Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

LBP LEASING AND FINANCE CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)

For the Years ended December 31, 2025 and 2024

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 1 – BANKING AND CREDIT

June 22, 2026

Mr. ROBERTO U. TEO
President and Chief Executive Officer
LBP Leasing and Finance Corporation
15th Floor, SSHG Law Center
105 Paseo de Roxas
Legaspi Village, Makati City

LBP LEASING AND FINANCE CORPORATION
(A LANDBANK SUBSIDIARY)
Date: 06/22/2026
From
Commision on Audit
ID: 004546

Dear President Teo:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith the Annual Audit Report on the results of audit of the accounts and transactions of LBP Leasing and Finance Corporation (LLFC) for the years ended December 31, 2025 and 2024.

The report includes the Independent Auditor's Report expressing an unmodified opinion on the fairness of presentation of the financial statements of LLFC for the years ended December 31, 2025 and 2024.

A significant observation that need immediate action is that the Calendar Year 2025 measurement of the Expected Credit Losses on loans and lease receivables of LLFC remained based on a regulatory classification-based provisioning methodology rather than a PFRS 9-compliant model, despite the increased size, complexity, and risk profile of its portfolio, thereby affecting the faithful representation of loans and lease receivables in the financial statements, contrary to the relevant provisions of Philippine Accounting Standards 1, Presentation of Financial Statements, and Philippine Financial Reporting Standards 9, Financial Instruments.

This audit observation together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on May 14, 2026 are presented in detail in Part II of the report.

We request that the recommendations contained in the report be implemented and that we be informed of the actions taken thereon by submitting the Agency Action Plan and Status of Implementation within 60 days from date of receipt of this report.

We express our appreciation of the support and cooperation that the Management has extended to the Audit Team.

Very truly yours,

COMMISSION ON AUDIT

By:

ROCHIE J. FELICES
Acting Director

Copy Furnished:

The President of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission of Government-Owned or Controlled Corporation
The National Library
The UP Law Center

SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of LLFC transactions and accounts for the period January 1 to December 31, 2025, in accordance with the International Standards of Supreme Audit Institutions, to enable us to express an opinion on the financial statements for the years ended December 31, 2025 and 2024. Also, the audit aimed to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2025	2024 (As restated)	Increase
Assets	8,959,988,417	8,452,333,960	507,654,457
Liabilities	6,205,098,431	5,832,260,079	372,838,352
Equity	2,754,889,986	2,620,073,883	134,816,103

II. Comparative Results of Operations

	2025	2024 (As restated)	Increase / (Decrease)
Interest and other income	869,562,920	746,533,407	123,029,513
Direct and financial expenses	496,412,804	455,205,664	41,207,140
Gross income	373,150,116	291,327,743	81,822,373
General and administrative expenses	197,605,463	191,514,478	(6,090,985)
Net income before tax	175,544,653	99,813,265	75,731,388
Income tax expense	59,781,897	31,656,327	28,125,570
Net income after tax	115,762,756	68,156,938	47,605,818
Other comprehensive income/(loss)	6,348,931	8,618,912	(2,269,981)
Total comprehensive income	122,111,687	76,775,850	45,335,837

III. Comparative Budget and Actual Expenditures

	Budget		Utilization	
	2025	2024	2025	2024
Personnel services	100,263,000	133,692,377	99,312,347	66,374,435
Maintenance and other operating expenses	146,797,000	515,470,903	146,114,419	319,809,423
Financial expenses	359,273,652	401,376,114	228,015,583	240,210,952
Capital expenditures	38,390,000	37,090,000	9,799,757	7,038,611
	644,723,652	1,087,629,394	483,342,106	633,433,421

AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LLFC for the years ended December 31, 2025 and 2024.

SIGNIFICANT OBSERVATION AND RECOMMENDATION

The Calendar Year (CY) 2025 measurement of the Expected Credit Losses (ECL) on loans and lease receivables of LLFC remained based on a regulatory classification-based provisioning methodology rather than a PFRS 9-compliant model, despite the increased size, complexity, and risk profile of its portfolio, thereby affecting the faithful representation of loans and lease receivables in the financial statements, contrary to the relevant provisions of Philippine Accounting Standards 1, Presentation of Financial Statements, and Philippine Financial Reporting Standards 9, Financial Instruments.

We recommended and Management agreed that the Accounting Unit develop and implement ECL estimation methodology that is fully compliant with PFRS 9. The methodology should incorporate the assessment of probability of default, loss given default, exposure at default and significant increase in credit risk assessment, the time value of money, and reasonable and supportable forward-looking macroeconomic information.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The audit disallowance as of December 31, 2025 amounted to P0.756 million. There are no outstanding charges and suspensions as at year end.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

The three audit recommendations embodied in the CY 2024 Annual Audit Report were implemented in CY 2025.

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Audit Sector
Cluster 1 – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
LBP Leasing and Finance Corporation
15th Floor, Sycip Law Center,
105 Paseo De Roxas,
Legaspi Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LBP Leasing and Finance Corporation (LLFC), a wholly-owned subsidiary of Land Bank of the Philippines, which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LLFC as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards, as modified by the application of the financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the LLFC in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2, to the financial statements which states that:

a. The financial statements have been prepared in accordance with PFRS Accounting Standards, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC in response to the COVID-19 pandemic. The impact of these financial reporting reliefs on the financial statements is discussed in detail in Note 9.9; and

b. The combined loan portfolio for calendar year 2025 reflects the application of different Expected Credit Loss methodologies by the merging entities and the relevant information and effects thereof have been disclosed in Notes 3.7 and 4.1.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS Accounting Standards, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRS Accounting Standards, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements.

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

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 in Note 30-A, the Revised Securities Regulation Code Rule 68 and the BSP Circular No. 1075 in Note 36 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue, the SEC, and the BSP, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements.

In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

MARIE FRANCES HAZEL S. ACEBEDO
Supervising Auditor

May 14, 2026

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **LBP LEASING AND FINANCE CORPORATION** or **"the Corporation"** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

The Commission on Audit, the independent auditors, has audited the financial statements of the Corporation in accordance with International Standards of Supreme Audit Institutions, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ______________________
CONRADO S. MIÑANO JR.
Chairperson of the Board

Signature: ______________________
ROBERTO U. TEO
President and CEO

Signature: ______________________
RAIZZA L. GONZALES
VP/Chief Finance Officer

Signed this 14th day of May 2026

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
LANDBANK OF THE PHILIPPINES
21st Floor, Land Bank Plaza
1598 M.H. del Pilar corner Dr. J. Quintos Sts., Malate, Manila

OFFICE OF THE SUPERVISING AUDITOR

July 02, 2026

Hon. FRANCISCO ED. LIM
Chairperson
Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila

Re: Audit of the 2025 Financial Statements of **LBP LEASING AND FINANCE CORPORATION (LLFC)**

Dear Hon. Lim:

In compliance with SEC Memorandum Circular No. 9, series of 2026, we confirm that Item No. 3 of the Joint Affidavit executed by the LLFC's President and CEO and Treasurer that the 2025 financial statements and the supporting documents of **LBP LEASING AND FINANCE CORPORATION** were timely provided to this Commission during the audit period and the audit thereof has been concluded on June 22, 2026 and the corresponding Annual Audit Report was transmitted on June 22, 2026.

Very truly yours,

ISAIASH C. REYNOSO
Supervising Auditor

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
LANDBANK OF THE PHILIPPINES
21st Floor, Land Bank Plaza
1598 M.H. del Pilar corner Dr. J. Quintos Sts., Malate, Manila

OFFICE OF THE SUPERVISING AUDITOR

SUPPLEMENTAL WRITTEN STATEMENT OF THE AUDITOR

The Board of Directors
LBP Leasing and Finance Corporation
15/F SycipLaw Center,
105 Paseo De Roxas,
Legaspi Village, Makati City

We have audited the financial statements of LBP Leasing and Finance Corporation (LLFC), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of comprehensive income, statement of changes in equity and statements of cash flows for the years then ended, and notes to financial statements. Accordingly, we transmitted to your Office the Auditor's Report on LLFC for the years ended December 31, 2025 and 2024 on June 22, 2026.

In compliance with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, we are stating that the LLFC is a subsidiary of Land Bank of the Philippines of which it owns all the common shares of LLFC as at December 31, 2025.

COMMISSION ON AUDIT

ISAIASH C. REYNOSO
Supervising Auditor

July 02, 2026

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)

	Notes	**2025**	2024 (As restated)
ASSETS			
Current assets			
Cash and cash equivalents	8	**279,049,300**	569,757,669
Financial Assets at Amortised Cost	9	**2,194,830,254**	1,844,054,428
Other current assets	14	**32,563,813**	50,073,514
Total current assets		**2,506,443,367**	2,463,885,611
Non-current assets			
Financial Assets at Amortised Cost	9	**4,918,041,294**	4,827,398,318
Investment properties, net	10	**146,555,878**	68,098,669
Equipment and other property for lease, net	11	**950,427,081**	742,561,834
Property and equipment, net	12	**35,882,400**	35,386,033
Non-current assets held for sale, net	13	**52,061,754**	31,821,995
Deferred tax asset	29	**347,175,572**	266,986,585
Investment in Subsidiary, Net		**0**	6,052,387
Other non-current assets	14	**3,401,071**	10,142,530
Total non-current assets		**6,453,545,050**	5,988,448,351
TOTAL ASSETS		**8,959,988,417**	8,452,333,962
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Financial Liabilities	16, 17	**3,218,409,044**	3,159,847,846
Deposit on lease contracts	19	**484,113,915**	213,659,896
Inter-Agency Payables	18	**35,619,498**	22,740,760
Other payables	6, 30	**185,222,052**	148,765,753
Total current liabilities		**3,923,364,509**	3,545,014,255
Non-current liabilities			
Financial Liabilities	16, 17	**1,049,339,474**	1,152,419,926
Deposit on lease contracts	19	**1,198,904,625**	1,113,543,890
Retirement liability	26(b)	**33,489,823**	21,282,008
Total non-current liabilities		**2,281,733,922**	2,287,245,824
Total liabilities		**6,205,098,431**	5,832,260,079
Equity			
Capital stock	20		
Issued capital		**877,383,070**	877,383,070
Additonal paid-in capital		**497,140,380**	497,140,380
Treasury stock		**(30)**	(20)
		1,374,523,420	1,374,523,430
Retained earnings	21		
Appropriated		**700,000,000**	922,279,972
Unappropriated		**691,207,657**	327,762,641
		1,391,207,657	1,250,042,613
Accumulated other comprehensive income (loss)			
Remeasurement of retirement benefit obligation	21.3	**(10,841,091)**	(4,492,160)
		(10,841,091)	(4,492,160)
Total equity		**2,754,889,986**	2,620,073,883
TOTAL LIABILITIES AND EQUITY		**8,959,988,417**	8,452,333,962

