

 PHILIPPINE RATING SERVICES CORPORATION	RATING REPORT
	SM INVESTMENTS CORPORATION

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MONITORING OF ISSUE CREDIT RATING

Issue	Outstanding Amount	Issue Date	Maturity Date	Assigned Rating and Outlook
Series J Fixed Rate Bonds	₱7.5 billion	February 18, 2022	February 18, 2027	PRS Aaa Stable

Obligations rated **PRS Aaa** are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. **PRS Aaa** is the highest rating assigned by PhilRatings. A **Stable Outlook**, on the other hand, is assigned when a rating is likely to be maintained or to remain unchanged in the next 12 months.

RATIONALE

1. Core businesses with leading market positions

SM Investments Corporation (SMIC; the Company) is the holding company of SM Group's core businesses (Retail, Property, and Banking) and its Portfolio Investments. SM Retail Inc. (SM Retail) operates the SM Group's retail and merchandising businesses, which are divided into two categories: Food and Non-Food segments. SM Retail is the leading player in the domestic retail market with the largest and most diversified retail portfolio. SM Retail further grew its footprint from 4,470 stores as of end-2024 to 4,831 stores as of end-2025, with a total gross selling area (GSA) of more than 3.5 million square meters (sqm). The Group continues with its nationwide expansion mainly in the provinces, with over 80% of its new store openings outside of Metro Manila.

SM Prime Holdings, Inc. (SMPH) is SMIC's property arm and the largest mall operator and integrated property developer in the country. As of end-December 2025, SMPH had 11 integrated property developments (lifestyle cities) in Metro Manila and 11 integrated property developments in key provincial cities nationwide. Comprising these developments is a strategic mix of malls, residences, commercial and integrated commercial development, and hotels and convention centers. SMPH operated 89 Philippine malls, with average daily pedestrian count of 3.8 million visitors for 2025. Mall operations were also present in China, with nine shopping malls and average pedestrian count of nearly 400,000 visitors for the same year. SMPH's Residential – Core business unit had a portfolio of 68 residential projects nationwide as of end-December 2025. To complement its current portfolio of economic, medium-cost, and leisure offerings, SMPH

launched its first venture into the premium and luxury space with its Signature Series in July 2025. SMPH's established market presence is strengthened by its ongoing developments and strategic land banking across the country. SMPH has an outstanding rating of PRS Aaa, with a Stable Outlook, for its outstanding bond issuances totaling ₱137.9 billion. In April 2026, a rating of PRS Aaa, with a Stable Outlook, was also assigned to SMPH's proposed bond issuance of up to ₱18.0 billion.

The banking business is represented by BDO Unibank, Inc. (BDO) and China Banking Corporation (Chinabank). According to data from the Bangko Sentral ng Pilipinas (BSP) as of December 2025, BDO was the Philippines' largest bank based on consolidated resources, customer loans, deposits, assets under management and capital, as well as branch and ATM network. BDO has a wide domestic presence, and also has offices located in Asia, North America, Europe, and the Middle East. As of end-December 2025, BDO had 1,996 branches and offices in the Philippines, 7,716 Automated Teller Machines (ATMs), and two full-service international branches in Hong Kong and Singapore. The bank's Capital Adequacy Ratio (CAR) stood at 14.9% (exceeding the regulatory minimum of 10%), while Non-Performing Loans (NPL) ratio improved to 1.68%, compared with 1.83% as of end-2024. In April 2026, Fitch Ratings (Fitch) affirmed BDO's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at BBB-. The Outlook is Stable. A BBB rating is considered investment-grade.¹

Chinabank was the Philippines' fourth-largest privately owned bank based on assets, with ₱1.8 trillion total assets as of end-December 2025. The bank's distribution network was comprised of 653 branches and 1,139 ATMs nationwide. NPL ratio was stable at 1.6% as of end-2025. CAR remained ample at 16.1%. Chinabank currently has an outstanding Issuer Credit Rating of PRS Aaa (corp.), with a Stable Outlook.

PhilRatings also notes that the NPL ratios of both BDO and Chinabank were better than the average NPL of the country's banking industry of 3.08%, as of end-December 2025.

SMIC likewise held equity interests in premium commercial buildings, leisure, logistics, geothermal steam production, food manufacturing, and mining.

2. Ample liquidity and sound capital structure

SMIC's current ratio has been kept above 1.0x for the last five years (2020-2024), standing at 1.1x as of end-December 2025. Operating cash remained positive at ₱117.0 billion in 2025, backed by a healthy bottom line. SMIC's leverage position remained sound, based on its debt-to-equity (DE) ratio of 0.5x as of end-December 2025 and which improved from 0.6x as of end-2024. Debt-to-capitalization ratio likewise improved from 36.6% as of end-2024 to 34.9% as of end-December 2025.

As of end-March 2026, the Company maintained its current ratio of 1.1x and DE ratio of 0.5x. Such was backed by positive operating cash flows and more than satisfactory debt management.

¹ [Fitch Affirms the Philippines' BDO Unibank at 'BBB-'; Outlook Stable](#)

Historically, operating cash has been positive and amply covered cash requirements for investment and financing activities. Moving forward, this trend is expected to continue given strong recurring income from the Group's leasing portfolio.

3. Sustained profitability

Sustained revenue growth supported the uptrend in bottom-line since 2024. Consolidated revenues went up by 6.3% to ₱654.8 billion in 2024, driven by the sustained revenue growth across all business segments. SMIC ended the year with a net income after tax of ₱114.6 billion, higher by 8.0% than the previous year. Net profit margin improved from 17.2% in 2023 to 17.5% in 2024. The return on assets (ROA), on the other hand, was stable at 6.7%.

The uptrend in the Company's profitability continued in 2025. Net income after tax registered growth of 8.0% to ₱123.8 billion. Net profit margin improved to 18.2%, while ROA inched up to 6.8%.

In the first three months of 2026 (3M2026), SMIC's net income after tax sustained its momentum by recording a hike of 5.7% to ₱29.2 billion. Net profit margin improved further to 18.3%, while ROA was stable at 6.1%.

Moving forward, profitability measures are seen to show annual improvement, supported by sustained revenue growth. Margins and ROA are expected to be on par with historical figures.

BUSINESS RISK

SMIC was incorporated on January 15, 1960, to hold the core investments of the SM Group (retail, property, banking) and its portfolio investments. Operating for over 65 years, SMIC grew to become one of the largest conglomerates in the Philippines in terms of market capitalization, which stood at ₱725.0 billion as of June 25, 2026.

- (1) **Retail** - SM Retail operates the various retail formats of the Group in both food (SM Supermarkets, SM Hypermarkets, Savemore, WalterMart, and Alfamart stores) and non-food (The SM Store and specialty stores focused on D.I.Y., furniture, appliances, and toys, among others.) categories.
- (2) **Property** - SMPH is engaged in real estate development, including commercial property developments and shopping malls, as well as various hotels, resorts, and convention centers.
- (3) **Banking** – universal banks, BDO and Chinabank, operate in the financial services segment
- (4) **Portfolio Investments** - equity investments in premium commercial buildings (Neo Group, Philippine Urban Living Solutions), leisure and gaming (Belle Corporation), logistics (2GO Group, Inc. and Airspeed), geothermal steam production (Philippine Geothermal Production Company), food manufacturing (Goldilocks Bakeshop, Inc.), and mining (Atlas Consolidated Mining & Development Corporation).

The contribution of each of the business segments to the consolidated revenues and net income of the Group is shown in Table 1.

Table 1 Revenues and Net Income per Segment, 2023 to 2025

	2023		2024		2025	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Revenues						
Retail Group	413,997	67	433,259	66	456,961	67
Property Group	119,004	19	131,940	20	131,802	20
Banking Group	39,268	7	43,905	7	46,982	7
Portfolio Investments Group	41,828	7	42,923	7	43,139	6
Others	2,155	–	2,750		2,849	–
Total	616,252	100	654,777	100	681,733	100
Net Income Attributable to Equity Holders of the Parent Company						
Retail Group	15,267	19	15,773	18	16,618	18
Property Group	20,507	25	23,138	26	24,680	27
Banking Group	38,194	47	42,706	49	45,709	49
Portfolio Investments Group	7,752	9	6,457	7	5,484	6
Others	(4,731)	–	(5,465)	–	(2,009)	–
Total	76,989	100	82,609	100	90,482	100

Note: Please refer to Annex A for the conglomerate map of SMIC, as of December 31, 2025.

Retail

SM Retail is the holding company for the SM Group's retail and merchandising businesses, which are divided into two categories: Food and Non-Food. The total GSA of SM Retail was more than 3.5 million sqm, as of end-December 2025.

SM Retail is the leading player in the domestic retail market, with its operations considered the country's largest and most diversified. The company's solid market position is supported by its broad synergies with SM malls and its strong distribution network.

Table 2 Major Philippine Retailers²

	Store Count			Sales (PhP Billion)			Assets (PhP Billion)		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Puregold Price Club	604	637	822	199.0	219.2	242.5	171.7	187.6	200.0
Robinsons Retail Holdings	2,393	2,453	2,763	192.1	199.2	210.4	155.0	170.0	174.0
SM Retail	3,853	4,470	4,831	402.0	422.0	444.9	194.1	205.6	215.3

SM Retail's growth continues to be driven by the Company's nationwide expansion strategy. This strategy aims to take advantage of the opportunities for growth and diversification in the northern and southern regions of the country, and which are yet to be covered by organized retail. Approximately 82% of new store openings were located outside of Metro Manila. As of end-December 2025, SM Retail had 4,831

² Puregold Price Club, Inc. operates the brands Puregold and S&R. Robinsons Retail Holdings, Inc. operates the brands Robinsons Supermarket and Department stores, Marketplace, and Shopwise.

stores nationwide: 78 The SM Stores, 68 SM Supermarkets, 221 Savemore stores, 58 SM Hypermarkets, 89 WalterMart stores, 2,309 Alfamart stores, 1 Mindpro Supermarket, and 2,007 Specialty stores.

In 2025, SM Retail recorded revenues of ₱458.1 billion, higher by 5.4% year-on-year (YoY). Revenues from the Food and the Non-Food segments both reported YoY improvements. The SM Store revenues went up by 2.8% while Specialty stores' revenues rose by 3.6%, driven by the strong performance of Health and Beauty, Home, Fashion, and Kids categories. Revenues of the Food group was 7.3% higher on account of volume growth and store expansion. Of the total revenues, 59.2% was from the Food group while the Non-food group accounted for the balance of 40.8%.

Net income for the period amounted to ₱21.1 billion in 2025, slightly higher by 1.0% YoY. Net profit margin slipped to 4.7%, from 4.9% in the previous year.

