

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

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## COMPANY INFORMATION

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12/31

CONTACT PERSON INFORMATION	
NAME	_____
PHONE	_____
EMAIL	_____
ADDRESS	_____
CITY	_____
STATE	_____
ZIP	_____

Mobile Number

<b>CONTACT PERSON'S ADDRESS</b>
---------------------------------

**2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.**





**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

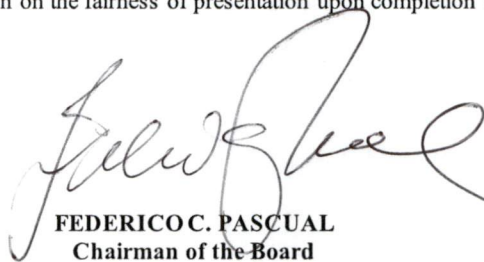
The management of Philippine National Bank (the Bank) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**FEDERICO C. PASCUAL**  
Chairman of the Board


  
**JOSE ARNULFO A. VELOSO**  
President and Chief Executive Officer

  
**AIDELL AMOR R. GREGORIO**  
First Vice President and Acting Chief Financial Officer

**MAR 14 2022**

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of March 2022 affiants exhibiting to me their Passport Identification No.

Doc. No. 229  
Page No. 46  
Book No. 11  
Series of 2022

  
**ATTY. HENRY D. ADASA**  
NOTARY PUBLIC CITY OF MANILA  
NOTARIAL COMMISSION 2020-097 / 12/31/2021 Manila  
IBP NO. 178598 - 01/03/2022, PASIG  
PTR NO. 0050107 - 01/05/2021, IALA  
ROLL NO. 20670, TIRI 172-623-620

**(27)** MCLE COMPL. NO. VII-0000165 5/25/2019 Valid April 14, 2025  
URBAN DECA HOMES MANILA, B-2, UNIT 355, TONDO, MLA.  
UNDER SUPREME COURT B.N. NO. 3795 EXTENDED FROM JAN. 1 TO JUNE 30, 2022

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Philippine National Bank  
PNB Financial Center  
President Diosdado Macapagal Boulevard  
Pasay City

### Report on the Consolidated and Parent Company Financial Statements

#### Opinion

We have audited the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2021 and 2020 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities detailed in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

### Applicable to the audit of the consolidated and parent company financial statements

#### Adequacy of Allowance for Credit Losses on Loans and Receivables

The Group and the Parent Company's application of the expected credit losses (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 amounted to ₱39.3 billion and ₱39.2 billion for the Group and the Parent Company, respectively. Provision for credit losses in 2021 amounted to ₱11.0 billion and ₱11.3 billion for the Group and the Parent Company, respectively.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 16 of the financial statements.

#### *Audit response*

We obtained an understanding of the board approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9, Financial Instruments, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Company's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's



assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We involved our internal specialist in the performance of the above procedures.

We reviewed the completeness of the disclosures made in the financial statements.

#### Recognition of Deferred Tax Assets

As of December 31, 2021, the deferred tax assets of the Group and the Parent Company amounted to ₱6.2 billion and ₱6.3 billion, respectively. The recognition of deferred tax assets is significant to our audit because the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company. The estimation uncertainty on the Group's and the Parent Company's expected performance has increased as a result of uncertainties brought about by the coronavirus pandemic.

The disclosures in relation to deferred income taxes are included in Note 30 to the financial statements.

#### Audit Response

We evaluated the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Group and the Parent Company and the industry, including future market circumstances and taking into consideration the impact associated with the coronavirus pandemic. We also assessed the timing of the reversal of future taxable and deductible temporary differences.

#### Impairment Testing of Goodwill

As of December 31, 2021, the goodwill of the Group and the Parent Company amounted to ₱11.2 billion and ₱11.4 billion, respectively, as a result of the acquisition of Allied Banking Corporation in 2013. Under PFRS, the Group and the Parent Company are required to test the amount of goodwill for impairment annually. Goodwill has been allocated to three cash generating units (CGUs) namely Retail Banking, Corporate Banking, and Global Banking and Market. The Group and the Parent Company performed the impairment testing using the value in use calculation. The annual impairment test is significant to our audit because it involves significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically estimates of loan and deposit growth rates, interest margin, discount rates, and long-term growth rate.



The disclosures related to goodwill impairment are included in Note 14 to the financial statements.

*Audit response*

We involved our internal specialist in evaluating the methodology and the assumptions used by the Group and the Parent Company. We compared the key assumptions used, such as loan and deposit growth rates, interest margin and long-term growth rate to the historical performance of the CGUs and to economic and industry forecasts, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

*Assessment of the Loss of Control over PNB Holdings Corporation and Subsequent Classification and Accounting for the Retained Interest*

On April 23, 2021, the Board of Directors of the Parent Company approved and confirmed the property dividend declaration of the Parent Company's 51.0% ownership interest in PNB Holdings Corporation (PHC) to all shareholders on record as of May 18, 2021. The Securities and Exchange Commission (SEC) approved the property dividend declaration on December 24, 2021.

As a result of this transaction, the Group and the Parent Company lost control over PHC, resulting in deconsolidation of the assets and liabilities of PHC and derecognition of the carrying value of investment in PHC at the Group and Parent Company level, respectively, and recognized its retained interest as a financial asset at fair value through other comprehensive income (FVOCI). The Group and the Parent Company recognized a gain of ₱33.5 billion from the loss of control and remeasurement of the retained interest in PHC. The Group classified the results of PHC as discontinued operations in the consolidated statements of income and consolidated statements of cash flows.

The assessment over the loss of control over PHC and subsequent classification and accounting treatment of the retained interest in PHC is significant to our audit given the size and complexity of the transaction and the significant judgment involved, specifically on the assessment of loss of control, absence of significant influence on retained interest and valuation of the shares of PHC.

The disclosures in relation to loss of control over PHC are included in Notes 12 and 36 to the financial statements. The disclosures in relation to the valuation of the retained interest in PHC are included in Notes 3, 5 and 9 to the financial statements.

*Audit response*

We obtained an understanding of the transaction and inspected the analysis prepared by management on the accounting treatment of the transaction, including the assessment on the classification of its retained interest. We reviewed the relevant agreements between PHC and the Parent Company to assess whether elements of control under PFRS 10, *Consolidated Financial Statements*, are no longer met and whether the Parent Company does not demonstrate significant influence over PHC. We checked whether regulatory approvals of the regulators have been obtained.

We obtained an understanding of and evaluated the valuation techniques and assumptions used in the valuation of the PHC shares. We considered the competence, capabilities, and objectivity of the specialists engaged by the Parent Company in relation to the valuation of PHC shares. We compared the key assumptions used in the valuation, such as the fair value of PHC's investment properties and the discount for lack of marketability, against external appraisal reports, market and industry data.



We agreed the carrying value of PHC prior to loss of control to accounting records and evaluated if the deconsolidation is in accordance with PFRS 10, *Consolidated Financial Statements*. We reperformed the calculation of gain on loss of control and gain on remeasurement of retained interest. We assessed whether the classification of PHC as a discontinued operation is appropriate and that the presentation in the financial statements as a discontinued operation is in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*.

We reviewed the completeness of the disclosures with respect to this transaction and the disclosures about those assumptions to which the outcome of the valuation is most sensitive, specifically, those that have the most significant effect on the determination of the fair value of the PHC shares.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.



## **Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Parent Company to express an opinion on the consolidated and parent company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.





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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and Bangko Sentral ng Pilipinas Circular No. 1074**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 40 and the Bangko Sentral ng Pilipinas Circular No. 1074 in Note 41 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas  
Partner

CPA Certificate No. 86838

Tax Identification No. 129-434-735

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 86838-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854312, January 3, 2022, Makati City

March 14, 2022



# PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

## STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2021	2020	2021	2020
<b>ASSETS</b>				
Cash and Other Cash Items	<b>P27,552,773</b>	P25,135,724	<b>P27,454,459</b>	P25,038,434
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	<b>161,001,912</b>	202,129,356	<b>161,001,912</b>	202,129,356
Due from Other Banks (Note 33)	<b>27,222,083</b>	19,733,300	<b>19,324,000</b>	12,131,726
Interbank Loans Receivable (Notes 8 and 33)	<b>32,106,088</b>	39,700,981	<b>30,295,755</b>	37,858,670
Securities Held Under Agreements to Resell (Notes 8 and 35)	<b>15,796,673</b>	15,819,273	<b>15,796,673</b>	15,819,273
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	<b>11,167,657</b>	23,825,708	<b>11,010,278</b>	21,947,640
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	<b>167,987,290</b>	133,715,352	<b>167,546,350</b>	133,263,758
Investment Securities at Amortized Cost (Note 9)	<b>89,455,843</b>	95,235,993	<b>89,327,894</b>	95,115,642
Loans and Receivables (Notes 10 and 33)	<b>606,953,751</b>	599,994,748	<b>592,498,761</b>	586,901,861
Property and Equipment (Note 11)	<b>13,472,320</b>	19,878,715	<b>11,812,991</b>	18,406,981
Investments in Subsidiaries and an Associate (Note 12)	<b>2,468,107</b>	2,310,410	<b>27,275,451</b>	27,105,550
Investment Properties (Note 13)	<b>10,735,896</b>	14,445,756	<b>10,178,327</b>	13,921,798
Deferred Tax Assets (Note 30)	<b>6,405,505</b>	9,036,908	<b>6,271,578</b>	8,522,411
Intangible Assets (Note 14)	<b>2,429,434</b>	2,512,013	<b>2,328,957</b>	2,438,660
Goodwill (Note 14)	<b>11,221,410</b>	13,375,407	<b>11,361,768</b>	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 36)	—	7,945,945	—	1,136,418
Other Assets (Note 15)	<b>4,807,920</b>	6,338,210	<b>4,525,498</b>	4,947,734
<b>TOTAL ASSETS</b>	<b>P1,190,784,662</b>	P1,231,133,799	<b>P1,188,010,652</b>	P1,220,201,677
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposit Liabilities (Notes 17 and 33)				
Demand	<b>P216,367,830</b>	P199,770,048	<b>P216,040,593</b>	P200,113,465
Savings	<b>498,581,535</b>	425,611,765	<b>497,172,862</b>	424,637,944
Time	<b>151,729,554</b>	236,694,042	<b>158,066,350</b>	240,584,601
Long Term Negotiable Certificates	<b>28,245,390</b>	28,212,034	<b>28,245,390</b>	28,212,034
	<b>894,924,309</b>	890,287,889	<b>899,525,195</b>	893,548,044
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	<b>891,531</b>	701,239	<b>891,346</b>	700,802
Bills and Acceptances Payable (Notes 19, 33 and 35)	<b>52,953,797</b>	87,159,450	<b>51,113,018</b>	84,817,360
Lease Liabilities (Note 29)	<b>3,765,391</b>	1,366,016	<b>3,698,410</b>	1,370,206
Accrued Taxes, Interest and Other Expenses (Note 20)	<b>7,765,650</b>	6,449,026	<b>7,504,381</b>	6,075,016
Bonds Payable (Note 21)	<b>53,383,421</b>	64,056,335	<b>53,383,421</b>	64,056,335
Income Tax Payable	<b>157,735</b>	903,044	<b>89,328</b>	842,038
Liabilities of Disposal Group Classified as Held for Sale (Note 36)	—	6,353,964	—	—
Other Liabilities (Note 22)	<b>15,719,872</b>	17,873,828	<b>13,512,851</b>	15,546,894
	<b>1,029,561,706</b>	1,075,150,791	<b>1,029,717,950</b>	1,066,956,695
<b>EQUITY ATTRIBUTABLE TO EQUITY</b>				
<b>HOLDERS OF THE PARENT COMPANY</b>				
Capital Stock (Note 25)	<b>61,030,594</b>	61,030,594	<b>61,030,594</b>	61,030,594
Capital Paid in Excess of Par Value (Note 25)	<b>32,116,560</b>	32,116,560	<b>32,106,560</b>	32,106,560
Surplus Reserves (Notes 10, 25 and 32)	<b>5,147,440</b>	5,032,097	<b>5,147,440</b>	5,032,097
Surplus (Note 25)	<b>61,998,232</b>	54,498,066	<b>62,169,393</b>	54,843,588
Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 9)	<b>(703,737)</b>	3,054,403	<b>(703,737)</b>	3,054,403
Remeasurement Losses on Retirement Plan (Note 28)	<b>(2,725,067)</b>	(3,009,452)	<b>(2,725,067)</b>	(3,009,452)
Accumulated Translation Adjustment (Note 25)	<b>1,503,396</b>	717,872	<b>1,503,396</b>	717,872
Other Equity Reserves (Notes 12 and 25)	<b>248,830</b>	277,855	<b>390,517</b>	419,542
Share in Aggregate Losses on Life Insurance Policies (Note 12)	<b>(626,394)</b>	(1,038,838)	<b>(626,394)</b>	(1,038,838)
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	—	88,616	—	88,616
Other Equity Adjustment	<b>13,959</b>	13,959	—	—
	<b>158,003,813</b>	152,781,732	<b>158,292,702</b>	153,244,982
<b>NON-CONTROLLING INTERESTS (Note 12)</b>	<b>3,219,143</b>	3,201,276	—	—
	<b>161,222,956</b>	155,983,008	<b>158,292,702</b>	153,244,982
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P1,190,784,662</b>	P1,231,133,799	<b>P1,188,010,652</b>	P1,220,201,677

See accompanying Notes to Financial Statements.



# PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

## STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020 (As Restated - Note 36)	2019 (As Restated - Note 36)	2021	2020	2019
<b>INTEREST INCOME ON</b>						
Loans and receivables (Notes 10, 27 and 33)	<b>P34,157,780</b>	P37,352,374	P39,852,726	<b>P33,449,961</b>	P37,067,285	P35,164,556
Investment securities at amortized cost and FVOCI (Note 9)	<b>6,280,699</b>	6,496,272	8,737,077	<b>6,279,719</b>	6,448,100	8,549,063
Deposits with banks and others (Notes 7, 12 and 33)	<b>1,248,155</b>	2,192,045	635,086	<b>1,219,996</b>	1,173,981	432,874
Financial assets at FVTPL (Note 9)	<b>632,492</b>	665,751	619,979	<b>565,447</b>	542,512	619,979
Interbank loans receivable and securities held under agreements to resell (Note 8)	<b>83,251</b>	244,007	668,211	<b>31,048</b>	186,211	568,061
	<b>42,402,377</b>	46,950,449	50,513,079	<b>41,546,171</b>	45,418,089	45,334,533
<b>INTEREST EXPENSE ON</b>						
Deposit liabilities (Notes 17 and 33)	<b>4,813,766</b>	7,379,018	14,024,899	<b>4,885,785</b>	7,227,056	12,201,776
Bonds payable (Note 21)	<b>2,231,863</b>	2,904,528	1,945,497	<b>2,231,863</b>	2,904,528	1,945,497
Bills payable and other borrowings (Notes 19, 29 and 33)	<b>511,921</b>	846,440	2,184,918	<b>425,080</b>	637,478	1,740,622
	<b>7,557,550</b>	11,129,986	18,155,314	<b>7,542,728</b>	10,769,062	15,887,895
<b>NET INTEREST INCOME</b>	<b>34,844,827</b>	35,820,463	32,357,765	<b>34,003,443</b>	34,649,027	29,446,638
Service fees and commission income (Notes 26 and 33)	<b>6,340,326</b>	4,684,572	5,169,040	<b>5,310,729</b>	4,134,519	3,677,689
Service fees and commission expense	<b>1,051,376</b>	983,186	988,104	<b>846,165</b>	858,182	800,376
<b>NET SERVICE FEES AND COMMISSION INCOME</b>	<b>5,288,950</b>	3,701,386	4,180,936	<b>4,464,564</b>	3,276,337	2,877,313
<b>OTHER INCOME</b>						
Gain on loss of control of subsidiaries - net (Note 12)	<b>16,807,275</b>	—	—	<b>16,916,842</b>	—	—
Gain on remeasurement of retained interest (Note 12)	<b>16,477,968</b>	—	—	<b>16,383,008</b>	—	—
Net gains on sale or exchange of assets (Note 26)	<b>981,462</b>	195,842	690,625	<b>974,024</b>	130,493	686,441
Foreign exchange gains - net (Note 23)	<b>743,549</b>	919,555	1,105,903	<b>623,493</b>	929,890	861,143
Trading and investment securities gains - net (Notes 9 and 33)	<b>731,572</b>	3,337,589	1,074,351	<b>600,580</b>	3,456,521	1,017,155
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	<b>50,789</b>	88,476	(97,608)	<b>(650,134)</b>	95,939	(345,599)
Miscellaneous (Note 27)	<b>1,070,047</b>	1,244,699	1,464,296	<b>759,826</b>	906,752	976,822
<b>TOTAL OPERATING INCOME</b>	<b>76,996,439</b>	45,308,010	40,776,268	<b>74,075,646</b>	43,444,959	35,519,913
<b>OPERATING EXPENSES</b>						
Provision for impairment, credit and other losses (Note 16)	<b>12,879,011</b>	16,882,621	2,910,182	<b>13,125,737</b>	16,534,335	1,593,219
Compensation and fringe benefits (Notes 25, 28 and 33)	<b>9,985,822</b>	10,167,173	9,442,021	<b>9,274,801</b>	9,313,371	8,024,694
Taxes and licenses (Note 30)	<b>3,988,371</b>	4,551,142	4,812,485	<b>3,903,066</b>	4,394,703	4,217,996
Depreciation and amortization (Note 11)	<b>2,845,717</b>	3,154,568	2,794,511	<b>2,499,071</b>	2,607,269	2,207,071
Occupancy and equipment-related costs (Note 29)	<b>1,124,166</b>	990,650	1,021,762	<b>1,002,093</b>	942,896	854,334
Miscellaneous (Note 27)	<b>8,202,755</b>	9,013,439	7,681,382	<b>7,974,555</b>	8,637,974	6,854,659
<b>TOTAL OPERATING EXPENSES</b>	<b>39,025,842</b>	44,759,593	28,662,343	<b>37,779,323</b>	42,430,548	23,751,973
<b>INCOME BEFORE INCOME TAX</b>	<b>37,970,597</b>	548,417	12,113,925	<b>36,296,323</b>	1,014,411	11,767,940
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 30)	<b>5,545,194</b>	(1,866,402)	2,452,207	<b>5,012,561</b>	(1,945,521)	2,086,464
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>32,425,403</b>	2,414,819	9,661,718	<b>31,283,762</b>	2,959,932	9,681,476
<b>NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b> (Notes 12 and 36)	<b>(735,365)</b>	210,669	99,488	<b>—</b>	—	—
<b>NET INCOME</b>	<b>P31,690,038</b>	P2,625,488	P9,761,206	<b>P31,283,762</b>	P2,959,932	P9,681,476
<b>ATTRIBUTABLE TO:</b>						
Equity Holders of the Parent Company (Note 31)	<b>P31,630,626</b>	P2,614,653	P9,681,480			
Non-controlling Interests	<b>59,412</b>	10,835	79,726			
	<b>P31,690,038</b>	P2,625,488	P9,761,206			
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company</b> (Note 31)						
	<b>P20.73</b>	P1.71	P7.05			
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations</b> (Note 31)						
	<b>P21.21</b>	P1.58	P6.98			

See accompanying Notes to Financial Statements.



**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
NET INCOME	P31,690,038	P2,625,488	P9,761,206	P31,283,762	P2,959,932	P9,681,476
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on debt securities at FVOCI, net of tax (Note 9)	(3,178,301)	(578,919)	5,417,132	(3,158,391)	(639,403)	5,507,470
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	(558,030)	662,951	447,169	(663,471)	556,246	590,236
	(3,736,331)	84,032	5,864,301	(3,821,862)	(83,157)	6,097,706
Accumulated translation adjustment	1,008,640	(257,238)	(924,441)	(117,264)	(81,646)	(264,289)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	—	—	—	902,788	(148,044)	(565,072)
	(2,727,691)	(173,206)	4,939,860	(3,036,338)	(312,847)	5,268,345
Items that do not recycle to profit or loss in subsequent periods:						
Share in changes in aggregate reserves (losses) on life insurance policies (Note 12)	412,444	(1,051,118)	—	412,444	(1,051,118)	—
Remeasurement gains (losses) on retirement plan (Note 28)	285,632	(725,968)	(466,926)	500,862	(710,795)	(596,589)
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	(1,482)	4,632	(234,815)	(216,477)	(10,030)	(105,801)
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	(21,809)	(251,071)	583,286	63,722	(83,882)	349,881
	674,785	(2,023,525)	(118,455)	760,551	(1,855,825)	(352,509)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(2,052,906)	(2,196,731)	4,821,405	(2,275,787)	(2,168,672)	4,915,836
TOTAL COMPREHENSIVE INCOME	P29,637,132	P428,757	P14,582,611	P29,007,975	P791,260	P14,597,312
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	P29,354,839	P445,981	P14,597,316			
Non-controlling interests	282,293	(17,224)	(14,705)			
	P29,637,132	P428,757	P14,582,611			

See accompanying Notes to Financial Statements.



# PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

## STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

Consolidated														
Equity Attributable to Equity Holders of the Parent Company														
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 9)	Remeasurem ent Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	Other Equity Adjustment	Total	Non- controlling Interests (Note 12)	Total Equity
Balance at January 1, 2021	P61,030,594	P32,116,560	P5,032,097	P54,498,066	P3,054,403	(P3,009,452)	P717,872	P277,855	(P1,038,838)	P88,616	P13,959	P152,781,732	P3,201,276	P155,983,008
Total comprehensive income (loss) for the year	—	—	—	31,630,626	(3,758,140)	284,385	785,524	—	412,444	—	—	29,354,839	282,293	29,637,132
Declaration of property dividends (Note 12)	—	—	—	(23,935,371)	—	—	—	—	—	—	—	(23,935,371)	—	(23,935,371)
Transfer to surplus reserves (Notes 25 and 32)	—	—	115,343	(115,343)	—	—	—	—	—	—	—	—	—	—
Sale of interest in a subsidiary (Note 12)	—	—	—	(79,746)	—	—	—	—	—	(88,616)	—	(168,362)	(259,721)	(428,083)
Settlement of share-based payments (Note 25)	—	—	—	—	—	—	—	(29,025)	—	—	—	(29,025)	—	(29,025)
Declaration of dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(4,705)	(4,705)
<b>Balance at December 31, 2021</b>	<b>P61,030,594</b>	<b>P32,116,560</b>	<b>P5,147,440</b>	<b>P61,998,232</b>	<b>(P703,737)</b>	<b>(P2,725,067)</b>	<b>P1,503,396</b>	<b>P248,830</b>	<b>(P626,394)</b>	<b>P—</b>	<b>P13,959</b>	<b>P158,003,813</b>	<b>P3,219,143</b>	<b>P161,222,956</b>
Balance at January 1, 2020	P61,030,594	P32,116,560	P642,018	P56,273,492	P3,250,651	(P2,229,220)	P947,562	P35,466	P12,280	P—	P13,959	P152,093,362	P2,882,038	P154,975,400
Total comprehensive income (loss) for the year	—	—	—	2,614,653	(167,039)	(720,825)	(229,690)	—	(1,051,118)	—	—	445,981	(17,224)	428,757
Transfer to surplus reserves (Notes 25 and 32)	—	—	4,390,079	(4,390,079)	—	—	—	—	—	—	—	—	—	—
Sale of interest in a subsidiary (Note 12)	—	—	—	—	—	—	—	248,830	—	—	—	248,830	95,900	344,730
Settlement of share-based payments (Note 25)	—	—	—	—	—	—	—	(6,441)	—	—	—	(6,441)	—	(6,441)
Reserves of disposal group classified as held for sale (Note 36)	—	—	—	—	(29,209)	(59,407)	—	—	—	88,616	—	—	259,722	259,722
Declaration of dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(19,160)	(19,160)
<b>Balance at December 31, 2020</b>	<b>P61,030,594</b>	<b>P32,116,560</b>	<b>P5,032,097</b>	<b>P54,498,066</b>	<b>P3,054,403</b>	<b>(P3,009,452)</b>	<b>P717,872</b>	<b>P277,855</b>	<b>(P1,038,838)</b>	<b>P88,616</b>	<b>P13,959</b>	<b>P152,781,732</b>	<b>P3,201,276</b>	<b>P155,983,008</b>
Balance at January 1, 2019	P49,965,587	P31,331,251	P620,573	P46,613,457	(P3,196,936)	(P1,526,830)	P1,776,923	P53,895	P12,280	P—	P13,959	P125,664,159	P2,894,853	P128,559,012
Total comprehensive income (loss) for the year	—	—	—	9,681,480	6,447,587	(702,390)	(829,361)	—	—	—	—	14,597,316	(14,705)	14,582,611
Issuance of stock (Note 25)	11,065,007	785,309	—	—	—	—	—	—	—	—	—	11,850,316	—	11,850,316
Transfer to surplus reserves (Notes 25 and 32)	—	—	21,445	(21,445)	—	—	—	—	—	—	—	—	—	—
Settlement of share-based payments (Note 25)	—	—	—	—	—	—	—	(18,429)	—	—	—	(18,429)	5,262	(13,167)
Declaration of dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(3,372)	(3,372)
<b>Balance at December 31, 2019</b>	<b>P61,030,594</b>	<b>P32,116,560</b>	<b>P642,018</b>	<b>P56,273,492</b>	<b>P3,250,651</b>	<b>(P2,229,220)</b>	<b>P947,562</b>	<b>P35,466</b>	<b>P12,280</b>	<b>P—</b>	<b>P13,959</b>	<b>P152,093,362</b>	<b>P2,882,038</b>	<b>P154,975,400</b>

See accompanying Notes to Financial Statements.



Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Notes 12 and 36)	Total Equity
Balance at January 1, 2021	P61,030,594	P32,106,560	P5,032,097	P54,843,588	P3,054,403	(P3,009,452)	P717,872	P419,542	(P1,038,838)	P88,616	P153,244,982
Total comprehensive income (loss) for the year	—	—	—	31,283,762	(3,758,140)	284,385	785,524	—	412,444	—	29,007,975
Declaration of property dividends (Note 12)	—	—	—	(23,935,371)	—	—	—	—	—	—	(23,935,371)
Transfer to surplus reserves (Notes 25 and 32)	—	—	115,343	(115,343)	—	—	—	—	—	—	—
Sale of interest in a subsidiary (Note 12)	—	—	—	92,757	—	—	—	—	—	(88,616)	4,141
Settlement of share-based payments (Note 25)	—	—	—	—	—	—	—	(29,025)	—	—	(29,025)
<b>Balance at December 31, 2021</b>	<b>P61,030,594</b>	<b>P32,106,560</b>	<b>P5,147,440</b>	<b>P62,169,393</b>	<b>(P703,737)</b>	<b>(P2,725,067)</b>	<b>P1,503,396</b>	<b>P390,517</b>	<b>(P626,394)</b>	<b>P—</b>	<b>P158,292,702</b>
Balance at January 1, 2020	P61,030,594	P32,106,560	P642,018	P56,273,735	P3,250,651	(P2,229,220)	P947,562	P35,466	P12,280	P—	P152,069,646
Total comprehensive income (loss) for the year	—	—	—	2,959,932	(167,039)	(720,825)	(229,690)	—	(1,051,118)	—	791,260
Transfer to surplus reserves (Notes 25 and 32)	—	—	4,390,079	(4,390,079)	—	—	—	—	—	—	—
Business combination with a subsidiary (Note 12)	—	—	—	—	—	—	—	390,517	—	—	390,517
Settlement of share-based payments (Note 25)	—	—	—	—	—	—	—	(6,441)	—	—	(6,441)
Reserves of disposal group classified as held for sale (Note 36)	—	—	—	—	(29,209)	(59,407)	—	—	—	88,616	—
<b>Balance at December 31, 2020</b>	<b>P61,030,594</b>	<b>P32,106,560</b>	<b>P5,032,097</b>	<b>P54,843,588</b>	<b>P3,054,403</b>	<b>(P3,009,452)</b>	<b>P717,872</b>	<b>P419,542</b>	<b>(P1,038,838)</b>	<b>P88,616</b>	<b>P153,244,982</b>
Balance at January 1, 2019	P49,965,587	P31,331,251	P620,573	P46,613,704	(P3,196,936)	(P1,526,830)	P1,776,923	P53,895	P12,280	P—	P125,650,447
Total comprehensive income (loss) for the year	—	—	—	9,681,476	6,447,587	(702,390)	(829,361)	—	—	—	14,597,312
Issuance of stock (Note 25)	11,065,007	775,309	—	—	—	—	—	—	—	—	11,840,316
Transfer to surplus reserves (Notes 25 and 32)	—	—	21,445	(21,445)	—	—	—	—	—	—	—
Settlement of share-based payments (Note 25)	—	—	—	—	—	—	—	(18,429)	—	—	(18,429)
<b>Balance at December 31, 2019</b>	<b>P61,030,594</b>	<b>P32,106,560</b>	<b>P642,018</b>	<b>P56,273,735</b>	<b>P3,250,651</b>	<b>(P2,229,220)</b>	<b>P947,562</b>	<b>P35,466</b>	<b>P12,280</b>	<b>P—</b>	<b>P152,069,646</b>

See accompanying Notes to Financial Statements.