The Notes on pages 10 to 102 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 COMPREHENSIVE INCOME
For the years ended December 31, 2025 and 2024
(In Philippine Peso)

	Notes	2025	2024 (As restated)
INTEREST INCOME			
Leases	22	**384,690,851**	459,231,005
Loans	22	**313,534,234**	259,181,536
Deposits in banks	22	**5,932,351**	30,410
Others	22	**147,524**	0
		704,304,960	718,442,951
INTEREST EXPENSE			
Borrowed funds	24	**227,979,596**	240,492,090
NET INTEREST INCOME		**476,325,364**	477,950,861
OTHER INCOME			
Modification gain/loss		**34,662,149**	0
Other income	23	**130,595,811**	28,090,456
		165,257,960	28,090,456
DIRECT EXPENSES			
Security, messengerial, janitorial and contractual services		**102,692,578**	115,921,022
Provision for credit and impairment losses	15	**69,575,849**	41,956,762
Compensation and fringe benefits - Marketing operations	26	**30,570,294**	23,241,603
Documentary stamp used		**26,982,139**	25,957,067
Insurance		**4,423,749**	6,414,314
Repairs and maintenance		**0**	490,589
Taxes		**33,088,921**	0
Transfer mortgage and registration fees		**1,099,678**	732,217
		268,433,208	214,713,574
GROSS INCOME		**373,150,116**	291,327,743
GENERAL AND ADMINISTRATIVE EXPENSES			
Insurance Premiums and Other Fees	25	**16,799,355**	45,187,590
Compensation and fringe benefits	26	**92,566,799**	75,711,443
Depreciation/amortization	25	**12,516,267**	14,263,250
Other Maintenance and Operating Expenses	25	**75,723,042**	56,352,195
		197,605,463	191,514,478
NET INCOME BEFORE INCOME TAX		**175,544,653**	99,813,265
Income tax expense	29	**59,781,897**	31,656,327
NET INCOME AFTER TAX		**115,762,756**	68,156,938
Remeasurement gain/(loss) on retirement benefit obligation	21.3	**6,348,931**	8,618,912
TOTAL COMPREHENSIVE INCOME		122,111,687	76,775,850
EARNINGS PER SHARE	32	**1.07**	0.78

The Notes on pages 10 to 102 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 20		Notes 21 and 21.1		Note 21.3	
Balance, 1 January 2024	**877,383,070**	**497,140,380**	**(20)**	**728,442,373**	**822,279,972**	**(13,111,072)**	**2,912,134,703**
Cash dividend to National Government				(154,821,327)			(154,821,327)
Prior period adjustment				(214,015,343)			(214,015,343)
Appropriation of Retained Earnings				(100,000,000)	100,000,000		0
Net income for the year, as restated				68,156,938			68,156,938
Remeasurement gain on retirement benefit obligation						8,618,912	8,618,912
Balance, 31 December 2024 (As restated)	**877,383,070**	**497,140,380**	**(20)**	**327,762,641**	**922,279,972**	**(4,492,160)**	**2,620,073,883**
Cash dividend to National Government				(88,671,668)			(88,671,668)
Treasury Stocks			(10)				(10)
Net income for the year				115,762,756			115,762,756
Modification from prior years (Notes 9.2 and 9.3)				50,308,457			50,308,457
Adjustments to Appropriated Retained Earnings of ULFC				222,279,972	(222,279,972)		0
ULFC balance				57,416,568			57,416,568
Remeasurement gain on retirement benefit obligation				6,348,931.00	0	(6,348,931)	0
Balance, 31 December 2025	**877,383,070**	**497,140,380**	**(30)**	**691,207,657**	**700,000,000**	**(10,841,091)**	**2,754,889,986**

The Notes on pages 10 to 102 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)

	Note	2025	2024 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflow			
Interest received		**572,896,850**	698,344,950
Other income received		**98,613,621**	577,584,723
Cash received from clients		**1,158,427,328**	2,734,342,718
Total Cash Inflow		**1,829,937,799**	4,010,272,391
Cash Outflow			
Cash paid to clients		**(1,820,647,699)**	(3,097,725,066)
Cash paid to settle expenses		**(244,853,029)**	(858,379,215)
Interest paid		**(232,247,113)**	(360,042,113)
Total Cash Outflow		**(2,297,747,841)**	(4,316,146,394)
Net cash used in operating activities		**(467,810,042)**	(305,874,003)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflow			
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)
Cash Outflow			
Acquisitions of leased assets		**(420,700,799)**	(212,835,552)
Acquisitions of property and equipment		**(20,421,682)**	3,512,311
Net cash used in investing activities		**(438,766,480)**	(206,717,240)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflow			
Proceeds from borrowings under line of credit agreement		**3,690,050,313**	3,743,105,968
Total Cash Inflow		**3,690,050,313**	3,743,105,968
Cash Outflow			
Payment of long term debt		**(2,985,510,482)**	(2,985,510,482)
Reacquisition of shares	20	**(10)**	0
Cash dividends paid	21.2	**(88,671,668)**	(87,545,125)
Total Cash Outflow		**(3,074,182,160)**	(3,073,055,607)
Net cash provided by financing activities		**615,868,153**	670,050,361
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**(290,708,369)**	**157,459,118**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**569,757,669**	412,298,551
CASH AND CASH EQUIVALENTS AT END OF YEAR		**279,049,300**	569,757,669

The Notes on pages 10 to 102 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 (LANDBANK), 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 LANDBANK. 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 LANDBANK). 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, which was a wholly owned subsidiary of ULFC. UFEC was incorporated under the laws of the Republic of the Philippines and registered with the 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 BSP regulations on the foreign exchange market. The Board of Directors (BOD) 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, 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 BOD 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, RA 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 BODs 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:

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

The Corporation has only one stockholder, LANDBANK, 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:

ARTICLE / SECTION	SUBJECT	NATURE OF AMENDMENT
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, 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 members of the 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 BOD, through Resolution No. 26-089, 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 April 13, 2026.

2. STATEMENT OF COMPLIANCE WITH PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) ACCOUNTING STANDARDS / PHILIPPINE ACCOUNTING STANDARDS (PASs)

The financial statements of the Corporation have been prepared in compliance with PFRS Accounting Standards/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, as follows:

a) Staggered booking of allowance for credit losses (ACL) over a maximum period of five 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 9.9.

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) The combined loan portfolio for CY 2024 reflects the application of different Expected Credit Loss (ECL) methodologies by the merging entities.

LLFC measures its allowance for credit losses using a regulatory classification-based provisioning matrix aligned with the credit classification framework prescribed by the BSP. In accordance with BSP regulations, entities that may not be able to economically justify the adoption of a simple loan loss estimation methodology compliant with PFRS 9 may apply the prescribed regulatory provisioning guidelines in determining allowance for credit losses. Consistent with the minimum regulatory requirements under Appendix 18/Q-110/N-11 of the Manual of Regulations for Banks (MORB)/Manual of Regulations for Non-Bank Financial Institutions (MORNBFI). The resulting allowance for credit losses represents management's estimate of expected credit losses based on the applicable regulatory provisioning guidelines.

ULFC applied a full forward-looking ECL model in accordance with PFRS 9, incorporating PD, LGD, and EAD parameters, with explicit consideration of macroeconomic scenarios and probability-weighted outcomes.

The basis and key differences between the ECL methodologies applied by the two merging entities during the merger are disclosed in Notes 3.3 and 3.7.

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.

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 LANDBANK, 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.

The Philippine Interpretations Committee Q& A No. 2012-01, PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements, provides that the pooling of interests' method generally involves the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. The only adjustments that are made are those adjustments to harmonize accounting policies.

Accounting Policy Harmonization - Expected Credit Losses

PIC Q&A No. 2012-01 requires that, in applying the pooling of interests' method, accounting policies be harmonized across the combining entities. In respect of the Allowance for Credit Losses (ACL), LLFC and ULFC applied materially different Expected

Credit Losses (ECL) methodologies prior to the merger: LLFC applied a regulatory classification-based provisioning matrix under BSP Circular No. 855, while ULFC applied a full forward-looking PFRS 9 model incorporating PD, LGD, and EAD parameters with macroeconomic overlays.

As CY 2025 is the first year of consolidated financial statements and the consolidation of books was completed only as at September 30, 2025, the immediate full harmonization of ECL methodologies was not practicable within the reporting period. For CY 2025, the ACL on the combined portfolio has been computed using LLFC's regulatory classification-based provisioning framework applied to net exposures of the combined portfolio, as described in Notes 3.7 and 4.1-A.

The Corporation will adopt a unified PFRS 9-compliant ECL model by the financial year ending December 31, 2026, as described in Note 4.1-A. The effect of the ECL methodology difference on the comparability of ACL balances between CY 2024 (restated) and CY 2025 is disclosed in Note 9.8.

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 PFRS Accounting Standards 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. 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 PFRS 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. Restructured loans and finance lease receivables that continue to meet the above criteria after modification remain classified at amortized cost.

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 (EIR). 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 8 and 9, 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 EIR 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 EIR. 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, 16, 17 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 EIR, 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- ECL

Prior to the merger, LLFC and ULFC applied distinct ECL methodologies:

LLFC measures its allowance for credit losses using a regulatory classification-based provisioning matrix aligned with the credit classification framework prescribed by the BSP.

In accordance with BSP regulations, entities that may not be able to economically justify the adoption of a more sophisticated loan loss estimation methodology compliant with PFRS 9 may apply the prescribed regulatory provisioning guidelines in determining allowance for credit losses. Consistent with the minimum regulatory requirements under Appendix 18/Q-110/N-11 of the Manual of Regulations for Banks (MORB)/Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), the allowance is determined by applying prescribed provisioning rates to net credit exposures based on account classifications, namely: Pass, Especially Mentioned, Substandard, Doubtful, and Loss.