Non-Food

The SM Store, the Group's department store brand, is a leading market player and an anchor tenant in SM malls. It offers a wide range of merchandise and price points, targeting different customer segments. Two new SM Stores were opened, located in Laoag and La Union, in 2025. This brought total store count to 78 as of end-2025, with a total GSA of more than 909,000 sqm.

Also included in the Non-Food segment are Specialty stores that provide SM Retail with a range of leading brands in various fast-growing categories of discretionary spending.

Specialty stores operate as key tenants in SM malls, albeit several brands (Ace Hardware, Watsons, among others) have also selectively expanded outside SM malls. For 2025, SMIC added 139 specialty stores, bringing total store count to 2,007 as of end-December 2025.

Food

The Food segment is classified into five retail formats based on inventory holding capacity measured in stock keeping units (SKU). The different formats allow SM Retail to cater to different local markets across the country.

Table 3 Food Segment, as of end-2025

Per Stock Keeping Unit (SKU)	Brand Name	Description	Store Count	Average size (sqm)
Large ~31,000-35,000 SKUs	SM Supermarkets	Anchor tenant in SM malls and has been in operation since 1985.	68	5,900
	SM Hypermarkets	Food retailer stores with both stand-alone and in-mall locations. Combines the features of a supermarket with those of a department store. It has been in operation since 2001.	58	6,000
Medium ~15,000-18,000 SKUs	Savemore	Mid-size neighborhood format. Located in community malls or as a stand-alone. Provides food and grocery store items in residential locations, and with extended operating hours.	221	2,600
	WalterMart	Provides food and non-food shopping as an anchor tenant in WalterMart community malls, which are located primarily in Luzon.	89	2,600
Minimarts Less than ~5,000 SKU	Alfamart	Small-format minimart grocery stores primarily situated in residential neighborhoods and offering a range of essential groceries with affordable pricing.	2,309	Approx. 171

The Food segment grew from 2,526 stores as of end-2024 to 2,746 stores as of end-December 2025; bulk of the growth came from new Alfamart openings.

Property

SMPH is one of the largest integrated property developers in the Philippines, with a diverse portfolio that includes malls, residences, commercial and integrated commercial development, and hotels and convention centers. It is also one of the largest property developers in the Philippines in terms of assets, which stood ₱1.1 trillion as of end-December 2025.

SMPH has 11 integrated property developments (lifestyle cities) in Metro Manila and 11 in key provincial cities nationwide. SMPH continues to focus on the expansion of its provincial footprint, particularly for its malls and residential businesses. As of end-2025, SMPH had a total land bank of 4,446 hectares (ha) nationwide, spread across its various business segments, which is good for five to seven years. Of the total land bank, 42.0% was for mall development, 39.0% for primary residential, 13.0% for residential leisure development, and 6.0% for commercial and integrated commercial development.

The Mall business was the largest revenue contributor of SMPH, with a 60.3% share of consolidated revenues in 2025. In 2025, mall revenues from rental income were boosted by new mall openings and expansions, as well as higher foot traffic and occupancy. The residential business was second, accounting for 30.1%. Revenues of the residential business were driven by sales take-up and construction progress of ongoing projects. The balance of approximately 10%, in terms of revenue contribution, was comprised of revenues from the commercial and integrated commercial development, and hotels and convention centers segments. Despite its minimal share, revenues from these segments recorded a solid increase, attributed to the strong performance of the convention centers due to improved occupancy. While revenue growth was minimal at 0.5% to ₱141.1 billion, net income after tax managed to post a much faster increase of 6.8% to ₱49.7 billion in 2025.

As of report writing date, SMPH has a rating of PRS Aaa, with a Stable Outlook, for its outstanding bond issuances totaling ₱137.9 billion. In April 2026, PhilRatings also assigned PRS Aaa, with a Stable Outlook, to SMPH's planned bond issuance of up to ₱18.0 billion.

Table 4 Major Philippine Property Developers

Amounts in PHP Millions	Assets			Real Estate & Hotel Revenues			Net Income			Market Capitalization (May 25, 2026)
	2023	2024	2025	2023	2024	2025	2023	2024	2025	
Ayala Land	846,632	918,755	997,364	134,012	158,512	162,645	29,004	34,236	45,554	221,779
Filinvest Land	204,476	206,880	214,180	21,687	23,241	24,521	4,296	4,636	4,808	15,221
Megaworld	440,573	469,637	489,100	64,383	75,774	79,115	19,401	21,667	24,059	66,157
Robinsons Land	235,690	261,832	275,003	33,093	33,175	39,539	13,372	15,341	16,167	86,300
Vista Land ^a	342,401	377,939	387,581	31,250	32,964	26,759	10,292	9,368	9,462	12,063
SM Prime	943,328	1,019,431	1,093,879	114,154	124,579	124,199	40,864	46,539	49,727	549,404

^a The latest Audited Financial Statements for Vista Land were as of end-September 2025

Sources: Company disclosures.

Malls

SMPH is the largest mall operator/developer in the country. For 2025, SMPH operated 89 Philippine malls with average daily pedestrian count of 3.8 million. SMPH also operated nine malls in China, with an average pedestrian count of more than nearly 400,000 visitors for the same year.

Table 5 Major Mall Operators in the Philippines

	SM Prime	Ayala Land	Robinsons Land	DoubleDragon
Gross Leasable Area (GLA) as of end-2025	89 malls 5.1 million sqm	34 malls 2.2 million sqm	57 malls 1.7 million sqm	53 malls 612,000 sqm*

*in GFA (total GLA is not available)

SM City La Union opened in October 2025 as SMPH's 89th mall, adding 112,000 sqm of GFA to the mall portfolio. In 2026, the Company targets to complete three malls: SM City Zamboanga, SM Nuvali, and SM City Tagum. These new malls are seen to add an estimated 399,000 sqm of GFA. SMPH's ninth mall in China, located in Xiamen City, Fujian province, opened in October 2025.

In response to the government's declaration of a national energy emergency, SM Supermalls, along with several mall operators, shortened their mall operating hours. SM Supermalls cut its operating hours by two to three hours and announced that the new schedules will take effect starting on March 30 (weekday hours adjusted to 11 a.m. to 9 p.m. and weekend hours set at 10 a.m. to 9 p.m.). Beginning on June 22, 2026, SM Supermalls announced the return of normal mall operating hours from 10 a.m. daily to 9 p.m. from Sunday to Thursday and 10 p.m. on Friday and Saturday.

Residential

The Residential – Core business unit of SMPH is one of the country's major developer of residential vertical and horizontal communities, consisting of high-rise buildings (HRBs), mid-rise buildings (MRBs), and single-detached house and lot (H&L).

It primarily develops middle-market residential condominium units as primary homes, located near lifestyle and business areas in the country, and as of end-2025, it had 68 residential projects nationwide. Of the total, 47 residential projects were in Metro Manila, with majority classified as HRBs. These projects are primarily located in the cities of Quezon, Pasay, Parañaque, and Makati.

SMPH is entering into the premium and luxury space, expanding its existing portfolio with the launch of its Signature Series by SM Residences in July 2025. SMPH has earmarked an initial capex of ₱25.0 billion for the maiden project, situated in a 284-ha property located in Susana Heights, Muntinlupa City, with a minimum pricing of ₱100.0 million per lot. SMPH is targeting the start of construction of an 8,000-sqm neighborhood retail hub in Susana Heights in the first quarter of 2027. Before this, SMPH will begin rolling out upgrades inside the village itself, starting in the third quarter of 2026. In a statement, SMPH said the first phase will focus on revamping the main clubhouse and adding new amenities. Despite challenges in broader economic conditions, SMPH believes there is steady demand for bigger, lot-only properties.³

SMPH's secondary residential business unit are leisure homes; included in this segment are two large-scale tourism projects — Tagaytay Highlands and Pico de Loro.

Tagaytay Highlands is an exclusive mountain resort, golf club and residential complex, covering some areas of Cavite, Laguna, and Batangas. On the other hand, the 40-ha Pico de Loro represents Phase 1 of the Hamilo Coast project, which is a premier and sustainable leisure destination in Nasugbu, Batangas. These two main projects are continuously being enhanced and developed into communities.

³ [SM to start building Susana Heights retail hub next year](#)

Commercial and Integrated Commercial Development

The Commercial business unit handles the development, leasing, operations, and management of office buildings (located in key cities of Metro Manila and strategic regions of the country), as well as other landholdings.

SMPH had 22 office towers, with a combined GFA of almost 1.6 million sqm, as of end-2025. Five of these buildings, with a combined GFA of about 631,000 sqm, are located within the MOA Complex in Pasay City. Currently, SMPH is developing Six E-Com Center, a two-tower office complex and its sixth office building in MOA Complex. As of end-2025, the average occupancy of the Company's offices slightly improved to 81%, from 80% as of end-2024.

Under its Integrated Commercial Development segment, SMPH is undertaking a 360-ha reclamation project called Pasay 360 (formerly SM Smart City). In collaboration with the local government of Pasay City, Pasay 360 is envisioned to be a mixed-use development with commercial, retail, and residential components, similar to the completed MOA reclamation project.⁴ As of end-2025, coastal land expansion is 86% complete. Sand pouring and delivery were completed as per target, while land titling remains on schedule. The horizontal development is scheduled to begin in 2027, while the target turnover of the project to the Pasay City local government is in 2028.

Hotels and Convention Centers

Hotels and Convention Centers business unit oversees the hospitality business of SMPH. As of end-2025, SMPH operated ten hotels with over 2,602 rooms. These ten hotels were: Taal Vista Hotel in Tagaytay, Radisson Blu Hotel in Cebu, Pico Sands Hotel in Hamilo Coast, Park Inn by Radisson in Davao, Park Inn by Radisson in Clark, Conrad Manila in Pasay, Park Inn by Radisson in Iloilo, Park Inn by Radisson in North EDSA, Park Inn by Radisson in Bacolod, and Lanson Place MOA. SMPH hotels recorded a 63% occupancy rate in 2025, down from 67% in 2024. According to management, the decrease was attributable to the lower occupancy of leisure hotels in Tagaytay that were affected by unfavorable weather conditions.

Hotels and Convention Center business unit also operates convention centers and trade halls through SMX Convention Center (SMX). SMX has evolved into a growing franchise, after branching out to Taguig, Davao, Bacolod, and Clark, from its first site in the MOA Complex. As of end-2025, SMPH has six convention centers (SMX Convention Centers) and two trade halls, with almost 42,000 sqm of total leasable space.