**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Income before income tax from continuing operations	<b>₱37,970,597</b>	₱548,417	₱12,113,925	<b>₱36,296,323</b>	₱1,014,411	₱11,767,940
Income (loss) before income tax from discontinued operations (Note 36)	<b>(626,763)</b>	299,251	118,267	—	—	—
Income before income tax	<b>37,343,834</b>	847,668	12,232,192	<b>36,296,323</b>	1,014,411	11,767,940
Adjustments for:						
Gain on loss of control of subsidiaries - net (Note 12)	<b>(16,807,275)</b>	—	—	<b>(16,916,842)</b>	—	—
Gain on remeasurement of retained interest (Note 12)	<b>(16,477,968)</b>	—	—	<b>(16,383,008)</b>	—	—
Provision for impairment, credit and other losses (Note 16)	<b>12,967,152</b>	16,912,402	2,909,858	<b>13,125,737</b>	16,534,335	1,593,219
Unrealized foreign exchange losses (gains) on bonds payable	<b>3,113,544</b>	(2,728,233)	(1,029,880)	<b>3,113,544</b>	(2,728,233)	(1,029,880)
Depreciation and amortization (Note 11)	<b>2,894,759</b>	3,184,141	2,804,123	<b>2,499,071</b>	2,607,269	2,207,071
Unrealized foreign exchange losses (gains) on bills and acceptances payable	<b>2,220,574</b>	(1,059,619)	(2,771,182)	<b>2,214,671</b>	(1,059,379)	(2,771,182)
Net gains on financial assets at FVOCI (Note 9)	<b>(1,540,192)</b>	(2,455,264)	(281,340)	<b>(1,540,192)</b>	(2,454,697)	(317,609)
Net gains on sale or exchange of assets (Note 26)	<b>(981,462)</b>	(195,842)	(690,625)	<b>(974,024)</b>	(130,493)	(686,441)
Net losses (gains) on financial assets at FVTPL (Note 9)	<b>846,625</b>	(882,374)	(1,355,606)	<b>977,617</b>	(1,001,823)	(1,334,552)
Accretion to interest income of loss on loan modifications (Note 27)	<b>(351,502)</b>	(901,748)	—	<b>(351,502)</b>	(901,748)	—
Amortization of premium (discount) on investment securities	<b>294,421</b>	(182,716)	95,849	<b>296,554</b>	(176,196)	78,880
Amortization of transaction costs on borrowings (Notes 17 and 21)	<b>116,898</b>	229,420	125,596	<b>116,898</b>	229,420	125,596
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	<b>(50,789)</b>	(88,476)	97,608	<b>650,134</b>	(95,939)	345,599
Loss (gain) on disposal of property and equipment (Notes 11 and 26)	<b>(8,399)</b>	(7,777)	8,961	<b>789</b>	(1,297)	(1,023)
Loss on loan modifications (Note 27)	—	1,587,605	—	—	1,587,605	—
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	<b>(891,301)</b>	1,126,878	(1,220,264)	<b>(859,213)</b>	1,134,547	(421,675)
Financial assets at FVTPL	<b>11,812,813</b>	(9,475,736)	(2,102,603)	<b>9,959,744</b>	(9,776,160)	148,532
Loans and receivables	<b>(13,325,214)</b>	36,534,525	(75,034,482)	<b>(16,184,925)</b>	(16,207,664)	(78,630,395)
Other assets	<b>1,406,878</b>	(888,284)	(1,679,271)	<b>(368,978)</b>	(961,959)	300,791
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	<b>190,292</b>	455,620	(225,029)	<b>190,544</b>	468,810	(236,287)
Deposit liabilities	<b>4,603,064</b>	64,182,479	92,702,273	<b>5,943,796</b>	117,646,115	92,402,864
Accrued taxes, interest and other expenses	<b>246,627</b>	(2,376,061)	561,268	<b>681,686</b>	(1,903,084)	516,800
Other liabilities	<b>(7,663,779)</b>	(5,509,215)	346,335	<b>(1,511,065)</b>	(2,764,403)	(301,401)
Net cash generated from operations	<b>19,959,600</b>	98,309,393	25,493,781	<b>20,977,359</b>	101,059,437	23,756,847
Income taxes paid	<b>(2,285,669)</b>	(1,648,621)	(3,369,421)	<b>(1,841,579)</b>	(1,461,890)	(3,043,713)
Net cash provided by operating activities	<b>17,673,931</b>	96,660,772	22,124,360	<b>19,135,780</b>	99,597,547	20,713,134
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	<b>212,560,360</b>	159,923,104	36,239,398	<b>210,574,683</b>	157,339,946	34,213,584
Maturities/early redemptions of investment securities at amortized cost	<b>39,790,071</b>	61,359,649	81,709,960	<b>39,047,244</b>	61,359,649	81,530,081
Disposal of investment in a subsidiary (Note 12)	<b>1,001,558</b>	521,817	—	<b>1,001,558</b>	—	—
Disposal of investment properties	<b>293,738</b>	210,936	712,650	<b>214,782</b>	161,736	717,677
Disposal of property and equipment	<b>201,593</b>	36,750	153,182	<b>301,198</b>	1,322	4,554
Acquisitions of:						
Financial assets at FVOCI	<b>(224,330,405)</b>	(169,859,472)	(100,962,284)	<b>(224,330,405)</b>	(169,859,472)	(96,281,851)
Investment securities at amortized cost	<b>(33,372,543)</b>	(56,875,400)	(81,365,299)	<b>(33,372,543)</b>	(57,227,468)	(81,150,541)
Property and equipment (Note 11)	<b>(1,120,741)</b>	(1,231,247)	(2,299,285)	<b>(675,730)</b>	(1,027,671)	(1,634,668)
Software cost (Note 14)	<b>(655,455)</b>	(283,472)	(334,548)	<b>(612,515)</b>	(268,768)	(331,543)
Additional investments in subsidiaries (Note 12)	<b>(245,000)</b>	—	—	<b>(245,000)</b>	—	(180,000)
Net cash used in investing activities	<b>(5,876,824)</b>	(6,197,335)	(66,146,226)	<b>(8,096,728)</b>	(9,520,726)	(63,112,707)

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from issuances of bills and acceptances payable	<b>₱237,327,616</b>	₱168,973,402	₱1,465,130,227	<b>₱236,637,024</b>	₱155,926,201	₱1,445,941,174
Settlement of bills and acceptances payable	<b>(273,753,842)</b>	(136,717,622)	(1,476,478,591)	<b>(272,556,037)</b>	(118,473,479)	(1,457,452,771)
Settlement of bonds payable (Note 21)	<b>(13,870,000)</b>	—	—	<b>(13,870,000)</b>	—	—
Payment of principal portion of lease liabilities (Note 29)	<b>(1,231,287)</b>	(664,156)	(509,952)	<b>(1,213,912)</b>	(649,402)	(436,331)
Proceeds from issuance of bonds payable	—	—	51,899,720	—	—	51,899,720
Proceeds from issuance of stocks (Note 25)	—	—	11,850,316	—	—	11,840,316
Net cash provided by (used in) financing activities	<b>(51,527,513)</b>	31,591,624	51,891,720	<b>(51,002,925)</b>	36,803,320	51,792,108
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
	<b>(39,730,406)</b>	122,055,061	7,869,854	<b>(39,963,873)</b>	126,880,141	9,392,535
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>						
Cash and other cash items	<b>25,135,724</b>	30,500,927	16,825,487	<b>25,038,434</b>	29,642,159	15,904,663
Due from Bangko Sentral ng Pilipinas	<b>202,129,356</b>	105,981,801	102,723,312	<b>202,129,356</b>	101,801,597	98,665,375
Due from other banks	<b>19,733,300</b>	17,758,143	21,003,079	<b>12,131,726</b>	10,835,106	10,459,496
Interbank loans receivable	<b>38,939,572</b>	22,943,529	10,580,432	<b>37,464,504</b>	22,274,306	10,581,083
Securities held under agreements to resell	<b>15,819,273</b>	2,517,764	20,700,000	<b>15,819,273</b>	1,149,984	20,700,000
	<b>301,757,225</b>	179,702,164	171,832,310	<b>292,583,293</b>	165,703,152	156,310,617
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>						
Cash and other cash items	<b>27,552,773</b>	25,135,724	30,500,927	<b>27,454,459</b>	25,038,434	29,642,159
Due from Bangko Sentral ng Pilipinas	<b>161,001,912</b>	202,129,356	105,981,801	<b>161,001,912</b>	202,129,356	101,801,597
Due from other banks	<b>27,222,083</b>	19,733,300	17,758,143	<b>19,324,000</b>	12,131,726	10,835,106
Interbank loans receivable (Note 8)	<b>30,453,378</b>	38,939,572	22,943,529	<b>29,042,376</b>	37,464,504	22,274,306
Securities held under agreements to resell	<b>15,796,673</b>	15,819,273	2,517,764	<b>15,796,673</b>	15,819,273	1,149,984
	<b>₱262,026,819</b>	₱301,757,225	₱179,702,164	<b>₱252,619,420</b>	₱292,583,293	₱165,703,152
<b>OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS</b>						
Interest paid	<b>₱7,690,053</b>	₱11,936,540	₱17,522,121	<b>₱7,670,243</b>	₱11,494,829	₱15,188,304
Interest received	<b>42,928,178</b>	47,391,100	49,063,648	<b>42,075,051</b>	44,519,365	43,948,726

See accompanying Notes to Financial Statements.





# PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousand Pesos except When Otherwise Indicated)

### 1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of December 31, 2021 and 2020, the shares of PNB are held by the following:

	2021	2020
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	59.83%	59.83%
PCD Nominee Corporation *	15.94%	17.86%
Other stockholders owning less than 10% each	24.23%	22.31%
	100.00%	100.00%

\* Acts as a trustee-nominee for PNB shares lodged under the PCD system

PNB's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are also incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, investment banking, treasury operations, fund transfers, remittance and trust services, through its 670 and 716 domestic branches as of December 31, 2021 and 2020, respectively. As of the same dates, the Parent Company has 70 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in Asia, North America and Europe.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, banking, leasing, stock brokerage, foreign exchange trading and/or related services. The Parent Company and the subsidiaries are collectively referred hereinto as the Group.

The principal place of business of the Parent Company is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila, Philippines.

### 2. Summary of Significant Accounting Policies

#### Basis of Preparation of the Financial Statements

The Group prepared the accompanying financial statements on a historical cost basis, except for the following accounts which are measured at fair value:

- financial assets and liabilities at fair value through profit or loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

The financial statements of the Parent Company reflect the accounts maintained in its Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine pesos (₱ or PHP) and United States Dollar (USD), respectively. The individual financial statements of these units are combined and any inter-unit accounts and transactions are eliminated.



The Group presents the amounts in the financial statements to the nearest thousand pesos (P000), unless otherwise stated.

#### Statement of Compliance

The Group prepared these financial statements in accordance with Philippine Financial Reporting Standards (PFRS) adopted by the Philippine Securities and Exchange Commission (SEC).

#### Presentation of the Financial Statements

The Group presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

The Group generally presents financial assets and financial liabilities at their gross amounts in the statement of financial position, unless the offsetting criteria under PFRS are met. The Group does not also set off items of income and expenses, unless offsetting is required or permitted by PFRS, or is specifically disclosed in the Group's accounting policies.

The Group presents its consolidated financial statements and parent company financial statements side-by-side to comply with the requirements of the Bangko Sentral ng Pilipinas (BSP).

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. In the consolidation, the Group eliminates in full all significant intra-group balances, transactions, and results of intra-group transactions.

The Group consolidates its subsidiaries from the date on which the Group obtains control over the subsidiary. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., those existing rights that give the Group the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, such as contractual arrangements with other voting shareholders of the investee, rights arising from other contractual arrangements, or any potential voting rights of the Group.

For partially-owned subsidiaries, the Group attributes the subsidiary's income, expenses and components of other comprehensive income (OCI) to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in deficit balances of the NCI. NCI represents the portion of profit or loss and the net assets not held by the Group, which are presented separately in the consolidated financial statements. NCI consists of the amount attributed to such interest from the date of business combination and its share in any changes in equity of the subsidiary.

When the Group's ownership interest in a subsidiary changes but does not result in a loss of control, the Group adjusts the carrying amounts of the controlling interests and the NCI to their new relative interests in the subsidiary. The Group recognizes any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received directly in equity as 'Other equity reserves', which is attributed to the owners of the Parent Company.



Consolidation of a subsidiary ceases when the Group loses control over the subsidiary. In such circumstances, the Group derecognizes the assets (including goodwill), liabilities, NCI, and other components of equity of the subsidiary, and recognizes the consideration received and any investment retained at their fair values. The Group records any resulting difference in the statement of income as 'Gain on loss of control of subsidiaries - net'.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements.

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*  
The amendments provide the following temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the 'separately identifiable' requirement when an RFR instrument is designated as a hedge of a risk component

The amendments also require to disclose information about the nature and extent of risks to which an entity is exposed arising from financial instruments subject to IBOR reform, how the entity manages those risks, their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

- Amendment to PFRS 16, *COVID-19-Related Rent Concessions Beyond June 30, 2021*  
The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (COVID-19) pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19-related rent concession in the same way it would account for a change that is not a lease modification, that is, as a variable lease payment.

#### Future Changes in Accounting Standards

Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.



*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Business Combinations: Reference to the Conceptual Framework*  
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was also added to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. The amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments apply prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*  
The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*  
The amendments apply a “directly related cost approach” to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Under this approach, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments apply to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.
- Annual Improvements to PFRS Standards 2018-2020 Cycle
  - Amendments to PFRS 1, *Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Fees in the ‘10 per cent’ test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Taxation in fair value measurements*

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Income Taxes, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*  
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.



- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*  
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. Early adoption of the amendments is permitted.
- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Disclosure of Accounting Policies*  
The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.Early adoption of the amendments is permitted.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*  
The amendments clarify: (a) what is meant by a right to defer settlement; (b) that a right to defer must exist at the end of the reporting period; (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and (d) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. In November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*  
PFRS 17 is comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025, with comparative figures required. Early application is permitted.

*Deferred effectivity*

- PFRS 10, *Consolidated Financial Statements*, and PAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)  
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture.



On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

## **Significant Accounting Policies**

### Business Combinations and Goodwill

The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the fair value of the consideration transferred and any amount of NCI in the acquiree. The Group then allocates that cost to the acquired identifiable assets and liabilities based on their respective fair values. Any excess acquisition cost over the fair value of the net assets acquired is allocated to goodwill. If the fair value of the net assets acquired exceeds the acquisition cost, the gain is recognized in the statement of income.

The Group recognizes any acquisition-related costs as administrative expenses as they are incurred. The Group also recognizes any contingent consideration to be transferred by the acquirer at its fair value at the acquisition date.

After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. For the purpose of impairment testing, the Group allocates the goodwill acquired in a business combination to each of its cash-generating units (CGUs) that are expected to benefit from the business combination.

In business combinations involving entities under common control, the Group determines whether or not the business combination has commercial substance. When there is commercial substance, the Group accounts for the transaction using the acquisition method as discussed above. Otherwise, the Group accounts for the transaction similar to a pooling of interests (i.e., the assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values, and any resulting difference with the fair value of the consideration given is accounted for as an equity transaction).

### Non-current Assets and Disposal Group Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such, non-current assets and disposal groups are measured at the lower of their carrying amounts and fair value less costs to sell (i.e., the incremental costs directly attributable to the sale, excluding finance costs and income taxes).

The Group regards the criteria for held for sale classification as met only when:

- the Group has initiated an active program to locate a buyer;
- the Group is committed to the plan to sell the asset or disposal group, which should be available for immediate sale in its present condition;
- the sale is highly probable (i.e, expected to happen within one year from the date of the classification); and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The Group presents separately the assets and liabilities of disposal group classified as held for sale in the statement of financial position.



The Group classifies a disposal group as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group excludes discontinued operations from the results of continuing operations and presents them as a single amount as profit or loss after tax from discontinued operations in the statement of income.

If the above criteria are no longer met, the Group ceases to classify the asset or disposal group as held for sale. In such cases, the Group measures such asset or disposal group at the lower of its:

- carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had it not been classified as such; and
- recoverable amount at the date of the subsequent decision not to sell.

The Group also amends financial statements for the periods since classification as held for sale if the asset or disposal group that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. Accordingly, for all periods presented, the Group reclassifies and includes in income from continuing operations the results of operations of the asset or disposal group previously presented in discontinued operations.

#### Foreign Currency Translation

For financial reporting purposes, the Group translates all accounts in the FCDU books and foreign currency-denominated accounts in the RBU books into their equivalents in Philippine pesos. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency.

#### *Transactions and balances*

As at reporting date, the Group translates the following foreign currency-denominated accounts in the RBU in Philippine peso using:

Financial statement accounts in RBU	Exchange rate
Monetary assets and liabilities	Bankers Association of the Philippines (BAP) closing rate at end of year
Income and expenses	Rate prevailing at transaction date
Non-monetary items measured at historical cost in a foreign currency	Rate at the date of initial transaction
Non-monetary items measured at fair value in a foreign currency	Rate at the date when fair value is determined

The Group recognizes in the statement of income any foreign exchange differences arising from revaluation of monetary assets and liabilities. For non-monetary items measured at fair values, the Group recognizes any foreign exchange differences arising from revaluation in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).



#### *FCDU and overseas branches and subsidiaries*

As at the reporting date, the Group translates the assets and liabilities of the FCDU and overseas branches and subsidiaries in Philippine peso at the BAP closing rate prevailing at the reporting date, and their income and expenses at the average exchange rate for the year. Foreign exchange differences arising on translation are taken directly to OCI under 'Accumulated Translation Adjustment'. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.

#### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

#### Fair Value Measurement

Fair value is the price that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The Group measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Group uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Group measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

#### Financial Instruments – Initial Recognition

##### Date of recognition

The Group recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Group), while derivatives are recognized on trade date (i.e., the date that the Group commits to purchase or sell). The Group recognizes deposits, amounts due to banks and customers and loans when cash is received by the Group or advanced to the borrowers.





#### *Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

#### Financial Instruments – Classification and Subsequent Measurement

The Group classifies and measures financial assets at FVTPL unless these are measured at FVOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

The Group first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test ('solely payments of principal and interest' or SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

For financial liabilities, the Group classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

#### *Financial assets at FVTPL*

Financial assets at FVTPL include the following:

- Financial assets held for trading – those acquired for the purpose of selling or repurchasing in the near term;
- Derivative instruments – contracts entered into by the Group (such as currency forwards, currency swaps, interest rate swaps and warrants) as a service to customers and as a means of reducing or managing their respective financial risk exposures, as well as for trading purposes;
- Financial assets that are not SPPI, irrespective of the business model; or
- Debt financial assets designated upon initial recognition at FVTPL – those assets where the Group applied the fair value option at initial recognition if doing so eliminates or significantly reduces an accounting mismatch

The Group carries financial assets at FVTPL in the statement of financial position at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group recognizes any gains or losses arising from changes in fair values of financial assets at FVTPL directly in the statement of income under 'Trading and investment securities gains - net', except for currency forwards and currency swaps, where fair value changes are included under 'Foreign exchange gains - net'.



#### *Financial assets at FVOCI*

Financial assets at FVOCI include debt and equity securities, which are subsequently measured at fair value. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the statement of comprehensive income as 'Net change in unrealized gain (loss) on financial assets at FVOCI, net of tax'.

Debt securities at FVOCI are those that meet both of the following conditions:

- the asset is held within a business model whose objective is to hold the financial asset in order to both collect contractual cash flows and sell the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

The Group reports the effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, in the statement of income. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gain (loss) - net' in the statement of income. The Group recognizes the expected credit losses (ECL) arising from impairment of such financial assets in OCI with a corresponding charge to 'Provision for impairment, credit and other losses' in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. The Group recognizes the dividends earned on holding the equity securities at FVOCI in the statement of income when the right to payment has been established. Gains and losses on disposal of these equity securities at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Surplus' or any other appropriate equity account upon disposal. The Group does not subject equity securities at FVOCI to impairment assessment.

#### *Financial assets at amortized cost*

Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

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

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Investment securities at amortized cost', and 'Loans and receivables'.

The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for impairment, credit and other losses' in the statement of income.

#### *Financial liabilities at amortized cost*

The Group classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under 'Deposit liabilities', 'Bills and acceptances payable', 'Bonds payable' or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity



shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

*Repurchase and reverse repurchase agreements*

The Group does not derecognize from the statement of financial position securities sold under agreements to repurchase at a specified future date ('repos'). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date ('reverse repos'). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

*Reclassification of financial instruments*

Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

Financial Instruments – Derecognition

*Financial assets*

The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the statements of income.



### *Financial liabilities*

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Group treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Group recognizes the difference in the respective carrying amounts in the statement of income.

### Financial Instruments – Impairment

#### *ECL methodology*

The Group's loss impairment method on financial instruments applies a forward-looking ECL approach, which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial instrument since origination (12-month ECL). Otherwise, if an SICR is observed, then the Group extends its ECL estimation until the end of the life of the financial instrument (Lifetime ECL). Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

#### *Staging assessment*

The Group categorizes financial instruments subject to the ECL methodology into three stages:

- Stage 1 – comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Group recognizes 12-month ECL for Stage 1 financial instruments.
- Stage 2 – comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Group recognizes Lifetime ECL for Stage 2 financial instruments.
- Stage 3 – comprised of financial instruments which have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on their estimated future cash flows. The Group recognizes Lifetime ECL for Stage 3 (credit-impaired) financial instruments.

#### *Definition of “default” and “cure”*

The Group considers default to have occurred when:

- the obligor is past due for more than 90 days on any material credit obligation to the Group; or
- the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable.

The Group no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

#### *Determining SICR*

At each reporting date, the Group assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group's assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days (“backstop”).



The Group assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management's close attention. Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

The Group looks at the quantitative element through statistical models or credit ratings process or scoring process that captures certain information, which the Group considers as relevant in assessing changes in credit risk. The Group also looks at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

#### *Transfer between stages*

The Group transfers credit exposures from Stage 1 to Stage 2 if there is an SICR from initial recognition date. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then the Group reverts them to Stage 1.

The Group transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:

- quantitative – characterized by payments made within an observation period; and
- qualitative – pertain to the results of assessment of the borrower's financial capacity.

Generally, the Group considers that full collection is probable when payments of interest and/or principal are received for at least six months.

#### *Modified or restructured loans and other credit exposures*

In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under Financial Instruments – Derecognition.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

#### *Purchased or originated credit-impaired loans*

The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.



### *Measurement of ECL*

ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate – represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

### Financial Guarantees and Undrawn Loan Commitments

The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under 'Bills and acceptances payable' or 'Other liabilities' in the statement of financial position. Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.



The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

#### Investments in Subsidiaries, Associates and Joint Ventures

The Group's associate pertains to the entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's joint venture pertains to joint arrangements whereby the Group and other parties have joint control of the arrangement and have rights to the net assets of the arrangement.

The Group accounts for its investments in subsidiaries, associates and joint venture under the equity method of accounting. Under this method, the Group carries the investment in an associate in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the associate. The Group reflects its share in the results of operations of the associate in the statement of income. When there has been a change recognized in the associate's OCI, the Group recognizes its share in any changes and discloses this in the statement of comprehensive income. The Group eliminates any profits or losses arising from transactions between the Group and the associate to the extent of the interest of the Group in the associate.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the related OCI recorded in equity and recycles the same to statement of income or 'Surplus';
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the statement of income; and
- Reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Upon loss of control over a subsidiary or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the associate's carrying amount upon disposal and the fair value of the retained investment, and proceeds from disposal is recognized in the statement of income.

For transactions where ownership interest in a subsidiary that did not result in a loss of control, the Parent Company recognizes the gain or loss in the profit and loss representing the difference between the proceeds from sale and the carrying value of the investee account. The profit and loss treatment of such gains or losses is on the basis that the non-controlling interest is not reflected in the separate financial statements.

#### Property and Equipment

The Group carries its land at cost less any impairment in value, and its depreciable properties such as buildings, right-of-use assets, furniture, fixtures and equipment, long-term leasehold land, and leasehold improvements at cost less accumulated depreciation and amortization and any impairment in value.



The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. See accounting policy on Leases for the recognition and measurement of right-of-use assets included under 'Property and equipment'.

The Group derecognizes an item of property and equipment upon disposal or when no future economic benefits are expected from its use or disposal. The Group includes any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the statement of income in the period the asset is derecognized.

#### Investment Properties and Chattel Mortgage Properties

The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs. When the investment property or chattel mortgage property is acquired through an exchange transaction, the Group measures the asset at its fair value, unless the fair value of such an asset cannot be reliably measured in which case the asset acquired is measured at the carrying amount of asset given up. The Group recognizes any gain or loss on exchange in the statement of income under 'Net gains (losses) on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment properties' upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, the Group carries the investment properties and chattel mortgage properties at cost less accumulated depreciation (for depreciable properties) and any impairment in value.

The Group derecognizes investment properties and chattel mortgage properties when they have either been disposed of or when the asset is permanently withdrawn from use and no future benefit is expected from its disposal. The Group recognizes any gains or losses on the disposal of an investment property in the statement of income under 'Net gains (losses) on sale or exchange of assets' in the period of retirement or disposal.

The Group transfers assets to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Conversely, the Group transfers out of investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

#### Intangible Assets

The Group initially measures separately acquired intangible assets at cost, and the intangible assets acquired in a business combination at their fair values at the date of acquisition. Following initial recognition, the Group carries intangible assets at cost less any accumulated amortization and accumulated impairment losses. The Group does not capitalize internally generated intangibles, excluding capitalized development costs, and reflects in profit or loss the related expenditures in the period in which the expenditure is incurred.