In addition, a General Loan Loss Provision equivalent to one percent of collectively assessed Stage 1 accounts is recognized. The resulting allowance for credit losses represents management's estimate of expected credit losses based on the applicable regulatory provisioning guidelines.

ULFC applied a full forward-looking ECL model in accordance with PFRS 9, incorporating PD, LGD, and EAD parameters, with explicit consideration of macroeconomic scenarios and probability-weighted outcomes.

Current ECL Provisioning Methodology

The following table summarizes the key differences between the ECL methodologies applied by the two merging entities prior to the merger:

Dimension	LLFC (Pre-Merger Methodology)	ULFC (Adopted Methodology)
Framework	Regulatory Classification-Based Provisioning (BSP Circular No. 855 classifications)	Model-Based / Forward-Looking Statistical Approach per PFRS 9
Calculation Base	Provision Matrix (Fixed % based on Days Past Due and BSP Classification)	PD x LGD x EAD (Probability-Weighted, Parameter-Based)
Stage 1 Provision	Fixed 1% General Loan Loss Provision for collectively assessed performing accounts	12-month ECL based on specific PD calibrated to historical loss experience
Stage 2 & 3	Fixed rates: EM 5%, Substandard 25%, Doubtful 50%, Loss 100%	Lifetime ECL using calibrated PD/LGD/EAD; probability-weighted outcomes
Time Value of Money	Applied for Stage 3 specific provisions (original EIR discount)	Explicitly factored into the model for all stages
Forward-Looking Info	Reviewed regularly for observable data; qualitative overlays by Account Officers	Explicitly uses reasonable and supportable forecasts ; macroeconomic scenario weighting

Management is to adopting a unified, PFRS 9-compliant ECL model for the combined post-merger portfolio, incorporating PD, LGD, EAD parameters and forward-looking macroeconomic overlays, targeting full implementation by the financial year ending December 31, 2026. Upon adoption, Management will assess whether the change constitutes a change in accounting estimate (PAS 8, Par. 32-40) or a prior period error

(PAS 8, Par. 41-42) and will apply the appropriate treatment. Any significant differences identified will be disclosed in the CY 2026 Notes to Financial Statements.

Restructured accounts

Where possible, the Corporation seeks to restructure loans and finance lease receivables rather than to take possession of collateral. Restructuring may involve extending the payment period, deferring or reducing principal installments, temporarily reducing the contractual interest rate, capitalizing accrued interest into the principal balance, or waiving penalties and surcharges.

Once the terms have been renegotiated and the borrower is complying with the restructured terms, the account is no longer classified as past due. Management continuously reviews all restructured accounts to ensure that the criteria for current status are met and that future payments are likely to occur.

Modification Accounting - Non-Derecognition

Where a restructuring or modification does not result in derecognition, the Corporation applies modification accounting in accordance with PFRS 9, Paragraph 5.4.3. The gross carrying amount of the restructured financial asset is recalculated as the present value of the modified contractual cash flows discounted at the original EIR as at the date of restructuring. The difference between the previous carrying amount and the recalculated carrying amount is recognized as a modification gain or loss in profit or loss in the period of restructuring under 'Other Income' or 'Other Expense', as applicable. Any fees or costs directly attributable to the modification are included in the recalculation of the gross carrying amount and amortized using the effective interest method over the remaining life of the modified asset.

Modification Accounting — Derecognition (Extinguishment)

The Corporation assesses whether a modification is substantial enough to constitute an extinguishment of the original financial asset by applying the 10 per cent present value test described in PFRS 9 Application Guidance, Paragraph B3.3.6. Where the difference between the present value of the modified contractual cash flows (discounted at the original EIR) and the present value of the remaining original contractual cash flows (discounted at the original EIR) is 10 per cent or more, the original financial asset is derecognized and a new financial asset is recognized at fair value on the restructuring date. The resulting gain or loss on derecognition is recognized in profit or loss in accordance with PFRS 9, Paragraph 3.2.12.

Interest Income on Restructured Accounts

After modification, interest income on restructured financial assets is recognized using the effective interest method applied to the adjusted gross carrying amount for Stage 1 and Stage 2 accounts, or to the net carrying amount (gross carrying amount less allowance for expected credit losses) for Stage 3 (credit-impaired) accounts, in accordance with PFRS

9, Paragraph 5.4.1. Recognition of interest on a cash or collection basis does not satisfy this requirement.

Treatment of Interest Earned Not Yet Collected (IENYC)

IENYC balances accrued prior to restructuring that do not form part of the renegotiated contractual cash flows are reversed and closed upon restructuring, consistent with the principle of faithful representation under the Conceptual Framework. IENYC that is incorporated into the restructured principal (capitalized) is subsumed into the recomputed gross carrying amount.

ECL Stage Classification

The restructured accounts continue to be subject to individual impairment assessment and ECL staging under PFRS 9, Section 5.5. Non-performing restructured accounts may be reclassified from Stage 3 to Stage 2 only after completing at least six months of satisfactory repayment under the restructured terms, and from Stage 2 to Stage 1 after a further six-month probationary period of satisfactory performance, consistent with BSP Circular No. 1011 implementation guidelines. Restructured accounts that were performing prior to restructuring are initially classified under Stage 2 upon restructuring.

3.8 Investment Property

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.

Real and Other Properties Acquired (ROPA) Classified as Investment Property — Initial Recognition at Fair Value

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 10 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.

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 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 statement 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 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
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 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 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 method. The deferred lease income is amortized over the lease term using the EIR. 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 effective interest 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 effective interest 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 statement of financial position as an asset.

Expenses in the statement 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 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 50 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 PFRS Accounting Standards 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

a. Estimation of Allowance for Credit Losses (ECL)

Background

Prior to the merger effective March 1, 2025, LLFC and ULFC applied distinct ACL methodologies. LLFC applied a regulatory classification-based provisioning matrix aligned with the credit classification framework prescribed by the BSP, with fixed provisioning rates applied to net exposure. ULFC applied a full forward-looking ECL model incorporating probability of default (PD), loss given default (LGD), and exposure at default (EAD) parameters with explicit macroeconomic scenario weighting, in accordance with PFRS 9.

The merger of ULFC into LLFC under Executive Order No. 65, Series of 2024, was approved by the SEC effective March 1, 2025, with consolidation of books completed as at September 30, 2025. CY 2025 is the first year in which LLFC presents consolidated financial statements reflecting the combined post-merger portfolio. The compressed timeline between the merger effectivity date, the consolidation of books, and the December 31, 2025 reporting date limited the Corporation's ability to immediately harmonize ECL methodologies.

Current Methodology - CY 2025

The ACL as at December 31, 2025 is computed using a regulatory classification-based provisioning matrix applied to the net exposure of each account, based on BSP credit classifications (Pass, EM, Substandard, Doubtful, Loss) with provisioning rates of 1 per cent, 5 per cent, 25 per cent, 50 per cent, and 100 per cent, respectively, as described in Notes 3.7.

Accounting Policy Transition Plan

The Corporation is undertaking a structured transition to a fully PFRS 9-compliant ECL model, targeting adoption for the financial year ending December 31, 2026.

The transition involves the following steps:

a) Historical loss data compilation from the combined LLFC and former ULFC portfolios, covering a minimum of five years of credit loss experience by portfolio segment;

b) Statistical estimation of PD, LGD, and EAD by portfolio segment, loan type, and BSP credit classification cohort;

c) Selection of macroeconomic variables with demonstrated predictive relationship to historical credit losses, and design of baseline, upside, and downside scenarios with appropriate probability weights;

d) System integration and internal validation of the model outputs against actual historical loss experience; and

e) A parallel computation run scheduled for the September 30, 2026 review cycle, with results submitted to the Board of Directors for approval prior to adoption.

The proposed unified ECL model will be based on the forward-looking PD/LGD/EAD framework previously applied by ULFC, recalibrated using combined portfolio data, consistent with the requirement under PIC Q&A No. 2012-01 to harmonize accounting policies upon merger.

For the years ended December 31, 2025 and 2024, management assessed the ACL on finance lease and loans receivables and recognized allowances amounting to P1,296,481,102 and P1,385,823,656, respectively, (refer to Note 9.8 for total ACL of P1,338,393,833 and P1,433,469,981 including accrued interest and other receivables).

b. 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 and nil as of December 31, 2025 and 2024 (Note 10) while allowance for impairment losses on Property and Equipment amounted to nil and P72,587 in 2025 and 2024 (Note 12). There are no impairment losses on EOPL for the years 2025 and 2024 (Note 11).

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

	2025	2024 (As restated)
Investment Properties (Note 10)	146,555,878	68,098,669
Equipment and Other Properties for Lease - EOPL (Note 11)	950,427,081	742,561,834
Property and Equipment (Note 12)	35,882,400	35,386,033
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:

PROPERTY TYPE	VALUATION APPROACH	KEY INPUTS AND ASSUMPTIONS
Land	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
Buildings and Improvements	Cost Approach (Replacement Cost less Depreciation)	Replacement cost of the structure; condition and remaining economic life; depreciation based on age and physical deterioration
Land and Buildings (combined)	Market Approach (primary) + Cost Approach (secondary)	Comparable sales data; location, lot area, building area, age, and condition adjustments
Condominium Units	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
Other Properties	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 Non-current assets held for sale (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.

c. 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 P19,316,386 and P6,155,896 (as restated) for the years ended December 31, 2025 and 2024, respectively (refer to Note 25). The related liability stands at P15,693,656 and P21,282,008 as at December 31, 2025 and 2024, respectively, as disclosed in Note 26(b).

d. 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 P347,175,572 and P266,986,585 (as 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.

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 LANDBANK). 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 ULFC (absorbed entity). Both LLFC and ULFC are wholly-owned subsidiaries of LANDBANK. 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 PFRS Accounting Standards 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.

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.