SMPH earmarked a capex of ₱15.0 billion for a five-year expansion program of its hotels and convention centers segment. This involves eight new hotels and two convention centers by the end of 2028, as well as the enhancement and expansion of existing properties.

Renovation of the Lake Wing of Taal Vista Hotel continued as of end-2025, with the project targeted for launching in 2026. Also, SMPH has broken ground for Park Inn by Radisson SM City Dasmariñas in Cavite; the hotel is set to open in the fourth quarter of 2027. Further, SMPH is on schedule to complete SMX Seaside Cebu, which is targeted to open in the fourth quarter of 2026. Once finished, SMX Seaside Cebu will be the biggest convention center in the Philippines with over 21,000 sqm of event space, four trade halls, eight function rooms and 19 meeting rooms.

⁴ In 2006, the SM Mall of Asia was completed and became the anchor development in the 60-ha reclaimed property now known as the MOA Complex.

[SM Renames Business District as Mall of Asia Complex](#)

Banking

Table 6 Ranking of the Universal and Commercial Banking Group, as of end-December 2025

Rank	Total Assets	PhP Billion	Total Capital	PhP Billion	Total Loans	PhP Billion
1	BDO Unibank Inc	5,274	BDO Unibank Inc	642	BDO Unibank Inc	3,506
2	Bank of the Phil Islands	3,626	Bank of the Phil Islands	473	Bank of the Phil Islands	2,520
3	Metropolitan Bank & Trust	3,540	Metropolitan Bank & Trust	411	Metropolitan Bank & Trust	1,703
4	Land Bank of the Philippines	3,522	Land Bank of the Philippines	278	Land Bank of the Philippines	1,613
5	China Banking Corp	1,950	Philippine National Bank	230	China Banking Corp	895
6	Rizal Comm'l Banking Corp	1,565	Union Bank of the Phils	199	Philippine National Bank	814
7	Security Bank Corp	1,563	China Banking Corp	178	Rizal Comm'l Banking Corp	797
8	Philippine National Bank	1,368	Rizal Comm'l Banking Corp	151	Security Bank Corp	715
9	Development Bank of the Phil	1,039	Security Bank Corp	151	Development Bank of the Phil	611
10	Union Bank of the Phils	996	Development Bank of the Phil	99	Union Bank of the Phils	415

Source: Bangko Sentral ng Pilipinas

BDO Unibank

SMIC effectively held 45.2% interest in BDO, as of report writing date. As of end-December 2025, BDO remained as the Philippines' largest bank based on consolidated assets, customer loans, deposits, assets under management and capital, as well as branch and ATM network. BDO's total assets grew to ₱5.4 trillion as of end-2025, from ₱4.9 trillion as of end-2024. BDO has a wide domestic presence, and has offices located in Asia, North America, Europe, and the Middle East. As of end-2025, BDO had 1,996 branches and offices in the Philippines, 7,716 ATMs, and two full-service international branches in Hong Kong and Singapore.⁵

BDO is a licensed universal bank, providing a complete array of products and services which include lending, deposit-taking, foreign exchange, brokering, trust and investments, credit cards, corporate cash management, and remittances. Through its subsidiaries, BDO offers leasing and financing, investment banking, private banking, rural banking, life insurance, insurance brokerage, and stock brokerage services. Also, the bank continues to develop its digital initiatives in order to provide faster and more efficient digital banking solutions. BDO aims to expand in the underserved markets and drive financial inclusion through physical and digital channels.

In 2025, BDO's net income after tax amounted to ₱87.2 billion, posting a 6.3% growth from ₱82.0 billion in 2024, due to the steady performance of its core businesses. Gross customer loans climbed by 13.3%, supporting the 8.8% growth in net interest income. Provision for impairment losses was ₱15.0 billion for the period, 7.0% higher than ₱14.0 billion in 2024. This was in line with the bank's conservative provisioning in order to manage asset risk. Asset quality improved, with NPL ratio going down to 1.68%, compared with 1.83% as of end-2024.⁶ The bank's current and savings accounts (CASA) went up by 4.6% from as of end-2024, while time deposits jumped by 25.1%. The foregoing drove the 10.4% increase in total deposits to ₱4.2 trillion as of end-2025. The bank's 14.9% CAR as of end-2025 was more than compliant with the regulatory minimum of 10.0%.⁷

The bank continues to be an important player in sustainable financing since the launch of its Sustainable Finance Program in 2010, which includes funding of projects involving renewable energy, green buildings,

⁵ SMIC and SMPH Company Presentation FY2025

⁶ Philippine Banking Industry NPL Ratio was 3.08%, as of end-December 2025.

⁷ Minimum CAR requirement is 10% for universal and commercial banks in the Philippines.

energy efficiency, waste management, and social finance initiatives. In May 2022, BDO issued the first blue bonds by a Philippine corporation, amounting to USD100 million and fully subscribed by the International Finance Corporation (IFC). In July 2023, BDO participated in the Philippines' first gender bonds issued through a syndicated corporate notes facility amounting to ₱5.0 billion, to support ASA Philippines Foundation Inc.'s capitalization so that the Foundation may reach and empower more women in the country.⁸ Furthermore, BDO issued an aggregate total of ₱386.7 billion in Sustainability bonds via five separate issuances since January 2022.⁹ The fifth and most recent issuance in January 2026, the ASEAN Sustainability Bonds, amounted to ₱100.0 billion. The bond offering was reportedly well received, prompting an earlier closure of the offer period. According to management, BDO surpassed the one-trillion mark for sustainable financing in July 2025, allocating a total of ₱1.04 trillion into sustainable projects since 2010.¹⁰

China Banking Corporation

SMIC held an effective interest of 22.5% in Chinabank, as of report writing date. As of end-2025, Chinabank was the Philippines' fourth-largest privately owned bank in terms of total assets, which stood at ₱1.8 trillion. Chinabank's distribution network was comprised of 653 branches and 1,139 ATMs nationwide, as of end-2025.¹¹

Incorporated in July 1920, Chinabank is the Philippines' first privately-owned commercial bank, operating for more than 105 years. The bank has a strong long-term relationship with the Chinese-Filipino commercial sector. The bank offers a wide range of deposit, lending, international, and investment products. Through its domestic subsidiaries, Chinabank offers investment banking, securities broking, insurance broking, and thrift banking services. Chinabank currently has an outstanding Issuer Rating of PRS Aaa (corp.) from PhilRatings.

Net income after tax of Chinabank for 2025 amounted to ₱28.0 billion, growing by 12.8% from ₱24.8 billion in 2024, supported by the sustained expansion of Chinabank's core business. Net interest income posted a 14.3% increase, bolstered by the 17.2% jump in interest income from loans and receivables. The bank's net loans and receivables stood at ₱1.0 trillion as of end-2025, up by 13.4% from as of end-2024, due to accelerating economic activities and consumer confidence. Customer deposits went up by 8.5% to ₱1.4 trillion as of end-2025, backed by 16.7% and 2.0% increases in CASA and time deposits, respectively. Chinabank's NPL ratio was stable at 1.6% as of end-2025. The bank's CAR remained more than ample at 16.1%.

⁸ ASA Philippines is a non-profit, non-stock corporation specializing in microfinance. The first branch that the foundation started with was in Camarin, Caloocan in August 2004, and as of today the foundation has already expanded its operations nationwide. Source: [ASA Philippines Website](#)

⁹ [BDO raises PHP100 billion in fifth ASEAN Sustainability Bonds issue](#)

¹⁰ [BDO's sustainable financing surpasses ₱1 trillion mark](#)

¹¹ SMIC and SMPH Company Presentation FY2025

Portfolio Investments

Percentages are Effective Ownerships of SMIC

100%	PGPC
95.0%	Neo Subsidiaries
34.0%	Neo Associates
71.3%	MyTown (PULS)
67.2%	2GO Group
64.1%	Goldilocks
51.0%	Airspeed
34.1%	Atlas Mining
26.6%	Belle Corp.

Source: Full-Year 2025 Investor Deck

In 2025, SMIC's portfolio investments contributed ₱43.1 billion to consolidated revenues. This was equivalent to 6.3% of consolidated revenues for the year, slightly down from 6.6% in 2024. Consolidated net income from portfolio investments totaled ₱5.5 billion, down by 15.1% from ₱6.5 billion in 2024, as energy prices in the spot market affected the Group's power business. PGPC and NEO Group contributed 56% of the total portfolio net income at ₱1.5 billion each. 2GO and Goldilocks on the other hand, contributed 10% each.

Philippine Geothermal Production Company (PGPC)

PGPC operates steam fields in Tiwi, Albay and Makiling-Banahaw (Mak-Ban), straddling the provinces of Laguna and Batangas, which supply third-party geothermal power plants. PGPC also has rights to explore, develop, and utilize other greenfield concession areas for geothermal steam production in the Philippines. PGPC is currently supplying steam, with an equivalent of approximately 300 megawatts (MW) of electricity, to the Luzon grid and has the right to operate the steam fields until 2038. PGPC is exploring five new geothermal areas which are seen to increase capacity by 250 MW to 450 MW.

In 2025, PGPC reported ₱1.5 billion net income after tax, 46% lower YoY, due to lower energy prices in the spot market.

Neo Group

The Neo Group is a sustainable property owner, manager, and developer. Its partnership with SMIC, started in 2013, intends to accelerate the growth and development of its portfolio. Neo's buildings are certified green under the BERDE green building rating system, and certified net zero carbon under the EDGE Zero Carbon and Advancing Net Zero Philippines programs. Neo has seven certified green commercial buildings within the largest and only Philippine Economic Zone Authority (PEZA)-certified IT park in Bonifacio Global City (BGC). The seven buildings have a total GFA of 256,707 sqm, with a tenant base that includes top-tier local and multinational companies. SMIC effectively owns 95% of the first five buildings, and 34% of the remaining two buildings in the Neo portfolio.

In 2025, the Neo Group reported ₱2.5 billion net income after tax, higher by 8% YoY, due to the healthy 97% occupancy rate for the period.

Philippine Urban Living Solutions (PULS)

A developer and operator of modern dormitories under the "MyTown" brand, PULS pioneered the concept of urban dormitories for young professionals, or co-living spaces. With its first project in 2012, PULS grew its MyTown portfolio to 14 buildings which are located within 5-minute walking distance from BGC and Makati Central Business District (CBD).

2GO Group, Inc.

2GO is a leading end-to-end logistics provider that integrates shipping, freight forwarding, warehousing, and express delivery services. 2GO has five core business units, namely: 2GO Sea Solutions, 2GO Special

Containers and Project Logistics, 2GO Logistics, and 2GO Express. Combined, these businesses serve small and medium enterprises (SMEs), large corporations, and government agencies throughout the Philippines. SMIC's investment in 2GO is seen to play a significant role in the SM Group's E-commerce strategy, as the Group continues to expand in the provinces. An effective logistics infrastructure is crucial for E-commerce operations, particularly within the country's archipelagic landform.