The Group measures any gains or losses arising from derecognition of an intangible asset as the difference between the net disposal proceeds and the carrying amount of the asset. The Group recognizes these gains or losses in the statement of income in the period when the intangible asset is disposed of.





*Intangibles with finite lives*

The Group capitalizes software costs, included in 'Intangible assets', on the basis of the cost incurred to acquire and bring to use the specific software.

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses.

*Goodwill*

The Group initially measures goodwill acquired in a business combination at cost. With respect to investments in an associate, the Group includes goodwill in the carrying amount of the investments. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances that the carrying value may be impaired.

Impairment of Nonfinancial Assets

*Property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate*

At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Group considers the asset as impaired and writes the asset down to its recoverable amount. In assessing VIU, the Group discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group charges the impairment loss against current operations. At each reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount and reverses a previously recognized impairment loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Group adjusts the depreciation and amortization in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

*Goodwill*

The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.



The Group determines impairment for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), the Group recognizes an impairment loss immediately in the statement of income under 'Provision for impairment, credit and other losses'. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

#### Equity

The Group measures capital stock at par value for all shares issued and outstanding. When the shares are sold at a premium, the Group credits the difference between the proceeds and the par value to 'Capital paid in excess of par value'. 'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.

The reserves recorded in equity in the statement of financial position include:

- Remeasurement losses on retirement plan – pertains to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets
- Accumulated translation adjustment – used to record exchange differences arising from the translation of the FCDU accounts and foreign operations (i.e., overseas branches and subsidiaries) to Philippine peso
- Net unrealized gains (losses) on financial assets at FVOCI – comprises changes in fair value of financial assets at FVOCI

#### Dividends

The Group recognizes dividends on common shares as a liability and deduction against 'Surplus' when approved by the Board of Directors (BOD) of the Parent Company. The Group measures the liability to distribute dividends at the carrying amount of the dividends, except for distributions of non-cash assets where the Group measures the liability at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the non-cash assets declared as dividends, with any changes in the carrying amount of the non-cash dividends recognized in equity as adjustments to the amount of distribution.

For dividends that are approved after the reporting date, the Group discloses them in the financial statements as an event after the reporting date.

#### Securities Issuance Costs

The Group capitalizes the issuance, underwriting and other related expenses incurred in connection with the issuance of debt securities (other than debt securities designated at FVTPL) and amortizes over the terms of the instruments using the effective interest method. The Group includes any unamortized debt issuance costs in the carrying value of the related debt instruments in the statement of financial position.

For underwriting, share registration, and other share issuance costs and taxes incurred in connection with the issuance of equity securities, the Group accounts for these costs as reduction of equity against 'Capital paid in excess of par value'. If the 'Capital paid in excess of par value' is not sufficient, the share issuance costs are charged against the 'Surplus'. For transaction costs that relate jointly to the offering and listing of the shares, the Group allocates the costs to those transactions (i.e., reduction against equity for those allocated to offering of shares, and expensed for those allocated to listing of shares) using a basis of allocation that is rational and consistent with similar transactions.



### Revenue Recognition

Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15, *Revenue from Contracts with Customers*:

#### *Service fees and commission income*

The Group earns fee and commission income from diverse range of services it provides to its customers:

- Fees from services that are provided over a certain period of time  
The Group accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.
- Bancassurance fees  
The Group recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.
- Fee income from providing transaction services  
The Group recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the Group recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

The Group recognizes loan syndication fees as revenue when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as the other participants.

#### *Interchange fees and revenue from rewards redeemed*

The Group takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The Group defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points



becomes remote. The Group includes the deferred balance under 'Other liabilities' in the statement of financial position.

*Commissions on credit cards*

The Group recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

*Other income*

The Group recognizes income from sale of properties upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

The following are revenue streams of the Group, which are covered by accounting standards other than PFRS 15:

*Interest income*

Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVOCI are recognized based on effective interest method of accounting to calculate the amortized cost of a financial asset or a financial liability and allocate the interest income or interest expense.

The Group records interest income using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. In calculating EIR, the Group considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The Group adjusts the carrying amount of the financial instrument through 'Interest income' in the statement of income based on the original EIR.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

*Commitment fees*

The Group defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as revenue over the expected life of the loan.

*Commissions on installment credit sales*

The Group records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The Group recognizes the excess over cost as 'Unearned and other deferred income', which is shown as a deduction from 'Loans and receivables' in the statement of financial position. The Group amortizes and recognizes as revenue the unearned and other deferred income over the installment terms using the effective interest method.

*Insurance premiums and commissions on reinsurance*

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. The Group recognizes premiums from short-duration insurance contracts and reinsurance commissions as revenue over the period of the contracts using the 24th method, except



for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The Group recognizes in the statement of income for the period the net changes in provisions for unearned premiums and deferred reinsurance premiums.

*Dividend income*

The Group recognizes dividend income when the Group's right to receive payment is established.

*Trading and investment securities gains - net*

The Group recognizes in 'Trading and investment securities gains - net' the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVOCI.

*Rental income*

The Group accounts for rental income arising on leased properties on a straight-line basis over the lease terms, which is recorded in the statement of income under 'Miscellaneous income'.

*Income on direct financing leases and receivables financed*

The Group recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables'. Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Expenditures

*Borrowing costs*

The Group recognizes borrowing costs as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method that the Group incurs in connection with borrowing of funds.

*Operating expenses*

This encompasses those expenses that arise in the course of the ordinary activities of the Group, as well as any losses incurred. These are recognized in the statement of income as they are incurred.

*Depreciation and amortization*

The Group computes for depreciation and amortization of depreciable assets using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the depreciable assets follow:

	Years
Property and equipment:	
Buildings	25 - 50
Right-of-use assets	1 - 25 or the lease term, whichever is shorter (provided that lease term is more than one year)
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50



	Years
Leasehold improvements	10 or the lease term, whichever is shorter
Investment properties	10 - 25
Chattel mortgage properties	5
Intangible assets with finite lives:	
Software costs	5
CDI	10
CRI	3

The Group reviews periodically the useful life and the depreciation and amortization method to ensure that these are consistent with the expected pattern of economic benefits from the depreciable assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates.

#### *Taxes and licenses*

This includes all other taxes, local and national, including gross receipts taxes, documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

#### *Expenditures on nonfinancial assets*

The Group charges against current operations the expenditures incurred after the nonfinancial assets (i.e., property and equipment, investment properties, software costs, and chattel mortgage properties) have been put into operation, such as repairs and maintenance. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of these nonfinancial assets beyond their originally assessed standard of performance, the Group capitalizes such expenditures as additional cost.

#### Retirement Benefits

##### *Defined benefit plan*

At the end of the reporting period, the Group determines its net defined benefit liability (or asset) as the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for any effect of asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs recognized in the statement of income consist of the following:

- service costs – include current service costs, past service costs (recognized when plan amendment or curtailment occurs) and gains or losses on non-routine settlements; and
- net interest on the net defined benefit liability or asset – pertains to the change during the period in the net defined benefit liability (or asset) that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Changes in the net defined benefit liability (or asset) also include remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding net interest on defined benefit liability (or asset). The Group recognizes these remeasurements immediately in OCI in the period in which they arise. The Group does not reclassify these remeasurements to profit or loss in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies, and are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group recognizes its right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation as a separate asset at fair value when and only when reimbursement is virtually certain.

#### *Employee leave entitlement*

The Group recognizes entitlements of employees to annual leave as a liability when they are accrued to the employees. The Group recognizes the undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than 12 months after the reporting date, the Group engages an actuary to estimate the long-term liability, which is reported in 'Accrued taxes, interest and other expenses' in the statement of financial position.

#### Share-based Payment

Employees of the Parent Company receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The Parent Company determines the cost of equity-settled transactions at fair value at the date when the grant is made, and recognizes as 'Compensation and fringe benefits', together with a corresponding increase in equity ('Other equity reserves'), over the period in which the service is fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects to the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

#### Leases

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

- **Right-of-use assets**

At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.



The Group presents the right-of-use assets in 'Property and equipment' and subjects it to impairment in line with the Group's policy on impairment of nonfinancial assets.

- Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Group's incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on bills payable and other borrowings'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

*Group as a lessor*

For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in 'Interest income on loans and receivables' in the statement of income.

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

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.





### Provisions

The Group recognizes provisions when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the Group recognizes the reimbursement as a separate asset but only when the reimbursement is virtually certain. The Group presents the expense relating to any provision in the statement of income, net of any reimbursement.

If the effect of the time value of money is material, the Group determines provisions by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the Group recognizes the increase in the provision due to the passage as 'Interest expense on bills payable and other borrowings'.

### Contingent Liabilities and Contingent Assets

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

### Income Taxes

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

#### *Current tax*

The Group measures current tax assets and liabilities for the current periods at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

#### *Deferred tax*

The Group provides for deferred tax using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The Group recognizes deferred tax liabilities for all taxable temporary differences, including asset revaluations. The Group recognizes deferred tax assets for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The Group, however, does not recognize deferred tax on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.



The Group does not also provide deferred tax liabilities on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries, the Group does not recognize deferred tax liabilities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the recognized amount to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. The Group reassesses unrecognized deferred tax assets at each reporting date and recognizes amounts to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Group measures deferred tax assets and liabilities at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

For current and deferred tax relating to items recognized directly in OCI, the Group recognizes them also in OCI and not in the statement of income.

In the consolidated financial statements, the Group offsets deferred tax assets and liabilities if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

When tax treatments involve uncertainty, the Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty for each uncertain tax treatment using the method the Group expects to better predict the resolution of the uncertainty.

#### Earnings per Share

The Group computes for the basic earnings per share (EPS) by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any bonus issue, share split or reverse share split during the period.

The Group computes for the diluted EPS by dividing the aggregate of net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the effects of any dilutive shares.

#### Events after the Reporting Date

The Group reflects in the financial statements any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event). The Group discloses post-year-end events that are not adjusting events, if any, when material to the financial statements.

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.



#### Fiduciary Activities

The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

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### 3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts and disclosures. The Group continually evaluates judgments and estimates and uses as basis its historical experience and other factors, including expectations of future events. The Group reflects the effects of any changes in estimates in the financial statements as they become reasonably determinable.

#### Judgments

##### *(a) Assessment of control over a subsidiary*

The Group demonstrates control over an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the following elements must all be present to exercise control over an investee:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

The Group considers all facts and circumstances when assessing whether it controls an investee. In making this assessment, the Group considers the following factors:

- The purpose and design of the investee
- What the relevant activities are and how decisions about those activities are made
- Whether the rights of the Group give it the current ability to direct the relevant activities
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee
- Whether the Group has the ability to use its power over the investee to affect the amount of the investor's returns

The assessment of the Group on its control over a subsidiary is further discussed in Note 12.

##### *(b) Assessment of significant influence over an associate*

The Group generally accounts for an investment as an associate when the Group holds 20% or more of the voting power of the investee company held directly or indirectly through subsidiaries, unless it can be clearly demonstrated that this is not the case.

In assessing whether the Group exercises significant influence over an investee company, the Group considers the following factors:

- Representation in the BOD or equivalent governing body of the investee company
- Participation in policy-making processes, including participation in decisions about dividends and other distributions
- Material transactions between the Group and the investee company
- Interchange of management personnel
- Provision of essential technical performance



The assessment of the Group on its significant influence over an investee company is further discussed in Note 12.

(c) *Classification of financial assets*

The Group classifies its financial assets depending on the results of the SPPI test and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- business objectives and strategies for holding the financial assets;
- performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- risks associated to the financial assets and the tools applied in managing those risks;
- compensation structure of business units, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions; and
- frequency and timing of disposals.

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP.

(d) *Fair valuation of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models (Note 5). The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives. For the valuation of nonmarketable unquoted equity securities, the Group considers a discount for lack of marketability, which is applied to the values determined by independent valuation companies (Note 5).

(e) *Determination of lease term for lease contracts with renewal and termination options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).



(f) *Classification of leases*

In arrangements that are, or contain, leases, the Group determines based on an evaluation of the terms and conditions of the arrangements whether or not the lessor retains all the significant risks and rewards of ownership of the properties which are leased out.

In classifying such arrangements as operating leases, the Group considers the following:

- the lease does not transfer ownership of the asset to the lessee by the end of the lease term;
- the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable;
- the present value of the minimum lease payments is substantially lower than the fair value of the leased asset;
- the losses associated with any cancellation of the lease are borne by the lessor; and
- the lease term is not for the major part of the asset's economic useful life.

When the above terms and provisions do not apply, the Group classifies the lease arrangements as finance leases.

(g) *Contingencies*

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 34).

(h) *Determination of functional currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Group to use its judgment to determine the functional currency of the Group, including its foreign operations, such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to each entity or reporting unit.

In making this judgment, the Group considers the following:

- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Estimates

(a) *Credit losses on financial assets*

The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:

- segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively;
- quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages;
- determination of expected life of the financial asset and expected recoveries from defaulted accounts;



- development of ECL models, including the various formulas and the choice of inputs;
- determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs; and
- selection of forward-looking information and determination of probability-weightings to derive the ECL.

The ongoing COVID-19 outbreak is widely expected to adversely affect the global economy and financial markets for the foreseeable future. The economic impact of COVID-19 depends on the mutation of the virus and the response of the authorities and the global community. The situation continues to evolve and the impact on the global and Philippine economy and the related government responses and measures depend on future developments that are highly uncertain. In light of the COVID-19 pandemic, starting April 2020, the Group reviewed the conduct of its impairment assessment and ECL methodologies. The Group revisited the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations. In assessing forecast conditions to estimate the PDs and LGDs, the Group also considered the significant government measures and plans to support affected and/or vulnerable entities, as well as the impact on the collateral values.

Refer to Note 16 for the details of the carrying value of financial assets subject to ECL and for the details of the ECL.

*(b) Recognition of deferred tax assets*

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates. As the COVID-19 pandemic has affected the Group's normal operations, the Group reassessed its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

*(c) Present value of lease liabilities*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

The carrying amounts of lease liabilities as of December 31, 2021 and 2020 are disclosed in Note 29.



*(d) Present value of retirement obligation*

The Group determines the cost of defined benefit pension plan and other post-employment benefits using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group reviews all assumptions at each reporting date.

The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases are based on the Group's policy considering the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

The present value of retirement obligation and fair value of plan assets are disclosed in Note 28.

*(e) Impairment of nonfinancial assets*

The Parent Company assesses impairment on its investments in subsidiaries and an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the Parent Company considers the following triggers for an impairment review on its investments in subsidiaries and an associate:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its property and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:

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

Recoverable amounts of investment properties and land and building are determined based on fair value less cost to sell.

The carrying values of the Group's property and equipment, investments in subsidiaries and an associate, investment properties, intangible assets, and other nonfinancial assets are disclosed in Notes 11, 12, 13, 14 and 15, respectively.



(f) *Impairment of goodwill*

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The recoverable amount of the CGU is determined based on a VIU calculation, which considers the present value of cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of VIU are sensitive to estimates of future cash flows from business, interest margin, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

Estimating future earnings involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment. With the outbreak of COVID-19 in early 2020, the Group revisited its business plan and applied judgment to reassess the projections of future cash flows as of December 31, 2021, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

The carrying values of the Group's goodwill, accumulated impairment losses, and key assumptions used in determining VIU are disclosed in Note 14.

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#### 4. **Financial Risk Management Objectives and Policies**

##### Introduction

The Parent Company's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by senior management. Details of the Parent Company's risk framework are discussed under the Risk Management Disclosure Section of the Parent Company's annual report.

The Group's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level resulting in either a ₱13.3 billion increase in risk-weighted assets or a ₱1.7 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

Resulting from the assessments based on the premise identified above, the Parent Company agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2020-2022, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the Internal Capital Adequacy Assessment Process (ICAAP) document and required for monitoring.





Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:

1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:

4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Cyber Security Risk

The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:

- Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial sector and credit management sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the Group in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the CAR report;
- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;



- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward looking conditions.

#### *Credit-related commitments*

The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company. To mitigate this risk, the Parent Company requires hard collaterals for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

#### *Derivative financial instruments*

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

#### *Collateral and other credit enhancement*

As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); generally, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Group which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.



*Maximum exposure to credit risk after collateral held or other credit enhancements*

An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2021			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	P15,796,673	P15,800,317	P-	P15,796,673
Loans and receivables:				
Receivables from customers*:				
Corporates	527,718,995	247,961,955	429,891,939	97,827,056
Local government units (LGU)	4,241,018	-	4,241,018	-
Credit Cards	10,749,018	-	10,749,018	-
Retail small and medium enterprises (SME)	7,522,925	6,971,613	5,715,786	1,807,139
Housing Loans	27,484,803	7,263,711	25,913,056	1,571,747
Auto Loans	7,286,027	6,738,811	3,945,861	3,340,166
Others	7,887,441	7,710,970	6,631,679	1,255,762
Other receivables	13,338,658	-	13,338,658	-
	P622,025,558	P292,447,377	P500,427,015	P121,598,543

\*Receivables from customers exclude residual value of the leased asset (Note 10).

	Consolidated			
	2020			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	P15,819,273	P16,499,434	P-	P15,819,273
Loans and receivables:				
Receivables from customers*:				
Corporates	505,179,722	193,780,977	412,861,814	92,317,908
Local government units (LGU)	6,371,695	-	6,371,695	-
Credit Cards	9,942,901	-	9,942,901	-
Retail small and medium enterprises (SME)	10,630,717	9,884,496	6,122,742	4,507,975
Housing Loans	22,738,418	5,585,969	19,267,060	3,471,358
Auto Loans	10,054,907	4,906,734	7,118,837	2,936,070
Others	19,871,454	17,973,895	14,025,920	5,845,534
Other receivables	14,506,955	-	14,506,955	-
	P615,116,042	P248,631,505	P490,217,924	P124,898,118

\*Receivables from customers exclude residual value of the leased asset (Note 10).

	Parent Company			
	2021			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	P15,796,673	P15,800,317	P-	P15,796,673
Loans and receivables:				
Receivables from customers:				
Corporates	517,966,207	246,894,007	429,891,939	88,074,268
LGU	4,241,018	-	4,241,018	-
Credit Cards	10,749,018	-	10,749,018	-
Retail SME	5,750,965	3,714,598	5,715,786	35,179
Housing Loans	26,607,300	5,982,154	25,913,056	694,244
Auto Loans	7,286,027	6,738,811	3,945,861	3,340,166
Others	6,420,782	7,494,006	6,242,747	178,035
Other receivables	13,477,444	-	13,477,444	-
	P608,295,434	P286,623,893	P500,176,869	P108,118,565



	Parent Company			
	2020			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	P15,819,273	P16,499,434	P—	P15,819,273
Loans and receivables:				
Receivables from customers:				
Corporates	497,632,975	177,319,514	411,483,722	86,149,253
LGU	6,371,695	—	6,371,695	—
Credit Cards	9,942,901	—	9,942,901	—
Retail SME	7,917,077	6,268,900	5,591,610	2,325,467
Housing Loans	22,119,575	4,475,206	19,267,059	2,852,516
Auto Loans	10,054,907	4,906,734	7,118,837	2,936,070
Others	18,200,510	13,309,752	14,025,873	4,174,637
Other receivables	14,662,221	—	14,662,221	—
	P602,721,134	P222,779,540	P488,463,918	P114,257,216

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others.

#### *Excessive risk concentration*

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Group analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and investment securities. To mitigate risk concentration, the Group constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

#### a. Limit per Client or Counterparty

For each CRR, the Parent Company sets limits per client or counterparty based on the regulatory Single Borrowers Limit. For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

#### b. Geographic Concentration

The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	Consolidated			
	2021			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	P556,478,910	P200,906,568	P176,809,453	P934,194,931
Asia (excluding the Philippines)	29,779,159	43,636,805	39,214,150	112,630,114
USA and Canada	8,201,937	18,728,426	16,566,107	43,496,470
United Kingdom	1,820,209	5,318,234	2,476,726	9,615,169
Other European Union Countries	8,356,214	20,757	1,062,066	9,439,037
Middle East	924,033	—	144,953	1,068,986
Oceania	668,423	—	3,323	671,746
	P606,228,885	P268,610,790	P236,276,778	P1,111,116,453

\*Loans and receivables exclude residual value of the leased asset (Note 10)

\*\* Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)



Consolidated				
2020				
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	P552,879,878	P172,370,408	P219,274,507	P944,524,793
Asia (excluding the Philippines)	24,258,857	48,309,476	23,964,841	96,533,174
USA and Canada	6,869,301	25,055,603	9,126,132	41,051,036
United Kingdom	5,654,986	4,645,583	13,500,252	23,800,821
Other European Union Countries	8,077,246	3	11,605,874	19,683,123
Middle East	942,688	2,395,980	11,213	3,349,881
Oceania	613,813	—	—	613,813
	P599,296,769	P252,777,053	P277,482,819	P1,129,556,641

\*Loans and receivables exclude residual value of the leased asset. (Note 10)

\*\* Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Parent Company				
2021				
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	P554,890,216	P200,470,439	P178,478,647	P933,839,302
Asia (excluding the Philippines)	17,701,682	43,633,794	30,201,697	91,537,173
USA and Canada	8,139,898	18,600,477	14,972,087	41,712,462
United Kingdom	8,356,214	5,159,055	1,723,570	15,238,839
Other European Union Countries	1,818,298	20,757	1,033,728	2,872,783
Middle East	924,033	—	144,953	1,068,986
Oceania	668,420	—	—	668,420
	P592,498,761	P267,884,522	P226,554,682	P1,086,937,965

\*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Parent Company				
2020				
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	P552,079,005	P170,119,011	P220,774,417	P942,972,433
Asia (excluding the Philippines)	12,760,255	48,304,380	15,509,753	76,574,388
USA and Canada	6,799,933	24,935,253	7,558,596	39,293,782
United Kingdom	5,628,921	4,572,413	12,618,977	22,820,311
Other European Union Countries	8,077,246	3	11,552,342	19,629,591
Middle East	942,688	2,395,980	11,213	3,349,881
Oceania	613,813	—	—	613,813
	P586,901,861	P250,327,040	P268,025,298	P1,105,254,199

\*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)



c. Concentration by Industry

The tables below show the industry sector analysis of the Group's and Parent Company's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

Consolidated 2021				
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	P126,158,573	P43,483,287	P53,561,402	P223,203,262
Wholesale and retail	86,433,023	—	—	86,433,023
Electricity, gas and water	72,426,116	10,302,995	—	82,729,111
Transport, storage and communication	51,693,269	4,045	—	51,697,314
Manufacturing	46,914,627	129,678	—	47,044,305
Agriculture, hunting and forestry	8,271,048	—	—	8,271,048
Public administration and defense	6,409,301	—	—	6,409,301
Secondary target industry:				
Government	4,240,406	159,000,735	182,319,161	345,560,302
Real estate, renting and business activities	95,267,868	13,729,541	—	108,997,409
Construction	26,281,431	—	—	26,281,431
Others**	82,133,223	41,960,509	396,215	124,489,947
	<b>P606,228,885</b>	<b>P268,610,790</b>	<b>P236,276,778</b>	<b>P1,111,116,453</b>

\*Loans and receivables exclude residual value of the leased asset (Note 10)

\*\*Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

\*\*\*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Consolidated 2020				
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	P91,848,379	P41,345,803	P60,169,125	P193,363,307
Wholesale and retail	82,953,090	—	—	82,953,090
Electricity, gas and water	72,565,910	4,080,777	—	76,646,687
Transport, storage and communication	54,836,228	50,862	—	54,887,090
Manufacturing	46,796,772	1,578,584	—	48,375,356
Public administration and defense	12,463,250	—	—	12,463,250
Agriculture, hunting and forestry	9,055,935	—	—	9,055,935
Secondary target industry:				
Government	5,713,730	170,983,272	217,088,611	393,785,613
Real estate, renting and business activities	96,309,149	14,857,795	—	111,166,944
Construction	34,184,356	—	—	34,184,356
Others**	92,569,970	19,879,960	225,083	112,675,013
	<b>P599,296,769</b>	<b>P252,777,053</b>	<b>P277,482,819</b>	<b>P1,129,556,641</b>

\*Loans and receivables exclude residual value of the leased asset (Note 10)

\*\*Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

\*\*\*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)



Parent Company				
2021				
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	P126,812,309	P43,479,276	P43,973,406	P214,264,991
Wholesale and retail	82,109,030	—	—	82,109,030
Electricity, gas and water	72,421,660	10,302,995	—	82,724,655
Transport, storage and communication	50,883,391	—	—	50,883,391
Manufacturing	43,338,986	129,678	—	43,468,664
Agriculture, hunting and forestry	8,079,223	—	—	8,079,223
Public administration and defense	6,409,301	—	—	6,409,301
Secondary target industry:				
Government	4,240,406	158,886,167	182,319,161	345,445,734
Real estate, renting and business activities	91,680,656	13,126,066	—	104,806,722
Construction	26,020,918	—	—	26,020,918
Others*	80,502,881	41,960,340	262,115	122,725,336
	<b>P592,498,761</b>	<b>P267,884,522</b>	<b>P226,554,682</b>	<b>P1,086,937,965</b>

\*Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

\*\*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).

Parent Company				
2020				
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	P93,716,924	P41,336,164	P50,724,641	P185,777,729
Wholesale and retail	79,221,782	—	—	79,221,782
Electricity, gas and water	72,516,314	4,080,724	—	76,597,038
Manufacturing	43,183,396	1,623,974	—	44,807,370
Transport, storage and communication	54,449,387	—	—	54,449,387
Public administration and defense	12,463,250	—	—	12,463,250
Agriculture, hunting and forestry	8,866,767	—	—	8,866,767
Secondary target industry:				
Government	5,713,730	170,951,180	217,088,611	393,753,521
Real estate, renting and business activities	93,341,177	12,540,208	—	105,881,385
Construction	33,160,413	—	—	33,160,413
Others*	90,268,721	19,794,790	212,046	110,275,557
	<b>P586,901,861</b>	<b>P250,327,040</b>	<b>P268,025,298</b>	<b>P1,105,254,199</b>

\*Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

\*\*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).

The internal limit of the Parent Company based on the Philippine Standard Industry Classification sub-industry is 12.00% for priority industry, 8.00% for regular industry, 30.00% for power industry and 25.00% for activities of holding companies versus total loan portfolio.

#### Credit quality per class of financial assets

The segmentation of the Group's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.



Generally, the Group's exposures can be categorized as either Non-Retail and Retail. Non-Retail portfolio of the Group consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the Group's Non-retail portfolio segments are as follows: Sovereigns, Financial Institutions, Specialised Lending (e.g. Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs. Retail exposures are exposures to individual person or persons or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

#### Loans and Receivables

The credit quality of Non-Retail portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The Parent Company maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

Specific borrower rating models were developed by the Group to capture specific and unique risk characteristics of each of the Non-Retail segment. The borrower risk rating is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well.

