,469      |                           | 0            |                       | 22,469      |
| - Financial assumptions                        |                            | (88,455)    |                           | 0            |                       | (88,455)    |
| - Experience adjustments                       |                            | (4,050,721) |                           | 0            |                       | (4,050,721) |
| (b) Return on plan assets (excluding interest) |                            | 0           |                           | (4,502,205)  |                       | (4,502,205) |
| <b>Included in other comprehensive income</b>  |                            | (4,116,707) |                           | (4,502,205)  |                       | (8,618,912) |
| <b>Benefits Paid</b>                           |                            | (5,488,747) |                           | 5,488,747    |                       | 0           |
| <b>Balance, December 31</b>                    |                            | 47,446,640  |                           | (26,164,632) |                       | 21,282,008  |

Retirement costs are included in the “General and Administrative Expenses” account in the statements of comprehensive income, and LLFC, having opted to avail of the Optional Standard Deduction (OSD) accordingly, did not recognize any deferred tax assets or liabilities on re-measurement gains and losses and net benefit obligation.

(iv) Allocation of Plan Assets

|   |         |
|---|---------|
| Cash and cash equivalents                               | 22.33%  |
| Debt instruments – Government Bonds                     | 77.92%  |
| Others (Market gains/losses, Accrued receivables, etc.) | -0.25%  |
|   | 100.00% |

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the Retirement Plan Trustee may make changes at any time.

(v) Maturity Analysis: 10-year Projection of Expected Future Benefit Payments

| Year        | Amount     |
|-------------|------------|
| 2025        | 4,094,694  |
| 2026        | 3,311,397  |
| 2027        | 11,162,107 |
| 2028        | 3,140,372  |
| 2029        | 5,700,871  |
| 2030 – 2034 | 24,109,078 |

**27. LEASES CORPORATION AS LESSEE (PFRS 16)**

The Corporation has lease contracts for office premises and other assets. Upon the merger, leases previously held by ULFC (including its office at the 14th Floor Sycip Law Center) and by LLFC (at the 15th Floor Sycip Law Center) were assessed and reflected in the combined entity's financial statements.

**27.1 Right-of-Use Assets**

Right-of-use assets are included in Property and Equipment in the statement of financial position (refer to Note 12) and are depreciated on a straight-line basis over the lease term.

| ROU Assets Roll-forward          | 2025             | 2024 (Restated)  |
|----------------------------------|------------------|------------------|
| At January 1                     | 3,214,258        | 0                |
| Additions (new leases commenced) | 3,630,441        | 7,001,362        |
| Depreciation for the year        | (3,881,177)      | (3,787,104)      |
| <b>At December 31</b>            | <b>2,963,522</b> | <b>3,214,258</b> |

**27.2 Lease Liabilities**

| Lease Liabilities                | 2025             | 2024 (Restated)  |
|----------------------------------|------------------|------------------|
| At January 1                     | 2,866,549        | 0                |
| New lease liabilities recognized | 3,630,441        | 7,001,362        |
| Interest accretion               | 186,987          | 324,730          |
| Lease payments made              | (3,459,120)      | (4,459,543)      |
| <b>At December 31</b>            | <b>3,224,857</b> | <b>2,866,549</b> |
| Current portion                  | 3,224,857        | 2,866,549        |
| Non-current portion              | 0                | 0                |

**27.3 Undiscounted Lease Payment Maturities**

| Maturity of Lease Liabilities | Within 1 Year    | 2 to 5 Years | Total            |
|-------------------------------|------------------|--------------|------------------|
| Lease payments 2025           | 3,102,418        | 0            | 3,102,418        |
| Finance charges               | 122,439          | 0            | 122,439          |
| <b>Net present value</b>      | <b>3,224,857</b> | <b>0</b>     | <b>3,224,857</b> |

Interest expense on lease liabilities amounted to P186,987 and P324,730 (restated) for the years ended December 31, 2025 and 2024, respectively. Total cash outflow for leases (including short-term and low-value lease payments) amounted to P7,105,576 and P6,452,272 (restated) in 2025 and 2024, respectively.