2GO also operates a logistics network of over 50 warehouses and hubs and has a retail footprint nationwide. Its sea logistics fleet, consisting of ROPAX vessels (roll-on/roll-off), transports both freight and passengers to 20 ports of call in Luzon, Visayas, and Mindanao.

In 2025, 2GO Group reported ₱1.0 billion net income after tax, 28% higher YoY, backed by strong logistics operations.

Goldilocks

Goldilocks is the largest bakeshop chain in the Philippines and has been operating for more than 59 years (since 1966). Its retail footprint consists of more than 1,000 stores in the Philippines, and overseas operations in the US and Canada. Its products include greeting cakes, premium cakes, breads and snacks; Filipino food favorites, as well as products catering to airlines, shipping lines, institutional and corporate accounts.

In 2025, Goldilocks reported ₱0.8 billion to net income after tax, slightly lower by 2% YoY. The decline was attributable to the one-off divestment gain recognized in the prior year.

Airspeed

AIC Group of Companies Holding Corp. (Airspeed) is a fully integrated logistics solutions provider offering a range of services, including international and domestic air and sea freight forwarding, warehousing contract logistics, and e-commerce fulfillment solutions.

With over 40 years of experience in the logistics industry, Airspeed has established itself as a trusted logistics partner, playing a significant role in enhancing supply chain efficiency and supporting the logistics requirements of the SM Group.

Atlas Consolidated Mining and Development Corporation

Atlas Consolidated Mining and Development Corporation (Atlas) operates the Toledo copper mine in the province of Cebu through its wholly owned subsidiary, Carmen Copper Corporation (Carmen Copper). The Carmen Copper mine is one of the Philippines' largest exporters of copper concentrate with by-products of gold and silver. It is also pursuing the development and commercial production of other marketable mine by-products such as magnetite and pyrite. The copper mine has 26 years of mine life, with 467 million tons of proven and probable reserves, as of end-December 2025.¹²

Belle Corporation

Belle Corporation (Belle) is a developer of tourism and leisure destinations in the Philippines. It was originally incorporated as Belle Mining and Oil Exploration in 1973. Belle acquired and developed the Tagaytay Highlands International Golf Club its initial venture into property development in 1989. Belle

¹² SMIC and SMPH Company Presentation FY2025

changed its name to its current one in 1994, with the intention to shift its principal business activity to real estate.

Belle's principal asset is the City of Dreams (COD) Manila in Pasay City, and which it developed with Melco Resorts and Entertainment Limited. The property has a total GFA of 310,565 sqm, including a gaming floor area of 22,507 sqm. In addition, there are three hotel brands (with a total of 939 rooms, as of end-December 2025) within COD, namely: NÜWA, Nobu and Hyatt Regency.

Belle currently owns real estate and premium residential resort projects around Tagaytay City and Batangas. These properties include the Tagaytay Highlands and Tagaytay Midlands complex. The 1,564-ha complex is composed of themed residential communities, golf courses and clubs, with amenities that include restaurants, sports venues, and facilities for outdoor activities.

MANAGEMENT AND STRATEGY

SMIC's Board of Directors is headed by its Chairman, Amando M. Tetangco, Jr., who holds various directorships in various companies within and outside of the SM Group. Mr. Tetangco served for two six-year terms as the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of the Monetary Board from July 2005 to July 2017. He was a banker for more than four decades, having joined the BSP in 1974. Prior to his stint with the BSP, Mr. Tetangco worked at the Management Services Division of SGV and Co. Mr. Tetangco graduated with an AB Economics degree (cum laude) from Ateneo de Manila University and obtained his Master's degree in Public Policy and Administration (Development Economics) at the University of Wisconsin, USA.

President and Chief Executive Officer Frederic C. DyBuncio leads SMIC's management. He is concurrently Chairman of the Board of Atlas. Before holding this post, he was a career banker who spent over two decades at JPMorgan Chase and its predecessor institutions. Mr. DyBuncio graduated with a Bachelor of Science degree in Business Management from Ateneo de Manila University and obtained his Master's degree in Business Administration from the Asian Institute of Management.

Erwin G. Pato is the Treasurer and Executive Vice President for Treasury, Finance and Planning. Mr. Pato has over 25 years of working experience. Before joining SMIC, he was the Head of Treasury of Temasek Holdings Pte Ltd and held Treasury leadership positions in the investment, financial and industrial fields. He graduated with a Bachelor of Arts Degree, major in Economics, from Ateneo de Manila University.

Franklin C. Gomez is the Executive Vice President for Finance. Prior to joining SMIC, he held several senior positions in Unilever, where he worked for over two decades. His last position was Finance Director and Chief Financial Officer of Unilever Indonesia. Mr. Gomez graduated with a double degree in Economics and Commerce, major in Accountancy, from De La Salle University, Manila.

As of end-2025, the Parent Company had a manpower complement of 398 employees.¹³ There are collective bargaining agreements (CBAs) between the management of SMIC's subsidiaries and their employees. The expiration date of the CBAs are from 2027 to 2029. There were no reported labor disputes in the last five years.

¹³ SMIC 2025 General Information Sheet

Strategy

In April 2026, SMIC presented three main points that aim to guide the Group's overall direction towards: (1) being a conglomerate that creates significant long-term value; (2) continuing as an owner of growing, synergistic businesses, nurturing these businesses and focusing as an operator of these businesses (i.e., not only as an armchair financial investor); and (3) building strong businesses that deliver strong results.

The Company's plan will be rooted in five strengths:

- Being a conglomerate with deliberate and unique synergies
- Having a conservative and resilient balance sheet
- Holding high standards of governance and sustainability
- Being a long-term value compounder
- Being committed to the Philippines

In Relation to the Middle East Conflict

The overall direction of the Company is geared towards its established goals in the medium- to long-term. Management cited that the Company's planned capex has been incorporated with ample flexibility, which allows it to respond to possible changes in the environment.

Management recognizes the fluidity of ongoing developments, thus creating uncertainties that could cause supply chain disruptions. Against this background, the Company's operating units are already working on contingency plans as situations develop.

While heightened inflation could potentially impact consumer spending, SMIC continues to bank on its widely diversified retail offerings that cater to customer needs at different price points.

On the banking business, BDO's management remains optimistic about the bank's continued growth amid the risks brought about by the conflict. The bank's management could see pressure on consumer demand but also see a benefit to higher borrowing rates as BSP tighten the rise in inflation. Mr. Romeo D. Uyan, Jr., Chinabank's Chairman, stated that the bank continued to provide shuttle buses, gasoline allowance subsidies, and staggered shifts for its employees since the pandemic. The bank will maintain strategic vigilance as it navigates market volatility.¹⁴

Retail

SMIC believes that there is a big potential in the largely underpenetrated retail sector, particularly in fast-growing areas outside of the National Capital Region (NCR). Expansion continues to be directed at the provinces, with over 80% of new store openings located outside of Metro Manila.

In line with its tagline, "We've got it all for you", SM Retail aims to continue expansion in both Food and Non-Food categories, maintaining a diverse product offering of over 30 brands within its portfolio. SM Retail considers specialty retailing, which includes leading local category specialists and aspirational but affordable foreign brands, as a high-margin, high-growth business for the Group.

The Food segment's strategy is focused on enhancing product assortment and different store formats based on market trends, as well as expanding to new territories across the Philippines.

¹⁴ <https://www.chinabank.ph/library/minutes-of-the-2026-annual-meeting-of-stockholders>

Property

SMPH continues to focus on master-planned communities that integrate malls and residential condominiums. These developments are complemented by commercial properties, hotels and convention centers.

The mall business aims to address the low penetration of modern retailing and the lack of community centers nationwide. New malls will be strategically built in city centers in key cities outside Metro Manila. Expansion of existing malls will depend on the needs of their market. SMPH has targeted 100 malls by 2028; majority of new malls opening are set outside of Metro Manila. SMPH's mall expansion is geared towards the provinces in Northern Luzon, Visayas, and other progressive cities in Mindanao. In addition, management reportedly plans to expand mall operations in China with another mall set to open in the next two years.¹⁵

Banking

BDO has focused on expanding financial access to Filipinos and supporting enterprises through easier banking and funding opportunities. The bank is considered a pioneer in sustainable finance, with a commitment to preserve resources for future generations. BDO will continue to expand its physical and digital reach to create a bridge with the underserved and unbanked communities in the country.

Chinabank is dedicated to knowing and supporting its customers through tailored banking solutions. The bank also gives importance to sustainability through the funding of renewable projects and other initiatives that support the conservation of resources. Chinabank will continue to enhance customer services and sustainability, leveraging on the experience it has acquired through its long operating history.

Equity Investments

SMIC plans to strategically grow its equity investments as the opportunity arises. Expansion plans will be anchored on sustainable practices to mutually support core businesses and partners and ensure shared value for all stakeholders.

ECONOMY

Gross Domestic Product (GDP)¹⁶

The Philippine GDP expanded by 3.0% in the fourth quarter of 2025 (4Q2025). This was the slowest quarterly growth recorded since 3Q2011, excluding the contractions during the height of the COVID-19 pandemic. The foregoing brought the country's GDP growth rate for full-year 2025 to 4.4%, which was below the government's target of 5.5%–6.5%. This marked the third straight year that GDP growth fell short of the target.

¹⁵ SM to open 9th China mall in October

¹⁶ Philippine Statistics Authority

<https://business.inquirer.net/571342/philippine-gdp-growth-down-to-3-in-q4-2025>

<https://www.abs-cbn.com/news/business/2026/5/7/gdp-growth-skids-to-2-8-percent-in-first-quarter-of-2026-1007>

<https://psa.gov.ph/system/files/nap/Q1%202026%20NAP%20Publication.pdf>

On the supply side, drivers of growth in 2025 were the following industries: Wholesale and retail trade; repair of motor vehicles and motorcycles, 4.6%; Financial and insurance activities, 5.6%; and Public administration and defense; compulsory social security, 7.9%. At the aggregate level, Agriculture, forestry and fishing (AFF), Industry, and Services grew by 3.1%, 1.5%, and 5.9%, respectively.

Department of Economy, Planning, and Development (DEPDev) Secretary Arsenio Balisacan cited as reasons for the missed growth target the impact of weather-related disturbances for the year and the corruption scandal surrounding flood control projects. The latter reportedly dampened investments and consumer confidence.