The Group uses a single scale with 26 risk grades for all its borrower risk rating models. The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the Group in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9-grades, i.e. FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g. CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the Group in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the Group's receivables from customers are defined below:

Credit quality	26-grade CRR system
High  S&P Equivalent Global Rating: AAA to BBB-	<p><i>BRR 1 Excellent</i> Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low.</p> <p><i>BRR 2 Very Strong</i> Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low.</p> <p><i>BRR 3 Strong</i> Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low.</p> <p><i>BRR 4-6 Good</i> Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low.</p>





Credit quality	26-grade CRR system
	<p><i>BRR 7-9 Satisfactory</i> Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low.</p> <p><i>BRR 10-12 Adequate</i> Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.</p>
Standard  S&P Equivalent Global Rating: BB+ to BB-	<p><i>BRR 13-15 Average</i> Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility.</p> <p><i>BRR 16-18 Acceptable</i> Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility.</p> <p><i>BRR 19-20 Vulnerable</i> Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility</p>
Substandard  S&P Equivalent Global Rating: B+ to CCC-	<p><i>BRR 21-22 Weak</i> Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility.</p> <p><i>BRR 23-25 Watchlist</i> Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.</p>
Impaired  S&P Equivalent Global Rating: D	<p><i>BRR 26 Default</i> Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.</p>

For the Retail segment of the portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the Group's and the Parent Company's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31, 2021 and 2020:

	Consolidated			
	2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Subject to CRR</b>				
Non-Retail – Corporate				
High	P213,838,798	P–	P–	P213,838,798
Standard	212,873,427	3,844,270	–	216,717,697
Substandard	40,871,799	21,006,283	–	61,878,082
Impaired	–	–	53,190,550	53,190,550
	467,584,024	24,850,553	53,190,550	545,625,127
<b>Subject to Scoring and Unrated</b>				
Non-Retail	10,135,795	157,989	2,366,325	12,660,109
Corporate	5,919,463	109,747	2,298,527	8,327,737
LGU	4,216,332	48,242	67,798	4,332,372

(Forward)



	Consolidated			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Retail	<b>₱42,972,853</b>	<b>₱1,081,229</b>	<b>₱18,382,820</b>	<b>₱62,436,902</b>
Auto Loans	5,942,501	162,915	2,733,492	8,838,908
Housing Loans	20,002,043	486,743	10,428,593	30,917,379
Retail SME	6,559,372	162,158	2,802,140	9,523,670
Credit Card	10,468,937	269,413	2,418,595	13,156,945
Others	7,520,493	377,111	1,197,669	9,095,273
	<b>60,629,141</b>	<b>1,616,329</b>	<b>21,946,814</b>	<b>84,192,284</b>
	<b>₱528,213,165</b>	<b>₱26,466,882</b>	<b>₱75,137,364</b>	<b>₱629,817,411</b>

	Consolidated			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱147,515,062	₱82,461	₱—	₱147,597,523
Standard	248,026,670	11,039,396	—	259,066,066
Substandard	46,768,223	19,014,224	—	65,782,447
Impaired	—	—	50,830,167	50,830,167
	442,309,955	30,136,081	50,830,167	523,276,203
Subject to Scoring and Unrated				
Non-Retail	8,125,501	7,450	24,916	8,157,867
Corporate	1,735,479	—	—	1,735,479
LGU	6,390,022	7,450	24,916	6,422,388
Retail	44,241,440	2,175,219	15,328,568	61,745,227
Auto Loans	7,900,760	603,828	2,694,913	11,199,501
Housing Loans	16,221,255	1,049,729	8,073,186	25,344,170
Retail SME	10,920,558	322,035	1,428,394	12,670,987
Credit Card	9,198,867	199,627	3,132,075	12,530,569
Others	15,286,939	1,537,544	5,359,160	22,183,643
	67,653,880	3,720,213	20,712,644	92,086,737
	<b>₱509,963,835</b>	<b>₱33,856,294</b>	<b>₱71,542,811</b>	<b>₱615,362,940</b>

	Parent Company			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱212,114,805	₱—	₱—	₱212,114,805
Standard	206,430,322	3,776,903	—	210,207,225
Substandard	40,763,415	20,989,666	—	61,753,081
Impaired	—	—	52,982,964	52,982,964
	459,308,542	24,766,569	52,982,964	537,058,075
Subject to Scoring and Unrated				
Non-Retail	10,135,795	157,989	2,366,325	12,660,109
Corporate	5,919,463	109,747	2,298,527	8,327,737
LGU	4,216,332	48,242	67,798	4,332,372
Retail	40,728,876	972,564	16,728,621	58,430,061
Auto Loans	5,942,501	162,915	2,733,492	8,838,908
Housing Loans	19,117,763	486,743	10,417,573	30,022,079
Retail SME	5,199,675	53,493	1,158,961	6,412,129
Credit Card	10,468,937	269,413	2,418,595	13,156,945
Others	6,067,892	374,035	1,173,741	7,615,668
	56,932,563	1,504,588	20,268,687	78,705,838
	<b>₱516,241,105</b>	<b>₱26,271,157</b>	<b>₱73,251,651</b>	<b>₱615,763,913</b>



	Parent Company			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	P144,259,859	P82,461	P—	P144,342,320
Standard	243,880,794	11,039,396	—	254,920,190
Substandard	46,412,887	18,941,600	—	65,354,487
Impaired	—	—	50,825,100	50,825,100
	434,553,540	30,063,457	50,825,100	515,442,097
Subject to Scoring and Unrated				
Non-Retail	8,125,501	7,450	24,916	8,157,867
Corporate	1,735,479	—	—	1,735,479
LGU	6,390,022	7,450	24,916	6,422,388
Retail	40,039,914	2,169,652	15,076,051	57,285,617
Auto Loans	7,900,760	603,828	2,694,911	11,199,499
Housing Loans	15,596,141	1,049,729	8,073,186	24,719,056
Retail SME	7,344,146	316,468	1,175,879	8,836,493
Credit Card	9,198,867	199,627	3,132,075	12,530,569
Others	13,615,979	1,536,610	5,347,939	20,500,528
	61,781,394	3,713,712	20,448,906	85,944,012
	P496,334,934	P33,777,169	P71,274,006	P601,386,109

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	Consolidated				
	2021				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	P463,159	P365,760	P798,478	P9,453,732	P11,081,129
Auto Loans	106,552	111,726	179,743	2,499,658	2,897,679
Credit Card	2,338	76,839	263,944	2,092,666	2,435,787
Retail SME	292,832	147,427	72,810	965,495	1,478,564
LGU	—	—	—	24,916	24,916
Others	247,220	107,395	111,504	1,542,905	2,009,024
Total	P1,112,101	P809,147	P1,426,479	P16,579,372	P19,927,099

	Consolidated				
	2020				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	P171,132	P24,241	P49,569	P8,755,260	P9,000,202
Auto Loans	252,304	64,849	103,069	2,862,922	3,283,144
Credit Card	5,772	102,605	1,149,930	1,929,958	3,188,265
Retail SME	1,017,410	57,348	117,735	472,398	1,664,891
LGU	24,916	—	—	—	24,916
Others	1,913,966	57,888	67,406	3,746,974	5,786,234
Total	P3,385,500	P306,931	P1,487,709	P17,767,512	P22,947,652



Parent Company					
2021					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	P352,533	P361,041	P794,227	P9,403,925	P10,911,726
Auto Loans	106,552	111,726	179,743	2,499,658	2,897,679
Credit Card	2,338	76,839	263,944	2,092,666	2,435,787
Retail SME	197,544	133,337	70,980	797,201	1,199,062
LGU	—	—	—	24,916	24,916
Others	231,381	103,750	98,761	1,542,905	1,976,797
<b>Total</b>	<b>P890,348</b>	<b>P786,693</b>	<b>P1,407,655</b>	<b>P16,361,271</b>	<b>P19,445,967</b>

Parent Company					
2020					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	P171,132	P24,241	P49,569	P8,755,260	P9,000,202
Auto Loans	252,304	64,849	103,069	2,862,922	3,283,144
Credit Card	5,772	102,605	1,149,930	1,929,958	3,188,265
Retail SME	698,518	28,183	104,005	301,617	1,132,323
LGU	24,916	—	—	—	24,916
Others	1,904,039	57,829	35,756	3,614,926	5,612,550
<b>Total</b>	<b>P3,056,681</b>	<b>P277,707</b>	<b>P1,442,329</b>	<b>P17,464,683</b>	<b>P22,241,400</b>

#### Trading and Investment Securities and Other Financial Assets

In ensuring quality investment portfolio, the Group uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody's Investors Service) as follows:

Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1 and below - represents those investments which fall under any of the following grade:

- Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
- Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
- B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
- Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
- Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.



Below are the financial assets of the Group and the Parent Company, gross of allowances, excluding receivables from customers, which are monitored using external ratings.

Consolidated						
2021						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP <sup>1/</sup>	P=	P=	P=	P=	P161,001,912	P161,001,912
Due from other banks	3,266,569	17,609,563	4,274,418	25,150,550	2,082,125	27,232,675
Interbank loans receivables	1,839,737	24,081,833	1,223,976	27,145,546	4,967,121	32,112,667
Securities held under agreements to resell	—	—	—	—	15,800,317	15,800,317
Financial assets at FVOCI						
Government securities	6,881,673	2,789,153	110,623,588	120,294,414	159,179	120,453,593
Private debt securities	577,330	—	590,387	1,167,717	21,947,762	23,115,479
Quoted equity securities	—	—	48,170	48,170	621,415	669,585
Unquoted equity securities	—	—	406,151	406,151	23,342,482	23,748,633
Investment securities at amortized cost						
Government securities	127,949	200,705	33,747,889	34,076,543	56,751	34,133,294
Private debt securities	670,407	26,131,022	2,804,403	29,605,832	29,538,883	59,144,715
Financial assets at amortized cost						
Loans and receivables - Others <sup>2/</sup>	—	—	—	—	16,870,479	16,870,479

<sup>1/</sup> 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

<sup>2/</sup> Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Consolidated						
2020						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP <sup>1/</sup>	P=	P=	P=	P=	P202,129,356	P202,129,356
Due from other banks	5,813,831	10,123,881	1,802,421	17,740,133	2,003,065	19,743,198
Interbank loans receivables	13,867,302	24,308,309	1,528,253	39,703,864	—	39,703,864
Securities held under agreements to resell	—	—	—	—	15,819,273	15,819,273
Financial assets at FVOCI						
Government securities	85,207	—	90,319,428	90,404,635	20,442,131	110,846,766
Private debt securities	405,322	3,231,687	1,975,897	5,612,906	15,805,628	21,418,534
Quoted equity securities	—	—	119,170	119,170	588,188	707,358
Unquoted equity securities	—	—	420,683	420,683	322,011	742,694
Investment securities at amortized cost						
Government securities	120,351	188,146	42,540,628	42,849,125	226,650	43,075,775
Private debt securities	1,113,697	25,550,637	7,650,120	34,314,454	21,828,162	56,142,616
Financial assets at amortized cost						
Loans and receivables - Others <sup>2/</sup>	—	—	—	—	17,813,208	17,813,208

<sup>1/</sup> 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

<sup>2/</sup> Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Parent Company						
2021						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP <sup>1/</sup>	P=	P=	P=	P=	P161,001,912	P161,001,912
Due from other banks	895,156	16,724,931	130,917	17,751,004	1,582,869	19,333,873
Interbank loans receivables	—	24,081,833	1,223,976	25,305,809	4,996,525	30,302,334
Securities held under agreements to resell	—	—	—	—	15,800,317	15,800,317
Financial assets at FVOCI						
Government securities	6,881,673	2,789,153	110,796,148	120,466,974	—	120,466,974
Private debt securities	577,330	—	590,387	1,167,717	21,947,762	23,115,479
Quoted equity securities	—	—	—	—	621,415	621,415
Unquoted equity securities	—	—	—	—	23,342,482	23,342,482
Investment securities at amortized cost						
Government securities	—	200,705	33,747,889	33,948,594	56,751	34,005,345
Private securities	670,407	26,131,022	2,804,403	29,605,832	29,538,883	59,144,715
Financial assets at amortized cost						
Loans and receivables - Others <sup>2/</sup>	—	—	—	—	16,817,233	16,817,233

<sup>1/</sup> 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

<sup>2/</sup> Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).



Parent Company						
2020						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP <sup>1/</sup>	P=	P=	P=	P=	₱202,129,356	₱202,129,356
Due from other banks	887,022	9,737,045	45,577	10,669,644	1,471,955	12,141,599
Interbank loans receivables	12,005,750	24,308,309	1,528,253	37,842,312	19,240	37,861,553
Securities held under agreements to resell	—	—	—	—	15,819,273	15,819,273
Financial assets at FVOCI						
Government securities	—	—	90,319,428	90,319,428	20,615,597	110,935,025
Private debt securities	405,322	3,231,687	1,975,897	5,612,906	15,805,628	21,418,534
Quoted equity securities	—	—	—	—	588,188	588,188
Unquoted equity securities	—	—	—	—	321,011	321,011
Investment securities at amortized cost						
Government securities	—	188,146	42,540,628	42,728,774	226,650	42,955,424
Private securities	1,113,697	25,550,637	7,650,120	34,314,454	21,828,162	56,142,616
Financial assets at amortized cost						
Loans and receivables - Others <sup>2/</sup>	—	—	—	—	18,148,561	18,148,561

<sup>1/</sup> 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

<sup>2/</sup> Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

### Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Group's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the Parent Company on a daily basis through the Treasury Group.

Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.



Consolidated 2021						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
<b>Financial Assets</b>						
COCI	₱27,552,773	₱-	₱-	₱-	₱-	₱27,552,773
Due from BSP and other banks	198,068,292	-	-	-	-	198,068,292
Interbank loans receivable	19,805,605	10,715,908	1,067,495	568,146	-	32,157,154
Securities held under agreements to resell	15,802,951	-	-	-	-	15,802,951
Financial assets at FVTPL:						
Government securities	57,054	18,448	34,500	11,385,854	4,781,166	16,277,022
Private debt securities	186	18,030	176,191	31,062	2,579,883	2,805,352
Equity securities	17,136	-	12,091	24,183	1,514,836	1,568,246
Derivative assets:						
Gross contractual receivable	61,532,251	14,897,286	7,910,369	4,589,910	13,210	88,943,026
Gross contractual payable	(60,680,112)	(14,704,947)	(7,645,129)	(4,534,606)	-	(87,564,794)
Financial assets at FVOCI:						
Government securities	78,745,484	4,636,909	3,109,299	1,613,622	148,755,225	236,860,539
Private debt securities	3,444,954	1,412,324	8,989,090	854,325	45,106,745	59,807,438
Equity securities	-	7,542	8,062	23,005,580	1,749,225	24,770,409
Investment securities at amortized cost						
Government securities	6,361,591	214,959	6,969,499	6,158,380	54,935,808	74,640,237
Private debt securities	5,269,632	2,317,994	25,944,968	33,115,292	61,667,118	128,315,004
Financial assets at amortized cost:						
Receivables from customers	90,898,111	79,057,653	45,428,175	19,183,146	528,783,731	763,350,816
Other receivables	5,775,560	193,692	749,201	163,276	9,785,849	16,667,578
Other assets	135,528	-	-	796	13,698	150,022
<b>Total financial assets</b>	<b>₱452,786,996</b>	<b>₱98,785,798</b>	<b>₱92,753,811</b>	<b>₱96,158,966</b>	<b>₱859,686,494</b>	<b>₱1,600,172,065</b>

<b>Financial Liabilities</b>						
Deposit liabilities:						
Demand	₱219,090,952	₱-	₱-	₱-	₱-	₱219,090,952
Savings	332,014,541	-	-	-	-	332,014,541
Time and LTNCDs	184,257,674	98,415,142	19,409,706	22,530,166	30,400,359	355,013,047
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	20,905,000	30,667,331	17,594,662	254,995	-	69,421,988
Gross contractual receivable	(20,620,440)	(30,260,033)	(17,395,227)	(254,871)	-	(68,530,571)
Bills and acceptances payable	35,960,884	12,411,424	1,155,713	2,419,107	1,038,240	52,985,368
Bonds Payable	-	-	952,406	952,406	55,263,239	57,168,051
Accrued interest payable and accrued other expenses payable	772,811	419,761	439,484	74,873	1,029,713	2,736,642
Other liabilities	6,022,785	1,091,687	276,512	313,888	2,388,506	10,093,378
<b>Total financial liabilities</b>	<b>₱778,404,207</b>	<b>₱112,745,312</b>	<b>₱22,433,256</b>	<b>₱26,290,564</b>	<b>₱90,120,057</b>	<b>₱1,029,993,396</b>

Consolidated 2020						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
<b>Financial Assets</b>						
COCI	₱25,135,724	₱-	₱-	₱-	₱-	₱25,135,724
Due from BSP and other banks	227,071,689	-	-	-	-	227,071,689
Interbank loans receivable	34,340,204	4,405,439	9,989	747,959	-	39,503,591
Securities held under agreements to resell	15,824,546	-	-	-	-	15,824,546
Financial assets at FVTPL:						
Government securities	76,701	179,570	219,267	365,452	21,495,821	22,336,811
Private debt securities	-	19,488	78,583	98,072	5,098,443	5,294,586
Equity securities	7,974	16,568	4,774	21,580	1,155,708	1,206,604
Investment in UITFs	2,938	-	-	-	-	2,938
Derivative assets:						
Gross contractual receivable	44,836,230	9,157,896	354,321	28,133	143,294	54,519,874
Gross contractual payable	(44,728,121)	(9,045,098)	(347,351)	(35,742)	(165,268)	(54,321,580)
Financial assets at FVOCI:						
Government securities	46,309,951	4,117,305	499,154	4,497,227	66,559,391	121,983,028
Private debt securities	506,753	424,064	1,485,767	3,327,820	18,901,182	24,645,586
Equity securities	-	7,542	8,062	15,605	1,008,477	1,039,686

(Forward)



Consolidated						
2020						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Investment securities at amortized cost						
Government securities	P4,876,875	P743,418	P5,577,997	P2,249,380	P32,108,514	P45,556,184
Private debt securities	132,997	3,995,388	4,245,417	16,980,507	43,692,410	69,046,719
Financial assets at amortized cost:						
Receivables from customers	95,694,816	77,647,882	33,398,312	23,273,429	484,754,727	714,769,166
Other receivables	9,815,467	185,556	703,382	187,629	7,507,310	18,399,344
Other assets	83,840	—	74	1,775	14,220	99,909
<b>Total financial assets</b>	<b>P459,988,584</b>	<b>P91,855,018</b>	<b>P46,237,748</b>	<b>P51,758,826</b>	<b>P682,274,229</b>	<b>P1,332,114,405</b>
Financial Liabilities						
Deposit liabilities:						
Demand	P203,249,771	P—	P—	P—	P—	P203,249,771
Savings	291,773,202	—	—	—	—	291,773,202
Time and LTNCDs	218,590,031	93,745,837	15,129,795	17,667,067	60,032,618	405,165,348
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	35,770,287	12,482,054	11,301,481	1,516,703	122,084	61,192,609
Gross contractual receivable	(35,497,003)	(12,425,675)	(11,063,446)	(1,476,432)	(165,268)	(60,627,824)
Bills and acceptances payable	45,293,030	25,985,275	237,141	1,552,830	14,242,031	87,310,307
Bonds Payable	—	218,453	15,147,938	1,057,058	58,700,049	75,123,498
Accrued interest payable and accrued other expenses payable	222,243	668,159	415,940	501,250	775,241	2,582,833
Other liabilities	9,341,792	207,577	509,323	460,831	1,877,917	12,397,440
<b>Total financial liabilities</b>	<b>P768,743,353</b>	<b>P120,881,680</b>	<b>P31,678,172</b>	<b>P21,279,307</b>	<b>P135,584,672</b>	<b>P1,078,167,184</b>

Parent Company						
2021						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
<b>Financial Assets</b>						
COCI	P27,454,459	P—	P—	P—	P—	P27,454,459
Due from BSP and other banks	185,028,359	—	—	—	—	185,028,359
Interbank loans receivable	18,525,861	10,555,921	667,490	568,146	—	30,317,418
Securities held under agreements to resell	15,802,951	—	—	—	—	15,802,951
Financial assets at FVTPL:						
Government securities	57,054	18,448	34,500	11,385,854	4,781,166	16,277,022
Private debt securities	186	16,568	174,279	27,688	2,415,238	2,633,959
Equity securities	—	—	—	—	—	—
Derivative assets:						
Gross contractual receivable	61,530,679	14,896,451	7,909,765	4,589,910	13,210	88,940,015
Gross contractual payable	(60,680,112)	(14,704,947)	(7,645,129)	(4,534,606)	—	(87,564,794)
Financial assets at FVOCI:						
Government securities	78,586,305	4,636,909	3,109,299	1,613,622	148,755,225	236,701,360
Private debt securities	3,444,953	1,412,324	8,989,090	854,325	45,106,745	59,807,437
Equity securities	—	—	—	22,989,975	1,283,856	24,273,831
Investment securities at amortized cost:						
Government securities	6,361,583	214,935	6,969,499	6,040,436	54,925,559	74,512,012
Private debt securities	5,269,632	2,317,994	25,944,968	33,115,292	61,667,118	128,315,004
Financial assets at amortized cost:						
Receivables from customers	85,985,911	76,497,759	43,568,177	17,225,437	523,447,491	746,724,775
Other receivables	5,992,211	176,561	744,595	110,020	9,764,687	16,788,074
Other assets	134,840	—	—	—	1,502	136,342
<b>Total financial assets</b>	<b>P433,494,872</b>	<b>P96,038,923</b>	<b>P90,466,533</b>	<b>P93,986,099</b>	<b>P852,161,797</b>	<b>P1,566,148,224</b>

(Forward)





	Parent Company					
	2021					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
<b>Financial Liabilities</b>						
Deposit liabilities:						
Demand	₱218,277,561	₱–	₱–	₱–	₱–	₱218,277,561
Savings	330,484,688	–	–	–	–	330,484,688
Time and LTNCDs	191,793,693	96,312,545	16,617,361	22,101,239	30,269,130	357,093,968
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	20,904,918	30,667,331	17,594,655	254,995	–	69,421,899
Gross contractual payable	(20,620,440)	(30,260,033)	(17,395,227)	(254,853)	–	(68,530,553)
Bills and acceptances payable	35,960,884	12,204,336	741,537	1,590,756	647,075	51,144,588
Bonds payable	–	–	952,406	952,406	55,263,239	57,168,051
Accrued interest payable and accrued other expenses payable	747,875	417,706	436,059	60,189	1,027,742	2,689,571
Other liabilities	5,422,424	987,104	236,490	233,850	2,029,972	8,909,840
Total financial liabilities	₱782,971,603	₱110,328,989	₱19,183,281	₱24,938,582	₱89,237,158	₱1,026,659,613

	Parent Company					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
<b>Financial Assets</b>						
COCI	₱25,038,434	₱–	₱–	₱–	₱–	₱25,038,434
Due from BSP and other banks	215,736,563	–	–	–	–	215,736,563
Interbank loans receivable	32,985,081	4,260,745	9,989	386,223	–	37,642,038
Securities held under agreements to resell	15,824,546	–	–	–	–	15,824,546
Financial assets at FVTPL:						
Government securities	76,701	179,570	219,267	365,452	21,495,821	22,336,811
Private debt securities	–	–	53,099	53,099	2,813,834	2,920,032
Equity securities	186	16,568	4,774	21,529	1,155,708	1,198,765
Derivative assets:						
Gross contractual receivable	44,836,134	9,153,035	354,183	28,133	143,294	54,514,779
Gross contractual payable	(44,728,121)	(9,045,098)	(347,351)	(35,742)	(165,268)	(54,321,580)
Financial Assets at FVOCI:						
Government securities	46,236,478	4,117,205	499,054	4,497,027	66,545,692	121,895,456
Private debt securities	506,752	424,064	1,485,767	3,327,820	18,901,182	24,645,585
Equity securities	–	–	–	–	440,899	440,899
Investment securities at amortized cost:						
Government securities	4,876,830	743,372	5,577,997	2,239,307	31,997,363	45,434,869
Private debt securities	132,997	3,995,388	4,245,417	16,980,507	43,692,410	69,046,719
Financial assets at amortized cost:						
Receivables from customers	90,855,723	75,469,612	31,519,717	21,543,002	478,960,310	698,348,364
Other receivables	9,715,666	173,800	696,113	124,133	7,438,848	18,148,560
Other assets	85,672	–	74	–	527	86,273
Total financial assets	₱442,179,642	₱89,488,261	₱44,318,100	₱49,530,490	₱673,420,620	₱1,298,937,113

<b>Financial Liabilities</b>						
Deposit liabilities:						
Demand	₱202,489,354	₱–	₱–	₱–	₱–	₱202,489,354
Savings	290,560,463	–	–	–	–	290,560,463
Time and LTNCDs	226,707,265	91,019,585	12,065,239	17,198,950	59,980,452	406,971,491
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	35,770,120	12,482,054	11,301,212	1,516,703	122,084	61,192,173
Gross contractual receivable	(35,497,003)	(12,425,675)	(11,063,446)	(1,476,432)	(165,268)	(60,627,824)
Bills and acceptances payable	45,191,980	24,161,984	10,337	914	13,636,850	83,002,065
Bonds payable	–	218,453	15,147,938	1,057,058	58,700,049	75,123,498
Accrued interest payable and accrued other expenses payable	253,983	628,398	400,089	471,966	772,420	2,526,856
Other liabilities	8,588,232	145,192	87,867	418,972	1,485,536	10,725,799
Total financial liabilities	₱774,064,394	₱116,229,991	₱27,949,236	₱19,188,131	₱134,532,123	₱1,071,963,875



*BSP reporting for liquidity positions and leverage*

To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the Group computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2021 and 2020, LCR reported to the BSP with certain adjustments is shown in the table below:

	Consolidated		Parent Company	
	2021	2020	2021	2020
LCR	<b>188.31%</b>	174.72%	<b>177.54%</b>	167.92%

The Group also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2021 and 2020, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Available stable funding	<b>P867,468</b>	P845,749	<b>P862,121</b>	P838,677
Required stable funding	<b>630,819</b>	617,061	<b>639,013</b>	623,071
NSFR	<b>137.51%</b>	137.06%	<b>134.91%</b>	134.60%

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

*Trading market risk*

Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99.00% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 400-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.



#### *Objectives and limitations of the VaR methodology*

The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market movements may be under-estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

#### *VaR assumptions/parameters*

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

#### *Backtesting*

The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results. For the years 2021 and 2020, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99.00% confidence level. Nonetheless, closer monitoring and regular review of the model's parameters and assumptions are being conducted.

#### *Stress testing*

To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

#### *VaR limits*

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company. VaR is computed on an undiversified basis; hence, the Parent Company does not consider the correlation effects of the three trading portfolios.



The tables below show the trading VaR (in millions):

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 31, 2021	<b>₱3.67</b>	<b>₱87.21</b>	<b>₱42.28</b>	<b>₱133.17</b>
Average Daily	<b>6.93</b>	<b>401.78</b>	<b>39.50</b>	<b>448.21</b>
Highest	<b>24.90</b>	<b>670.75</b>	<b>48.48</b>	<b>701.79</b>
Lowest	<b>0.88</b>	<b>87.21</b>	<b>23.49</b>	<b>133.17</b>

\* FX VaR is the bankwide foreign exchange risk

\*\* The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2020	₱9.85	₱491.44	₱22.92	₱524.22
Average Daily	9.92	245.63	28.16	346.53
Highest	26.22	608.54	36.81	746.44
Lowest	1.40	46.64	22.92	141.28

\* FX VaR is the bankwide foreign exchange risk

\*\* The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days

## Structural Market Risk

### Non-trading Market Risk

#### *Interest rate risk*

The Group seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Group to interest rate risk. The Group measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a “repricing gap” analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a “repricing gap” for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company’s assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.