## 28. RELATED PARTY TRANSACTIONS

The Corporation, in the normal course of business, has transactions with its Parent Bank (LBP), LBP affiliates, and key management personnel (KMP). All related party transactions are conducted at arm's length, consistent with pricing and terms available to third parties, unless otherwise disclosed.

The amounts of these transactions and outstanding balances as at and for the years ended December 31, 2025 and 2024 are presented below:

| Related Party Transactions 2025              | Nature of Transaction         | Amount of Transaction | Terms and Conditions                      |
|--|-------------------------------|-----------------------|---|
| <b>Parent Bank (LBP)</b>                     |                               |                       |   |
| Cash in Banks                                | Deposits                      | 278,948,524           | At market rates, unsecured, no impairment |
| Finance Lease Receivables — LBP              | Finance lease facilities      | 293,042,918           | At market rates, secured by leased assets |
| Due from Parent Bank — chauffeuring services | Fleet management services     | 111,476,838           | At cost, unsecured                        |
| Bills Payable — LBP                          | Borrowings                    | 942,989,474           | At market rates, unsecured                |
| Deposit on Lease Contracts                   | Deposits on leases            | 72,015,900            | At cost                                   |
| Accrued Interest Payable                     | Unpaid interest on borrowings | 7,768,271             | At cost                                   |
| Accounts Payable                             | Unpaid other payables         | 1,400,775             | At cost                                   |
| Accrued Expense Payable                      | Unpaid SMJC - LBPFL           | 11,450,694            | At cost                                   |
| Miscellaneous Liabilities                    | Insurance claims proceeds     | 4,207,410             | At cost                                   |
| Key Management Personnel Compensation        | Compensation                  | 13,094,158            | At cost                                   |

| Related Party Transactions — 2024 (Restated) | Nature of Transaction     | Amount of Transaction | Terms and Conditions                      |
|--|---------------------------|-----------------------|---|
| <b>Parent Bank (LBP)</b>                     |                           |                       |   |
| Cash in Banks                                | Deposits                  | 569,652,669           | At market rates, unsecured, no impairment |
| Finance Lease Receivables — LBP              | Finance lease facilities  | 356,665,819           | At market rates, secured by leased assets |
| Due from Parent Bank — chauffeuring services | Fleet management services | 190,725,285           | At cost, unsecured                        |
| Bills Payable — LBP                          | Borrowings                | 728,768,000           | At market rates, unsecured                |

| <b>Related Party Transactions — 2024 (Restated)</b> | <b>Nature of Transaction</b>  | <b>Amount of Transaction</b> | <b>Terms and Conditions</b> |
|---|-------------------------------|------------------------------|-----------------------------|
| Deposit on Lease Contracts                          | Deposits on leases            | 72,852,930                   | At cost                     |
| Accrued Interest Payable                            | Unpaid interest on borrowings | 5,924,559                    | At cost                     |
| Accounts Payable                                    | Unpaid other payables         | 13,598                       | At cost                     |
| Accrued Expense Payable                             | Unpaid SMJC - LBPFL           | 11,874,292                   | At cost                     |
| Miscellaneous Liabilities                           | Insurance claims proceeds     | 3,635,487                    | At cost                     |
| Key Management Personnel Compensation               | Compensation                  | 25,092,557                   | At cost                     |

**Bills payable and Interest and Financing Charges**

Interest rates on borrowings from the parent company ranges from 6.5 per cent to 6.796 per cent. The loans are partially secured by assignment of receivables with terms of maturity ranging from 100 days to 18 years.

**Finance Lease Income**

LLFC is leasing motor vehicles to its Parent Bank for a period of seven years.

**Operating Lease Income**

LLFC is leasing motor vehicles to its Parent Bank for a period of three years with renewal option included in the contracts.

**Fleet Management Services**

LLFC continues its chauffeuring and other vehicle services to its Parent Bank until such time the Parent Bank disposed and replaced the expired lease vehicles.

**Other Related Party Transactions**

Other related party transactions conducted in the normal course of business include regular banking transactions, borrowings and sharing of certain operating expenses.