On the demand side, HFCE grew by 4.6% in 2025, slower than the 4.9% recorded in 2024. Government Final Consumption Expenditure (GFCE) likewise increased by 9.1%, quicker than the 7.3% posted in 2024. Gross capital formation (GCF), on the other hand, declined by 2.1% in 2025, from a 7.7% growth in 2024, driven by the contraction in the government's spending for infrastructure during the last quarter of the year.

The Philippine GDP expanded by 2.8% in the first quarter of 2026 (1Q2026), marginally slower than 3.0% recorded in the 4Q2025, and much lower than 5.4% in the 1Q2025. This was the slowest quarterly growth recorded since 3Q2011, excluding the contractions during the height of the COVID-19 pandemic. According to DEPDev, the slower GDP growth was due to the lingering effects of the flood control controversy, delays in the passage of the national budget and release of funding for infrastructure spending as well as the impact of the war in the Middle East on oil prices.

On the supply side, drivers of growth in 2026 were the following industries: Wholesale and retail trade; repair of motor vehicles and motorcycles, 4.6%; Financial and insurance activities, 3.4%; and Public administration and defense; compulsory social security, 8.6%. At the aggregate sector level, Agriculture, forestry and fishing (AFF) and Industry posted year-on-year decreases of 0.2% and 0.1%, respectively. The Services sector, in contrast, had a 4.5% growth year-on-year (YoY).

On the demand side, Household Final Consumption Expenditure (HFCE) grew by 3.0% YoY in 1Q2026, slower than the 5.3% growth in the same period in 2025. Government Final Consumption Expenditure (GFCE) posted a growth of 4.8%, much lower than the 18.7% in 1Q2025. Gross capital formation (GCF), on the other hand, declined by 3.3% in 1Q2026, a reversal from the 4.0% growth in 1Q2025, driven by the contraction in the construction sector.

Inflation and Interest Rates¹⁷

Inflation averaged 1.7% in 2025, marking the slowest annual pace of price growth since 2016 and remaining below the Bangko Sentral ng Pilipinas' (BSP) 2–4% target range. The low inflation outturn was driven by easing rice prices and generally stable commodity costs, although food prices edged up toward year-end due to weather-related supply disruptions and stronger holiday demand.

¹⁷ <https://www.bworldonline.com/top-stories/2026/05/06/747601/bsp-to-take-necessary-action-amid-faster-than-expected-april-inflation/>

<https://business.inquirer.net/567690/philippine-2025-inflation-slows-to-1-7-a-9-yr-low>

<https://www.abs-cbn.com/news/business/2026/6/5/inflation-eases-to-6-8-percent-in-may-0907>

Headline inflation eased to 6.8% in May 2026 from 7.2% in April 2026, though it remained significantly higher compared to 1.3% a year ago. This brings the year-to-date inflation to 4.5%, still above the government's 2-4% inflation target. The slowdown was driven by softer price increases in transport, food, and housing, water, electricity, gas and other fuels. Notwithstanding such, domestic fuel costs remained elevated due to lingering external pressures, including Middle East-related supply disruptions and peso depreciation risks.

The rising fuel prices have also affected food supply conditions, particularly in the fisheries sector, as higher fuel costs reduced fishing activity and production. In response, DEPDev said the government is intensifying targeted interventions to help temper price pressures on food, energy, and transport. Economists also noted that sustained inflationary pressures and elevated oil prices could prompt further monetary tightening from the BSP.

The Monetary Board's 25-basis points rate cut on February 19, 2026, brought the benchmark target reverse repurchase rate down to a three-year low of 4.25% and marking the sixth consecutive policy rate reduction since the beginning of 2025.

On April 23, 2026, however, the BSP raised its key policy rates by 25 basis points to 4.5%. According to BSP Governor Eli M. Remolona Jr., the decision was aligned with its primary mandate of maintaining low and stable inflation to support sustainable economic growth. He noted that the inflation outlook has deteriorated amid the ongoing conflict in the Middle East, with rising oil and fertilizer prices expected to spill over to food and service costs. The central bank forecasts inflation to reach 6.3% in 2026 and 4.3% in 2027. It should be noted that both figures are beyond the BSP's target range.

BSP Deputy Governor Zeno Ronald R. Abenoja stated that the BSP may resort to "more drastic" action to tame inflation as rising rice prices and transport fares threaten to de-anchor inflation targets. Mr. Abenoja also added that central banks in the region face a fine balancing act as they tighten monetary policy to tame inflation and steer it back toward target over the medium term. Earlier, BSP Governor Eli M. Remolona, Jr. similarly noted that the BSP is willing to lift interest rates as much as needed, to curb inflation. Governor Remolona also remained optimistic on the country's growth outlook. ING Regional Head of Research for Asia Pacific Deepal Bhargave said another round of tightening next month remains an option despite the economy's weak first quarter 2026 growth, with possibility of a 50 bps hike and an off cycle move. In contrast, Pantheon Macroeconomics (Pantheon) maintains that a second straight policy hike remains uncertain despite higher inflation after the domestic economy posted sub-par expansion in 1Q2026. Additionally, Pantheon raised its inflation forecast to 5.9% in 2026, from its earlier 4.6%.

Meanwhile, Albert Park, Chief Economist of the Asian Development Bank, stated that the BSP should exercise caution in tightening policy rates, noting that the current inflationary pressures are largely supply-driven. Moreover, analysts from several institutions expect the central bank to implement further rate hikes, potentially through an off cycle move.

Outlook¹⁸

In its recent report last March 24, 2026, Moody's Analytics lowered its GDP growth forecast for the Philippines to 4.9% for 2026 and 5.2% for 2027, citing weak domestic momentum and risks from the Middle East conflict, including potential oil price spikes that could widen the trade deficit and put pressure on the peso. It also projected inflation at 2.5% in 2026 and 3.0% in 2027.

In contrast, on March 26, 2026, S&P Global Ratings raised its 2026 growth forecast to 5.8%, driven by a gradual recovery in investments and strong technology exports, while noting continued risks from energy disruptions. It projected inflation at 3.4% in 2026 and 3.2% in 2027 and signaled a possible 25-basis-point policy rate hike to 4.5% within the year.

More recently, the International Monetary Fund (IMF) cut its 2026 GDP growth forecast for the country to 4.1% (from 5.6%), citing weaker late-2025 growth, confidence effects from domestic issues, and spillovers from the Middle East conflict, while keeping its 2027 projection at 5.8% and warning of downside growth risks and upside inflation pressures.

Similarly, Moody's Ratings lowered its growth forecast to 4.9% for 2026 and 5.3% for 2027 (from 5.5% and 5.6%), citing subdued domestic demand, elevated energy costs, and trade uncertainty, with public investment recovery expected only in the second half of 2026. It also raised its inflation projections to 3.7% in 2026 and 3.5% in 2027, noting that higher import and energy costs could dampen consumption and constrain policy easing.

Meanwhile, the Asian Development Bank (ADB) projects GDP growth of 4.4% in 2026 (down from 5.3%) and 5.5% in 2027, with domestic demand remaining the main driver but partly offset by rising price pressures. It forecasts inflation at 4.0% in 2026 and 3.5% in 2027, while highlighting risks from the Middle East conflict, weaker remittances, and potential delays in public investment.

Unemployment Rate¹⁹

The Philippines' total labor force stood at 51.6 million in March 2026. This was a slight contraction (-0.8%) from the 52.1 million in February 2026 and an increase (+3.4%) from the 50.0 million in the same period in 2025. The country's Labor Force Participation Rate (LFPR) inched down, from 63.8% in February 2026 to 63.3% in March 2026. Such figure, nonetheless, was an improvement from the 62.9% LFPR recorded in March 2025. According to National Statistician Claire Dennis S. Mapa, the month-on-month decrease was primarily due to some individuals choosing to focus on schooling and household family duties.

While the unemployment rate improved from 5.1% in February 2026 to 5.0% in March 2026, the figure is higher than 3.9% in March 2025. According to Mr. Mapa, the annual growth in unemployment was attributable to the effects of the oil crisis which exerted pressure on the labor market, particularly on the fishing and aquaculture sectors. For the first three months of 2026, the unemployment rate averaged 5.3%, higher than the 4% average a year ago.

¹⁸ <https://www.bworldonline.com/top-stories/2026/03/24/738140/moodys-analytics-trims-philippines-growth-forecasts/>
<https://www.bworldonline.com/top-stories/2026/03/26/738702/sp-hikes-philippine-growth-forecast-but-oil-crisis-poses-risks/?amphttps://manilastandard.net/business/314726875/imf-moodys-cut-2026-philippine-growth-outlook.html>
<https://www.adb.org/news/philippine-gdp-growth-remain-subdued-amid-global-uncertainty>

¹⁹ <https://psa.gov.ph/statistics/labor-force-survey>
https://www.bworldonline.com/top-stories/2026/05/07/747914/psa-2-58-million-filipinos-jobless-in-march/#google_vignette

As of March 2026, the Services sector maintained the highest share of employed personnel, accounting for 63.0% of the total, followed by the Agricultural sector (19.1%), and then the Industry sector (17.9%). In terms of sub-sectors, Fishing and Aquaculture had the highest annual decrease in the number of employed persons (189,000 or -16.2%), followed by Manufacturing (149,000 or -4.0%), as well as Arts, Entertainment, and Recreation (147,000 or -28.5%).

In response to rising oil prices, the Department of Agriculture (DA) has mobilized a ₱1.0 billion response fund to subsidize agricultural operations and prevent disruptions in production. Without such intervention, energy-intensive industries may be forced to scale down, with workers likely to bear the immediate impact through reduced hours or job losses. In addition, Mr. Baliscan emphasized the need to accelerate the transition toward renewable energy technologies. In line with this shift, affected workers are expected to undergo skills training programs to help them adapt to new production methods and mitigate potential displacement.

Foreign Exchange Rate²⁰

In April 2026, the Philippine Peso weakened to its new intraday record low of ₱61.75 per US Dollar. Such was attributable to the stronger US Dollar as the US Federal Reserve (US Fed) kept its interest rates steady at the 3.5% to 3.75% range.

As of late May, the local currency hovered at ₱61.75 to the US Dollar, according to the Bankers Association of the Philippines.²¹ The peso stayed at its all-time low as the Middle East conflict continues to affect market sentiment.

As of early June 2026, the Philippine Peso was trading within a tight range of ₱61.5 to ₱61.7 per US dollar. This represents a marginal depreciation from the May average daily rate of ₱61.4 per US dollar and a substantial weakening from the ₱56.4 per US dollar level in June 2025.