The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Group BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated					
	2021					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
<b>Financial Assets*</b>						
Due from BSP and other banks	₱125,574,144	₱12,580,589	₱4,001,191	₱7,196,019	₱38,758,402	₱188,110,345
Interbank loans receivable and securities held under agreements to resell	34,549,285	10,771,927	1,466,248	1,115,301	—	47,902,761
Receivables from customers and other receivables - gross**	128,716,224	64,304,858	18,404,771	30,948,461	103,944,768	346,319,082
Total financial assets	₱288,839,653	₱87,657,374	₱23,872,210	₱39,259,781	₱142,703,170	₱582,332,188
<b>Financial Liabilities*</b>						
Deposit liabilities:						
Savings	₱135,672,175	₱68,263,209	₱23,605,886	₱49,986,458	₱220,893,955	₱498,421,683
Time***	93,532,161	43,039,858	4,787,996	3,235,736	7,133,803	151,729,554
Bonds payable	—	—	—	—	53,383,421	53,383,421
Bills and acceptances payable	42,931,168	8,030,146	43,984	259,804	1,688,695	52,953,797
Total financial liabilities	₱272,135,504	₱119,333,213	₱28,437,866	₱53,481,998	₱283,099,874	₱756,488,455
Repricing gap	₱16,704,149	(₱31,675,839)	(₱4,565,656)	(₱14,222,217)	(₱140,396,704)	(₱174,156,267)
Cumulative gap	16,704,149	(14,971,690)	(19,537,346)	(33,759,563)	(174,156,267)	

\* Financial instruments that are not subject to repricing/rollforward were excluded.

\*\* Receivables from customers excludes residual value of leased assets (Note 10).

\*\*\*Excludes LTNCD.

	Consolidated					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱138,408,279	₱1,393,036	₱440,735	₱461,478	₱81,169,026	₱221,872,554
Interbank loans receivable and securities held under agreements to resell	49,388,997	4,272,415	1,107,414	754,311	—	55,523,137
Receivables from customers and other receivables - gross**	118,843,373	79,871,415	18,556,843	15,140,373	129,523,589	361,935,593
Total financial assets	₱306,640,649	₱85,536,866	₱20,104,992	₱16,356,162	₱210,692,615	₱639,331,284
Financial Liabilities*						
Deposit liabilities:						
Savings	₱79,342,400	₱46,276,884	₱13,997,944	₱20,351,168	₱265,643,369	₱425,611,765
Time***	158,208,607	60,633,884	5,073,362	4,599,658	8,178,530	236,694,041
Bonds payable	—	—	13,852,539	—	50,203,796	64,056,335
Bills and acceptances payable	53,199,286	32,133,862	353,740	224,989	1,247,573	87,159,450
Total financial liabilities	₱290,750,293	₱139,044,630	₱33,277,585	₱25,175,815	₱325,273,268	₱813,521,591
Repricing gap	₱15,890,356	(₱53,507,764)	(₱13,172,593)	(₱8,819,653)	(₱114,580,653)	(₱174,190,307)
Cumulative gap	15,890,356	(37,617,408)	(50,790,001)	(59,609,654)	(174,190,307)	

\* Financial instruments that are not subject to repricing/rollforward were excluded.

\*\* Receivables from customers excludes residual value of leased assets (Note 10).

\*\*\*Excludes LTNCD.



	Parent Company					
	2021					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
<b>Financial Assets*</b>						
Due from BSP and other banks	<b>₱121,537,698</b>	<b>₱10,920,763</b>	<b>₱3,158,864</b>	<b>₱7,169,884</b>	<b>₱37,294,450</b>	<b>₱180,081,659</b>
Interbank loans receivable and securities held under repurchase agreement	<b>33,268,898</b>	<b>10,642,100</b>	<b>1,066,128</b>	<b>1,115,301</b>	<b>—</b>	<b>46,092,427</b>
Receivable from customers and other receivables - gross**	<b>128,716,224</b>	<b>64,304,858</b>	<b>18,404,771</b>	<b>30,948,461</b>	<b>103,944,768</b>	<b>346,319,082</b>
Total financial assets	<b>₱283,522,820</b>	<b>₱85,867,721</b>	<b>₱22,629,763</b>	<b>₱39,233,646</b>	<b>₱141,239,218</b>	<b>₱572,493,168</b>
<b>Financial Liabilities*</b>						
Deposit liabilities:						
Savings	<b>₱134,107,855</b>	<b>₱68,263,209</b>	<b>₱23,605,886</b>	<b>₱49,986,458</b>	<b>₱221,049,602</b>	<b>₱497,013,010</b>
Time***	<b>95,172,643</b>	<b>44,321,054</b>	<b>5,379,430</b>	<b>6,190,653</b>	<b>7,002,570</b>	<b>158,066,350</b>
Bonds payable	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>53,383,421</b>	<b>53,383,421</b>
Bills and acceptances payable	<b>42,808,063</b>	<b>7,284,147</b>	<b>—</b>	<b>—</b>	<b>1,020,808</b>	<b>51,113,018</b>
Total financial liabilities	<b>₱272,088,561</b>	<b>₱119,868,410</b>	<b>₱28,985,316</b>	<b>₱56,177,111</b>	<b>₱282,456,401</b>	<b>₱759,575,799</b>
Repricing gap	<b>₱11,434,259</b>	<b>(₱34,000,689)</b>	<b>(₱6,355,553)</b>	<b>(₱16,943,465)</b>	<b>(₱141,217,183)</b>	<b>(₱187,082,631)</b>
Cumulative gap	<b>11,434,259</b>	<b>(22,566,430)</b>	<b>(28,921,983)</b>	<b>(45,865,448)</b>	<b>(187,082,631)</b>	

\* Financial instruments that are not subject to repricing/rollforward were excluded.

\*\* Receivable from customers excludes residual value of leased assets (Note 10).

\*\*\*Excludes LTNCD.

	Parent Company					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱134,231,726	₱–	₱–	₱–	₱80,039,230	₱214,270,956
Interbank loans receivable and securities held under repurchase agreement	48,028,366	4,157,978	1,107,414	387,068	–	53,680,826
Receivable from customers and other receivables - gross**	118,343,373	79,871,415	18,556,843	15,140,373	129,523,589	361,435,593
Total financial assets	₱300,603,465	₱84,029,393	₱19,664,257	₱15,527,441	₱209,562,819	₱629,387,375
Financial Liabilities*						
Deposit liabilities:						
Savings	₱78,109,443	₱46,276,885	₱13,997,944	₱20,351,168	₱265,902,504	₱424,637,944
Time***	157,099,835	57,907,631	7,664,018	9,786,753	8,126,364	240,584,601
Bonds payable	–	–	13,852,539	–	50,203,796	64,056,335
Bills and acceptances payable	52,786,239	32,021,244	9,877	–	–	84,817,360
Total financial liabilities	₱287,995,517	₱136,205,760	₱35,524,378	₱30,137,921	₱324,232,664	₱814,096,240
Repricing gap	₱12,607,948	(₱52,176,367)	(₱15,860,121)	(₱14,610,480)	(₱114,669,845)	(₱184,708,865)
Cumulative gap	12,607,948	(39,568,419)	(55,428,540)	(70,039,020)	(184,708,865)	

\* Financial instruments that are not subject to repricing/rollforward were excluded.

\*\* Receivables from customers excludes residual value of leased assets (Note 10).

\*\*\*Excludes LTNCD.

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2021 and 2020:

	Consolidated			
	2021		2020	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	(₱75,953)	(₱75,953)	(₱189,181)	(₱189,181)
-50bps	75,953	75,953	189,181	189,181
+100bps	(151,907)	(151,907)	(378,363)	(378,363)
-100bps	151,907	151,907	378,363	378,363



	Parent Company			
	2021		2020	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	(P118,226)	(P118,226)	(P209,911)	(P209,911)
-50bps	118,226	118,226	209,911	209,911
+100bps	(236,452)	(236,452)	(419,823)	(419,823)
-100bps	236,452	236,452	419,823	419,823

As one of the long-term goals in the risk management process, the Group has also implemented the adoption of the economic value approach in measuring the impact of the interest rate risk in the banking books to complement the earnings at risk approach using the modified duration approach. Cognizant of this requirement, the Group has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

#### *Foreign currency risk*

Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

The table below summarizes the exposure to foreign exchange rate risk, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2021			2020		
	USD	Others*	Total	USD	Others*	Total
<b>Assets</b>						
COCI and due from BSP	P215,072	P493,719	P708,791	P150,688	P467,319	P618,007
Due from other banks	14,159,849	4,403,189	18,563,038	10,191,235	5,295,532	15,486,767
Interbank loans receivable and securities held under agreements to resell	1,824,404	2,314,037	4,138,441	4,134,791	429,804	4,564,595
Loans and receivables	27,522,800	11,002,833	38,525,633	24,025,901	11,426,030	35,451,931
Financial Assets at FVTPL	171,178	1,506	172,684	176,502	—	176,502
Financial Assets at FVOCI	519,881	1,569,257	2,089,138	1,948,155	1,302,355	3,250,510
Investment securities at amortized cost	133,824	174,946	308,770	125,883	1,085,208	1,211,091
Other assets	17,128,279	1,223,698	18,351,977	11,341,675	1,175,289	12,516,964
<b>Total assets</b>	<b>61,675,287</b>	<b>21,183,185</b>	<b>82,858,472</b>	<b>52,094,830</b>	<b>21,181,537</b>	<b>73,276,367</b>

(Forward)



	Consolidated					
	2021			2020		
	USD	Others*	Total	USD	Others*	Total
<b>Liabilities</b>						
Deposit liabilities	P8,006,094	P7,778,145	P15,784,239	P7,198,330	P7,474,422	P14,672,752
Derivative liabilities	130	93	223	7,031	6,814	13,845
Bills and acceptances payable	49,117,805	276,958	49,394,763	62,015,195	285,734	62,300,929
Accrued interest payable	53,461	14,072	67,533	95,373	10,284	105,657
Other liabilities	1,115,069	2,211,066	3,326,135	3,952,102	2,011,291	5,963,393
<b>Total liabilities</b>	<b>58,292,559</b>	<b>10,280,334</b>	<b>68,572,893</b>	<b>73,268,031</b>	<b>9,788,545</b>	<b>83,056,576</b>
<b>Net Exposure</b>	<b>P3,382,728</b>	<b>P10,902,851</b>	<b>P14,285,579</b>	<b>(P21,173,201)</b>	<b>P11,392,992</b>	<b>(P9,780,209)</b>

\* Other currencies include UAE Dirham (AED), Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).

	Parent Company					
	2021			2020		
	USD	Others*	Total	USD	Others*	Total
<b>Assets</b>						
COCI and due from BSP	P36,108	P236,932	P273,040	P46,609	P180,870	P227,479
Due from other banks	8,612,030	1,123,695	9,735,725	6,818,795	899,761	7,718,556
Interbank loans receivable and securities held under agreements to resell	1,825,466	473,239	2,298,705	3,428,109	73,449	3,501,558
Loans and receivables	24,993,494	993,679	25,987,173	19,816,024	929,981	20,746,005
Financial assets at FVTPL	169,672	—	169,672	176,502	—	176,502
Financial assets at FVOCI	519,881	1,410,078	1,929,959	1,948,155	1,229,185	3,177,340
Investment securities at amortized cost	5,875	174,946	180,821	5,532	1,085,208	1,090,740
Other assets	17,127,983	—	17,127,983	11,341,675	—	11,341,675
<b>Total assets</b>	<b>53,290,509</b>	<b>4,412,569</b>	<b>57,703,078</b>	<b>43,581,401</b>	<b>4,398,454</b>	<b>47,979,855</b>
<b>Liabilities</b>						
Deposit liabilities	P2,198,873	P4,037,877	P6,236,750	P2,030,840	P3,407,186	P5,438,026
Derivative liabilities	37	—	37	217	—	217
Bills and acceptances payable	48,863,921	—	48,863,921	61,697,679	—	61,697,679
Accrued interest payable	48,907	262	49,169	80,607	226	80,833
Other liabilities	822,886	1,695,641	2,518,527	2,658,432	1,142,058	3,800,490
<b>Total liabilities</b>	<b>51,934,624</b>	<b>5,733,780</b>	<b>57,668,404</b>	<b>66,467,775</b>	<b>4,549,470</b>	<b>71,017,245</b>
<b>Net Exposure</b>	<b>P1,355,885</b>	<b>(P1,321,211)</b>	<b>P34,674</b>	<b>(P22,886,374)</b>	<b>(P151,016)</b>	<b>(P23,037,390)</b>

\* Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso were P51.00 to USD1.00 as of December 31, 2021 and P48.02 to USD1.00 as of December 31, 2020.

The following tables set forth the impact of the range of reasonably possible changes in the USD:PHP exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2021 and 2020:

	2021			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	P28,628	(P33,827)	P8,360	(P13,559)
-1.00%	(28,628)	33,827	(8,360)	13,559

	2020			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	(P233,394)	P213,913	(P248,345)	P228,864
-1.00%	233,394	(213,913)	248,345	(228,864)





The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

## 5. Fair Value Measurement

The Group used the following methods and assumptions in estimating the fair value of its assets and liabilities:

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: <ul style="list-style-type: none"> <li>• quoted market prices;</li> <li>• prices provided by independent parties; or</li> <li>• prices derived using acceptable valuation models</li> </ul>
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities <sup>1</sup> – estimated using either: <ul style="list-style-type: none"> <li>• quoted market prices of comparable investments; or</li> <li>• discounted cash flow methodology</li> </ul>
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using either: <ul style="list-style-type: none"> <li>• quoted market prices of comparable investments <sup>2</sup>; or</li> <li>• net asset value method <sup>3</sup> and applying a discount for lack of marketability</li> </ul>
Investments in UITFs	Based on their published net asset value per share
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology <sup>4</sup> For loans with floating interest rates – at their carrying amounts
Investment properties	Appraisal by independent external and in-house appraisers based on highest and best use of the property (i.e., current use of the properties) <sup>5</sup> using either: <ul style="list-style-type: none"> <li>• market data approach <sup>6</sup>; or</li> <li>• replacement cost approach <sup>7</sup></li> </ul>
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology <sup>8</sup>

*Notes:*

<sup>1</sup> using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation (for government securities) and PHP BVAL rates plus additional credit spread (for corporate/private securities)

<sup>2</sup> using the most relevant multiples (e.g., earnings, book value)

<sup>3</sup> measures the company's value by adjusting the carrying value of its assets to their fair values, and then subtracting the fair value of its liabilities

<sup>4</sup> using the current incremental lending rates for similar loans

<sup>5</sup> considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others

<sup>6</sup> using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold

<sup>7</sup> estimating the investment required to duplicate the property in its present condition

<sup>8</sup> using the current incremental borrowing rates for similar borrowings



*Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following assets and liabilities measured at fair value and at cost but for which fair values are disclosed:

	Consolidated 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Measured at fair value:</b>					
<b>Financial Assets</b>					
Financial assets at FVTPL:					
Government securities	P7,956,013	P3,309,163	P4,646,850	P–	P7,956,013
Private debt securities	1,841,548	949,208	892,340	–	1,841,548
Derivative assets	1,365,051	–	1,365,051	–	1,365,051
Equity securities	5,045	5,045	–	–	5,045
Financial assets at FVOCI:					
Government securities	120,453,593	63,357,650	57,095,943	–	120,453,593
Equity securities	24,418,218	252,902	500,259	23,665,057	24,418,218
Private debt securities	23,115,479	10,175,734	12,939,745	–	23,115,479
	<b>P179,154,947</b>	<b>P78,049,702</b>	<b>P77,440,188</b>	<b>P23,665,057</b>	<b>P179,154,947</b>
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	<b>P891,531</b>	<b>P–</b>	<b>P891,531</b>	<b>P–</b>	<b>P891,531</b>
<b>Fair values are disclosed:</b>					
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Investment securities at amortized cost*	<b>P89,455,843</b>	<b>P17,676,548</b>	<b>P77,195,379</b>	<b>P–</b>	<b>P94,871,927</b>
Receivables from customers**	<b>593,615,093</b>	<b>–</b>	<b>–</b>	<b>627,304,434</b>	<b>627,304,434</b>
	<b>P683,070,936</b>	<b>P17,676,548</b>	<b>P77,195,379</b>	<b>P627,304,434</b>	<b>P722,176,361</b>
<b>Nonfinancial Assets</b>					
Investment property:					
Land***	<b>P9,582,916</b>	<b>P–</b>	<b>P–</b>	<b>P26,914,713</b>	<b>P26,914,713</b>
Buildings and improvements***	<b>1,152,980</b>	<b>–</b>	<b>–</b>	<b>3,030,859</b>	<b>3,030,859</b>
	<b>P10,735,896</b>	<b>P–</b>	<b>P–</b>	<b>P29,945,572</b>	<b>P29,945,572</b>
<b>Financial Liabilities</b>					
Financial liabilities at amortized cost:					
Time deposits	<b>P151,729,554</b>	<b>P–</b>	<b>P–</b>	<b>P151,729,554</b>	<b>P151,729,554</b>
LTNCDs	<b>28,245,390</b>	<b>–</b>	<b>28,314,622</b>	<b>–</b>	<b>28,314,622</b>
Bonds payable	<b>53,383,421</b>	<b>38,997,788</b>	<b>15,727,174</b>	<b>–</b>	<b>54,724,962</b>
Bills payable	<b>45,843,901</b>	<b>–</b>	<b>–</b>	<b>45,860,995</b>	<b>45,860,995</b>
	<b>P279,202,266</b>	<b>P38,997,788</b>	<b>P44,041,796</b>	<b>P197,590,549</b>	<b>P280,630,133</b>

\* Net of expected credit losses (Note 9)

\*\* Net of expected credit losses and unearned and other deferred income (Note 10)

\*\*\* Net of impairment losses (Note 13)



Consolidated					
2020					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P18,136,391	P17,657,777	P478,614	P-	P18,136,391
Private debt securities	4,296,100	3,198,949	1,097,151	-	4,296,100
Equity securities	1,019,626	1,019,626	-	-	1,019,626
Derivative assets	370,653	-	370,653	-	370,653
Investment in UITFs	2,938	-	2,938	-	2,938
(Forward)					
Financial assets at FVOCI:					
Government securities	P110,846,766	P67,513,412	P43,333,354	P-	P110,846,766
Private debt securities	21,418,534	9,773,253	11,645,281	-	21,418,534
Equity securities	1,450,052	302,340	540,109	607,603	1,450,052
	P157,541,060	P99,465,357	P57,468,100	P607,603	P157,541,060
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P701,239	P-	P701,239	P-	P701,239
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P95,235,993	P12,712,144	P86,656,274	P-	P99,368,418
Receivables from customers**	585,855,937	-	-	622,821,007	622,821,007
	P681,091,930	P12,712,144	P86,656,274	P622,821,007	P722,189,425
Nonfinancial Assets					
Investment property:					
Land***	P12,488,869	P-	P-	P26,970,597	P26,970,597
Buildings and improvements***	1,956,887	-	-	3,947,077	3,947,077
	P14,445,756	P-	P-	P30,917,674	P30,917,674
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P236,694,042	P-	P-	P236,694,042	P236,694,042
LTNCDs	28,212,034	-	28,541,261	-	28,541,261
Bonds payable	64,056,335	38,225,468	29,503,486	-	67,728,954
Bills payable	83,598,532	-	-	83,600,018	83,600,018
	P412,560,943	P38,225,468	P58,044,747	P320,294,060	P416,564,275

\* Net of expected credit losses (Note 9)

\*\* Net of expected credit losses and unearned and other deferred income (Note 10)

\*\*\* Net of impairment losses (Note 13)

Parent Company					
2021					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P7,956,013	P3,309,163	P4,646,850	P-	P7,956,013
Private debt securities	1,692,224	799,884	892,340	-	1,692,224
Derivative assets	1,362,041	-	1,362,041	-	1,362,041
Financial assets at FVOCI:					
Government securities	120,466,974	63,198,471	57,268,503	-	120,466,974
Equity securities	23,963,897	252,732	452,259	23,258,906	23,963,897
Private debt securities	23,115,479	10,175,734	12,939,745	-	23,115,479
	P178,556,628	P77,735,984	P77,561,738	P23,258,906	P178,556,628

(Forward)



Parent Company					
2021					
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	P891,346	P-	P891,346	P-	P891,346
<b>Fair values are disclosed:</b>					
<b>Financial Assets</b>					
Financial assets at amortized cost					
Investment securities at amortized cost*	P89,327,894	P17,548,599	P77,195,379	P-	P94,743,978
Receivables from customers**	579,021,317	-	-	612,711,110	612,711,110
	P668,349,211	P17,548,599	P77,195,379	P612,711,110	P707,455,088
<b>Nonfinancial Assets</b>					
Investment property:					
Land***	P9,053,906	P-	P-	P25,982,290	P25,982,290
Buildings and improvements***	1,124,421	-	-	2,761,872	2,761,872
	P10,178,327	P-	P-	P28,744,162	P28,744,162
<b>Financial Liabilities</b>					
Financial liabilities at amortized cost:					
Time deposits	P158,066,350	P-	P-	P158,066,350	P158,066,350
LTNCDs	28,245,390	-	28,314,622	-	28,314,622
Bonds payable	53,383,421	38,997,788	15,727,174	-	54,724,962
Bills payable	44,003,122	-	-	44,020,216	44,020,216
	P283,698,283	P38,997,788	P44,041,796	P202,086,566	P285,126,150

\* Net of expected credit losses (Note 9)

\*\* Net of expected credit losses and unearned and other deferred income (Note 10)

\*\*\* Net of impairment losses (Note 13)

Parent Company					
2020					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
<b>Financial Assets</b>					
Financial assets at FVTPL:					
Government securities	P18,136,391	P17,657,777	P478,614	P-	P18,136,391
Equity securities	2,433,904	1,336,753	1,097,151	-	2,433,904
Private debt securities	1,011,787	1,011,787	-	-	1,011,787
Derivative assets	365,558	-	365,558	-	365,558
Financial assets at FVOCI:					
Government securities	110,935,025	67,428,205	43,506,820	-	110,935,025
Private debt securities	21,418,534	9,773,253	11,645,281	-	21,418,534
Equity securities	910,199	302,170	421,109	186,920	910,199
	P155,211,398	P97,509,945	P57,514,533	P186,920	P155,211,398
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	P700,802	P-	P700,802	P-	P700,802
<b>Fair values are disclosed:</b>					
<b>Financial Assets</b>					
Financial assets at amortized cost					
Investment securities at amortized cost*	P95,115,642	P12,591,794	P86,656,274	P-	P99,248,068
Receivables from customers**	572,237,603	-	-	609,202,673	609,202,673
	P667,353,245	P12,591,794	P86,656,274	P609,202,673	P708,450,741
<b>Nonfinancial Assets</b>					
Investment property:					
Land***	P11,971,463	P-	P-	P26,430,230	P26,430,230
Buildings and improvements***	1,950,335	-	-	3,642,298	3,642,298
	P13,921,798	P-	P-	P30,072,528	P30,072,528

(Forward)



	Parent Company				
	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P240,584,601	P-	P-	P240,584,601	P240,584,601
LTNCDs	28,212,034	-	28,541,261	-	28,541,261
Bonds payable	64,056,335	38,225,468	29,503,485	-	67,728,953
Bills payable	81,256,442	-	-	81,257,927	81,257,927
	P414,109,412	P38,225,468	P58,044,746	P321,842,528	P418,112,742

\* Net of expected credit losses (Note 9)

\*\* Net of expected credit losses and unearned and other deferred income (Note 10)

\*\*\* Net of impairment losses (Note 13)

As of December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid.

The following table summarizes the significant unobservable inputs used to calculate the fair value of Level 3 financial assets at FVOCI of the Group and the Parent Company as of December 31, 2021 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	-2%	+2%
Equity securities	Discount for lack of marketability	P550,659	(P550,659)

#### *Discount for lack of marketability*

For certain unquoted equity securities, the Group imputes a discount for lack of marketability which is a valuation consideration often based on observed data and empirical evidence. Certain valuation studies suggest that private companies typically sell at lower transaction pricing multiples than similar public companies.

## 6. Segment Information

### Business Segments

The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments follow:

- Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;
- Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers;
- Global Banking and Market - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury-bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and
- Other Segments - include, but not limited to, trust, leasing, remittances and other support services. Other support services of the Group comprise of operations and finance.



Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, the chief operating decision maker (CODM), is based on the reportorial requirements under the Regulatory Accounting Principles (RAP) of the BSP, which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	2021					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	P471,810	P28,638,348	P5,631,755	P128,036	(P25,122)	P34,844,827
Inter-segment	17,316,847	(15,099,161)	(2,217,686)	—	—	—
Net interest margin after inter-segment transactions	17,788,657	13,539,187	3,414,069	128,036	(25,122)	34,844,827
Other income	4,774,488	325,327	1,071,713	36,632,015	399,445	43,202,988
Segment revenue	22,563,145	13,864,514	4,485,782	36,760,051	374,323	78,047,815
Other expenses	15,835,760	11,135,265	28,780	1,872,452	374,323	29,246,580
Segment result	P6,727,385	P2,729,249	P4,457,002	P34,887,599	P—	48,801,235
Unallocated expenses						10,830,638
Income before income tax						37,970,597
Income tax						5,545,194
Net income from continuing operations						32,425,403
Net income from discontinued operations						(735,365)
Net income						31,690,038
Non-controlling interests						59,412
Net income for the year attributable to equity holders of the Parent Company						P31,630,626
Other segment information:						
Capital expenditures	P253,520	P22,288	P47,096	P436,928	P—	P759,832
Unallocated capital expenditure						1,016,364
Total capital expenditure						P1,776,196

(Forward)



2021						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Depreciation and amortization	<b>P810,644</b>	<b>P341,467</b>	<b>P21,707</b>	<b>P452,128</b>	<b>P-</b>	<b>P1,625,946</b>
Unallocated depreciation and amortization						<b>1,219,771</b>
Total depreciation and amortization						<b>P2,845,717</b>
Provision for (reversal of) impairment, credit and other losses	<b>P4,355,124</b>	<b>P8,171,174</b>	<b>(P600,974)</b>	<b>P953,687</b>	<b>P-</b>	<b>P12,879,011</b>

\* The adjustments and eliminations column mainly represent the RAP to PFRS adjustments

2020 (As restated – Note 36)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	P103,187	P30,817,596	P4,802,612	P140,191	(P43,123)	P35,820,463
Inter-segment	17,402,385	(17,307,550)	(94,835)	-	-	-
Net interest margin after inter-segment transactions	17,505,572	13,510,046	4,707,777	140,191	(43,123)	35,820,463
Other income	3,431,422	2,194,121	3,976,885	1,252,087	(383,782)	10,470,733
Segment revenue	20,936,994	15,704,167	8,684,662	1,392,278	(426,905)	46,291,196
Other expenses	14,579,502	18,655,970	1,152,761	739,242	(426,905)	34,700,570
Segment result	<b>P6,357,492</b>	<b>(P2,951,803)</b>	<b>P7,531,901</b>	<b>P653,036</b>	<b>P-</b>	<b>11,590,626</b>
Unallocated expenses						11,042,209
Income before income tax						548,417
Income tax						(1,866,402)
Net income from continuing operations						2,414,819
Net income from discontinued operations						210,669
Net income						2,625,488
Non-controlling interests						10,835
Net income for the year attributable to equity holders of the Parent Company						<b>P2,614,653</b>
Other segment information:						
Capital expenditures	<b>P631,935</b>	<b>P3,521</b>	<b>P12,986</b>	<b>P202,179</b>	<b>P-</b>	<b>P850,621</b>
Unallocated capital expenditure						664,098
Total capital expenditure						<b>P1,514,719</b>
Depreciation and amortization	<b>P949,266</b>	<b>P102,145</b>	<b>P3,281</b>	<b>P503,681</b>	<b>P-</b>	<b>P1,558,373</b>
Unallocated depreciation and amortization						1,596,195
Total depreciation and amortization						<b>P3,154,568</b>
Provision for impairment, credit and other losses	<b>P3,054,829</b>	<b>P13,223,352</b>	<b>P269,915</b>	<b>P334,525</b>	<b>P-</b>	<b>P16,882,621</b>

\* The adjustments and eliminations column mainly represent the RAP to PFRS adjustments

2019 (As restated – Note 36)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P5,844,018)	P31,918,140	P5,733,291	P425,212	P125,140	P32,357,765
Inter-segment	23,647,539	(23,030,539)	(617,000)	-	-	-
Net interest margin after inter-segment transactions	17,803,521	8,887,601	5,116,291	425,212	125,140	32,357,765
Other income	3,211,234	2,685,445	1,772,206	1,133,641	604,081	9,406,607
Segment revenue	21,014,755	11,573,046	6,888,497	1,558,853	729,221	41,764,372
Other expenses	11,881,474	5,636,497	472,000	907,645	729,221	19,626,837
Segment result	<b>P9,133,281</b>	<b>P5,936,549</b>	<b>P6,416,497</b>	<b>P651,208</b>	<b>P-</b>	<b>22,137,535</b>

(Forward)



2019 (As restated – Note 36)

	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Unallocated expenses						<u>₱10,023,610</u>
Income before income tax						12,113,925
Income tax						<u>2,452,207</u>
Net income from continuing operations						9,661,718
Net income from discontinued operations						<u>99,488</u>
Net income						9,761,206
Non-controlling interests						<u>79,726</u>
Net income for the year attributable to equity holders of the Parent Company						<u><u>₱9,681,480</u></u>
Other segment information:						
Capital expenditures	<u>₱1,134,511</u>	<u>₱2,327</u>	<u>₱35,242</u>	<u>₱421,317</u>	<u>₱–</u>	<u>₱1,593,397</u>
Unallocated capital expenditure						<u>1,040,436</u>
Total capital expenditure						<u><u>₱2,633,833</u></u>
Depreciation and amortization	<u>₱1,201,558</u>	<u>₱138,114</u>	<u>₱1,850</u>	<u>₱585,804</u>	<u>₱–</u>	<u>₱1,927,326</u>
Unallocated depreciation and amortization						<u>867,185</u>
Total depreciation and amortization						<u><u>₱2,794,511</u></u>
Provision for (reversal of) impairment, credit and other losses	<u>₱1,671,154</u>	<u>₱1,289,340</u>	<u>₱–</u>	<u>(₱50,312)</u>	<u>₱–</u>	<u>₱2,910,182</u>

\* The adjustments and eliminations column mainly represent the RAP to PFRS adjustments

As of December 31, 2021

	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	<u>₱730,811,300</u>	<u>₱264,879,265</u>	<u>₱113,978,883</u>	<u>₱95,128,444</u>	<u>(₱21,793,763)</u>	<u>₱1,183,004,129</u>
Unallocated assets						<u>7,780,533</u>
Total assets						<u><u>₱1,190,784,662</u></u>
Segment liabilities	<u>₱726,607,402</u>	<u>₱214,925,795</u>	<u>₱15,636,431</u>	<u>₱85,879,581</u>	<u>(₱21,417,503)</u>	<u>₱1,021,631,706</u>
Unallocated liabilities						<u>7,930,000</u>
Total liabilities						<u><u>₱1,029,561,706</u></u>

\* The adjustments and eliminations column mainly represent the RAP to PFRS adjustments

As of December 31, 2020

	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	<u>₱710,168,556</u>	<u>₱245,602,089</u>	<u>₱188,310,761</u>	<u>₱95,801,439</u>	<u>(₱16,089,256)</u>	<u>₱1,223,793,589</u>
Unallocated assets						<u>7,340,210</u>
Total assets						<u><u>₱1,231,133,799</u></u>
Segment liabilities	<u>₱695,809,767</u>	<u>₱180,732,406</u>	<u>₱125,848,434</u>	<u>₱78,210,224</u>	<u>(₱12,440,292)</u>	<u>₱1,068,160,539</u>
Unallocated liabilities						<u>6,990,252</u>
Total liabilities						<u><u>₱1,075,150,791</u></u>

\*The adjustments and eliminations column mainly represent the RAP to PFRS adjustments





### Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in four principal geographical areas of the world. The distribution of assets, liabilities, credit commitments items and revenues by geographic region of the Group follows:

	Non-current Assets*		Liabilities		Capital Expenditures	
	2021	2020	2021	2020	2021	2020
Philippines	<b>P634,529,203</b>	P510,574,534	<b>P980,065,000</b>	P1,037,677,448	<b>P1,728,280</b>	P1,511,914
Asia (excluding Philippines)	<b>21,099,162</b>	11,632,923	<b>39,749,446</b>	35,588,190	<b>45,649</b>	1,726
USA and Canada	<b>1,593,358</b>	107,862,854	<b>9,629,585</b>	1,793,735	<b>2,267</b>	1,079
United Kingdom	<b>1,002</b>	1,096,326	<b>117,675</b>	91,418	<b>—</b>	—
	<b>P657,222,725</b>	P631,166,637	<b>P1,029,561,706</b>	P1,075,150,791	<b>P1,776,196</b>	P1,514,719

\* Gross of allowance for impairment and credit losses (Note 16), unearned and other deferred income (Note 10), and accumulated amortization and depreciation (Notes 11, 13, and 14)

	Credit Commitments		Revenues	
	2021	2020	2021 (As restated – Note 36)	2019 (As restated – Note 36)
Philippines	<b>P45,038,930</b>	P44,036,152	<b>P83,243,604</b>	P56,002,435
Asia (excluding Philippines)	—	90,715	<b>1,561,499</b>	867,185
USA and Canada	—	—	<b>694,003</b>	348,775
United Kingdom	—	—	<b>106,259</b>	202,787
	<b>P45,038,930</b>	P44,126,867	<b>P85,605,365</b>	P57,421,182

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The areas of operations include all the primary business segments.

## 7. Due from Bangko Sentral ng Pilipinas

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Demand deposit (Note 17)	<b>P81,273,307</b>	P80,029,356	<b>P81,273,307</b>	P80,029,356
Term deposit facility (TDF)	<b>79,728,605</b>	122,100,000	<b>79,728,605</b>	122,100,000
	<b>P161,001,912</b>	P202,129,356	<b>P161,001,912</b>	P202,129,356

TDFs bear annual interest rates ranging from to 1.50% to 1.88% in 2021, from 1.62% to 3.80% in 2020 and 3.50% to 5.23% in 2019.

## 8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

### Interbank Loans Receivables

Interbank loans receivables of the Group and the Parent Company bear interest ranging from:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Peso-denominated	<b>1.0% - 2.0%</b>	0.0% - 3.7%	N/A	<b>1.0% - 2.0%</b>	0.0% - 3.7%	N/A
Foreign currency-denominated	<b>0.0% - 1.5%</b>	0.0% - 2.2%	0.0% - 5.0%	<b>0.0% - 1.5%</b>	0.0% - 2.2%	0.0% - 5.0%



The amount of the Group's and the Parent Company's interbank loans receivable considered as cash and cash equivalents follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Interbank loans receivable	<b>₱32,112,667</b>	₱39,703,864	<b>₱30,302,334</b>	₱37,861,553
Less: Allowance for credit losses (Note 16)	<b>6,579</b>	2,883	<b>6,579</b>	2,883
	<b>32,106,088</b>	39,700,981	<b>30,295,755</b>	37,858,670
Less: Interbank loans receivable not considered as cash and cash equivalents	<b>1,652,710</b>	761,409	<b>1,253,379</b>	394,166
	<b>₱30,453,378</b>	₱38,939,572	<b>₱29,042,376</b>	₱37,464,504

#### Securities Held under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 1.50% to 2.50%, from 2.00% to 3.25%, and from 4.00% to 4.75% in 2021, 2020 and 2019, respectively. As of December 31, 2021 and 2020, allowance for credit losses on securities held under agreements to resell amounted to ₱3.6 million and nil, respectively (Note 16).

The fair value of the treasury bills pledged under these agreements as of December 31, 2021 and 2020 amounted to ₱16.0 billion and ₱16.5 billion, respectively, for the Group, and ₱16.0 billion and ₱16.5 billion, respectively, for the Parent Company (Note 35).

In 2021, 2020 and 2019, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱83.3 million, ₱244.0 million, and ₱668.2 million, respectively, for the Group and ₱31.0 million, ₱186.2 million, and ₱568.1 million, respectively, for the Parent Company.

## 9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Financial assets at FVTPL	<b>₱11,167,657</b>	₱23,825,708	<b>₱11,010,278</b>	₱21,947,640
Financial assets at FVOCI	<b>167,987,290</b>	133,715,352	<b>167,546,350</b>	133,263,758
Investment securities at amortized cost	<b>89,455,843</b>	95,235,993	<b>89,327,894</b>	95,115,642
	<b>₱268,610,790</b>	₱252,777,053	<b>₱267,884,522</b>	₱250,327,040

#### Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Government securities	<b>₱7,956,013</b>	₱18,136,391	<b>₱7,956,013</b>	₱18,136,391
Private debt securities	<b>1,841,548</b>	4,296,100	<b>1,692,224</b>	2,433,904
Derivative assets (Notes 23 and 35)	<b>1,365,051</b>	370,653	<b>1,362,041</b>	365,558
Equity securities	<b>5,045</b>	1,019,626	—	1,011,787
Investment in UITFs	—	2,938	—	—
	<b>₱11,167,657</b>	₱23,825,708	<b>₱11,010,278</b>	₱21,947,640



The effective interest rates of debt securities at FVTPL range from:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Government securities	<b>1.4% - 9.5%</b>	2.6% - 8.0%	2.8% - 9.5%	<b>1.4% - 9.5%</b>	2.6% - 8.0%	2.8% - 9.5%
Private debt securities	<b>4.9% - 6.9%</b>	4.9% - 7.0%	5.5% - 7.4%	<b>4.9% - 6.9%</b>	4.9% - 7.0%	5.5% - 7.4%

#### Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Government securities (Note 19)	<b>₱120,453,593</b>	₱110,846,766	<b>₱120,466,974</b>	₱110,935,025
Private debt securities (Note 19)	<b>23,115,479</b>	21,418,534	<b>23,115,479</b>	21,418,534
Equity securities				
Quoted	<b>669,585</b>	707,358	<b>621,415</b>	588,188
Unquoted	<b>23,748,633</b>	742,694	<b>23,342,482</b>	322,011
	<b>₱167,987,290</b>	₱133,715,352	<b>₱167,546,350</b>	₱133,263,758

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱23.0 billion as of December 31, 2021 (Note 12). The fair value was determined using the net asset value method as discussed in Note 5. Further, the Parent Company applied 16.50% discount for lack of marketability by referring to a number of recent initial public offerings.

The nominal interest rates of debt securities at FVOCI range from:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Government securities	<b>0.1% - 18.3%</b>	0.2% - 18.3%	0.2% - 18.3%	<b>0.1% - 18.3%</b>	0.2% - 18.3%	0.2% - 18.3%
Private debt securities	<b>0.4% - 6.9%</b>	2.0% - 6.9%	3.5% - 6.9%	<b>0.4% - 6.9%</b>	2.0% - 6.9%	3.5% - 6.9%

As of December 31, 2021 and 2020, the fair value of financial assets at FVOCI in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions amounted to ₱32.8 billion and ₱42.1 billion, respectively (Note 19). In 2020, the fair value of financial assets at FVOCI in the form of private bonds pledged as collateral amounted to ₱2.5 billion (Note 19). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the counterparties have the right to hold the securities and sell them as settlement of the repurchase agreement.



The movements in 'Net unrealized gains (losses) on financial assets at FVOCI' of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balance at the beginning of the year	<b>₱3,054,403</b>	₱3,250,651	<b>₱3,054,403</b>	₱3,250,651
Changes in fair values:				
Debt securities	<b>(1,617,239)</b>	1,872,952	<b>(1,594,699)</b>	1,815,304
Equity securities	<b>(21,809)</b>	(251,071)	<b>63,722</b>	(83,882)
Provisions for credit losses (Note 16)	<b>66,752</b>	19,163	<b>64,122</b>	15,760
Realized gains	<b>(1,540,192)</b>	(2,455,264)	<b>(1,540,192)</b>	(2,454,697)
Share in net unrealized gains (losses) of subsidiaries and an associate (Note 12)	<b>(558,030)</b>	662,951	<b>(663,471)</b>	556,246
Effect of disposal group classified as held-for-sale (Note 36)	—	(29,209)	—	(29,209)
	<b>(616,115)</b>	3,070,173	<b>(616,115)</b>	3,070,173
Income tax effect (Note 30)	<b>(87,622)</b>	(15,770)	<b>(87,622)</b>	(15,770)
	<b>(₱703,737)</b>	₱3,054,403	<b>(₱703,737)</b>	₱3,054,403

As of December 31, 2021 and 2020, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱134.2 million and ₱67.4 million and ₱131.5 million and ₱67.4 million, respectively, for the Group and the Parent Company (Note 16). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.

#### Investment Securities at Amortized Cost

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Government securities (Notes 19 and 32)	<b>₱34,133,294</b>	₱42,713,634	<b>₱34,005,345</b>	₱42,593,283
Private debt securities	<b>59,144,715</b>	56,504,757	<b>59,144,715</b>	56,504,757
	<b>93,278,009</b>	99,218,391	<b>93,150,060</b>	99,098,040
Less allowance for credit losses (Note 16)	<b>3,822,166</b>	3,982,398	<b>3,822,166</b>	3,982,398
	<b>₱89,455,843</b>	₱95,235,993	<b>₱89,327,894</b>	₱95,115,642

The effective interest rates of investment securities at amortized cost range from:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Government securities	<b>0.1% - 7.4%</b>	0.1% - 7.8%	0.5% - 7.6%	<b>0.1% - 7.4%</b>	0.1% - 7.8%	0.5% - 7.6%
Private debt securities	<b>0.4% - 6.9%</b>	0.3% - 8.3%	0.3% - 8.3%	<b>0.4% - 6.9%</b>	0.3% - 8.3%	0.3% - 8.3%

In 2021 and 2020, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.



As of December 31, 2021 and 2020, the fair value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱5.6 billion and ₱27.6 billion, respectively (Note 19).

#### Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Continuing operations:						
Financial assets at FVOCI	<b>₱3,015,328</b>	₱2,746,017	₱4,221,198	<b>₱3,015,524</b>	₱2,699,477	₱4,076,597
Investment securities at amortized cost	<b>3,265,371</b>	3,750,255	4,515,879	<b>3,264,195</b>	3,748,623	4,472,466
	<b>6,280,699</b>	6,496,272	8,737,077	<b>6,279,719</b>	6,448,100	8,549,063
Discontinued operations (Note 36):						
Financial assets at FVOCI	<b>11,135</b>	38,756	68,208	–	–	–
Investment securities at amortized cost	<b>8,695</b>	43,478	–	–	–	–
	<b>19,830</b>	82,234	68,208	–	–	–
	<b>₱6,300,529</b>	₱6,578,506	₱8,805,285	<b>₱6,279,719</b>	₱6,448,100	₱8,549,063

#### Trading and Investment Securities Gains - net

This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Continuing operations:						
Financial assets at FVTPL						
Government securities	<b>₱–</b>	₱395,156	₱1,199,840	<b>₱–</b>	₱395,156	₱1,199,934
Private debt securities	<b>(825,476)</b>	561,385	122,502	<b>(954,145)</b>	673,706	102,524
Equity securities	<b>2,323</b>	(71,685)	36,689	–	(64,507)	35,827
Derivatives (Note 23)	<b>(23,472)</b>	(2,532)	(3,733)	<b>(23,472)</b>	(2,532)	(3,733)
Investment in UITFs	–	–	181	–	–	–
Financial assets at FVOCI						
Government securities	<b>1,510,133</b>	2,031,425	(317,244)	<b>1,510,133</b>	2,031,425	(317,609)
Private debt securities	<b>30,057</b>	423,839	35,904	<b>30,057</b>	423,272	–
Equity securities	<b>2</b>	–	–	<b>2</b>	–	–
Investment securities at amortized cost	<b>38,005</b>	1	212	<b>38,005</b>	1	212
	<b>731,572</b>	3,337,589	1,074,351	<b>600,580</b>	3,456,521	1,017,155
Discontinued operations (Note 36):						
Financial assets at FVTPL						
Investment in UITFs	–	43	28	–	–	–
Equity securities	–	7	5	–	–	–
Government securities	–	–	94	–	–	–
Financial assets at FVOCI						
Government securities	–	8,829	–	–	–	–
Investment securities at amortized cost	–	294	–	–	–	–
	–	9,173	127	–	–	–
	<b>₱731,572</b>	₱3,346,762	₱1,074,478	<b>₱600,580</b>	₱3,456,521	₱1,017,155



## 10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Receivables from customers:				
Loans and discounts	<b>P597,979,601</b>	P587,478,355	<b>P586,259,980</b>	P576,156,244
Credit card receivables	<b>13,156,945</b>	12,530,569	<b>13,156,945</b>	12,530,569
Customers' liabilities on letters of credit and trust receipts	<b>8,315,300</b>	7,675,028	<b>8,143,281</b>	7,548,855
Customers' liabilities on acceptances (Note 19)	<b>7,109,896</b>	3,560,917	<b>7,109,896</b>	3,560,917
Lease contracts receivable (Note 29)	<b>2,615,992</b>	3,000,395	<b>5,850</b>	5,876
Bills purchased (Note 22)	<b>1,364,543</b>	1,815,653	<b>1,087,961</b>	1,583,648
	<b>630,542,277</b>	616,060,917	<b>615,763,913</b>	601,386,109
Less unearned and other deferred income	<b>1,118,244</b>	1,464,726	<b>856,408</b>	1,132,928
	<b>629,424,033</b>	614,596,191	<b>614,907,505</b>	600,253,181
Other receivables:				
Accrued interest receivable	<b>6,053,656</b>	6,636,538	<b>5,962,235</b>	6,546,063
Sales contract receivables (Note 33)	<b>6,029,384</b>	6,548,300	<b>5,980,029</b>	6,497,901
Accounts receivable	<b>4,191,402</b>	4,196,666	<b>3,579,515</b>	3,835,436
Miscellaneous	<b>596,037</b>	431,704	<b>1,295,454</b>	1,269,161
	<b>16,870,479</b>	17,813,208	<b>16,817,233</b>	18,148,561
	<b>646,294,512</b>	632,409,399	<b>631,724,738</b>	618,401,742
Less allowance for credit losses (Note 16)	<b>39,340,761</b>	32,414,651	<b>39,225,977</b>	31,499,881
	<b>P606,953,751</b>	P599,994,748	<b>P592,498,761</b>	P586,901,861

Included in 'Surplus reserves' is the amount of P4.5 billion and P4.4 billion as of December 31, 2021 and 2020, respectively, which pertains to the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (Note 25).

Below is the reconciliation of loans and receivables as to classes:

	Consolidated							
	2021							
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables
Receivables from customers:								
Loans and discounts	<b>P537,441,467</b>	<b>P4,332,372</b>	<b>P-</b>	<b>P7,551,964</b>	<b>P30,917,379</b>	<b>P8,838,908</b>	<b>P8,897,511</b>	<b>P-</b>
Credit card receivables	-	-	13,156,945	-	-	-	-	-
Customers' liabilities on letters of credit and trust receipts	<b>8,236,285</b>	-	-	79,015	-	-	-	-
Customers' liabilities on acceptances (Note 19)	<b>7,107,448</b>	-	-	2,448	-	-	-	-
Lease contracts receivable (Note 29)	<b>768,872</b>	-	-	1,841,270	-	-	5,850	-
Bills purchased (Note 22)	<b>1,123,658</b>	-	-	48,973	-	-	191,912	-
	<b>554,677,730</b>	<b>4,332,372</b>	<b>13,156,945</b>	<b>9,523,670</b>	<b>30,917,379</b>	<b>8,838,908</b>	<b>9,095,273</b>	<b>-</b>
Other receivables:								
Accrued interest receivable	-	-	-	-	-	-	-	6,053,656
Sales contract receivables (Note 33)	-	-	-	-	-	-	-	6,029,384
Accounts receivable	-	-	-	-	-	-	-	4,191,402
Miscellaneous	-	-	-	-	-	-	-	596,037
	<b>554,677,730</b>	<b>4,332,372</b>	<b>13,156,945</b>	<b>9,523,670</b>	<b>30,917,379</b>	<b>8,838,908</b>	<b>9,095,273</b>	<b>16,870,479</b>
Less: Unearned and other deferred income	<b>603,496</b>	<b>12,659</b>	-	<b>184,765</b>	<b>(190)</b>	<b>74,135</b>	<b>240,624</b>	<b>2,755</b>
Allowance for credit losses (Note 16)	<b>25,630,373</b>	<b>78,695</b>	<b>2,407,927</b>	<b>1,815,980</b>	<b>3,432,766</b>	<b>1,478,746</b>	<b>967,208</b>	<b>3,529,066</b>
	<b>P528,443,861</b>	<b>P4,241,018</b>	<b>P10,749,018</b>	<b>P7,522,925</b>	<b>P27,484,803</b>	<b>P7,286,027</b>	<b>P7,887,441</b>	<b>P13,338,658</b>
								<b>P606,953,751</b>



	Consolidated								Total
	2020								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	
Receivables from customers:									
Loans and discounts	P513,285,506	P6,422,388	P-	P10,396,965	P25,344,170	P11,199,499	P20,829,827	P-	P587,478,355
Credit card receivables	-	-	12,530,569	-	-	-	-	-	12,530,569
Customers' liabilities on letters of credit and trust receipts	6,806,450	-	-	192,544	-	-	676,034	-	7,675,028
Customers' liabilities on acceptances (Note 19)	3,560,917	-	-	-	-	-	-	-	3,560,917
Lease contracts receivable (Note 29)	950,542	-	-	2,043,976	-	-	5,877	-	3,000,395
Bills purchased (Note 22)	1,106,246	-	-	37,502	-	-	671,905	-	1,815,653
	525,709,661	6,422,388	12,530,569	12,670,987	25,344,170	11,199,499	22,183,643	-	616,060,917
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	6,636,538	6,636,538
Sales contract receivables (Note 33)	-	-	-	-	-	-	-	6,548,300	6,548,300
Accounts receivable	-	-	-	-	-	-	-	4,196,666	4,196,666
Miscellaneous	-	-	-	-	-	-	-	431,704	431,704
	525,709,661	6,422,388	12,530,569	12,670,987	25,344,170	11,199,499	22,183,643	17,813,208	633,874,125
Less: Unearned and other deferred income	611,704	-	-	232,078	231,866	111,788	257,424	19,866	1,464,726
Allowance for credit losses (Note 16)	19,220,256	50,693	2,587,668	1,808,192	2,373,886	1,032,804	2,054,765	3,286,387	32,414,651
	P505,877,701	P6,371,695	P9,942,901	P10,630,717	P22,738,418	P10,054,907	P19,871,454	P14,506,955	P599,994,748

	Parent Company								Total
	2021								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	
Receivables from customers:									
Loans and discounts	P529,367,021	P4,332,372	P-	P6,281,693	P30,022,079	P8,838,908	P7,417,907	P-	P586,259,980
Credit card receivables	-	-	13,156,945	-	-	-	-	-	13,156,945
Customers' liabilities on letters of credit and trust receipts	8,064,266	-	-	79,015	-	-	-	-	8,143,281
Customers' liabilities on acceptances (Note 19)	7,107,448	-	-	2,448	-	-	-	-	7,109,896
Lease contracts receivable (Note 29)	-	-	-	-	-	-	5,850	-	5,850
Bills purchased (Note 22)	847,077	-	-	48,973	-	-	191,911	-	1,087,961
	545,385,812	4,332,372	13,156,945	6,412,129	30,022,079	8,838,908	7,615,668	-	615,763,913
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	5,962,235	5,962,235
Sales contract receivables	-	-	-	-	-	-	-	5,980,029	5,980,029
Accounts receivable	-	-	-	-	-	-	-	3,579,515	3,579,515
Miscellaneous	-	-	-	-	-	-	-	1,295,454	1,295,454
	545,385,812	4,332,372	13,156,945	6,412,129	30,022,079	8,838,908	7,615,668	16,817,233	632,581,146
Less: Unearned and other deferred income	518,725	12,659	-	8,150	(190)	74,135	240,624	2,305	856,408
Allowance for credit losses (Note 16)	26,900,880	78,695	2,407,927	653,014	3,414,969	1,478,746	954,262	3,337,484	39,225,977
	P517,966,207	P4,241,018	P10,749,018	P5,750,965	P26,607,300	P7,286,027	P6,420,782	P13,477,444	P592,498,761

	Parent Company								Total
	2020								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	
Receivables from customers:									
Loans and discounts	P506,062,142	P6,422,388	P-	P8,606,447	P24,719,056	P11,199,499	P19,146,712	P-	P576,156,244
Credit card receivables	-	-	12,530,569	-	-	-	-	-	12,530,569
Customers' liabilities on letters of credit and trust receipts	6,680,277	-	-	192,544	-	-	676,034	-	7,548,855
Customers' liabilities on acceptances (Note 19)	3,560,917	-	-	-	-	-	-	-	3,560,917
Lease contracts receivable (Note 29)	-	-	-	-	-	-	5,876	-	5,876
Bills purchased (Note 22)	874,240	-	-	37,502	-	-	671,906	-	1,583,648
	517,177,576	6,422,388	12,530,569	8,836,493	24,719,056	11,199,499	20,500,528	-	601,386,109
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	6,546,063	6,546,063
Sales contract receivables	-	-	-	-	-	-	-	6,497,901	6,497,901
Accounts receivable	-	-	-	-	-	-	-	3,835,436	3,835,436
Miscellaneous	-	-	-	-	-	-	-	1,269,161	1,269,161
	517,177,576	6,422,388	12,530,569	8,836,493	24,719,056	11,199,499	20,500,528	18,148,561	619,534,670
Less: Unearned and other deferred income	516,988	-	-	12,826	231,866	111,788	257,424	2,036	1,132,928
Allowance for credit losses (Note 16)	19,027,613	50,693	2,587,668	906,590	2,367,615	1,032,804	2,042,594	3,484,304	31,499,881
	P497,632,975	P6,371,695	P9,942,901	P7,917,077	P22,119,575	P10,054,907	P18,200,510	P14,662,221	P586,901,861



### Lease Contract Receivables

An analysis of the Group's and the Parent Company's lease contract receivables follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Minimum lease payments				
Due within one year	<b>P1,232,961</b>	P1,364,058	<b>P5,850</b>	P3,926
Due beyond one year but not over five years	<b>643,821</b>	906,513	—	1,950
Due beyond five years	<b>14,344</b>	31,845	—	—
	<b>1,891,126</b>	2,302,416	<b>5,850</b>	5,876
Residual value of leased equipment				
Due within one year	<b>505,784</b>	374,959	—	—
Due beyond one year but not over five years	<b>219,082</b>	323,020	—	—
	<b>724,866</b>	697,979	—	—
Gross investment in lease contract receivables (Note 29)	<b>P2,615,992</b>	P3,000,395	<b>P5,850</b>	P5,876

### Interest Income on Loans and Receivables

As of December 31, 2021 and 2020, 69.4% and 68.8%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2021 and 2020, 68.3% and 68.7%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.0% to 9.0% in 2021, from 1.1% to 9.0% in 2020 and from 1.0% to 9.0% in 2019 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2021, from 1.1% to 21.0% in 2020 and from 2.5% to 19.4% in 2019 for peso-denominated receivables. Sales contract receivables bear fixed interest rates per annum ranging from 3.3% to 21.0% in 2021, 2020 and 2019.