**29. INCOME TAX**

The income tax expense consists of:

|          | <b>2025</b>       | <b>2024 (Restated)</b> |
|----------|-------------------|------------------------|
| Current  | <b>35,844,383</b> | 42,145,517             |
| Deferred | <b>23,769,037</b> | (10,489,191)           |
|          | <b>59,613,420</b> | 31,656,326             |

The reconciliation between the income tax expense computed at the statutory income tax rate of 25 per cent in 2025 and 2024, and the provision for income tax expense as shown in the

statements of comprehensive income is presented in the table below. Due to the difference in the income tax method being used by LLFC (OSD) and ULFC (MCIT), the 2024 figures in the table below present separately the 2024 computation for LLFC and ULFC.

|   | <b>2025</b> | 2024 (LLFC only) |
|---|-------------|------------------|
| Net income before income tax  | 153,170,795 | 85,317,985       |
| Add:  |             |                  |
| General and administrative expenses   | 185,317,171 | 146,693,579      |
| Gross income  | 338,487,966 | 232,011,564      |
| Less: Optional Standard Deduction (40% of the total of gross income and net amount of non-deductible and non-taxable expenses amounting to P35,869,777 in 2025 and P28,253,994 in 2024) | 195,110,432 | 109,578,208      |
| Net income subject to income tax  | 143,377,534 | 122,433,356      |
| Income tax computed at statutory tax rate of 25%  | 35,844,383  | 39,608,339       |
| Tax effect of:  |             |                  |
| Interest income subject to final tax  | (7,415,439) | (7,603)          |
| Interest in arbitrage   | 1,438,088   | 1,901            |
|   |             | 2024 (ULFC)      |
| Tax effect on pretax profit at 25%  |             | 948,851          |
| Tax effects of:   |             |                  |
| Net operating loss carry-over (NOLCO)   |             | (715,668)        |
| Non-deductible Expenses   |             | 0                |
| Net Deferred tax effect   |             | 961,469          |
| Non-taxable income  |             | (140,963)        |
|   |             | 1,053,689        |

Prepaid Income tax, after deducting creditable withholding taxes and quarterly income tax payments, amounts to P10,244,535 and P16,209,351 as at December 31, 2025 and 2024, respectively, as shown in Note 14, respectively.

Under Philippine tax laws, LLFC is subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid consist of gross receipts tax and documentary stamp tax.

Income taxes include corporate income tax and final taxes paid at the rate of 20 per cent, which is a final withholding tax on gross interest income from deposits with banks.

Current tax regulations provide that the Regular Corporate Income Tax (RCIT) rate shall be 25 per cent and interest allowed as a deductible expense shall be reduced by an amount of 20 per cent of interest income subjected to final tax.

The regulations also provide for Minimum Corporate Income Tax (MCIT) of 1.50 per cent and 1.50 per cent on modified gross income for 2025 and 2024, respectively. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as deduction from taxable income in the next three years from the year of inception.

MCIT computed at 1.5- per cent and 2.00 per cent of gross profit amounted to P4,779,251 in 2025 and P4,109,183 for LLFC and P598,063 for ULFC in 2024, respectively.

Republic Act No. 9504, An Act Amending National Internal Revenue Code, provides that starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40 per cent of gross income may be claimed as an alternative deduction in computing for the RCIT.

LLFC has opted to use OSD in 2025 and 2024. The presentation of the Statements of Comprehensive Income reflects the “Gross Income” which was the basis in computing the OSD to arrive at the taxable income. Direct expenses incurred to provide the services as provided in Section 4 of RA 16-2008 was presented as a deduction from the gross revenue.