A peso depreciation means mixed consequences for the Philippines. Positively, it boosts the domestic value of remittances sent home by Overseas Filipinos and could make Filipino exports more competitive. On the other side, the peso's weakness also risks driving up import costs and reigniting inflation. A prolonged depreciation could also inflate the peso value of foreign debts held by the government and private companies.

BSP Governor Eli Remolona Jr. has stated that policymakers could raise interest rates if oil prices remain above \$100/barrel for an extended period of time and the US Dollar continues to strengthen. While such a move may help temper demand-driven inflation and mitigate capital outflows, it may also complicate the country's fragile recovery from the ongoing flood-control scandal. For now, however, the BSP said its intervention in the foreign exchange market was "limited to tempering large swings that could affect inflation rather than defending any specific level."

According to MUFG Global Markets Research's baseline forecast, the Philippine Peso is seen to trade between ₱60.5 and ₱61.5 over time. Given external pressures, however, such as the possible prolonged

²⁰ <https://business.inquirer.net/581104/peso-hits-new-low-sinks-further-below-601>

https://www.bsp.gov.ph/statistics/external/day99_data.aspx

²¹ <https://www.bworldonline.com/banking-finance/2026/05/20/750729/peso-stays-at-record-low-as-war-keeps-market-guarded/>

Middle East conflict combined with delayed rate cuts by the hawkish US Fed, the local currency could further weaken. The bank shared in its monthly foreign exchange outlook that the Philippine Peso will remain vulnerable, possibly rising towards the ₱62- and ₱63-level per US Dollar.

BSP Governor Remolona Jr. declared that the central bank would intervene in the spot foreign-exchange market “only if the peso’s decline becomes sharp and disorderly”. He further stressed that the BSP does not target a specific level and will allow market forces to determine the value of the currency.²²

Overseas Filipinos Remittances²³

In March 2026, remittances from Overseas Filipinos slightly recovered from a nine-month low in February. Cash transfers through banks and other formal channels were reported at US\$2.9 billion, from US\$2.8 billion in February 2026, reflecting a 3.1% increase. This figure, however, was lower by 4.9% than the US\$3.0 billion recorded in January 2026.

Total cash remittances for the three-month period grew by 2.8% from US\$8.4 billion in January-March 2025 to US\$8.7 billion in January-March 2026. Personal remittances, which include transfers sent in kind or in cash via informal channels, increased by 2.8% to US\$9.7 billion, from US\$9.4 billion in the same period last year. Cash remittances from land-based workers rose by 2.8% to US\$6.9 billion, while those sent by sea-based workers grew by 2.7% to US\$1.7 billion.

The United States continued to be the largest source of remittances during the period, accounting for approximately 39.9% of total inflows, followed by Singapore at 7.6%, Saudi Arabia at 6.3%, Japan at 5.0%, and the United Arab Emirates (UAE) at 4.7%.

According to Moody’s Ratings, a prolonged conflict in the Middle East would severely impact remittance inflows to the Philippines. Data from the Department of Migrant Workers (DMW) shows that around 2.4 million overseas Filipino workers (OFWs) are based in the Middle East, particularly in the United Arab Emirates (UAE), Saudi Arabia, and Qatar. Similarly, Jeremiah Opiniano, Executive Director of the Institute for Migration and Development Issues (IMDI), pointed out that increases in remittances may not necessarily indicate real growth, as they could be influenced by factors such as peso-dollar exchange rate movements. Nonetheless, Jonathan Ravelas of Tacandong & Co. believes that unless the conflict leads to massive job losses or payment disruptions, remittances are still likely to maintain growth.

Impact of the ongoing conflicts in the Middle East²⁴

The escalation of the conflict between the US and Israel, on the one hand, and Iran, on the other, have had negative consequences for the Philippine economy. These include oil-price induced inflation, increased global uncertainty and risks, and impact on the deployment and remittances of OFWs.

²² <https://business.inquirer.net/587978/strong-dollar-pounds-ph-peso-yet-again-to-new-low-of-61-751>

²³ <https://pia.gov.ph/press-release/cash-remittances-reach-us2-9b-in-march-2026/>
<https://www.pna.gov.ph/articles/1275128>

²⁴ <https://www.aljazeera.com/news/2026/3/26/as-trump-claims-us-winning-tehran-asserts-legal-right-over-hormuz-strait>
<https://abcnews.com/Business/philippines-declares-national-energy-emergency-asia-risks-energy/story?id=131397194>
<https://www.gmanetwork.com/news/money/economy/982088/pump-price-increase-middle-east-war/story/>
<https://www.reuters.com/world/asia-pacific/trump-agrees-two-week-ceasefire-iran-says-safe-passage-through-hormuz-possible-2026-04-08/>

The Middle East (ME) is the destination for more than half of land based OFWs. Based on data from the DMW, 1.113 million of a total 2.154 million deployed land based OFWs went to the ME in 2025. In 2024, it was 1.001 million out of 1.827 million. The ME, therefore, accounted for 52% and 55% of land based OFWs in 2025 and 2024, respectively.

The conflict and maritime transit constraints at the Strait of Hormuz led to a State of National Energy Emergency in the Philippines in March 2026.

Fuel prices have exponentially increased since the last week of February 2026. Gasoline prices rose between 34% to 43%, while diesel prices went up by about 50% in March 2026. Higher fuel prices increase the cost of production for manufacturing firms, the energy costs of households, and transportation costs.

While the initial ceasefire deal in early April and its ongoing extension lowered global oil prices, the two-month tension between US and Iran—marked by maritime friction and elevated logistics and insurance costs—will keep domestic fuel prices elevated, weighing heavily on the country's manufacturing output, household consumption, and fiscal buffers.

INDUSTRY

Real Estate

The recent spike in fuel prices could have mixed implications for the property sector. On one hand, higher gasoline and diesel prices may encourage people to live closer to their workplaces to save on transportation costs, supporting demand for properties in CBDs and highly accessible locations. On the other hand, rising fuel costs contribute to inflation, which increases commodity prices and the cost of borrowing. This may prompt middle-income buyers—who form the core market for many developers, including SMPH—to delay or cancel big ticket purchases such as houses or condos, adversely impacting midmarket and affordable segments. Luxury and high-end properties may remain relatively resilient, as the market for this segment is expected to be less affected by price increases compared to other market segments. Overall, while oil prices do not directly drive real estate investments, their domino effects on inflation, consumer behavior, and financing costs could influence market activity, particularly amid ongoing geopolitical uncertainty.

Additionally, Leechiu Property Consultants (LPC) stated in its first quarter report in 2026 that the interest rate-sensitive real estate industry is challenged by pressures from the ongoing Middle East Conflict, particularly citing rapid fuel price spikes which hamper monetary easing and economic recovery. Further, it shared that when economic growth slowed to 4.4% in 2025, real estate price growth nearly flattened. It noted that the Philippine Stock Exchange Index (PSEi) has dropped by 23% from 2019 levels, while the PSE property counter has fallen 45% over the same period.²⁵

Residential²⁶

According to LPC Director Roy Golez, the middle-income segment, or houses priced from ₱2.3 million to ₱4 million, grew by 488%, while the upscale segment, or units priced from ₱7 million to ₱12 million, increased by 117%. On the other hand, the upper-middle-income and the high-end and luxury segments

²⁵ <https://business.inquirer.net/584234/middle-east-shockwaves-hitting-property-industry-leechiu>

²⁶ <https://bilyonaryo.com/2026/04/12/middle-east-conflict-risks-dampening-philippine-property-recovery-leechiu/property/>

declined by 7% to 25%. He added that while the residential sector posted early signs of recovery in early 2026, the sector remains vulnerable to external shocks and Middle East tensions. Mr. Golez explained that job losses of overseas Filipinos in the Middle East, coupled with slow economic growth and higher interest rates due to rising inflation rates will temper home purchases. Given this, sales are expected to slow down in the next quarters, and property developers may opt to soften the decline through price cuts and flexible payment terms. LPC added that it is a good time for developers to start looking into the lower-end or economic segment given that buyer demand in those segments is present, even higher than the demand for the higher-end segments.

Metro Manila Condominium Market

The condominium segment in Metro Manila is showing signs of recovery in 2025-2026, supported by a recovery in demand for mid-income units and strategic, aggressive promotions from developers to unload unsold inventory. These promotions include lower move-in costs, ready-for-occupancy units, and lease-to-own schemes.

Condominium units sold in 1Q2026 have posted a 19% rebound from 1Q2025, while new launches pushed up by 30%. Total condominium supply in Metro Manila reached 800,600 units, 85% of which were RFO units. According to LPC data, this was equivalent to 31 months of supply.

The upscale and middle-income segments recorded the highest quarter-on-quarter (QoQ) demand in 1Q2026, growing by 117% and 488%, respectively. The strong unit sales demand for these segments was partly offset by the declines in the upper middle-income (-7%), high-end (-25%), and luxury segments (-14%).

Office

LPC stated that the office sector is seen remain relatively resilient, as most new supplies under construction are already being pre-leased by developers to BPO companies. There is still anticipation for demand to possibly increase as rapid global cost increases may encourage outsourcing demand. LPC Director for Offices acknowledged, however, that while many of its clients are proceeding with expansion plans amidst the Middle East conflict, some companies may postpone major office-related decisions until improvements are seen in the near term.

Given recent developments surrounding the Middle East conflict, particularly on the global energy market and its corresponding effects on pump prices, the office sector may face challenges moving forward. In March 2026, Senator Erwin Tulfo urged both the government and private sector to revive work-from-home (WFH) arrangements to help employees manage rising transportation costs. He observed the increasing number of stranded passengers given the decrease in operating public utility vehicles (PUVs). He also encouraged employees to conduct ridesharing or carpooling to save fare money.²⁷

In the same month, Malacañang issued Memorandum Circular 114, directing the government, agencies, state universities, among others, to adopt and implement various energy conservation efforts. Section 3 states the adoption of flexible work arrangements to further reduce building energy load and transport fuel usage.²⁸

²⁷ <https://www.philstar.com/headlines/2026/03/30/2517840/government-urged-promote-remote-work-ride-sharing>

²⁸ <https://pco.gov.ph/wp-content/uploads/2026/03/20260306-MC-114-FRM.pdf>

On March 6, 2026, President Ferdinand R. Marcos Jr. ordered the temporary implementation of a four-day workweek in some executive branch offices starting March 9.²⁹ As of March 10, several government agencies have already adjusted to a four-day onsite work schedule, mostly working from Monday to Thursday with extended working hours. Among the national government offices that announced adjusted work arrangements are the Supreme Court, Court of Appeals, Metropolitan Manila Development Authority (MMDA), Government Service Insurance System (GSIS), Social Security System (SSS), Department of Education (DepEd), Department of Trade and Industry (DTI), National Labor Relations Commission, Department of Human Settlements and Urban Development. Most LGUs in Metro Manila have also adopted a shortened workweek, as well as other LGUs within and outside Luzon.³⁰

Retail

In response to the government's declaration of a national energy emergency, several mall operators shortened their mall operating hours. Among them are SM Supermalls, Robinsons Malls, and Ayala Malls. SM Supermalls cut its operating hours by two to three hours and announced that the new schedules will take effect starting on March 30 (weekday hours adjusted to 11 a.m. to 9 p.m. and weekend hours set at 10 a.m. to 9 p.m.). Similarly, Robinsons Malls also announced adjusted mall hours starting March 30, with most of its branches operating from 11 a.m. to 9 p.m. Ayala Malls' operations, on the other hand, adjusted to 11 a.m. to 9 p.m. during weekdays and 10 a.m. to 10 p.m. on weekends.³¹ Vista Mall and Starmall, both part of the Villar Group, also announced that they will be operating from 11 a.m. to 9 p.m. on weekdays, and 10 a.m. to 9 p.m. on weekends.³²

The return to normal operating hours was announced by mall operators in June 2026. Regular mall schedules were reverted for Ayala Malls and SM Supermalls beginning on June 22, 2026, while Robinsons Malls implemented theirs on June 19, 2026.