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 consolidation of books balances as of September 30, 2025:

ULFC Assets and Liabilities at September 30, 2025	Carrying Amount
ASSETS	
Cash and Cash Equivalents	518,730,681
Lease and Other Receivables – net	359,076,121
Equity Investments – net	6,069,806
Residual Value - Equipment and Other Properties for Lease	74,233,888
Intangible Assets – net	120
Real Property, Furniture, Fixtures and Equipment - net	97,426
Right of Use Asset	445,536
Sales Contract Receivable – net	1,398,126
ROPA – net	31,717,334
Other Assets	172,157,281
TOTAL ASSETS	**1,163,926,319**
LIABILITIES	
Accounts Payable and Other Payables	101,638,326
Deposits on Lease Contracts	74,233,888
TOTAL LIABILITIES	**175,872,214**
NET ASSETS (Equity)	**988,054,105**

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:

	LLFC Stand-Alone	**ULFC**	2024 Combined
STATEMENT OF FINANCIAL POSITION			
Total Assets	7,271,802,050	1,180,531,912	8,452,333,962

	LLFC Stand-Alone	ULFC	2024 Combined
Total Liabilities	5,684,408,501	147,851,578	5,832,260,079
Total Equity	1,587,393,549	1,032,680,334	2,620,073,883
STATEMENT OF COMPREHENSIVE INCOME			
Total Income	687,063,640	59,469,767	746,533,407
Total Expenses	632,348,292	46,028,177	678,376,469
Net Income After Tax	54,715,348	13,441,590	68,156,938

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 P6,069,805.

(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 financial assets at amortized cost as to collateral:

	2025	2024 (As restated)
Secured		
Property under finance lease	**293,042,918**	2,728,357,338
Real estate mortgage	**342,170,844**	616,611,328
Chattel mortgage	**7,565,280,191**	4,430,601,526
	8,200,493,953	7,775,570,192
Unsecured	**250,771,428**	329,352,533
Total	**P8,451,265,381**	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 (As Restated)	
	Carrying Value	**Maximum Exposure**	Carrying Value	Maximum Exposure
Financial assets:				
Cash in Banks	**278,948,524**	**278,948,524**	569,652,669	569,652,669
Financial Assets at Amortised Cost	**8,451,265,381**	**8,451,265,381**	8,104,922,727	8,104,922,727
Total	**8,730,213,905**	**8,730,213,905**	8,674,575,396	8,674,575,396

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 it Cash in bank in its Parent Bank (LANDBANK) which is a 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**	**1,356,319,016**
Manufacturing	**0**	**2,728,964,055**
Public utilities	**0**	**905,732,357**
Services	**0**	**1,794,436,969**
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**	**436,572,268**
Total	**278,948,524**	**8,451,265,381**
Less: Allowance for probable losses / fair value changes	**0**	**(1,338,393,833)**
Total	**278,948,524**	**7,112,871,548**

As at December 31, 2024 (As 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	1,746,342,557
Banks and other financial institutions	569,652,669	824,587,092
Real estate	0	356,873,720

	Cash	Financial Assets at Amortised Cost
Public sector	0	264,253,896
Agriculture, fishing and forestry	0	46,206,188
Others	0	536,928,615
Total	569,652,669	8,104,922,727
Less: Allowance for probable losses / fair value changes	0	(1,433,469,981)
	569,652,669	6,671,452,746

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**
Cash in Banks	**278,948,524**	**0**	**0**	**278,948,524**
Financial Assets at Amortised Cost	**5,422,327,456**	**0**	**3,028,937,925**	**8,451,265,381**
	5,701,275,980	**0**	**3,028,937,925**	**8,730,213,905**

As at December 31, 2024 (As restated)

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash in Banks	569,652,669	0	0	569,652,669
Financial Assets at Amortised Cost	5,041,740,175	0	3,063,182,552	8,104,922,727
	5,611,392,844	0	3,063,182,552	8,674,575,396

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.

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 liabilities by remaining contractual maturities. The following table presents the maturity profile of the Corporation's 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 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	**484,113,915**	**654,940,333**	**543,964,292**	**1,683,018,540**
Total	**3,887,745,011**	**933,690,333**	**1,314,553,766**	**6,135,989,110**

As at December 31, 2024 (As restated)

	Up to 1 Year	Over 1 Year to 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	148,765,753	0	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
Total	3,525,026,754	1,585,389,290	677,821,267	5,788,237,311

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 (As restated)
Total Liabilities	**6,205,098,431**	5,832,260,079
Total Equity	**2,754,889,986**	2,620,073,883
Debt-to-Equity Ratio	**2.25**	2.23

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 payables, 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:

	2025		2024 (As restated)	
Financial Assets and Liabilities	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents (Note 8)	279,049,300	279,049,300	569,757,669	569,757,669
Finance Lease Receivables — net (Note 9)	3,752,129,037	3,752,129,037	3,533,162,593	3,533,162,593
Loans and Receivables — net (Note 9)	3,147,818,252	3,147,818,252	2,854,106,793	2,854,106,793
Other Receivables — net (Note 9)	212,924,259	212,924,259	284,183,360	284,183,360
Total Financial Assets	7,391,920,848	7,391,920,848	7,241,210,415	7,241,210,415
Financial Liabilities:				
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
Total Financial Liabilities	**6,135,989,110**	**6,135,989,110**	5,788,237,311	5,788,237,311

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 Non-current assets held for sale (NCAHS — measurement at lower of carrying amount and fair value less costs to sell); and (c) transparency regarding the difference between PFRS Accounting Standards 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 comparable adjusted by appraiser judgment, cost approach using replacement cost assumptions, and condition assessments). There have been no transfers between levels during the year.

ASSET CLASS	Level	PFRS Carrying Amount Dec 31, 2025	Disclosed Fair Value Dec 31, 2025	Valuation Technique / Key Unobservable Input
Investment Properties — Land	3	109,365,478	126,724,100	Sales comparison; price per s.q.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)
TOTAL		**198,617,635**	**261,598,827**	

Comparable information for December 31, 2024 (As restated):

ASSET CLASS	Level	PFRS Carrying Amount Dec 31, 2024	Disclosed Fair Value Dec 31, 2024	Valuation Technique
Investment Properties — Land	3	41,777,570	41,777,570	Sales comparison
Investment Properties — Buildings	3	26,321,100	26,321,100	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
TOTAL		99,920,664	106,253,970	

8. CASH AND CASH EQUIVALENTS

This account consists of:

	2025	2024 (As restated)
Cash on Hand	100,776	105,000
Cash in Banks	278,948,524	569,652,669
Total Cash and Cash Equivalents	**279,049,300**	**569,757,669**

Cash in banks includes deposits maintained primarily with the Parent Bank (LANDBANK) 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 statement of comprehensive income totaled P5,932,351 and P4,140,054 (as restated) for the years ended December 31, 2025 and 2024, respectively (refer to Note 22).

Cash on hand includes petty cash funds amounting to P100,776 and P105,000 (as 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 (As restated)
Finance Lease Receivables	**991,348,040**	610,421,106
Finance Lease Receivables – LANDBANK	**37,753,531**	46,198,021
Loans and Receivables – Others	**1,686,854,027**	1,706,067,300
Allowance for Probable Losses-Finance Lease	**(334,317,491)**	(268,032,073)
Allowance for Probable Losses-Loans Receivable	**(399,732,113)**	(534,783,285)
	1,981,905,994	1,559,871,069
Accounts Receivable – Clients	**22,949,650**	17,009,344
Allowance for Probable Losses	**(6,061,653)**	(6,220,057)
	16,887,997	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)
	83,670,233	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)
	112,366,030	192,806,792
	2,194,830,254	1,844,054,428

The non-current portion consists of:

	2025	2024 (As restated)
Finance Lease Receivables	**2,837,845,741**	2,981,458,774
Allowance for Probable Losses	**(34,811,583)**	(144,705,892)
	2,803,034,158	2,836,752,882
Finance Lease Receivables – LANDBANK	**255,289,387**	310,467,798
Allowance for Probable Losses	**(978,588)**	(2,645,140)
	254,310,799	307,822,658
Loans and Receivables – Others	**2,387,337,664**	2,118,480,043
Allowance for Probable Losses	**(526,641,327)**	(435,657,265)
	1,860,696,337	1,682,822,778
	4,918,041,294	4,827,398,318
Total Financial Asset at Amortised Cost	**7,112,871,548**	6,671,452,746

As of December 31, 2025, 58 per cent of LLFCs' finance lease and loans receivable are subject to interest repricing (2024 as restated: 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.

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 (LANDBANK) 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 (LANDBANK) amounted to P125,039,280. In 2024, revenues amounted to P176,911,095 from finance leases, as disclosed in Note 22 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:

	2025	2024 (As restated)
Finance Lease Receivables:		
Within 1 year	**144,257,893**	99,713,036
Beyond 1 year but not beyond 5 years	**1,612,653,114**	1,738,656,411
Beyond 5 years	**416,133,287**	479,667,037
	2,173,044,294	2,318,036,484

	2025	2024 (As restated)
Residual value of leased assets:		
Within 1 year	**299,236,615**	147,646,924
Beyond 1 year but not beyond 5 years	**1,046,635,779**	943,201,265
Beyond 5 years	**1,799,000**	5,131,800
	1,347,671,394	1,095,979,989
Total minimum lease receivable	**3,520,715,688**	3,414,016,473
Less: Unearned Leasing Income		
Within 1 year	**25,223,754**	6,290,576
Within 1 year (BIR reserves)	**36,299,376**	37,887,321
Beyond 1 year	**464,592,340**	536,001,810
	526,115,470	580,179,707
Net investment in finance lease receivables	**2,994,600,218**	2,833,836,766
Past due receivables		
Within 1 year	**222,326,833**	115,976,185
Beyond 1 year	**146,432,358**	105,239,596
	368,759,191	221,215,781
Restructured accounts		
Within 1 year	**0**	0
Beyond 1 year	**101,927,344**	85,232,605
	101,927,344	85,232,605
Past due - restructured accounts		
Within 1 year	**326,848**	16,966,379
Beyond 1 year	**0**	16,628,578
	326,848	33,594,957
Items in Litigation		
Within 1 year	**487,327,737**	316,413,036
Beyond 1 year	**0**	225,678,393
	487,327,737	542,091,429
	3,952,941,338	3,715,971,538
Less: Unearned Leasing Income		
Within 1 year	**100,604,755**	42,116,558
Beyond 1 year	**23,142,801**	81,975,101
	123,747,556	124,091,659
	3,829,193,782	3,591,879,879

Finance lease receivables earn annual interest rates ranging from nine 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 (as 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.