Details of the deferred tax assets and liabilities recognized in the statements of financial position are as follows:

|                             |                    |
|-----------------------------|--------------------|
| <b>At December 31, 2023</b> | <b>256,497,394</b> |
| Charged to operations       | 10,489,191         |
| <b>At December 31, 2024</b> | <b>266,986,585</b> |
| Charged to operations       | 67,611,873         |
| <b>At December 31, 2025</b> | <b>334,598,458</b> |

### 30. ANALYSIS OF ASSETS AND LIABILITIES BY CURRENT AND NON-CURRENT

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled:

| As at December 31, 2025           | Within One<br>Year   | Beyond One<br>Year   | Total                |
|-----------------------------------|----------------------|----------------------|----------------------|
| <b>FINANCIAL ASSETS</b>           |                      |                      |                      |
| Cash and Cash Equivalents         | 279,049,300          | 0                    | 279,049,300          |
| Finance Lease Receivables — net   | 694,784,081          | 3,053,452,481        | 3,748,236,562        |
| Loans and Receivables — net       | 1,288,066,803        | 1,778,673,318        | 3,066,740,121        |
| Other Receivables                 | 212,924,259          | 0                    | 212,924,259          |
| <b>Total Financial Assets</b>     | <b>2,474,824,443</b> | <b>4,832,125,799</b> | <b>7,306,950,242</b> |
| <b>NON-FINANCIAL ASSETS</b>       |                      |                      |                      |
| Investment Properties — net       | 0                    | 146,555,878          | 146,555,878          |
| EOPL — net                        | 0                    | 950,427,080          | 950,427,080          |
| Property and Equipment — net      | 0                    | 35,882,400           | 35,882,400           |
| Non-current Assets Held for Sale  | 0                    | 52,061,754           | 52,061,754           |
| Deferred Tax Assets — net         | 0                    | 334,598,458          | 334,598,458          |
| Other Assets                      | 30,135,925           | 3,401,071            | 33,536,996           |
| <b>Total Non-Financial Assets</b> | <b>30,135,925</b>    | <b>1,522,926,641</b> | <b>1,553,062,566</b> |

| <b>As at December 31, 2025</b>     | <b>Within One Year</b> | <b>Beyond One Year</b> | <b>Total</b>         |
|------------------------------------|------------------------|------------------------|----------------------|
| <b>TOTAL ASSETS</b>                | <b>2,504,960,368</b>   | <b>6,355,052,440</b>   | <b>8,860,012,808</b> |
| <b>FINANCIAL LIABILITIES</b>       |                        |                        |                      |
| Bills Payable                      | 3,023,103,333          | 1,049,339,474          | 4,072,442,807        |
| Accounts Payable                   | 168,838,890            | 0                      | 168,838,890          |
| Accrued interest Payable           | 23,241,964             | 0                      | 23,241,964           |
| Other Payables                     | 185,222,052            | 0                      | 185,222,052          |
| Inter-agency Payable               | 20,446,018             | 0                      | 20,446,018           |
| Deposits on Lease Contracts        | 484,113,916            | 1,198,904,624          | 1,683,018,540        |
| Lease Liability                    | 3,224,857              | 0                      | 3,224,857            |
| Retirement Liability               | 0                      | 21,201,532             | 21,201,532           |
| <b>Total Financial Liabilities</b> | <b>3,908,191,030</b>   | <b>2,269,445,630</b>   | <b>6,177,636,660</b> |
| <b>TOTAL LIABILITIES</b>           | <b>3,908,191,030</b>   | <b>2,269,445,630</b>   | <b>6,177,636,660</b> |

| <b>As at December 31, 2024</b>  | <b>Within One Year</b> | <b>Beyond One Year</b> | <b>Total</b>         |
|---------------------------------|------------------------|------------------------|----------------------|
| <b>FINANCIAL ASSETS</b>         |                        |                        |                      |
| Cash and Cash Equivalents       | 569,757,669            | 0                      | 569,757,669          |
| Finance Lease Receivables — net | 388,587,053            | 3,144,575,540          | 3,533,162,593        |
| Loans and Receivables — net     | 1,171,284,016          | 1,682,822,777          | 2,854,106,793        |
| Other Receivables               | 284,183,360            | 0                      | 284,183,360          |
| <b>Total Financial Assets</b>   | <b>2,413,812,098</b>   | <b>4,827,398,317</b>   | <b>7,241,210,415</b> |