Hospitality

Foreign arrivals posted double-digit growth of 10.4% to 1.83 million in 1Q2026, from 1.66 million last year. Given recent developments, however, LPC Director for Hospitality Alfred Lay shared that this growth will likely be tempered moving forward, given rising transportation costs and security concerns amidst the ongoing global conflict. In 2026, the Philippines is targeting 6.4 million arrivals in 2026, up from 5.94 million last year.

Mr. Lay added that for the rest of the year, international leisure and domestic travel are expected to fall. Tourist traffic from Europe in particular, where flights are typically routed through the Middle East, is expected to decline. In 2025, Western Europe alone accounted for nine out of ten of the country's foreign visitors. Mr. Lay also highlighted that the Philippines is heavily reliant on many resorts located in far-flung destinations. These developments need specific logistics systems and transportation to acquire its goods and materials and are often reliant on generators for electricity.

²⁹ https://pco.gov.ph/news_releases/president-marcos-orders-temporary-4-day-workweek-in-some-govt-agencies/

³⁰ <https://www.philstar.com/headlines/2026/03/10/2513332/list-govt-offices-igus-implementing-4-day-workweek-amid-rising-fuel-costs>

³¹ <https://newsinfo.inquirer.net/2202363/malls-shorten-operating-hours-amid-national-energy-emergency-2>

³² <https://www.abs-cbn.com/news/business/2026/3/26/sm-supermalls-to-shorten-operating-hours-due-to-energy-state-of-emergency-1920>

Looking ahead, more than 70% of hotel and resort operators surveyed by LPC forecast occupancy rates to drop between 10% to 40%. Mr. Lay predicts that if the Middle East conflict continues in the second half of 2026, national occupancy rates could fall below 45%. In contrast, if favorable developments start in the near term, a rebound in occupancy could be possible in the third quarter of 2026, possibly averaging 50% to 55% for 2026.

Banking³³

The Philippines had 22 universal banks, 22 commercial banks, 42 thrift banks, 349 rural banks, 21 cooperative banks, and six digital banks, as of end-March 2026.

As of end-March 2026, PBS' total assets inched up to ₱30.3 trillion, 1.6% higher from as of end-2025. This was spurred by a 0.8% increase in total gross loan portfolio from ₱17.1 trillion to ₱17.3 trillion. Loans continued to account for more than half of the banking sector's total assets, with a 55.2% share. Universal and Commercial Banks (UKBs) continued to account for 93.3% and 92.5% of the banking system's total assets and loans, respectively.

Total deposits moved up by 1.5% to ₱22.2 trillion as of end-March 2026. Both Peso and foreign currency deposits increased by 0.7% and 5.6%, respectively, with Peso deposits accounting for 82.6% of total deposits. Total deposits accounted for bulk of the banking sector's total liabilities (83.1% share). Gross loans to deposit ratio was lower at 77.1% as of end-March 2026, from 78.2% as of end-2025.

The CAR of PBS was comfortably higher than the minimum requirements of 10% and 8.0% set by the BSP and the Bank for International Settlements (BIS), respectively. CAR stood at 12.3% as of end-2025 and 11.9% as of end-March 2026.

The banking industry still maintained a relatively low NPL ratio of 3.3% as of end-March 2026, from 3.1% as of end-2025. This was amid the 8.1% growth in total gross NPLs from ₱526.0 billion as of end-2025 to ₱568.6 billion as of end-March 2026. PBS' loan portfolio inched up by 0.8% as of the same period. NPL coverage ratio dropped from 97.2% as of end-2025 to 91.4% as of end-March 2026.

UKBs' NPL ratio marginally grew to 3.0% as of end-March 2026 from 2.8% as of end-2025, as gross NPL grew by 9.0% compared with the 0.9% increase in total loan portfolio. The NPL coverage of UKBs similarly dropped to 94.6% as of the same period, from 101.2% as of end-2025. The downtrend in coverage was due to the growth in NPLs.

The banking industry remained profitable, recording a net profit of ₱104.8 billion in March 2026, which represented a 2.9% increase from the same period last year. This growth, however, was slower compared to the 3.6% increase in 2025. Net interest income rose by 12.4% to ₱310.6 billion. Return on assets was flat at 1.4% in March 2026, while return on equity inched up to 11.6% (11.5% in 2025).

³³ <https://www.bsp.gov.ph/SitePages/Statistics/BSPPhysicalNetwork.aspx>
https://www.bsp.gov.ph/Media_And_Research/Statistics

Outlook³⁴

The country's banking sector is shifting towards digitalization, as more banks are integrating artificial intelligence (AI), cloud computing, and blockchain to its operations. Such is expected to result in improved efficiency, better customer experience, and stability. Big banks such as the Bank of the Philippine Islands, Inc. (BPI) and Union Bank of the Philippines (UnionBank) are already using AI for fraud detection, credit scoring, and customer services.

Fitch Ratings stated that cash flows of contractors allegedly involved in the corruption scandal on public infrastructure projects might be put under pressure, adversely affecting the contractors' ability to pay off their obligations. Tamma Febrian, a Director of Fitch Ratings, stated that banks with high exposure to the construction sector face the highest risks. BSP Governor Eli Remolona Jr. reassured, however, that there is no risk of an imminent crisis in the country's banking sector amid further probes on the corruption issue.

Nevertheless, bank lending grew at its slowest pace in 14 months in September 2025, as the corruption probe unsettled investors and prompted companies to hold their expansion plans. Outstanding loans from big banks, excluding their short-term BSP placements, increased by 10.5% from a year ago to ₱13.7 trillion. The growth was the slowest since July 2024, when lending went up by 10.4%. Month-on-month (MoM), loan growth was almost flat at less than 1.0%.

Business loans, which made up bulk of the banking sector's portfolio, rose by 9.1% to ₱11.6 trillion, the slowest increase since July 2024. Credit to real estate firms, the largest borrower group, grew by 9.2%. The increase was the slowest in four months. Lending to construction firms was up by 3.5%, the weakest growth in six months. Many construction companies have been conserving cash as payments for government projects are delayed amid the graft probe. Consumer loans significantly expanded by 23.5% to ₱1.8 trillion; the increase, however, was marginally lower from 23.9% in August.

In its latest semestral assessment of the financial system, the BSP stated that the effects of the Middle East crisis on the banking system remains largely insulated. While the direct effect of the conflict is limited, higher risk may come from secondary channels, including oil price shocks, foreign exchange volatility, and tightening international financial conditions. BSP highlighted that strong capital and liquidity positions, diversified funding bases, and proactive risk management practices provide cushions against these external spillovers.

In April 2026, the BSP announced that it is providing relief measures to banks and their clients, as the country continues to grapple with the impact of the war between US-Israel and Iran. These relief measures include grace periods of up to six months for loan payments of affected borrowers and the deferment of agricultural loan payments for up to one year. Loans to affected borrowers may also be temporarily excluded from past due and NPL classifications for up to one year, the BSP said. Banks, however, should "exercise prudent judgment in availing these measures and ensure that relief is extended only to borrowers whose repayment capacity has been materially affected by the energy emergency." Further, the BSP emphasized that "the application for regulatory relief must remain targeted, proportionate, and consistent with safe and sound banking practices."³⁵

³⁴ <https://www.msn.com/en-ph/news/money/philippine-banking-sector-assets-rise-to-p2773-trillion-up-67/ar-AA10LQ6e>
<https://www.bworldonline.com/top-stories/2025/10/20/706530/phl-banks-assets-expand-to-p27-7-trillion-as-of-august/>
<https://tribune.net.ph/2025/10/09/digital-shift-redefines-philippine-banking-landscape>
<https://business.inquirer.net/556696/graft-probe-tempers-bank-loan-growth>
<https://mb.com.ph/2026/05/07/philippine-banks-shielded-from-mideast-risks-as-assets-hit-30-trillion>

³⁵ <https://financialpost.com/pmnbusiness-pmn/philippines-grants-relief-for-borrowers-banks-amid-iran-war-pain>

FINANCIAL RISK

Analyst's Note: PhilRatings' calculation of certain ratios may be different from what the Company uses and publishes.

Profitability*Audited 2024*

Consolidated revenues jumped by 6.3% to ₱654.8 billion in 2024, driven by the sustained topline growth of all business segments.

Merchandise sales accounted for the largest contribution to consolidated revenues at 64.4% of the total. The segment registered a 5.0% revenue increase to ₱421.8 billion, driven by higher retail sales from The SM Store, Food, and Specialty Stores. Rent revenues, driven by the mall operations of SMPH, grew by 10.0% to ₱68.0 billion, attributable to increased mall traffic and general improvements in tenant sales. Revenues from real estate sales went up by 9.0% to ₱45.9 billion, mainly due to higher sales take-up and construction progress of various projects. Revenues from Equity in net earnings of associate companies and joint ventures also rose by 11.3% to ₱50.0 billion, supported by revenues from bank and retail associates.

Operating profit increased by 6.8% to ₱151.8 billion. Operating profit margin, however, was steady at 23.2% compared with 23.1% in 2023, attributed to the proportionate increase in costs and expenses compared with revenues. The former went up by 6.1%, mainly driven by costs in relation to the opening of new malls and retail stores.

Net other charges marginally declined by 2.3% to ₱18.9 billion, attributable to lower interest expense due to the lower balance in long-term debt.