Modification Accounting Applied to Restructured Finance Lease Receivables

As at December 31, 2025, restructured finance lease receivables (including past due restructured accounts) outstanding in the books of the Corporation aggregate to P102,254,192 (2024 as restated: P118,827,562) at gross carrying amount before allowance for expected credit losses, as presented in the maturity tables above.

The net modification gain or (loss) recognized in profit or loss arising from restructured finance lease receivables for the year ended December 31, 2025 amounts to P1,041,204. This is presented under Other Income/(Expense) in the Statement of Comprehensive Income (refer to Note 23).

The net modification gain or (loss) closed to retained earnings arising from restructured finance lease receivables for the year ended December 31, 2024 amounts to P2,851,272.

For restructured financial asset accounts with aggregate carrying amount of P 71,524,912 as at December 31, 2025, the quantitative assessment under PFRS 9, Paragraph B3.3.6 indicates that the present value difference between the modified and original contractual cash flows exceeds 10 per cent, which may constitute a substantial modification requiring derecognition under PFRS 9, Paragraph 3.2.12.

The derecognition accounting requires determination of the fair value of the new financial assets recognized upon extinguishment of the original obligations. As at the date these financial statements were authorized for issue, this fair value determination has not yet been completed. Accordingly, the Corporation has applied PFRS 9, Paragraph 5.4.3 (modification accounting) as an interim measurement basis, consistent with PAS 8, Paragraphs 10–12, pending completion of the fair value determination.

9.3 Finance Lease Receivables - LANDBANK

	2025	2024 (As restated)
Finance Lease Receivables – LANDBANK		
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
	388,835,776	493,497,209
Residual value of leased assets:	**0**	0
Within 1 year	**0**	0
	0	0
Total minimum lease receivable	**388,835,776**	493,497,209
Less: Unearned leasing income		
Within 1 year	**0**	0
Beyond 1 year	**95,792,858**	136,831,390
	95,792,858	136,831,390
Net investment in finance lease receivables – LANDBANK	**293,042,918**	356,665,819

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 (As restated)
Loans and Receivables – Others		
Within 1 year	**1,177,410,454**	782,060,595
Beyond 1 year	**572,452,364**	847,132,524
	1,749,862,818	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
	122,878,290	112,960,583
Restructured accounts		
Within 1 year	**208,604,011**	518,131,758
Beyond 1 year	**1,063,219,980**	822,993,423
	1,271,823,991	1,341,125,181
Past due – restructured accounts		
Within 1 year	**226,445,735**	158,626,546
Beyond 1 year	**497,991,787**	170,522,127
	724,437,522	329,148,673
Items in litigation-Current		
Within 1 year	**0**	0
Beyond 1 year	**354,241,565**	0
	354,241,565	0
Items in litigation-Past Due		
Within 1 year	**182,667,443**	373,451,536
Beyond 1 year	**0**	360,000,000
	182,667,443	733,451,536
	4,405,911,629	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
	331,719,938	321,331,748
	4,074,191,691	3,824,547,344

Modification Accounting Applied to Restructured Loans and Receivables

As at December 31, 2025, restructured loans and receivables (including past due restructured accounts) outstanding in the books of the Corporation aggregate to P1,996,261,513 (2024 as restated: P1,670,273,854) at gross carrying amount before allowance for expected credit losses, as presented in the maturity tables above.

The net modification gain or (loss) attributable to restructured loans and receivables recognized in profit or loss for the year ended December 31, 2025 amounts to P33,620,945 (Refer to Note 23).

The net modification gain or (loss) closed to retained earnings arising from restructured loans and receivables for the year ended December 31, 2024 below amounts to P47,457,185.

For restructured financial asset accounts with aggregate carrying amount of P739,582,646 as at December 31, 2025, the quantitative assessment under PFRS 9, Paragraph B3.3.6 indicates that the present value difference between the modified and original contractual cash flows exceeds 10 per cent, which may constitute a substantial modification requiring derecognition under PFRS 9, Paragraph 3.2.12.

The derecognition accounting requires determination of the fair value of the new financial assets recognized upon extinguishment of the original obligations. As at the date these financial statements were authorized for issue, this fair value determination has not yet been completed. Accordingly, the Corporation has applied PFRS 9, Paragraph 5.4.3 (modification accounting) as an interim measurement basis, consistent with PAS 8, Paragraphs 10–12, pending completion of the fair value determination.

9.5 Summary of Financial Assets at Amortized Cost

Loans and lease receivables

	2025	2024 (As restated)
Finance lease receivables	**3,829,193,782**	3,591,879,879
Finance lease receivables – LANDBANK	**293,042,918**	356,665,819
Loans and receivables - others	**4,074,191,691**	3,824,547,344
	8,196,428,391	7,773,093,042

9.6 Other receivables

	2025	2024 (As restated)
Due from Parent bank	**111,476,838**	190,725,285
Sales contracts receivable	**4,065,610**	2,477,203
Accounts receivable – clients	**22,949,650**	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
	254,836,991	331,829,684

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 (As restated)
Lease Contracts Receivables	**384,690,851**	459,231,005
Loans and Receivables	**313,534,234**	254,878,167
Sales contracts receivable	**147,524**	193,725
	698,372,609	714,302,897

9.7 Non-Performing Loans (NPL) Classification

NPL Analysis	2025	2024 (As restated)
Total NPLs — Finance Lease	**747,705,016**	683,897,679
Total NPLs — Loans and Receivables	**1,412,287,166**	1,119,919,116
Total NPLs	**2,159,992,182**	**1,803,816,795**
Less: NPLs fully covered by ACL	**(1,549,190,474)**	(1,442,540,508)
NPLs not fully covered by allowance	**610,801,708**	**361,276,287**

Net Past Due Rate: 9.26 per cent as at December 31, 2025 (2024 as restated: 10.89 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:

Allowance for Credit Losses 2025	Finance Lease Receivables	Loans & Receivables-Others	Accrued Interest Receivable	Accounts Receivable - Others	Total
At January 1, 2025 (As restated)	415,383,105	970,440,551	38,467,147	9,179,178	1,433,469,981
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)	(114,424,524)

Allowance for Credit Losses 2025	Finance Lease Receivables	Loans & Receivables-Others	Accrued Interest Receivable	Accounts Receivable - Others	Total
At December 31, 2025	**370,107,662**	**926,373,439**	**33,670,245**	**8,242,486**	**1,338,393,832**
Specific impairment provision	360,934,381	888,784,647	33,670,245	7,090,379	1,290,479,652
Collective impairment provision	9,173,281	37,588,792	0	1,152,107	47,914,180
Total impairment provision	**370,107,662**	**926,373,439**	**33,670,245**	**8,242,486**	**1,338,393,832**

Allowance for Credit Losses 2024 (As restated)	Finance Lease Receivables	Loans & Receivables-Others	Accrued Interest Receivable	Accounts Receivable - Others	Total
At January 1, 2024 (As restated)	295,841,241	844,635,703	29,169,996	10,645,005	1,180,291,945
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
Foreclosures and adjustments	119,541,864	85,548,781	9,297,151	(3,166,522)	211,221,274
At December 31, 2024 (As restated)	415,383,105	970,440,551	38,467,147	9,179,178	1,433,469,981
Specific impairment provision	408,875,503	953,842,124	38,467,147	7,248,782	1,408,433,556
Collective impairment provision	6,507,602	16,598,427	0	1,930,396	25,036,425
Total impairment provision	415,383,105	970,440,551	38,467,147	9,179,178	1,433,469,981

Management has reviewed the Allowance for Credit Losses (ACL) balance as at December 31, 2025 and assessed that the current provisioning rates applied are adequate. A comprehensive review of the Expected Credit Losses (ECL) adequacy is scheduled for the June 30, 2026 semi-annual cut-off.

The Corporation will adopt a unified, PFRS 9-compliant ECL model for the combined post-merger portfolio, incorporating PD, LGD, EAD parameters and forward-looking macroeconomic overlays, targeting full implementation by the financial year ending December 31, 2026. Upon adoption, Management will assess whether the change constitutes a change in accounting estimate (PAS 8, Par. 32-40) or a prior period error (PAS 8, Par. 41-42) and will apply the appropriate treatment. Any significant differences identified will be disclosed in the CY 2026 Notes to Financial Statements.

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.

LLFC Staggered ACL Balance	**2025**	2024 (As restated)
Total approved amount for staggered booking	**321,092,894**	321,092,894
Amount booked in prior years	**262,353,427**	212,005,313
Amount booked during the year	**46,152,438**	50,348,114
Remaining deferred balance — (end of year)	**12,587,029**	**58,739,467**

As to industry/economic sector (in per cent)

	2025	2024 (As restated)
Services	**21.23**	21.55
Manufacturing	**32.29**	28.90
Banks and other financial institutions	**7.18**	10.17
Public sector	**2.51**	3.26
Wholesale and retail trade	**16.05**	13.38
Public utilities	**10.72**	11.14
Real estate	**4.85**	4.40
Agriculture, fishing and forestry	**0.01**	0.57
Others	**5.16**	6.63
	100.00	100.00

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 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 (As restated)
Secured		
Property under finance lease	**293,042,918**	2,728,357,338
Real estate mortgage	**342,170,844**	616,611,328
Chattel mortgage	**7,565,280,191**	4,430,601,526
	8,200,493,953	7,775,570,192
Unsecured	**250,771,428**	329,352,533
	8,451,265,381	8,104,922,725

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, NPLs not fully- covered by allowance for credit losses follow:

	2025	2024 (As restated)
Total NPLs	**2,159,992,211**	1,803,816,795
Less: NPLs fully-covered by allowance for credit losses	**(1,549,190,474)**	(1,442,540,508)
	610,801,737	361,276,287

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

	2025	2024 (As restated)
Secured	**2,159,992,182**	1,803,816,743
Unsecured	**29**	52
	2,159,992,211	1,803,816,795