|                                   |                      |                      |                      |
|-----------------------------------|----------------------|----------------------|----------------------|
| <b>NON-FINANCIAL ASSETS</b>       |                      |                      |                      |
| Investment Properties — net       | 0                    | 68,098,669           | 68,098,669           |
| EOPL — net                        | 0                    | 742,561,834          | 742,561,834          |
| Property and Equipment — net      | 0                    | 34,406,014           | 34,406,014           |
| Non-current Assets Held for Sale  | 0                    | 32,802,014           | 32,802,014           |
| Deferred Tax Assets — net         | 0                    | 266,986,585          | 266,986,585          |
| Investment Securities             | 0                    | 6,052,387            | 6,052,387            |
| Other Assets                      | 50,073,514           | 10,142,530           | 60,216,044           |
| <b>Total Non-Financial Assets</b> | <b>50,073,514</b>    | <b>1,161,050,033</b> | <b>1,211,123,547</b> |
| <b>TOTAL ASSETS</b>               | <b>2,463,885,612</b> | <b>5,988,448,350</b> | <b>8,452,333,962</b> |

| As at December 31, 2024            | Within One<br>Year   | Beyond One<br>Year   | Total                |
|------------------------------------|----------------------|----------------------|----------------------|
| <b>FINANCIAL LIABILITIES</b>       |                      |                      |                      |
| Bills Payable                      | 2,978,018,000        | 1,149,666,667        | 4,127,684,667        |
| Accounts Payable                   | 155,571,510          | 2,753,259            | 158,324,769          |
| Accrued Interest Payable           | 23,391,787           | 0                    | 23,391,787           |
| Other Payables                     | 148,765,753          | 0                    | 148,765,753          |
| Inter-agency Payable               | 22,740,760           | 0                    | 22,740,760           |
| Deposits on Lease Contracts        | 213,659,896          | 1,113,543,890        | 1,327,203,786        |
| Lease Liability                    | 2,866,549            | 0                    | 2,866,549            |
| Retirement Liability               | 0                    | 21,282,008           | 21,282,008           |
| <b>Total Financial Liabilities</b> | <b>3,545,014,255</b> | <b>2,287,245,824</b> | <b>5,832,260,079</b> |
| <b>TOTAL LIABILITIES</b>           | <b>3,545,014,255</b> | <b>2,287,245,824</b> | <b>5,832,260,079</b> |

### 31. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

LLFC has not set-off financial instruments in 2025 and 2024 and does not have offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party of the lease agreement will have the option to settle such amount on a net basis in the event of default of the other party. As such, LLFC's lease contract receivables from the lessees amounting to P3,914,178,267 and P3,691,837,963 as of December 31, 2025 and 2024, respectively, can be offset by the amount of lease deposits amounting to P1,668,670,980 and P1,312,142,586 as of December 31, 2025 and 2024 (Note 21), respectively. The balance of lease contract receivables net of lease deposit amounted to P2,245,507,287 and P2,379,695,377 as of December 31, 2025 and 2024, respectively.

### 32. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income attributable to the common stockholder by the weighted average number of shares outstanding during the period.

|  | 2025              | 2024 (Restated) |
|--|-------------------|-----------------|
| Net Income for the Year (P)              | <b>93,557,375</b> | 68,156,938      |
| Weighted Average Number of Common Shares | <b>87,738,305</b> | 87,738,305      |
| <b>Basic Earnings Per Share (P)</b>      | <b>1.07</b>       | 0.78            |

There are no dilutive instruments outstanding; hence, diluted earnings per share is equal to basic earnings per share.

### 33. COMMITMENTS AND CONTINGENCIES

#### 33.1 Commitments

Finance lease commitments — The Corporation has entered into and approved finance lease agreements for which the related assets have not yet been delivered or accepted by lessees as at December 31, 2025. The aggregate committed amount for new lease contracts pending implementation as at December 31, 2025 amounts to approximately P950,261,409 (2024 restated: P742,217,520).