## 11. Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated							
	2021							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost								
Balance at beginning of year	P11,681,540	P7,306,064	P8,021,090	P558,206	P450,453	P1,831,386	P2,402,907	P32,251,646
Additions	–	52,562	958,466	–	21,483	88,230	3,352,354	4,473,095
Disposals	(6,903,931)	(4,996,308)	(227,513)	–	–	–	–	(12,127,752)
Transfers/others	365,633	1,271,705	(32,808)	13,700	(93,377)	89,140	(364,540)	1,249,453
Balance at end of year	5,143,242	3,634,023	8,719,235	571,906	378,559	2,008,756	P5,390,721	25,846,442
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	3,539,412	4,729,038	51,455	–	1,707,836	1,176,303	11,204,044
Depreciation and amortization	–	377,186	1,000,213	5,362	–	191,025	564,168	2,137,954
Disposals	–	(2,313,920)	(129,362)	–	–	–	–	(2,443,282)
Transfers/others	–	450,992	(41,839)	6,065	–	(13,052)	(95,647)	306,519
Balance at end of year	–	2,053,670	5,558,050	62,882	–	1,885,809	1,644,824	11,205,235
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	–	1,168,887
Net Book Value at End of Year	P4,600,067	P954,641	P3,161,185	P509,024	P378,559	P122,947	P3,745,897	P13,472,320

	Consolidated							
	2020							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of- Use Asset – Bank Premises	Total
Cost								
Balance at beginning of year	₱11,677,104	₱7,026,901	₱7,801,970	₱570,456	₱793,698	₱1,510,890	₱2,279,267	₱31,660,286
Additions	–	228,386	839,396	–	–	163,465	122,420	1,353,667
Disposals	–	–	(306,808)	–	–	(2,143)	–	(308,951)
Transfers/others	4,436	50,777	(267,198)	(12,250)	(343,245)	165,412	67,053	(335,015)
Effect of disposal group classified as held for sale (Note 36)	–	–	(46,270)	–	–	(6,238)	(65,833)	(118,341)
Balance at end of year	11,681,540	7,306,064	8,021,090	558,206	450,453	1,831,386	2,402,907	32,251,646

(Forward)





	Consolidated							Total
	2020							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	
Accumulated Depreciation and Amortization								
Balance at beginning of year	P=	₱3,210,442	₱4,257,395	₱51,093	P=	₱1,289,338	₱568,067	₱9,376,335
Depreciation and amortization	–	339,006	586,637	5,561	–	231,862	1,159,449	2,322,515
Disposals	–	–	(278,069)	–	–	(1,909)	–	(279,978)
Transfers/others	–	(10,036)	203,287	(5,199)	–	194,362	(527,337)	(144,923)
Effect of disposal group classified as held for sale (Note 36)	–	–	(40,212)	–	–	(5,817)	(23,876)	(69,905)
Balance at end of year	–	3,539,412	4,729,038	51,455	–	1,707,836	1,176,303	11,204,044
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	–	1,168,887
Net Book Value at End of Year	₱11,138,365	₱3,140,940	₱3,292,052	₱506,751	₱450,453	₱123,550	₱1,226,604	₱19,878,715

	Parent Company						
	2021						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
<b>Cost</b>							
Balance at beginning of year	₱11,681,540	₱7,234,289	₱6,217,199	₱450,452	₱1,733,319	₱2,335,489	₱29,652,288
Additions	–	52,562	514,992	21,483	86,693	3,350,486	4,026,216
Disposals	(6,903,931)	(4,996,308)	(42,151)	–	–	–	(11,942,390)
Transfers/others	365,633	1,269,732	(42,371)	(93,375)	82,557	126,531	1,708,707
Balance at end of year	5,143,242	3,560,275	6,647,669	378,560	1,902,569	5,812,506	23,444,821
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	–	3,529,281	3,797,886	–	1,645,854	1,103,399	10,076,420
Depreciation and amortization	–	376,090	764,403	–	184,959	510,723	1,836,175
Disposals	–	(2,313,920)	(42,105)	–	–	–	(2,356,025)
Transfers/others	–	449,990	(46,024)	–	(17,393)	519,800	906,373
Balance at end of year	–	2,041,441	4,474,160	–	1,813,420	2,133,922	10,462,943
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	1,168,887
<b>Net Book Value at End of Year</b>	<b>₱4,600,067</b>	<b>₱893,122</b>	<b>₱2,173,509</b>	<b>₱378,560</b>	<b>₱89,149</b>	<b>₱ 3,678,584</b>	<b>₱11,812,991</b>

	Parent Company						
	2020						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
<b>Cost</b>							
Balance at beginning of year	₱11,473,905	₱6,795,026	₱5,637,147	₱793,697	₱1,498,124	₱2,032,318	₱28,230,217
Additions	–	228,386	636,785	–	162,500	122,420	1,150,091
Disposals	–	–	(210,854)	–	–	–	(210,854)
Transfers/others	207,635	210,877	154,121	(343,245)	72,695	180,751	482,834
Balance at end of year	11,681,540	7,234,289	6,217,199	450,452	1,733,319	2,335,489	29,652,288
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	–	3,152,505	3,686,338	–	990,738	488,171	8,317,752
Depreciation and amortization	–	337,780	277,477	–	216,061	1,066,601	1,897,919
Disposals	–	–	(210,829)	–	–	–	(210,829)
Transfers/others	–	38,996	44,900	–	439,055	(451,373)	71,578
Balance at end of year	–	3,529,281	3,797,886	–	1,645,854	1,103,399	10,076,420
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	1,168,887
<b>Net Book Value at End of Year</b>	<b>₱11,138,365</b>	<b>₱3,079,296</b>	<b>₱ 2,419,313</b>	<b>₱450,452</b>	<b>₱87,465</b>	<b>₱1,232,090</b>	<b>₱18,406,981</b>

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱1.5 billion as of December 31, 2021 and 2020.

Certain property and equipment of the Parent Company with carrying amount of ₱92.6 million are temporarily idle as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, property and equipment of the Parent Company with gross carrying amount of ₱9.8 billion and ₱8.3 billion are fully depreciated but are still being used.

Gain (loss) on disposal of property and equipment in 2021, 2020 and 2019 amounted to ₱8.4 million, ₱7.8 million, and (₱9.0 million), respectively, for the Group and (₱0.8 million), ₱1.3 million and ₱1.0 million, respectively, for the Parent Company (Note 26).



Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Continuing operations:						
Depreciation						
Property and equipment	<b>₱2,137,954</b>	₱2,322,515	₱2,112,689	<b>₱1,836,175</b>	₱1,897,919	₱1,616,928
Investment properties (Note 13)	<b>76,575</b>	259,128	178,908	<b>55,337</b>	167,536	120,604
Chattel mortgage properties	<b>2,717</b>	14,188	17,024	–	–	–
Amortization of intangible assets (Note 14)	<b>628,471</b>	558,737	485,890	<b>607,559</b>	541,814	469,539
	<b>2,845,717</b>	3,154,568	2,794,511	<b>2,499,071</b>	2,607,269	2,207,071
Discontinued operations (Note 36):						
Investment properties	<b>42,450</b>	711	711	–	–	–
Property and equipment	<b>6,592</b>	26,761	6,634	–	–	–
Intangible assets	–	2,101	2,267	–	–	–
	<b>49,042</b>	29,573	9,612	–	–	–
	<b>₱2,894,759</b>	₱3,184,141	₱2,804,123	<b>₱2,499,071</b>	₱2,607,269	₱2,207,071

The Parent Company is undertaking a series of transactions to monetize its low-earning assets. On September 10, 2020, the Parent Company's BOD approved the plan to realize the market value of certain real estate properties of the Parent Company with a total carrying value of ₱12.6 billion. The plan aims to reduce the low-earning assets of the Parent Company to strengthen its financial position. As part of a series of transactions which will be carried out to meet the objectives of the said plan, on September 25, 2020, the Parent Company's BOD approved the subscription of additional 466,770,000 shares of PNB Holdings with a par value of ₱100 per share, to be issued out of an increase in the authorized capital stock of PNB Holdings, at a subscription price of ₱100 per share in exchange for the above real estate properties, subject to regulatory approvals (Note 12).

## 12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership	
				Direct	Indirect
Subsidiaries					
Allied Integrated Holdings, Inc. (AIHI)	Holding Company	Philippines	Php	100.00	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	100.00	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	100.00	–
PNB Corporation – Guam <sup>(a)</sup>	Remittance	USA	USD	100.00	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	100.00	–
PNB Remittance Centers, Inc. (PNB RCI) <sup>(b)</sup>	Remittance	- do -	USD	–	100.00
PNB Remittance Co. (Nevada) <sup>(c)</sup>	Remittance	-do-	USD	–	100.00
PNB RCI Holding Co. Ltd. (PNB RHCL)	Holding Company	- do -	USD	–	100.00
PNB Remittance Co. (Canada) <sup>(d)</sup>	Remittance	Canada	CAD	–	100.00
PNB Europe PLC	Banking	United Kingdom	GBP	100.00	–
Allied Commercial Bank (ACB)	Banking	China	CNY	99.04	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC)	Leasing/Financing	Philippines	Php	75.00	–
PNB-Mizuho Equipment Rentals Corporation <sup>(e)</sup>	Rental	- do -	Php	–	75.00
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	100.00	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	51.00	–
ACR Nominees Limited <sup>(f)</sup>	Service	- do -	HKD	–	51.00
Oceanic Holding (BVI) Ltd.	Holding Company	British Virgin Islands	USD	27.78	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	- do -	Php	44.00	–

<sup>(a)</sup> Ceased operations on June 30, 2012 and license status became dormant thereafter

<sup>(b)</sup> Owned through PNB IIC

<sup>(c)</sup> Owned through PNB RCI

<sup>(d)</sup> Owned through PNB RHCL

<sup>(e)</sup> Owned through PMLFC

<sup>(f)</sup> Owned through ABCHKL



The details of this account follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
<b>Investment in Subsidiaries</b>				
AIHI	P=	P=	P10,935,041	P10,935,041
ACB	—	—	6,087,520	6,087,520
PNB IIC	—	—	2,028,202	2,028,202
PNB Europe PLC	—	—	1,327,393	1,327,393
ABCHKL	—	—	947,586	947,586
PNB Capital	—	—	850,000	850,000
PNB GRF	—	—	753,061	753,061
PMLFC	—	—	481,943	481,943
OHBVI	—	—	291,841	291,841
PNB Securities	—	—	62,351	62,351
PNB Corporation – Guam	—	—	7,672	7,672
PNB Holdings	—	—	—	377,876
	—	—	23,772,610	24,150,486
<b>Investment in an Associate – APLII</b>	<b>2,973,089</b>	<b>2,728,089</b>	<b>2,973,089</b>	<b>2,728,089</b>
<b>Accumulated equity in net earnings (losses) of subsidiaries and an associate:</b>				
Balance at beginning of year	164,150	75,674	63,633	(155,888)
Equity in net earnings (losses) for the year	50,789	88,476	(650,134)	95,939
Cash dividends declared by a subsidiary	—	—	(300,000)	—
Effect of loss of control over PNB Holdings	—	—	616,231	—
Effect of disposal group classified as held for sale (Note 36)	—	—	32,987	123,582
	<b>214,939</b>	<b>164,150</b>	<b>(237,283)</b>	<b>63,633</b>
<b>Accumulated share in:</b>				
Aggregate losses on life insurance policies	(626,394)	(1,038,838)	(626,394)	(1,038,838)
Net unrealized gains (losses) on financial assets at FVOCI (Note 9)	(93,926)	464,105	(66,165)	561,453
Accumulated translation adjustments	—	—	1,381,305	478,711
Remeasurement gain (loss) on retirement plan	399	(7,096)	78,289	73,400
Reserves of a disposal group classified as held for sale (Note 36)	—	—	—	88,616
	<b>(719,921)</b>	<b>(581,829)</b>	<b>767,035</b>	<b>163,342</b>
	<b>P2,468,107</b>	<b>P2,310,410</b>	<b>P27,275,451</b>	<b>P27,105,550</b>

In 2002, the Parent Company underwent a quasi-reorganization which was approved by the SEC on November 7, 2002. As of December 31, 2021 and 2020, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of P2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and are not available for dividend declaration.

#### Investment in AIHI (formerly PNB Savings Bank or PNBSB)

On March 1, 2020, the integration of PNBSB to the Parent Company took effect through acquisition of the former's assets and assumption of its liabilities in exchange for cash, equivalent to the fair values of the net assets acquired. The integration was accounted for using the pooling of interests method since it involves business combination between entities under common control. Accordingly, the Parent Company recognized the net assets of PNBSB at their carrying values, and the excess of the carrying values of the net assets acquired over the settlement price amounting to P390.5 million is accounted for as 'Other equity reserves' in the parent company financial statements.

On March 5, 2020, PNBSB surrendered its banking license to the BSP.



On October 28, 2020, the BOD of PNBSB approved the following amendments to its Amended Articles of Incorporation and Amended By-Laws:

- Change in the name of the corporation from “PNB Savings Bank” to “Allied Integrated Holdings, Inc.”
- Change in the primary purpose of the corporation from banking to a holding company
- Change in all references to, and use of, the word “bank” in the Articles of Incorporation and By-Laws to “corporation”
- Removal of provisions that are related to banking, unless such provision has already been previously amended and approved by the BOD and stockholders of PNBSB
- Shortening of the corporation’s term to December 31, 2022

On December 3, 2020, the Monetary Board (MB) of the BSP approved the conversion of PNBSB to a holding company, a non-bank corporation, under the new name as discussed above.

On February 23, 2021, the SEC approved the change of the corporate name of PNB Savings Bank to Allied Integrated Holdings, Inc.

On July 28, 2021, the BOD and stockholder of AIHI approved the Amendments of the Articles of Incorporation and By-Laws and the decrease of the authorized capital stock of AIHI. On February 18, 2022, capital of AIHI amounting to ₱7.5 billion was returned to the Parent Company (Note 37).

#### Investment in PNB Holdings

On December 28, 2020, the MB of the BSP approved the request of the Parent Company for temporary exemption from prudential limits on its equity investments in PNB Holdings.

On January 13, 2021, the SEC approved the increase in the authorized capital stock of PNB Holdings from ₱500.0 million divided into 5,000,000 shares with par value of ₱100 per share, to ₱50.5 billion divided into 505,000,000 shares with the same par value. On the same date, the Parent Company proceeded with the subscription of additional 466,770,000 shares of PNB Holdings shares in exchange for certain real estate properties with fair values of ₱46.7 billion (Notes 11 and 13).

On April 23, 2021, the Parent Company’s BOD approved the property dividend declaration of up to 239,353,710 common shares of PNB Holdings, representing 51.00% ownership, with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021, or ₱23.9 billion.

On May 21, 2021, the Parent Company’s BOD approved the issuance of a proxy in favor of LTG to vote all shares registered in the name of the Parent Company on any and all matters in the Annual Stockholders’ Meeting of PNB Holdings (Note 33).

On December 24, 2021, the SEC approved the property dividend declaration. On the same date, the Parent Company assessed that it has lost control over PNB Holdings, and accordingly classified its retained interest of 49.00% in PNB Holdings as financial asset at FVOCI with no recycling to profit or loss, in accordance with PFRS 9. Such investment was remeasured from its carrying amount of ₱6.6 billion to its fair value as of December 24, 2021 of ₱23.0 billion, resulting in a gain on remeasurement of ₱16.5 billion and ₱16.4 billion in the consolidated and parent company financial statements, respectively (Note 33).



Further, the Group and the Parent Company recognized gain on loss of control over PNB Holdings of ₱17.0 billion and ₱17.1 billion in the consolidated and parent company financial statements, respectively. On December 21, 2021, the Parent Company was able to secure ruling from the Bureau of Internal Revenue (BIR) that the transfer of properties to PNB Holdings is not subject to tax, except for documentary stamps tax (DST). Further, on March 10, 2022, the Parent Company was able to secure another ruling from the BIR that the property dividends distribution is exempt from tax, except for DST.

The Parent Company was able to demonstrate loss of control over PNB Holdings because of the following:

- Declaration of 51.00% ownership in PNB Holdings as property dividends
- Execution of proxy in favor of LTG for the remaining 49.00% held by the Group
- Election of new BOD made by the stockholders of PNB Holdings in January 2021, effectively resulting in the Group having no representations in the BOD of PNB Holdings
- Appointment of key management personnel by the BOD of PNB Holdings, resulting in the Group having no officers and staff participating in the day-to-day operations of PNB Holdings
- Approval of the SEC of the property dividend declaration and distribution to all stockholders as of May 18, 2021

The foregoing corporate actions were taken by PNB and LTG to allow PNB to focus on its core banking business.

Accordingly, these factors demonstrate that the Group no longer exercises control over PNB Holdings as certain elements of control under PFRS 10, *Consolidated Financial Statements*, are no longer demonstrated.

Further, the Group no longer has a significant influence over PNB Holdings given the execution of proxy forms in favor of LTG and the fact that the latter controls both the Parent Company and PNB Holdings.

#### Investment in PNB General Insurers Co., Inc. (PNB Gen)

On October 9 and December 11, 2020, the respective BODs of PNB Holdings and the Parent Company approved the sale of all their respective shareholdings in PNB Gen to Alliedbankers Insurance Corporation (ABIC), an affiliate, for a total purchase price of ₱1.5 billion (the Purchase Price), subject to regulatory and other necessary approvals.

Under the Sale and Purchase Agreement (SPA), the Purchase Price shall be payable as follows:

- PNB Holdings Purchase Price (₱521.8 million) – payable in full on PNB Holdings Closing Date (i.e., the completion of the purchase of PNB Holdings Shares by ABIC, which shall be December 28, 2020, or such other date subsequently agreed upon by the parties)
- PNB Purchase Price (₱1.0 billion) – payable in three tranches (10%, 45% and 45%) on January 21, March 21, and June 21, 2021, respectively

The SPA also provides for a grant of an exclusive bancassurance arrangement for the non-life insurance business of the Group to ABIC with a minimum guaranteed term of 15 years. As an additional consideration, ABIC shall pay the Group ₱50.0 million on PNB Closing Date (i.e., the completion of the purchase of PNB Shares by ABIC to coincide with the payment of PNB Tranche 3 or such final installment of the PNB Purchase Price), subject to regulatory approvals. For the PNB Purchase Price, ABIC shall also pay interest on each payment date on each payment tranche date at the rate of 6.00% per annum, which shall commence to run after the PNB Holdings Closing Date and be based on the outstanding amount of the PNB Purchase Price, as adjusted after each payment made to the Parent Company.



On December 29, 2020, the Insurance Commission approved the above acquisition of ABIC. As of December 31, 2020, only the sale of PNB Holdings of its shares in PNB Gen met all the closing conditions for the sale. Accordingly, PNB Holdings closed and completed the sale of its 34.25% shareholdings in PNB Gen, recognizing gain on sale of ₱344.7 million, which is included under 'Equity in net earnings of subsidiaries' in the parent company financial statements, but treated as an equity transaction in the consolidated financial statements as 'Other equity reserves'. The Group also reclassified the assets and liabilities of PNB Gen to 'Assets and liabilities of disposal group classified as held for sale' in the consolidated statement of financial position as of December 31, 2020 (Note 36).

On January 21 and March 19, 2021, the Parent Company received from ABIC the first two tranches representing 10.00% and 45.00%, respectively, of the selling price for the sale of PNB's shares in PNB Gen). On March 31, 2021, ABIC advanced 80.00% of the last tranche of the selling price. On April 30, 2021, the Parent Company received from ABIC the remaining 20.00% of the last tranche of the selling price for the sale of its shares in PNB Gen. In 2021, the Group and the Parent Company recognized loss on sale of its shares in PNB Gen amounting to ₱149.5 million and ₱134.9 million, respectively, recorded under 'Gain on loss of control of subsidiaries - net'. The Parent Company also received interest income of ₱14.1 million from ABIC for this transaction.

#### Investments in PMLFC

On February 19, 2021, the Parent Company's BOD approved the infusion of additional capital of up to ₱515.0 million to PMLFC, subject to regulatory and other necessary approvals. The infusion of additional capital will increase the Parent Company shareholdings in PMLFC from 75.00% to 83.50%. On July 2, 2021, the BSP approved such additional equity investment in PMLFC. As of December 31, 2021, the additional capital infusion is still subject to discussions with the foreign partner of the Group.

As of December 31, 2021, the carrying value of the Parent Company's equity investment in PMLFC is already reduced to nil. However, by virtue of the Parent Company's commitment to provide further funding in PMLFC, the Parent Company recognized additional losses amounting to ₱164.5 million representing its share in the accumulated net losses of PMLFC. Further, the Parent Company recognized provision for liability amounting to ₱125.1 million relating to the undrawn loan commitments of PMLFC. These provisions were recorded under 'Miscellaneous expenses' in the statement of income (Notes 27 and 33).

#### Material Non-controlling Interests

Proportion of equity interest held by material NCI follows:

Principal Activities		Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
		2021	2020	2021	2020	2021	2020
ABCHKL	Banking	<b>49.00%</b>	49.00%	<b>₱1,912,800</b>	₱1,760,176	<b>₱65,399</b>	₱81,187
OHBVI	Holding Company	<b>72.22%</b>	72.22%	<b>985,794</b>	928,071	<b>201</b>	4,667
PNB Gen	Insurance	—	34.25%	—	519,278	—	—



The following table presents financial information of ABCHKL as of December 31, 2021 and 2020:

	2021	2020
<b>Statement of Financial Position</b>		
Current assets	<b>P8,426,632</b>	P7,162,167
Non-current assets	<b>2,583,273</b>	3,180,314
Current liabilities	<b>6,299,157</b>	5,924,195
Non-current liabilities	<b>807,075</b>	826,090
<b>Statement of Comprehensive Income</b>		
Revenues	<b>P374,407</b>	P406,294
Expenses	<b>240,940</b>	240,606
Net income	<b>133,467</b>	165,688
Total comprehensive income	<b>320,506</b>	3,915
<b>Statement of Cash Flows</b>		
Net cash provided by (used in) operating activities	<b>543,634</b>	(142,489)
Net cash used in investing activities	<b>(320)</b>	(782)
Net cash used in financing activities	<b>(6,768)</b>	(6,411)

The following table presents financial information of OHBVI as of December 31, 2021 and 2020:

	2021	2020
<b>Statement of Financial Position</b>		
Current assets	<b>P1,364,988</b>	P1,285,061
<b>Statement of Comprehensive Income</b>		
Revenues/Net income/Total comprehensive income	<b>278</b>	6,463
<b>Statement of Cash Flows</b>		
Net cash provided by (used in) operating activities	<b>79,927</b>	(63,383)

The Parent Company determined that it controls OHBVI through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

#### Investment in APLII

On June 6, 2016, the Parent Company entered into agreements with Allianz SE (Allianz), a German company engaged in insurance and asset management, for the sale of the 51.00% interest in PNB Life Insurance, Inc. (PNB Life) for a total consideration of USD66.0 million to form a new joint venture company named “Allianz-PNB Life Insurance, Inc.”; and a 15-year exclusive distribution access to the branch network of the Parent Company and PNBSB (Exclusive Distribution Rights or EDR).

The purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in PNB Life and the EDR amounting to USD44.9 million (P2.1 billion) and USD21.1 million (P1.0 billion), respectively. The consideration allocated to the EDR was recognized as ‘Deferred revenue – Bancassurance’ (Note 22) and is amortized to income over 15 years from date of sale. The Parent Company also receives variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

On March 26, 2021, the Parent Company’s BOD approved and confirmed the infusion of additional capital of up to P245.0 million to APLII subject to regulatory and other necessary approvals. On June 14, 2021, the BSP approved the capital infusion, and the Parent Company recorded the additional investment in APLII in the same month.



Summarized financial information of APLII as of December 31, 2021 and 2020 follows:

	2021	2020
Current assets	<b>P2,189,208</b>	P1,697,490
Noncurrent assets	<b>76,895,902</b>	50,584,277
Total assets	<b>79,085,110</b>	52,281,767
Current liabilities	<b>3,217,567</b>	2,636,733
Noncurrent liabilities	<b>73,827,220</b>	47,905,927
Total liabilities	<b>77,044,787</b>	50,542,660
Net assets	<b>2,040,323</b>	1,739,107
Percentage of ownership of the Group	<b>44%</b>	44%
Share in the net assets of the associate	<b>P897,742</b>	P765,207

The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of comprehensive income of APLII in 2021 and 2020 follows:

	2021	2020
Revenues	<b>P3,729,488</b>	P3,132,745
Costs and expenses	<b>3,614,058</b>	2,846,825
Net income	<b>115,430</b>	285,920
Other comprehensive income	<b>(313,853)</b>	297,095
Total comprehensive income	<b>(P198,423)</b>	P583,015
Group's share in comprehensive income for the year	<b>(P87,306)</b>	P256,527

#### Significant Restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

### 13. Investment Properties

This account consists of real properties as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Foreclosed or acquired in settlement of loans	<b>P10,556,014</b>	P10,046,604	<b>P9,998,445</b>	P9,522,646
Held for lease	<b>179,882</b>	4,399,152	<b>179,882</b>	4,399,152
Total	<b>P10,735,896</b>	P14,445,756	<b>P10,178,327</b>	P13,921,798





The composition of and movements in this account follow:

	Consolidated		
	2021		
	Land	Buildings and Improvements	Total
<b>Cost</b>			
Beginning balance	P14,840,368	P4,354,738	P19,195,106
Additions	280,030	244,693	524,723
Disposals	(3,600,962)	(1,324,806)	(4,925,768)
Transfers/others	12,089	(148,120)	(136,031)
Balance at end of year	11,531,525	3,126,505	14,658,030
<b>Accumulated Depreciation</b>			
Balance at beginning of year	—	2,165,680	2,165,680
Depreciation (Note 11)	—	76,575	76,575
Disposals	—	(502,878)	(502,878)
Transfers/others	—	(22,065)	(22,065)
Balance at end of year	—	1,717,312	1,717,312
<b>Allowance for Impairment Losses (Note 16)</b>	<b>1,948,609</b>	<b>256,213</b>	<b>2,204,822</b>
<b>Net Book Value at End of Year</b>	<b>P9,582,916</b>	<b>P1,152,980</b>	<b>P10,735,896</b>

	Consolidated		
	2020		
	Land	Buildings and Improvements	Total
<b>Cost</b>			
Beginning balance	P14,849,087	P4,377,277	P19,226,364
Additions	44,736	41,957	86,693
Disposals	(10,827)	(12,341)	(23,168)
Transfers/others	(42,628)	(52,155)	(94,783)
Balance at end of year	14,840,368	4,354,738	19,195,106
<b>Accumulated Depreciation</b>			
Balance at beginning of year	—	2,033,630	2,033,630
Depreciation (Note 11)	—	259,128	259,128
Disposals	—	(8,075)	(8,075)
Transfers/others	—	(119,003)	(119,003)
Balance at end of year	—	2,165,680	2,165,680
<b>Allowance for Impairment Losses (Note 16)</b>	<b>2,351,499</b>	<b>232,171</b>	<b>2,583,670</b>
<b>Net Book Value at End of Year</b>	<b>P12,488,869</b>	<b>P1,956,887</b>	<b>P14,445,756</b>

	Parent Company		
	2021		
	Land	Buildings and Improvements	Total
<b>Cost</b>			
Beginning balance	P14,322,250	P4,215,771	P18,538,021
Additions	280,030	54,381	334,411
Disposals	(3,600,962)	(1,324,806)	(4,925,768)
Transfers/others	485	1,999	2,484
Balance at end of year	11,001,803	2,947,345	13,949,148
<b>Accumulated Depreciation</b>			
Balance at beginning of year	—	2,042,691	2,042,691
Depreciation (Note 11)	—	55,337	55,337
Disposals	—	(502,877)	(502,877)
Balance at end of year	—	1,595,151	1,595,151
<b>Allowance for Impairment Losses (Note 16)</b>	<b>1,947,897</b>	<b>227,773</b>	<b>2,175,670</b>
<b>Net Book Value at End of Year</b>	<b>P9,053,906</b>	<b>P1,124,421</b>	<b>P10,178,327</b>



	Parent Company		
	2020		
	Land	Buildings and Improvements	Total
<b>Cost</b>			
Beginning balance	₱14,478,418	₱4,344,378	₱18,822,796
Additions	51,053	26,973	78,026
Disposals	(10,827)	(12,341)	(23,168)
Transfers/others	(196,394)	(143,239)	(339,633)
Balance at end of year	14,322,250	4,215,771	18,538,021
<b>Accumulated Depreciation</b>			
Balance at beginning of year	–	1,992,096	1,992,096
Depreciation (Note 11)	–	167,536	167,536
Disposals	–	(8,075)	(8,075)
Transfers/others	–	(108,866)	(108,866)
Balance at end of year	–	2,042,691	2,042,691
Allowance for Impairment Losses (Note 16)	2,350,787	222,745	2,573,532
Net Book Value at End of Year	₱11,971,463	₱1,950,335	₱13,921,798

Included in the real estate properties transferred to PNB Holdings in exchange for 466,770,000 shares of PNB Holdings are investment properties with carrying value amounting to ₱4.2 billion (Note 12).