SMIC ended the year with a net income after tax of ₱114.6 billion, higher by 8.0% than the previous year. Net profit margin inched up from 17.2% in 2023 to 17.5% in 2024. ROA, on the other hand, was unchanged at 6.7%.

Audited 2025

The uptrend in the Company's profitability continued. Net income after tax registered a growth of 8.0% to ₱123.8 billion. Net profit margin improved to 18.2%, while ROA inched up to 6.8%.

Total revenues for the period amounted to ₱681.7 billion, higher by 4.1%. Merchandise sales still accounted for the largest portion of revenues (65.2%), posting an increase of 5.4% to ₱444.6 billion. The increase was supported by sales from SM Markets and Non-Food Stores. Rent revenues, driven by mall operations, went up by 6.8% to ₱72.6 billion. Equity in net earnings of associate companies and joint ventures similarly went up by 7.9% to ₱54.0 billion, attributable to earnings from banks. Other revenues from shipping, logistics, sales of processed food, and cinema and event tickets, also inched up by 1.1% to ₱69.9 billion.

On the other hand, real estate sales posted an 11.5% decline to ₱40.6 billion, due to softer demand from tempered customer spending.

Costs and expenses grew at a slower rate of 3.7%, mainly due to higher cost of sales from newly opened malls and retail stores. As a result, operating profit went up by 5.6% to ₱160.3 billion.

Net other charges, primarily from interest expense, declined by 7.0% to ₱17.5 billion. Interest expense recorded a decline of 8.1%, mainly due to the capitalization of a portion of interest expense. Such was partly offset by a 19.4% decrease in interest income and net foreign exchange gain, due to a lower investment balance and depreciation of the Philippine Peso against the US Dollar.

3M2026

The uptrend in profitability was sustained in 3M2026 with a 5.7% increase in bottom line to ₱29.2 billion. Consolidated revenues continued to increase, posting a 4.9% growth to ₱159.4 billion.

Merchandise sales still accounted for the bulk of the Company's revenues (64.4% of consolidated revenues), up by 5.7% to ₱102.6 billion. All other revenue streams similarly recorded growth, except for real estate sales. The latter declined by 15.8% to ₱7.8 billion, attributable to modest sales and cancellations, as well as nil project launches for the period.

Operating profit margin improved to 24.1% in 3M2026 (from 23.7% in 3M2025), backed by the 6.5% increase to ₱38.4 billion in operating profit.

The operating income was partly offset by higher net other charges, which recorded an increase of 13.2%, mainly from foreign exchange loss – net and others of ₱467 million, in contrast with the foreign exchange gain – net and others of ₱47 million recorded in the same period last year.

Albeit, net profit margin marginally improved to 18.3% in 3M2026, from 18.2% in 3M2025, backed by top line growth.

Projected period

Amid recent economic conditions and industry trends, the bottom line is seen to record a healthy trend. Such will be supported by the positive performance of business segments and coupled by prudent cost management.

Profitability margins are expected to be at par with historical figures.

Capital Structure

Audited 2024

Net repayments reduced total interest-bearing debt by 0.2%, from ₱501.7 billion as of the end of 2023 to ₱500.6 billion as of the end of 2024. Long-term debt (including current portion) accounted for 95.2% of total interest-bearing debt. Such declined by 2.4% from a year ago and stood at ₱476.5 billion. The balance of ₱24.1 billion was comprised of bank loans which recorded an increase of 79.5%, driven by additional Peso-denominated loans.³⁶

³⁶ Bank loans have maturities of less than one year. These are composed of 94.7% Peso-denominated and 5.3% China yuan renminbi-denominated loans as of end-2024.

Shareholders' equity stood at ₱866.4 billion, higher by 12.2% from as of end-2023, due to growth in retained earnings.

SMIC ended the year with a DE ratio of 0.6x. PhilRatings notes that DE ratio has been kept below 1.0x, for the last five years (2020-2024). Debt to capitalization ratio was 36.6%, likewise lower than 39.4% as of end-2023.

Foreign currency exchange risk is being managed through hedges and derivatives. As of end-2024, foreign currency-denominated assets and liabilities amounted to ₱1.3 billion (USD 23.0 million) and ₱1.6 billion (USD 28.1 million), respectively.

Audited 2025

SMIC's leverage position remained sound, based on its DE ratio of 0.5x as of end-December 2025. Debt-to-capitalization ratio improved further to 34.9%.

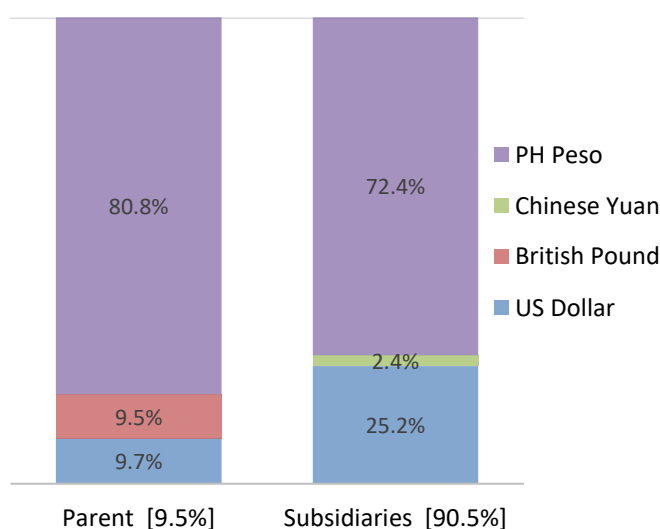


Figure 1 Composition of Total Long-term Debt, as of end-December 2025

Source: SMIC Audited 2025 Consolidated Financial Statement

Total interest-bearing debt stood at ₱511.4 billion as of end-December 2025, inching up by 2.2% from as of end-2024. The 16.0% decline in bank loans was outpaced by the net increase of 3.1% in long-term debt (including current portion). Of the total long-term debt, ₱100.4 billion (20.4%) was classified as current and ₱390.8 billion (79.6%) was non-current.

Shareholders' equity stood at ₱955.6 billion, recording a 10.3% increase primarily due to earnings retention.

The Group monitors its capital gearing by maintaining its net debt at no higher than 50% of the sum of net debt and equity. As of end-December 2025, net gearing ratio, as computed by SMIC, stood at 30%.

3M2026

Total interest-bearing debt stood at ₱515.0 billion as of end-March 2026, inching up by 0.7% from as of end-2025. Stockholder's equity likewise went up by 1.8% to ₱973.3 billion, due to the continued plowback of earnings. As a result, DE ratio remained conservative at 0.5x as of end-March 2026.

As of end-March 2026 and end-December 2025, SMIC remained compliant with the terms of its debt covenants.

Projected Period

SMIC expects to tap into the debt market for continued funding support. Nonetheless, the Company's estimated debt position will remain within comfortable levels. The sustained earnings retention will also bolster equity growth.

Cash Flow and Liquidity

Audited 2024

Cash from operating activities remained positive and grew to ₱107.6 billion in 2024, compared with ₱90.9 billion in 2023. The robust growth was primarily fueled by the increase in pre-tax income.

Additional borrowings were used to settle maturing debt. Net cash used for financing activities was ₱53.8 billion in 2024. The largest cash outlay was for the payment of long-term debt and bank loans. The Company also paid dividends to stockholders amounting to ₱20.4 billion in 2024.

Net cash used for investing activities amounted to ₱45.1 billion in 2024. The main cash disbursements were for additional investment properties and property and equipment, in line with SMIC's continuous expansion.

Current ratio was maintained at 1.1x as of end-2024 from as of end-2023. The ratio was kept above 1.0x in the previous five years (2020-2024). Current assets grew by 6.8% to ₱383.8 billion as of end-2024, on account of increases in cash and cash equivalents (+8.5%) and net receivables and contract assets (+16.5%). Receivables were mainly collections due from real estate buyers and tenants.

Current liabilities grew by 3.8%, due to higher bank loans (+79.5%) and accounts payable (+5.1%). Accounts payable primarily consisted of trade liabilities to suppliers and contractors.

Audited 2025

As of end-December 2025, current ratio was maintained at 1.1x.

Net cash from operating activities was ₱117.0 billion in 2025, up from 2024. Additions to investment properties primarily comprise net cash used in investing activities amounting to ₱75.2 billion. Such was partly offset by the proceeds from received dividends and interest income.

Net cash used in financing activities amounted to ₱52.5 billion, bulk of which was for the payment of long-term debt, bank loans, and corresponding interest. SMIC likewise paid cash dividends of ₱29.8 billion to stockholders, equivalent to a dividend payout ratio of 24.0%, up from 17.8% in 2024.

As a result, cash and cash equivalents recorded a decline of 9.5% and stood at ₱101.8 billion as of end-December 2025.

Of the Company's total gross receivables and contract assets (including unbilled revenue from sales of real estate) amounting to ₱191.7 billion as of end-2025, 1.7% or ₱3.3 billion was identified as impaired. This was fully covered by the recognized allowance for expected credit loss for the year. Of the balance, 90.4% was neither due nor impaired and 7.9% was past due but not impaired.

3M2026

Cash and cash equivalents stood at ₱98.2 billion as of end-March 2026, 3.6% lower than the cash balance as of end-2025. Cash was primarily used for investment properties and the settlement of liabilities and other obligations.

Net operating cash of ₱10.6 billion was higher than the ₱9.8 billion operating cash in the same period last year, supported by healthy earnings. Additional investment properties drove net cash disbursement from investing activities which amounted to ₱9.5 billion for the period. SMIC availed of new bank loans and long-term debt. Debt repayments and corresponding interest payments, however, were higher than new availments, thus resulting in net financing cash outlay of ₱4.8 billion.

As of end-March 2026, SMIC maintained its current ratio at 1.1x.

Projected period

Cash flows are foreseen to provide more than ample liquidity. Capex requirements will be partly funded by additional loans. The Company will allot the majority of its cash for investment properties, as well as property and equipment.

SMIC's outstanding bonds amounting to ₱7.5 billion is expected to mature on February 18, 2027, and the Company is seen to be in a comfortable position for the settlement of such bonds.

Financial Flexibility

SMIC has sufficient available bank lines from both local and foreign banks, with most of these lines on a clean basis. The equities markets may also be an option for funding, with SMIC and its major subsidiaries/associates (SMPH, BDO and Chinabank) listed and considered as blue-chip stocks. As of June 25, 2026, SMIC had a market capitalization of ₱725.0 billion. As of the same date, the market capitalizations of SMPH, BDO, and Chinabank stood at ₱525.9 billion, ₱650.9 billion, and ₱150.2 billion, respectively.

ANNEX A
SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2025
(Effective Ownership Interest)