#### 33.2 Contingent Liabilities

Legal proceedings — The Corporation is a party to various legal proceedings arising in the normal course of business. These legal cases include collection suits and other claims related to lease and loan transactions of both LLFC and the former ULFC. Based on management's assessment and advice of legal counsel, the Corporation believes that the outcome of these proceedings will not have a material adverse effect on the Corporation's financial position. Details of pending legal cases as at December 31, 2025 are as follows:

| Pending Legal Cases                                | 2025 | 2024 (Restated) |
|--|------|-----------------|
| Cases filed by the Corporation (as plaintiff)      | [ ]  | [ ]             |
| Cases filed against the Corporation (as defendant) | [ ]  | [ ]             |
| <b>Total Contingent Amount Involved</b>            | [ ]  | [ ]             |

The Corporation does not have other material commitments and contingent liabilities as at December 31, 2025.

### 34. SUBSEQUENT EVENTS

On February 10, 2026, The Board of Directors approved the declaration of cash dividend equivalent to PESOS: Eight Hundred Eighty-Five Centavos (P0.885) per share of common stock held to all stockholders of record as of December 31, 2025 or a total amount of PESOS: Seventy-Seven Million Six Hundred Ninety-Two Thousand Two Hundred Seventy-Seven (P77,692,277.00), 75.00% of the Net Earnings as mandated by the Department of Finance (DOF) under BOD Resolution No. 26-027.

### 35. SUPPLEMENTARY INFORMATION ON REVENUE REGULATIONS

#### A. REVENUE REGULATIONS (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRSs and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

LLFC is a non-VAT entity under Philippine tax laws per RR No. 9-2004. LLFC is subject to percentage and other taxes (presented as Taxes and Licenses in the statement of comprehensive income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax. LLFC was also designated by the BIR as withholding tax agent under RR No. 17-2003 and RR No. 12-94, as amended.

In compliance, LLFC pays the corresponding GRT on all items treated as gross income, and fringe benefit tax (FBT) on the benefits provided to its officers in accordance with the tax law and revenue regulation prescribing FBT. LLFC withheld corresponding taxes on payments of compensation of employees, fees to directors and cost or purchase price to contractors and suppliers of goods.

The documentary stamp taxes paid/accrued on loans availed and renewed during the year totalled P26,982,139 (Note 15).

Other taxes paid during the year recognized under Taxes and Licenses account are the following:

| Particulars                | Amount            |
|----------------------------|-------------------|
| a. Local                   |                   |
| Realty Taxes               | 6,585,930         |
| Licenses                   | 2,325,269         |
| Community Tax Certificate  | 21,340            |
| b. National                |                   |
| Tax Clearance Application  | 376               |
| SEC Filing Fees for Merger | 0                 |
| Gross Receipt Tax          | 37,451,182        |
|                            | <b>46,384,097</b> |

The amount of withholding taxes paid for the year amounted to:

|                                |                   |
|--------------------------------|-------------------|
| Compensation and benefits      | 7,538,485         |
| Expanded withholding taxes     | 14,620,218        |
| Final Withholding taxes        | 161,606           |
| VAT and other percentage taxes | 46,529,521        |
|                                | <b>68,849,830</b> |

BIR has an on-going tax assessment to both LLFC and ULFC covering the year 2021 which were temporarily put on hold because of the developments and change in Commissioner of the BIR.

## B. REVENUE REGULATIONS (RR) Nos. 19-2011 and 2-2014

RR No. 2-2014 prescribes the new income tax forms to be used for income tax filing starting CY 2013. Pursuant to Section 244, in relation to Sections 6(H), 51(A)(1) and 51(A)(2) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are issued to prescribe the use of revised income tax forms with bar codes, and to reflect the changes in information required from said forms. This will also enable the said forms to be read by an optical character reader for ease in scanning.

In the case of corporations using BIR Form No. 1702, the taxpayer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return (ITR), the schedules and information on taxable income and deductions to be taken.