9.10 GCG Performance Scorecard Reporting

Total Portfolio (GCG Reporting)	**2025 LLFC Only**	**2025 Combined**	2024 (As restated)
Finance Lease Receivables	3,567,943,942	3,829,193,782	3,591,879,879
Finance Lease Receivables — LANDBANK	293,042,918	293,042,918	356,665,819
Loans and Receivables — Others	3,396,712,353	4,074,191,691	3,824,547,344
Total Loans and Lease Receivables	**7,257,699,213**	**8,196,428,391**	7,773,093,042
Equipment and Other Properties for Lease (EOPL) — net	950,427,081	950,427,081	742,561,834
Add: Deferred Leasing Income – BIR Reserves	36,299,376	36,299,376	37,887,321
Less: Deposits on Lease Contracts	(1,596,980,637)	(1,665,936,602)	(1,327,203,786)
TOTAL PORTFOLIO	**6,647,445,033**	**7,517,218,246**	7,226,338,411

Past Due Accounts (GCG Reporting)	**2025 LLFC Only**	**2025 Combined**	2024 (As restated)
Finance Lease Receivables	622,952,275	894,823,312	817,671,247
Loans and Receivables — Others	383,633,280	1,012,175,259	1,175,560,768
Total Past Due – Gross Amount	**1,006,585,555**	**1,906,998,571**	1,993,232,015
Less: Deposits on Lease Contracts	(180,831,270)	(237,647,233)	(159,077,410)
Deferred Leasing Income	(90,714,410)	(112,601,235)	(113,004,488)
Interest Earned Not Yet Collected	(62,860,071)	(78,980,633)	(76,410,765)
TOTAL PAST DUE	**672,179,804**	**1,477,769,470**	1,644,739,352

Specific Loan Loss (GCG Reporting)	**2025 LLFC Only**	**2025 Combined**	2024 (As restated)
Past Due Accounts	263,835,444	806,608,355	855,484,388
Current and Other Accounts	427,848,732	454,927,464	508,485,375
TOTAL SPECIFIC LOSS PROVISION	**691,684,176**	**1,261,535,819**	1,363,969,763
NET PAST DUE RATE	**6.14%**	**8.93%**	10.89%

Total Assets (GCG Reporting)	2025 LLFC Only	2025 Combined	2024 (As restated)
TOTAL ASSETS	**7,548,096,557**	**8,959,988,417**	8,452,333,962

2025 Priority Sectors

Industry	2025 LLFC Only	2025 Combined
Agri and Food Chain Enterprises	90,918,047	95,665,980
Construction	129,332,212	190,643,506
Government Accounts	1,429,001,371	1,429,001,371
Government Contractors And Suppliers	782,746,709	782,746,709
Logistics	261,543,239	343,871,249
Manufacturing	1,440,028,158	1,441,146,418
Medical And Social Services	723,076,967	855,154,421
Renewable Energy	17,114,026	17,114,025
Small & Medium Enterprise	60,359,760	307,681,228
Transportation	1,176,824,298	1,486,607,140
Sub-Total (Priority Sector)	**6,110,944,787**	**6,949,632,047**
Non-Priority Industry	536,500,246	567,586,199
Total Portfolio	**6,647,445,033**	**7,517,218,246**

Portfolio Summary

Description	2025 LLFC Only	2025 Combined
Total Priority Sector	6,110,944,787	6,949,632,047
Total Non-Priority Sector	536,500,246	567,586,199
Total Portfolio	**6,647,445,033**	**7,517,218,246**
Percentage of Priority Sector	**91.93%**	**92.45%**

For GCG reporting, the Corporation has excluded all Deposit on Lease Contracts that no longer have corresponding lease receivable balances and can only be closed upon the submission to the Accounting Unit of signed and notarized deed of absolute sale, as follows:

	2025 Combined	2024 (As restated)
Audited Financial Statements	1,683,018,540	1,327,203,786
GCG Reporting	1,665,936,600	1,309,284,816
Difference	**17,081,940**	17,918,970

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:

Movement in Investment Properties	2025	2024 (As restated)
Cost:		
At January 1	**82,271,569**	101,288,669
Additions (through foreclosure)	**137,559,801**	11,704,000
Disposals	**(4,979,000)**	(514,800)
Transfer to Non-current Assets Held for Sale (Note 13)	**(52,098,892)**	(30,206,300)
At December 31	**162,753,478**	82,271,569
Accumulated Depreciation:		
At January 1	**14,172,900**	12,148,200
Depreciation for the year	**2,024,700**	2,024,700
At December 31	**16,197,600**	14,172,900
Allowance for Impairment:		
At January 1	**1,100,000**	1,100,000
Transfer to Non-current Assets Held for Sale	**(1,100,000)**	(1,100,000)
At December 31	**0**	0
Net Book Value, December 31	**146,555,878**	68,098,669

The Corporation foreclosed various real properties during the year, resulting in a gain on foreclosure amounting to P64,505,084 and P4,044,162 (as 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 P11,704,000 (as 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 Accounting Standards 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)	Accumulated Depreciation	Carrying Amount 2025	Disclosed FV 2025
Foreclosed — Land	64	87,685,539	1,100,000	86,585,539	155,725,069
Foreclosed — Buildings and Improvements	5	21,941,707	11,195,515	10,746,192	59,127,300
TOTAL	**69**	**109,627,246**	**12,295,515**	**97,331,731**	**214,852,369**

PFRS Accounting Standards vs. BSP Prudential Carrying Amount — Reconciliation

The difference between the carrying amounts reported in these audited financial statements (PFRS Accounting Standards 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 (As Restated)
Carrying amount per BSP prudential books — Investment Properties	**98,431,731**	62,552,448
Add: Adjustment to reflect fair value at acquisition date (PFRS basis)	**53,126,231**	8,837,776
Less: Difference in allowance for impairment (PFRS vs. BSP provisioning rates)	**0**	1,100,000
Other adjustments (timing differences, accounting policy alignment, accumulated depreciations)	**(5,002,084)**	(4,391,555)
Carrying amount per PFRS — Investment Properties	**146,555,878**	68,098,669

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. 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 (As restated)
Finance Lease — Equipment in transit / under construction	**950,261,409**	742,217,520
Operating Lease — Vehicles	**165,672**	344,314
Total EOPL	**950,427,081**	742,561,834

EOPL — Operating Lease Roll-forward	**2025**	2024 (As restated)
Cost:		
At January 1	**3,443,148**	6,256,486
Disposals	**(1,786,428)**	(2,813,338)
At December 31	**1,656,720**	3,443,148
Accumulated Depreciation:		
At January 1	**3,098,834**	5,630,838
Depreciation for the year	**0**	0
Disposals	**(1,607,786)**	(2,532,004)
At December 31	**1,491,048**	3,098,834
Net Book Value, December 31	**165,672**	344,314

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 as restated: P28,544,665). The Corporation used the average borrowing rates of the loans obtained from the banks to finance the construction of the property.

The significant increase in the Capitalized Interest Expense was caused by increased in the release of funds by the Corporation during 2025 to finance the project with Philippine Economic Zone Authority.

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 as restated: gain of P713,666).

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**	**Other Properties Acquired**	**Total**
Cost:						
At January 1, 2025	42,566,207	23,895,062	10,149,950	7,001,362	3,778,943	87,391,524
Additions	0	7,865,076	0	3,630,441	0	11,495,517
At December 31, 2025	42,566,207	31,760,138	10,149,950	10,631,803	3,778,943	98,887,041
Accumulated Depreciation:						
At January 1, 2025	26,998,778	12,911,619	5,509,059	3,787,104	0	49,206,560
Depreciation for the year	1,256,777	3,573,163	1,308,024	3,881,177	3,778,940	13,798,081
At December 31, 2025	28,255,555	16,484,782	6,817,083	7,668,281	3,778,940	63,004,641
Net Book Value, December 31, 2025	**14,310,652**	**15,275,356**	**3,332,867**	**2,963,522**	**3**	**35,882,400**

As at December 31, 2024 (As restated)	**Buildings and Improvements**	**Furniture and Fixtures**	**Transportation Equipment**	**Right-of-Use Assets**	**Other Properties Acquired**	**Total**
At January 1, 2024 (As restated)	42,566,207	23,895,062	10,149,950	7,001,362	40,952,720	124,565,301
Net movements during 2024	26,998,776	12,911,619	5,509,059	3,787,104	39,972,710	89,179,268
At December 31, 2024 (As restated)	15,567,431	10,983,443	4,640,891	3,214,258	980,010	35,386,033

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.

ROPA Classified as Property and Equipment

Included in the PPE balance are properties acquired through foreclosure of collateral or dation in payment or 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	**2025**	2024 (As 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	**0**	(72,587)
Net carrying amount — ROPA within PPE	**3**	980,010

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 (as restated).

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

RECONCILING ITEM	**2025**	2024 (As 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 Accounting Standards impairment)	**0**	(72,587)
Carrying amount per PFRS Accounting Standards (Audited AFS) - ROPA within PPE	**3**	980,010

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 year 2025 and P72,587 for 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 (As restated)
Cost:		
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)
At December 31	**53,161,754**	32,921,995
Allowance for Impairment:		
At January 1	**1,100,000**	0
Addition	**0**	1,100,000
Disposal	**0**	0
At December 31	**1,100,000**	1,100,000
Net Book Value, December 31	**52,061,754**	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

NCAHS 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, 2025

PROPERTY / GROUP	**Carrying Amount**	**FV Less Costs to Sell**	**Carrying Amount in AFS**
Foreclosed Land	**45,259,592**	**82,945,500**	**45,259,592**
Foreclosed Buildings	**5,739,300**	**5,931,000**	**5,739,300**

PROPERTY / GROUP	Carrying Amount	FV Less Costs to Sell	Carrying Amount in AFS
***Dacion en Pago* Properties**	**1,062,862**	**5,437,530**	**1,062,862**
TOTAL	**52,061,754**	**94,314,030**	**52,061,754**

As at December 31, 2024 (As restated):

PROPERTY / GROUP	Carrying Amount	FV Less Costs to Sell	Carrying Amount in 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
TOTAL	31,821,995	38,155,300	31,821,995

PFRS vs. BSP Prudential Reconciliation — NCAHS

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

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 (as restated).

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.

All of the 68 properties were classified within the last 12 months with total cost of P53,161,754 and total carrying amount of P52,061,754.

14. OTHER ASSETS

As at December 31, 2025

	Due within 1 year	**Due beyond 1 year**	**Total**
Prepayments and Prepaid Expenses	**7,373,418**	**0**	**7,373,418**
Creditable Withholding Tax (CWT)	**10,604,188**	**0**	**10,604,188**
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	**12,034,592**	**0**	**12,034,592**
Advance Rental	**1,004,189**	**0**	**1,004,189**
Other Investment	**0**	**20,000**	**20,000**
Other Assets — others	**792,742**	**306**	**793,048**
Total Other Assets	**32,563,813**	**3,401,071**	**35,964,884**

As at December 31, 2024 (As restated)

	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

	Due within 1 year	Due beyond 1 year	Total
Other Assets — others	1,010,501	306	1,010,807
Total Other Assets	50,073,514	10,142,530	60,216,044

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 (As restated)
Cost		
At January 1	**6,829,602**	6,386,082
Additions	**1,375,538**	443,520
At December 31	**8,205,140**	6,829,602
Accumulated Amortization		
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
Net book value, December 31	**1,819,531**	943,404

Amortization charges for the year amounted to P499,411 and P403,108 (as 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 (As 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
Total	**1,434,569,981**	1,181,391,945
Provisions for the Year	**69,575,849**	41,956,762
Write-Offs	**(50,227,474)**	0

	2025	2024 (As restated)
Disposal	**(23,351,915)**	(13,679,961)
Accounts Charged-Off/Other Adjustments	**(91,072,609)**	224,901,235
At December 31	**1,339,493,832**	1,434,569,981

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

	2025	2024 (As restated)
Finance Lease Receivables	**370,107,662**	415,383,105
Loans and Receivables - Others	**926,373,439**	970,440,551
Other Receivables	**41,912,731**	47,646,325
Non-current Asset Held for Sale	**1,100,000**	1,100,000
	1,339,493,832	1,434,569,981

Total ACL per Note 9.8 P1,338,393,832 + Allowance for impairment on NCAHS P1,100,000 (Note 13) = P1,339,493,832 for 2025.Total ACL P1,433,469,981 + Allowance for impairment on NCAHS P1,100,000= P1,434,569,981 for 2024.

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 (LANDBANK) and other universal banks. Bills payable are measured at amortized cost.

Bills Payable	2025	2024 (As 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
Total Bills Payable	**4,072,442,807**	4,127,684,667

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 (as restated), respectively, as disclosed in Note 24.

17. ACCOUNTS PAYABLE AND OTHER PAYABLES

This account consists of:

	2025	2024 (As 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
Accounts Payable- Others	**16,750,635**	40,374,894
Total Accounts Payable and Other Payables	**380,527,763**	333,348,858

Accounts payable consists of unreleased checks to suppliers of properties leased by borrowers and advances received from customers upon availment 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 (As restated)
Due to BIR	**31,577,029**	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
	35,619,498	22,740,760

Due to BIR remittances will be net of applicable creditable withholding tax booked under Other Assets (Note 14). LLFC transitioned its membership from SSS to GSIS effective August 1, 2023. All other inter-agency payables were remitted to the Agency concerned in January 2026.

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 (As restated)
Due within 1 year (current)	**484,113,915**	213,659,896
Due beyond 1 year but not beyond 3 years	**654,940,333**	748,722,623
Due beyond 3 years	**543,964,292**	364,821,267
Total Deposits on Lease Contracts	**1,683,018,540**	1,327,203,786

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 in the next page:

	2025	2024 (As restated)
	No. of Shares	
Issued and paid	**87,738,307**	87,738,307
Treasury Stock	**(3)**	(2)
Total outstanding shares	**87,738,304**	87,738,305

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 February 28, 2025. Consistent with the pooling of interest, 2024 values of Capital Stock were restated based on the approved increase.

21. RETAINED EARNINGS

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

	2025	2024 (As restated)
Retained Earnings - Appropriated	**700,000,000**	922,279,972
Retained Earnings - Unappropriated	**691,207,657**	327,762,641
Total Retained Earnings	**1,391,207,657**	1,250,042,613

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 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.

Upon effectivity of the merger with ULFC on February 28, 2025, the former ULFC's appropriated retained earnings of P222,279,972 which had been set aside under ULFC's standalone governance were transferred to Unappropriated Retained Earnings. As a result, the Corporation's Appropriated Retained Earnings as at December 31, 2025 reverted to the LLFC-approved appropriation of P700,000,000 for business expansion.

21.1 Movement in Unappropriated Retained Earnings

At January 1, 2024 (as restated)	**728,442,373**
Dividends declared during the year, as restated	(154,821,327)
Transfer to appropriated retained earnings	(100,000,000)
Net income for the year, as restated	68,156,938
Prior period adjustments	(214,015,343)
At January 1, 2025	327,762,641
Net income for the year	115,762,756
Dividends declared during the year	(88,671,668)
PY Adjustment/ULFC Consolidation Adjustment	286,045,471
Recognition of modification gain from prior years (PFRS 9 transition)	50,308,457
At December 31, 2025	691,207,657

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 LANDBANK, 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 ULFC 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 ULFC 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)

	Remeasurement on Retirement Benefit Obligation
Balance, January 1, 2024	**(13,111,072)**
Add/(Deduct):Transactions during the year	8,618,912
Balance, December 31, 2024	**(4,492,160**
Add/(Deduct): Transactions during the year	(6,348,931)
Balance, December 31, 2025	**(10,841,091)**

22. INTEREST AND LEASING INCOME

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

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

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

23. OTHER INCOME

Other income consists of:

	2025	2024 (As restated)
Fleet Management Service Fees	**(211,652)**	2,787,288
Gain on Exchange/Sale of Non-financial Assets	**5,974,973**	1,958,098
Recovery on Charged-Off Assets	**160,000**	360,000
Gain on Foreclosure of Assets	**64,505,084**	4,044,162
Net Modification Gain/(Loss) on Restructured Financial Assets	**34,662,149**	0
Miscellaneous Income	**60,167,406**	18,940,908
Total Other Income	**165,257,960**	**28,090,456**

For the year ended December 31, 2025 and 2024 (as restated), Management booked a net Modification Gain/(Loss) on Restructured Financial Assets amounting to P34,662,149 and nil respectively, in accordance with the requirements of PFRS 9. For the year ended December 31, 2025, management is finalizing the EIR-based present value re-computation for ULFC restructured accounts.

24. INTEREST EXPENSE

This account consists of:

	2025	2024 (As restated)
Interest Expense on Bills Payable (Note 16)	**227,284,476**	239,659,227
Interest Expense on Lease Liability (Note 27)	**186,987**	324,730
Other Interest Expense	**508,133**	508,133
Total Interest Expense	**227,979,596**	**240,492,090**

25. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2025	2024 (As restated)
Salaries and Employee Benefits	**73,250,413**	67,761,496
Retirement Benefit Costs (Note 26)	**19,316,386**	6,155,896
Depreciation and Amortization	**12,516,267**	14,263,250
Occupancy and Rent Expense	**4,267,807**	5,207,327
Taxes and Licenses	**12,964,196**	41,384,914
Communication and Utilities	**3,422,691**	3,057,942
Litigation and Other Legal Expenses	**25,814,963**	13,754,434
Management and Professional Fees	**5,088,599**	1,738,692
Representation and Entertainment	**5,941,714**	5,976,228
Security and Messengerial Services	**6,425,392**	6,430,601
Miscellaneous Expenses	**28,597,035**	25,783,698
Total General and Administrative Expenses	**197,605,463**	**191,514,478**

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 (As restated)
Salaries and wages	**65,577,375**	65,299,597
Bonuses	**17,660,170**	7,821,864
Social security cost	**8,717,112**	8,158,922
Directors' remuneration	**7,972,803**	4,359,000
Retirement benefit cost	**19,316,386**	6,155,896
Other benefits	**3,893,247**	5,363,716
	123,137,093	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 and P2,369,601, respectively. 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 (As restated)
Direct expense – marketing operation	**30,570,294**	23,241,603
General and administrative expense	**92,566,799**	75,711,443
	123,137,093	98,953,046

(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 LANDBANK 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 LANDBANK 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, 2025.

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 statement of financial position date follows:

	2025	2024
Discount rate	**6.45%**	6.09%
:pected rate of return on plan assets	**6.09%**	6.09%
Salary projection rate	**9.00%**	9.00%
Mortality rate	**2017 Philippine Intercompany Mortality Table**	2017 Philippine Intercompany Mortality Table
Disability rate	**The Disability Study, Period 2, Benefit 5 (Society of Actuaries)**	The Disability Study, Period 2 Benefit 5 (Society of Actuaries)
Normal retirement age	**60**	60
Projected retirement credit	**22.5 days' pay per year of service**	22.5 days' pay per year of service
Actuarial cost method	**Projected Unit Credit Method**	Projected unit credit method
Manner of benefit payment	**Lump Sum**	Lump sum
Withdrawal rates		
18-24	**8.51%**	7.32%
25-29	**10.47%**	11.25%
30-34	**7.81%**	7.14%
35-39	**7.06%**	4.00%
40-44	**6.17%**	6.36%
45-49	**3.50%**	3.63%
50-54	**0.00%**	0.00%
≥55	**10.26%**	4.20%

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

	2025	2024
Number of lives covered	**75**	62
Average age in years	**38.4**	40.6
Expected average remaining working lives of employees	21.6	19.40
Average years of past service	**8.2**	9.1
Annual covered payroll	**56,884,044**	43,223,916
Present value of defined benefit obligation (DBO)	**55,715,219**	47,446,640
Current service cost (CSC)		4,547,989
Fair value of plan assets	**22,225,396**	26,164,632

	2025	2024
Deficit / (Surplus)	**33,489,823**	21,282,008
Contributions	**0**	0
Benefits paid from plan assets	**686,789**	5,488,747
Benefits paid from booked reserved	**0**	0
Settlements from plan assets	**0**	0
Settlements from booked reserved	**0**	0