1. Sales/Receipts/Fees

|                     | <b>Taxable Amount under Regular Rate</b> |
|---------------------|--|
| Sale of services    | 698,372,609                              |
| Lease of Properties | 0  |
|                     | <b>698,372,609</b>                       |

2. Cost of Sales/Services

|   | <b>Amount under Regular Rate</b> |
|---|----------------------------------|
| Direct Charges - Salaries, Wages and Benefits | 30,570,294                       |
| Direct Charges - Outside Services             | 102,692,578                      |
| Direct Charges - Others                       | 260,485,162                      |
|   | <b>393,748,034</b>               |

3. Non-Operating and Taxable Other Income

|                            | <b>Amount under Regular Rate</b> |
|----------------------------|----------------------------------|
| Gain on sale               | 5,974,973                        |
| Miscellaneous income - net | 124,620,838                      |
|                            | <b>130,595,811</b>               |

4. Optional Standard Deduction (OSD)

Republic Act (RA) No. 9504, An Act Amending National Internal Revenue Code, provides that starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40 per cent of gross income may be claimed as an alternative deduction in computing for the RCIT.

LLFC has opted to use the OSD. The presentation of the Statement of Comprehensive Income reflects the "Gross Income" which was the basis in computing the OSD to arrive at the taxable income. Direct expenses incurred to provide the services as provided in Section 4 of RA No. 16-2008 was presented as a deduction from the gross revenue.

5. Taxes and Licenses

The documentary stamp taxes paid/accrued on loans availed and renewed during the year totalled P25,957,067.

Other taxes paid during the year recognized under Taxes and Licenses account are the following:

| Particulars                | Amount            |
|----------------------------|-------------------|
| a. Local                   |                   |
| Realty Taxes               | 6,585,930         |
| Licenses                   | 2,325,269         |
| Community Tax Certificate  | 21,340            |
| b. National                |                   |
| Tax Clearance Application  | 376               |
| SEC Filing Fees for Merger | 0                 |
| Gross Receipt Tax          | 37,451,182        |
|                            | <b>46,384,097</b> |

### 36. OTHER SUPPLEMENTARY INFORMATION

In compliance with the Revised Securities Regulation Rule 68 issued by Securities and Exchange Commission, the following are the financial soundness indicators of LLFC:

|                              | 2025  | 2024 (Restated) |
|------------------------------|-------|-----------------|
| Current ratio                | 0.64  | 0.70            |
| Acid test ratio              | 0.63  | 0.68            |
| Solvency ratio               | 0.03  | 0.02            |
| Debt to equity ratio         | 2.30  | 2.23            |
| Asset to equity ratio        | 3.30  | 3.23            |
| Interest rate coverage ratio | 1.67  | 1.42            |
| Return on equity             | 3.53  | 2.46            |
| Return on assets             | 1.08  | 0.84            |
| Net profit margin            | 11.21 | 9.13            |

In compliance with BSP Circular No. 1075 dated February 7, 2020, the following are basic quantitative indicators of financial performance of LLFC:

|                          | 2025  | 2024 (Restated) |
|--------------------------|-------|-----------------|
| Return on average equity | 3.53  | 2.46            |
| Return on average assets | 1.08  | 0.84            |
| Net profit margin        | 11.21 | 9.13            |

### 37. SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION

|   | 2025             | 2024 (Restated) |
|---|------------------|-----------------|
| <b>Total Audit Fees (Section 2.1a)1</b>     | <b>1,500,000</b> | <b>910,330</b>  |
| Non-audit services fees:                    |                  |                 |
| Other assurance services                    | 0                | 0               |
| Tax services                                | 0                | 0               |
| All other services                          | 0                | 0               |
| <b>Total Non-audit Fees (Section 2.1b)2</b> | <b>0</b>         | <b>0</b>        |
| <b>Total Audit and Non-audit Fees</b>       | <b>1,500,000</b> | <b>910,330</b>  |

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**Audit and Non-audit fees of other related entities (Section 2.1c)3**

|   | <b>2025</b> | <b>2024 (Restated)</b> |
|---|-------------|------------------------|
| Audit fees  | <b>0</b>    | <b>0</b>               |
| Non-audit Services Fees   | <b>0</b>    | <b>0</b>               |
| Other assurance services  | <b>0</b>    | <b>0</b>               |
| Tax services  | <b>0</b>    | <b>0</b>               |
| All other services  | <b>0</b>    | <b>0</b>               |
| <b>Total Audit and Non-audit Fees of other<br/>relates entities</b> | <b>0</b>    | <b>0</b>               |