As of December 31, 2025, the principal balance of the retirement fund stands at P15,693,655.61 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
Balance, 1 January	**47,446,640**	49,499,486	**26,164,632**	(25,754,462)	**21,282,008**	23,745,024
Service cost – current	**4,541,897**	4,547,989	**0**	0	**4,541,897**	4,547,989
Interest cost (income)	**2,889,500**	3,004,619	**(1,572,513)**	(1,396,712)	**1,316,987**	1,607,907
Included in profit or loss	**7,431,397**	7,552,608	**(1,572,513)**	(1,396,712)	**5,858,884**	6,155,896
Employer Contribution	**0**	0	**0**	0	**0**	0
(a) Actuarial loss (gain) from:	**(1,723,914)**	0	**0**	0	**0**	0
- Demographic assumptions	**(1,614,405)**	22,469	**0**	0	**0**	22,469
- Financial assumptions	**(1,723,914)**	(88,455)	**0**	0	**0**	(88,455)
- Experience adjustments	**4,862,290**	(4,050,721)	**0**	0	**0**	(4,050,721)
(b) Return on plan assets (excluding interest)	**0**	0	**4,824,960**	(4,502,205)	**0**	(4,502,205)
Included in other comprehensive income	**(199,943)**	(4,116,707)	**4,824,960**	(4,502,205)	**0**	(8,618,912)
Benefits Paid	**(686,789)**	(5,488,747)	**(686,789)**	5,488,747	**0**	0
Balance, December 31	**53,991,305**	47,446,640	**28,730,290**	(26,164,632)	**27,140,892**	21,282,008

Retirement costs are included in the “General and Administrative Expenses” account in the statement 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	22.81%
Debt instruments – Government Bonds	76.09%
Others (Market gains/losses, Accrued receivables, etc.)	1.10%
	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
2026	6,648,359
2027	11,793,139
2028	3,848,013
2029	6,286,572
2030	4,972,797
2031 – 2035	31,561,514

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 (As 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)
At December 31	**2,963,522**	**3,214,258**

27.2 Lease Liabilities

Lease Liabilities	2025	2024 (As 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)
At December 31	**3,224,857**	**2,866,549**

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
Net present value	**3,224,857**	**0**	**3,224,857**

Interest expense on lease liabilities amounted to P186,987 and P324,730 (as 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 (as restated) in 2025 and 2024, respectively.

28. RELATED PARTY TRANSACTIONS

The Corporation, in the normal course of business, has transactions with its Parent Bank (LANDBANK), LANDBANK affiliates, and key management personnel. 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 hereunder:

Related Party Transactions 2025	Nature of Transaction	Amount of Transaction	Terms and Conditions
Cash in Banks	Deposits	278,948,524	At market rates, unsecured, no impairment

Related Party Transactions 2025	Nature of Transaction	Amount of Transaction	Terms and Conditions
Finance Lease Receivables — LANDBANK	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 — LANDBANK	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 Security, Messengerial, Janitorial and Contractual (SMJC) – LANDBANK Finance Lease (FL)	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 (As Restated)	Nature of Transaction	Amount of Transaction	Terms and Conditions
LANDBANK			
Cash in Banks	Deposits	569,652,669	At market rates, unsecured, no impairment
Finance Lease Receivables — LANDBANK	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 — LANDBANK	Borrowings	728,768,000	At market rates, unsecured

Related Party Transactions — 2024 (As Restated)	Nature of Transaction	Amount of Transaction	Terms and Conditions
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 – LANDBANK FL	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 Bank (LANDBANK) 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 (LANDBANK) for a period of seven years.

Operating Lease Income

LLFC is leasing motor vehicles to its Parent Bank (LANDBANK) 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 (LANDBANK) until such time the Parent Bank (LANDBANK) 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:

	2025	2024 (As restated)
Current	**48,589,974**	42,145,518
Deferred	**11,191,923**	(10,489,191)
	59,781,897	31,656,327

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.

	2025	2024 (LLFC only)
Net income before income tax	175,544,653	85,317,985
Add:		
General and administrative expenses	197,605,463	146,693,579
Gross income	373,150,116	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)	129,573,265	109,578,208
Net income subject to income tax	243,576,851	122,433,356
Income tax computed at statutory tax rate of 25%	60,894,213	30,608,339
Tax effect of:		
Interest income subject to final tax	(1,483,088)	(7,603)
Interest in arbitrage	370,772	1,901
Income tax expense	**59,781,897**	**30,602,637**

	2024 (ULFC)
Tax effect on pretax profit at 25%	948,852
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)
	1,053,690

Prepaid Income tax, after deducting creditable withholding taxes and quarterly income tax payments, amounts to P12,034,592 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 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.

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 OSD in 2025 and 2024. 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.

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

At December 31, 2023	**256,497,394**
Charged to operations	10,489,191
At December 31, 2024	**266,986,585**
Charged to operations	80,188,987
At December 31, 2025	**347,175,572**

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 Year	Beyond One Year	Total
FINANCIAL ASSETS			
Cash and Cash Equivalents	279,049,300	0	279,049,300
Finance Lease Receivables — net	694,784,080	3,057,344,957	3,752,129,037
Loans and Receivables — net	1,287,121,915	1,860,696,337	3,147,818,252
Other Receivables	212,924,259	0	212,924,259
Total Financial Assets	**2,473,879,554**	**4,918,041,294**	**7,391,920,848**
NON-FINANCIAL ASSETS			
Investment Properties — net	0	146,555,878	146,555,878
EOPL — net	0	950,427,081	950,427,081
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	347,175,572	347,175,572
Other Assets	32,563,813	3,401,071	35,964,884
Total Non-Financial Assets	**32,563,813**	**1,535,503,756**	**1,568,067,569**
TOTAL ASSETS	**2,506,443,367**	**6,453,545,050**	**8,959,988,417**
FINANCIAL LIABILITIES			
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	35,619,498	0	35,619,498
Deposits on Lease Contracts	484,113,915	1,198,904,625	1,683,018,540
Lease Liability	3,224,857	0	3,224,857
Retirement Liability	0	33,489,823	33,489,823
Total Financial Liabilities	**3,923,364,509**	**2,281,733,922**	**6,205,098,431**
TOTAL LIABILITIES	**3,923,364,509**	**2,281,733,922**	**6,205,098,431**

As at December 31, 2024	Within One Year (As restated)	Beyond One Year (As restated)	Total
FINANCIAL ASSETS			
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
Total Financial Assets	**2,413,812,098**	**4,827,398,317**	**7,241,210,415**
NON-FINANCIAL ASSETS			
Investment Properties — net	0	68,098,669	68,098,669
EOPL — net	0	742,561,834	742,561,834
Property and Equipment — net	0	35,386,033	35,386,033
Non-current Assets Held for Sale	0	31,821,995	31,821,995
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
Total Non-Financial Assets	**50,073,514**	**1,161,050,033**	**1,211,123,547**
TOTAL ASSETS	**2,463,885,612**	**5,988,448,350**	**8,452,333,962**
FINANCIAL LIABILITIES			
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
Total Financial Liabilities	**3,545,014,255**	**2,287,245,824**	**5,832,260,079**
TOTAL LIABILITIES	**3,545,014,255**	**2,287,245,824**	**5,832,260,079**

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 P1,683,018,540 and P1,327,203,786 as of December 31, 2025 and 2024 (Note 19), 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 (As restated)
Net Income for the Year (P)	**115,762,756**	68,156,938
Weighted Average Number of Common Shares	**87,738,305**	87,738,305
Basic Earnings Per Share (P)	**1.32**	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 as 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
Cases filed by the Corporation (as plaintiff)	581,406,848.72
Cases filed against the Corporation (as defendant)	7,540,031.75
Total Contingent Amount Involved	588,946,880.47

The Corporation does not have other material commitments and contingent liabilities as at December 31, 2025.

34. SUBSEQUENT EVENTS

On February 10, 2026, the BOD, through Board Resolution No. 26-027, approved the declaration of a cash dividend of PESOS: Eight Hundred Eighty-Five Centavos (P0.885) per common share to all stockholders of record as of December 31, 2025, equivalent to a total amount of PESOS: Seventy-Seven Million Six Hundred Ninety-Two Thousand Two Hundred Seventy-Seven (P77,692,277.00), and representing 75 per cent of the net earnings as mandated by the Department of Finance dividend policy.

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 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
	46,384,097

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
	68,849,830

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

	Taxable Amount under Regular Rate
Sale of services	698,372,609
Lease of Properties	0
	698,372,609

2. Cost of Sales/Services

	Amount under Regular Rate
Direct Charges - Salaries, Wages and Benefits	30,570,294
Direct Charges - Outside Services	102,692,578
Direct Charges - Others	260,485,162
	393,748,034

3. Non-Operating and Taxable Other Income

	Amount under Regular Rate
Gain on sale	5,974,973
Miscellaneous income - net	124,620,838
	130,595,811

4. Optional Standard Deduction (OSD)

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

Particulars	Amount
SEC Filing Fees for Merger	0
Gross Receipt Tax	37,451,182
	46,384,097

36. OTHER SUPPLEMENTARY INFORMATION

In compliance with the Revised Securities Regulation Rule 68 issued by SEC, the following are the financial soundness indicators of LLFC:

	2025	2024 (As restated)
Current ratio	**0.64**	0.70
Acid test ratio	**0.63**	0.68
Solvency ratio	**0.02**	0.02
Debt to equity ratio	**2.25**	2.23
Asset to equity ratio	**3.25**	3.23
Interest rate coverage ratio	**1.77**	1.42
Return on equity	**4.20**	2.46
Return on assets	**1.29**	0.84
Net profit margin	**13.31**	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 (As 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 (As restated)
Total Audit Fees *(Section 2.1a)1*	**1,500,000**	**910,330**
Non-audit services fees:		
Other assurance services	**0**	0
Tax services	**0**	0
All other services	**0**	0
Total Non-audit Fees *(Section 2.1b)2*	**0**	0
Total Audit and Non-audit Fees	**1,500,000**	**910,330**

	2025	2024 (As restated)
Audit and Non-audit fees of other related entities *(Section 2.1c)3*		
Audit fees	**0**	0
Non-audit Services Fees	**0**	0
Other assurance services	**0**	0
Tax services	**0**	0
All other services	**0**	0
Total Audit and Non-audit Fees of other relates entities	**0**	**0**