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱229.8 million and ₱181.2 million, as of December 31, 2021 and 2020, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.

The total recoverable value of certain investment properties of the Group and the Parent Company that were impaired amounted to ₱4.7 billion and ₱4.2 billion as of December 31, 2021 and 2020, respectively.

For the Group and the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses', amounted to ₱28.2 million, ₱6.0 million and ₱12.3 million in 2021, 2020, and 2019, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses', amounted to ₱173.3 million, ₱204.6 million and ₱190.7 million in 2021, 2020, and 2019, respectively.

#### 14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated				
	2021				
	Intangible Assets with Finite Lives				Goodwill
	CDI	CRI	Software Cost	Total	
<b>Cost</b>					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,134,403	₱6,424,135	₱13,375,407
Additions	–	–	655,455	655,455	–
Others	–	–	(84,225)	(84,225)	–
Balance at end of year	1,897,789	391,943	4,705,633	6,995,365	13,375,407

(Forward)



Consolidated					
2021					
Intangible Assets with Finite Lives					
	CDI	CRI	Software Cost	Total	Goodwill
<b>Accumulated Amortization</b>					
Balance at beginning of year	P1,498,199	P391,943	P2,021,980	P3,912,122	P-
Amortization (Note 11)	189,779	-	438,692	628,471	-
Others	-	-	25,338	25,338	-
Balance at end of year	1,687,978	391,943	2,486,010	4,565,931	-
<b>Accumulated Impairment Losses (Note 16)</b>	-	-	-	-	2,153,997
<b>Net Book Value at End of Year</b>	<b>P209,811</b>	<b>P-</b>	<b>P2,219,623</b>	<b>P2,429,434</b>	<b>P11,221,410</b>

Consolidated					
2020					
Intangible Assets with Finite Lives					
	CDI	CRI	Software Cost	Total	Goodwill
<b>Cost</b>					
Balance at beginning of year	P1,897,789	P391,943	P3,918,769	P6,208,501	P13,375,407
Additions	-	-	283,472	283,472	-
Others	-	-	(47,517)	(47,517)	-
Effect of disposal group classified as held for sale (Note 36)	-	-	(20,321)	(20,321)	-
Balance at end of year	1,897,789	391,943	4,134,403	6,424,135	13,375,407
<b>Accumulated Amortization</b>					
Balance at beginning of year	1,308,420	391,943	1,666,149	3,366,512	-
Amortization (Note 11)	189,779	-	368,958	558,737	-
Others	-	-	2,060	2,060	-
Effect of disposal group classified as held for sale (Note 36)	-	-	(15,187)	(15,187)	-
Balance at end of year	1,498,199	391,943	2,021,980	3,912,122	-
<b>Net Book Value at End of Year</b>	<b>P399,590</b>	<b>P-</b>	<b>P2,112,423</b>	<b>P2,512,013</b>	<b>P13,375,407</b>

Parent Company					
2021					
Intangible Assets with Finite Lives					
	CDI	CRI	Software Cost	Total	Goodwill
<b>Cost</b>					
Balance at beginning of year	P1,897,789	P391,943	P5,167,531	P7,457,263	P13,515,765
Additions	-	-	612,515	612,515	-
Others	-	-	(100,120)	(100,120)	-
Balance at end of year	1,897,789	391,943	5,679,926	7,969,658	13,515,765
<b>Accumulated Amortization</b>					
Balance at beginning of year	1,498,199	391,943	3,128,461	5,018,603	-
Amortization (Note 11)	189,779	-	417,780	607,559	-
Others	-	-	14,539	14,539	-
Balance at end of year	1,687,978	391,943	3,560,780	5,640,701	-
<b>Accumulated Impairment Losses (Note 16)</b>	-	-	-	-	2,153,997
<b>Net Book Value at End of Year</b>	<b>P209,811</b>	<b>P-</b>	<b>P2,119,146</b>	<b>P2,328,957</b>	<b>P11,361,768</b>

Parent Company					
2020					
Intangible Assets with Finite Lives					
	CDI	CRI	Software Cost	Total	Goodwill
<b>Cost</b>					
Balance at beginning of year	P1,897,789	P391,943	P4,886,120	P7,175,852	P13,515,765
Additions	-	-	268,768	268,768	-
Others	-	-	12,643	12,643	-
Balance at end of year	1,897,789	391,943	5,167,531	7,457,263	13,515,765
<b>Accumulated Amortization</b>					
Balance at beginning of year	1,308,420	391,943	2,776,335	4,476,698	-
Amortization (Note 11)	189,779	-	352,035	541,814	-
Others	-	-	91	91	-
Balance at end of year	1,498,199	391,943	3,128,461	5,018,603	-
<b>Net Book Value at End of Year</b>	<b>P399,590</b>	<b>P-</b>	<b>P2,039,070</b>	<b>P2,438,660</b>	<b>P13,515,765</b>



### CDI and CRI

CDI and CRI are the intangible assets acquired through the merger of the Parent Company with Allied Banking Corporation (ABC). CDI includes the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertains to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments. CDI is allocated to Retail Banking CGU while CRI is allocated to Corporate Banking CGU. CDI and CRI are assessed for impairment where indicator(s) of objective evidence of impairment has been identified.

### Software cost

Software cost as of December 31, 2021 and 2020 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's new core banking system.

### Goodwill

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the NCI in the acquiree at proportionate share of identifiable assets and liabilities. The business combination resulted in the recognition of goodwill amounting to ₱13.4 billion, allocated to the three CGUs which are also reportable segments. As of December 31, 2021 and 2020, goodwill for each CGU amounted to:

	2021	2020
Retail Banking	<b>₱6,110,312</b>	₱6,110,312
Global Banking and Market	<b>3,074,730</b>	3,074,730
Corporate Banking	<b>2,036,368</b>	4,190,365
	<b>₱11,221,410</b>	₱13,375,407

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment test is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount of goodwill allocated to the CGU. The recoverable amount is the higher of a CGU's fair value less costs to sell and its VIU. As of December 31, 2021, the goodwill impairment test performed by the Parent Company resulted in an impairment loss of ₱2.2 billion in the Corporate Banking segment (recorded under 'Provision for impairment, credit and other losses') with the recoverable amount being lower than its carrying amount.

The recoverable amounts of the CGUs have been determined on the basis of the VIU calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2021			2020		
	Retail Banking	Corporate Banking	Global Banking and Market	Retail Banking	Corporate Banking	Global Banking and Market
Pre-tax discount rate	10.48%	10.48%	8.32%	10.83%	10.83%	6.95%
Projected growth rate	6.60%	6.60%	6.60%	5.00%	5.00%	5.00%



The calculation of VIU is most sensitive to estimates of future cash flows from the business, interest margin, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

The discount rate applied have been determined based on cost of equity for Retail and Corporate Banking segments and weighted average cost of capital (WACC) for Global Banking and Market segment. WACC is computed by multiplying the cost of equity and the post-tax cost of debt by their relevant weights using debt-equity mix of comparable listed banks, and adding the products together. The cost of equity is derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information. The post-tax cost of debt is comprised of the risk-free interest rate and the Group's credit spread, after applying the prevailing corporate income tax.

## 15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
<b>Financial</b>				
Return checks and other cash items	<b>P133,631</b>	P78,589	<b>P133,631</b>	P78,589
Security deposits	<b>12,984</b>	13,080	—	—
Receivable from special purpose vehicle (SPV)	<b>500</b>	500	<b>500</b>	500
Checks for clearing	—	4,904	—	4,904
Miscellaneous	<b>2,907</b>	2,836	<b>2,211</b>	2,280
	<b>150,022</b>	99,909	<b>136,342</b>	86,273
<b>Non-financial</b>				
Creditable withholding taxes	<b>1,686,145</b>	2,397,473	<b>1,436,059</b>	2,144,781
Deferred charges	<b>1,065,090</b>	1,095,022	<b>1,053,876</b>	989,748
Prepaid expenses	<b>645,222</b>	491,796	<b>587,871</b>	431,722
Real estate inventories held under development (Note 33)	<b>638,875</b>	638,875	<b>638,875</b>	638,875
Documentary stamps on hand	<b>357,884</b>	988,610	<b>356,586</b>	986,410
Dividends receivable (Note 12)	—	—	<b>300,000</b>	—
Chattel mortgage properties – net of depreciation	<b>227,187</b>	115,356	<b>99,691</b>	111,817
Input value added tax	<b>119,762</b>	104,096	—	—
Stationeries and supplies	<b>87,651</b>	81,337	<b>87,476</b>	80,924
Other investments	<b>30,760</b>	28,617	<b>27,270</b>	25,397
Miscellaneous (Note 28)	<b>868,538</b>	1,337,715	<b>847,524</b>	492,000
	<b>5,727,114</b>	7,278,897	<b>5,435,228</b>	5,901,674
	<b>5,877,136</b>	7,378,806	<b>5,571,570</b>	5,987,947
Less allowance for credit and impairment losses (Note 16)	<b>1,069,216</b>	1,040,596	<b>1,046,072</b>	1,040,213
	<b>P4,807,920</b>	P6,338,210	<b>P4,525,498</b>	P4,947,734

### *Deferred charges*

This account includes the share of the Group in the cost of transportation equipment acquired under the Group's car plan which shall be amortized monthly.

### *Real estate inventories held under development*

This represents parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

### *Prepaid expenses*

This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums and taxes.



### *Chattel mortgage properties*

As of December 31, 2021 and 2020, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱241.8 million and ₱140.1 million, respectively. As of December 31, 2021 and 2020, accumulated depreciation on chattel mortgage properties acquired by the Parent Company in settlement of loans amounted to ₱227.5 million and ₱130.3 million, respectively. As of December 31, 2021 and 2020, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱0.9 million.

### *Receivable from SPV*

This represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.

### *Miscellaneous*

Other financial assets include revolving fund, petty cash fund and miscellaneous cash and other cash items. Other nonfinancial assets include postages, refundable deposits, notes taken for interest and sundry debits.

## 16. Allowance for Impairment and Credit Losses

### Provision for Impairment, Credit and Other Losses

This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Continuing operations:						
Provision for credit losses	<b>₱10,980,450</b>	₱16,054,991	₱2,481,965	<b>₱11,220,504</b>	₱15,723,927	₱1,648,491
Provision for (reversal of) impairment and other losses	<b>1,898,561</b>	827,630	428,217	<b>1,905,233</b>	810,408	(55,272)
	<b>12,879,011</b>	16,882,621	2,910,182	<b>13,125,737</b>	16,534,335	1,593,219
Discontinued operations (Note 36):						
Provision for (reversal of) credit and impairment losses	<b>88,141</b>	29,781	(324)	–	–	–
	<b>₱12,967,152</b>	₱16,912,402	₱2,909,858	<b>₱13,125,737</b>	₱16,534,335	₱1,593,219

Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated						
	2021						
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets
Balance at beginning of year	<b>₱–</b>	<b>₱9,898</b>	<b>₱2,883</b>	<b>₱67,399</b>	<b>₱3,982,398</b>	<b>₱32,414,652</b>	<b>₱500</b>
Provisions (reversals)	<b>3,644</b>	<b>695</b>	<b>3,696</b>	<b>66,752</b>	<b>(142,249)</b>	<b>11,047,912</b>	<b>–</b>
Accounts charged-off	–	–	–	–	–	<b>(1,439,313)</b>	<b>–</b>
Sale of receivables (Note 26)	–	–	–	–	–	<b>(2,520,236)</b>	<b>–</b>
Transfers and others	–	–	–	–	<b>(17,983)</b>	<b>(162,254)</b>	<b>–</b>
Balance at end of year	<b>₱3,644</b>	<b>₱10,593</b>	<b>₱6,579</b>	<b>₱134,151</b>	<b>₱3,822,166</b>	<b>₱39,340,761</b>	<b>₱500</b>



Consolidated								
2020								
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	P1,912	P3,359	P6,719	P51,639	P3,785,196	P18,413,228	P500	P22,262,553
Provisions:								
Continuing operations	—	6,338	1,610	19,163	197,405	15,830,475	—	16,054,991
Discontinued operation	—	—	—	—	28	30,280	—	30,308
Accounts charged-off	—	—	—	—	—	(749,829)	—	(749,829)
Transfers and others	(1,912)	201	(5,446)	(3,403)	(203)	(849,334)	—	(860,097)
Effect of discontinued operations	—	—	—	—	(28)	(260,168)	—	(260,196)
Balance at end of year	P—	P9,898	P2,883	P67,399	P3,982,398	P32,414,652	P500	P36,477,730

Parent Company								
2021								
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	P—	P9,873	P2,883	P67,399	P3,982,398	P31,499,881	P500	P35,562,934
Provisions (reversals)	3,644	—	3,696	64,122	(142,249)	11,291,291	—	11,220,504
Accounts charged-off	—	—	—	—	—	(1,439,313)	—	(1,439,313)
Sale of receivables (Note 26)	—	—	—	—	—	(2,520,236)	—	(2,520,236)
Transfers and others	—	—	—	—	(17,983)	394,354	—	376,371
Balance at end of year	P3,644	P9,873	P6,579	P131,521	P3,822,166	P39,225,977	P500	P43,200,260

Parent Company								
2020								
	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total	
Balance at beginning of year	P3,359	P1,293	P51,639	P3,728,243	P14,292,784	P500	P18,077,818	
Provisions	6,334	1,610	15,760	197,405	15,502,818	—	15,723,927	
Accounts charged-off	—	—	—	—	(749,829)	—	(749,829)	
Transfers and others	180	(20)	—	56,750	2,454,108	—	2,511,018	
Balance at end of year	P9,873	P2,883	P67,399	P3,982,398	P31,499,881	P500	P35,562,934	

Movements in the allowance for impairment losses on nonfinancial assets follow:

Consolidated									
2021					2020				
	Property and Equipment	Investment Properties	Other Assets	Goodwill	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	P1,168,887	P2,583,670	P1,040,096	P—	P4,792,653	P1,115,157	P2,148,908	P1,057,623	P4,321,688
Provisions (reversals):									
Continuing operations	—	(238,052)	(17,384)	2,153,997	1,898,561	—	423,952	403,678	827,630
Discontinued operation	—	—	88,141	—	88,141	—	—	(527)	(527)
Disposals	—	(197,986)	(4,772)	—	(202,758)	—	—	—	—
Transfers and others	—	57,190	(37,365)	—	19,825	53,730	10,810	(391,085)	(326,545)
Effect of discontinued operations	—	—	—	—	—	—	—	(29,593)	(29,593)
Balance at end of year	P1,168,887	P2,204,822	P1,068,716	P2,153,997	P6,596,422	P1,168,887	P2,583,670	P1,040,096	P4,792,653

Parent Company									
2021					2020				
	Property and Equipment	Investment Properties	Other Assets	Goodwill	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	P1,168,887	P2,573,532	P1,039,713	P—	P4,782,132	P1,115,157	P2,154,313	P1,027,852	P4,297,322
Provisions (reversals)	—	(238,051)	(10,712)	2,153,997	1,905,233	—	419,219	391,189	810,408
Disposals	—	(197,986)	(4,772)	—	(202,758)	—	—	—	—
Transfers and others	—	38,175	21,343	—	59,518	53,730	—	(379,328)	(325,598)
Balance at end of year	P1,168,887	P2,175,670	P1,045,572	P2,153,997	P6,544,125	P1,168,887	P2,573,532	P1,039,713	P4,782,132



The reconciliation of allowance for loans and receivables are shown below:

	Consolidated							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Corporate Loans</b>								
Beginning Balance	₱437,633	₱690,482	₱18,092,141	₱19,220,256	₱1,351,699	₱862,403	₱5,838,830	₱8,052,932
Transfers to Stage 1	1,375,088	(51,070)	(1,324,018)	—	127,422	(104,193)	(23,229)	—
Transfers to Stage 2	(21,796)	170,627	(148,831)	—	(49,891)	74,188	(24,297)	—
Transfers to Stage 3	(41,035)	(97,886)	138,921	—	(201,545)	(65,790)	267,335	—
Accounts charged off	—	—	(1,100)	(1,100)	—	—	—	—
Provisions (reversals)	1,136,551	501,195	10,381,492	12,019,238	(741,893)	(77,013)	12,041,160	11,222,254
Sale of receivables (Note 26)	—	—	(2,520,236)	(2,520,236)	—	—	—	—
Effect of collections and other movements	(2,427,218)	(353,595)	(306,972)	(3,087,785)	(48,159)	887	(7,658)	(54,930)
Ending Balance	459,223	859,753	24,311,397	25,630,373	437,633	690,482	18,092,141	19,220,256
<b>LGU</b>								
Beginning Balance	24,040	1,737	24,916	50,693	30,089	11,092	26,469	67,650
Provisions (reversals)	22,642	3,902	2,296	28,840	(1,196)	(1,226)	—	(2,422)
Effect of collections and other movements	(46,417)	4,993	40,586	(838)	(4,853)	(8,129)	(1,553)	(14,535)
Ending Balance	265	10,632	67,798	78,695	24,040	1,737	24,916	50,693
<b>Credit Cards</b>								
Beginning Balance	38,224	26,246	2,523,198	2,587,668	37,867	41,397	1,526,487	1,605,751
Transfers to Stage 1	39,251	(6,432)	(32,819)	—	14,459	(8,245)	(6,214)	—
Transfers to Stage 2	(2,254)	5,721	(3,467)	—	(631)	701	(70)	—
Transfers to Stage 3	(9,135)	(9,282)	18,417	—	(5,473)	(28,914)	34,387	—
Accounts charged off	—	—	(1,399,465)	(1,399,465)	(1,077)	(4,023)	(603,693)	(608,793)
Provisions (reversals)	(98,840)	17,705	1,085,746	1,004,611	61,271	21,095	1,495,684	1,578,050
Effect of collections and other movements	94,226	(7,272)	128,159	215,113	(68,192)	4,235	76,617	12,660
Ending Balance	61,472	26,686	2,319,769	2,407,927	38,224	26,246	2,523,198	2,587,668
<b>Retail SMEs</b>								
Beginning Balance	361,274	20,786	1,426,132	1,808,192	377,435	73,581	1,031,436	1,482,452
Transfers to Stage 1	7,502	(1,634)	(5,868)	—	13,826	(706)	(13,120)	—
Transfers to Stage 2	(351)	2,151	(1,800)	—	(20,257)	31,634	(11,377)	—
Transfers to Stage 3	(5,680)	(6,204)	11,884	—	(3,530)	(3,036)	6,566	—
Accounts charged off	—	—	—	—	—	—	(2,477)	(2,477)
Provisions (reversals)	31,995	(1,617)	42,831	73,209	249,043	(7,814)	305,381	546,610
Effect of collections and other movements	(238,017)	2,520	170,076	(65,421)	(255,243)	(72,873)	109,723	(218,393)
Ending Balance	156,723	16,002	1,643,255	1,815,980	361,274	20,786	1,426,132	1,808,192
<b>Housing Loans</b>								
Beginning Balance	99,896	107,786	2,166,204	2,373,886	889,425	547,589	114,407	1,551,421
Transfers to Stage 1	395,713	(45,005)	(350,708)	—	24,929	(6,896)	(18,033)	—
Transfers to Stage 2	(2,061)	35,012	(32,951)	—	(1,780)	5,252	(3,472)	—
Transfers to Stage 3	(11,394)	(53,478)	64,872	—	(5,524)	(12,767)	18,291	—
Accounts charged off	—	—	—	—	—	—	—	—
Provisions (reversals)	391,794	(7,381)	(888,382)	(503,969)	(66,831)	83,538	1,109,858	1,126,565
Effect of collections and other movements	(616,995)	17,433	2,162,411	1,562,849	(740,323)	(508,930)	945,153	(304,100)
Ending Balance	256,953	54,367	3,121,446	3,432,766	99,896	107,786	2,166,204	2,373,886
<b>Auto Loans</b>								
Beginning Balance	146,165	43,152	843,487	1,032,804	154,130	45,312	44,401	243,843
Transfers to Stage 1	58,625	(2,965)	(55,660)	—	4,234	(800)	(3,434)	—
Transfers to Stage 2	(113)	8,396	(8,283)	—	(1,876)	2,199	(323)	—
Transfers to Stage 3	(615)	(3,229)	3,844	—	(4,139)	(3,506)	7,645	—
Accounts charged off	—	—	(9,133)	(9,133)	—	—	(1,488)	(1,488)
Provisions (reversals)	73,402	6,628	(708,378)	(628,348)	(6,271)	2,916	770,300	766,945
Effect of collections and other movements	(268,468)	(49,816)	1,401,707	1,083,423	87	(2,969)	26,386	23,504
Ending Balance	8,996	2,166	1,467,584	1,478,746	146,165	43,152	843,487	1,032,804
<b>Other Loans</b>								
Beginning Balance	72,427	59,443	1,922,895	2,054,765	8,924	62,189	998,074	1,069,187
Transfers to Stage 1	222,313	(12,979)	(209,334)	—	10,769	(2,287)	(8,482)	—
Transfers to Stage 2	(875)	90,473	(89,598)	—	(958)	15,050	(14,092)	—
Transfers to Stage 3	(4,109)	(20,370)	24,479	—	(1,817)	(7,764)	9,581	—
Accounts charged off	—	—	(20,328)	(20,328)	—	—	(136,732)	(136,732)
Provisions (reversals)	(131,066)	(583)	(333,647)	(465,296)	(26,947)	29,844	(141,644)	(138,747)
Effect of collections and other movements	84,250	(107,748)	(578,435)	(601,933)	82,456	(37,589)	1,216,190	1,261,057
Ending Balance	242,940	8,236	716,032	967,208	72,427	59,443	1,922,895	2,054,765

(Forward)





	Consolidated							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Other Receivables</b>								
Beginning Balance	P69,326	P19,486	P3,197,574	P3,286,386	P77,497	P21,915	P4,240,580	P4,339,992
Transfers to Stage 1	1,295	(15)	(1,280)	—	186	(23)	(163)	—
Transfers to Stage 2	(967)	22,649	(21,682)	—	(1,739)	1,741	(2)	—
Transfers to Stage 3	(12,748)	(67,882)	80,630	—	(51,149)	(2,811)	53,960	—
Accounts charged off	—	—	(9,287)	(9,287)	—	—	336	336
Provisions (reversals)	(598,194)	(13,427)	131,248	(480,373)	44,946	12,167	674,108	731,221
Effect of collections and other movements	622,795	72,548	36,997	732,340	(415)	(13,503)	(1,771,245)	(1,785,163)
Ending Balance	81,507	33,359	3,414,200	3,529,066	69,326	19,486	3,197,574	3,286,386
<b>Total Loans and Receivables</b>								
Beginning Balance	1,248,985	969,118	30,196,547	32,414,650	2,927,066	1,665,478	13,820,684	18,413,228
Transfers to Stage 1	2,099,787	(120,100)	(1,979,687)	—	195,825	(123,150)	(72,675)	—
Transfers to Stage 2	(28,417)	335,029	(306,612)	—	(77,132)	130,765	(53,633)	—
Transfers to Stage 3	(84,716)	(258,331)	343,047	—	(273,177)	(124,588)	397,765	—
Accounts charged off	—	—	(1,439,313)	(1,439,313)	(1,077)	(4,023)	(744,054)	(749,154)
Provisions (reversals)	828,284	506,422	9,713,206	11,047,912	(487,878)	63,507	16,254,847	15,830,476
Sale of receivables (Note 26)	—	—	(2,520,236)	(2,520,236)	—	—	—	—
Effect of collections and other movements	(2,795,844)	(420,937)	3,054,529	(162,252)	(1,034,642)	(638,871)	593,613	(1,079,900)
Ending Balance	P1,268,079	P1,011,201	P37,061,481	P39,340,761	P1,248,985	P969,118	P30,196,547	P32,414,650
	Parent Company							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Corporate Loans</b>								
Beginning Balance	P314,124	P680,087	P18,033,402	P19,027,613	P1,223,420	P814,289	P5,635,394	P7,673,103
Transferred loans	—	—	—	—	327	37,685	102,927	140,939
Transfers to Stage 1	1,375,022	(51,067)	(1,323,955)	—	127,731	(104,327)	(23,404)	—
Transfers to Stage 2	(21,486)	170,317	(148,831)	—	(49,902)	74,199	(24,297)	—
Transfers to Stage 3	(41,034)	(97,886)	138,920	—	(201,545)	(65,790)	267,335	—
Accounts charged off	—	—	(1,100)	(1,100)	—	—	—	—
Provisions (reversals)	856,709	501,195	10,912,432	12,270,336	(741,930)	(77,013)	12,083,198	11,264,255
Sale of receivables (Note 26)	—	—	(2,520,236)	(2,520,236)	—	—	—	—
Effect of collections and other movements	(1,684,888)	(353,959)	163,114	(1,875,733)	(43,977)	1,044	(7,751)	(50,684)
Ending Balance	798,447	848,687	25,253,746	26,900,880	314,124	680,087	18,033,402	19,027,613
<b>LGU</b>								
Beginning Balance	24,040	1,737	24,916	50,693	25,236	15,945	26,469	67,650
Provisions (reversals)	22,642	3,902	2,296	28,840	(1,196)	(1,226)	—	(2,422)
Effect of collections and other movements	(46,417)	4,993	40,586	(838)	—	(12,982)	(1,553)	(14,535)
Ending Balance	265	10,632	67,798	78,695	24,040	1,737	24,916	50,693
<b>Credit Cards</b>								
Beginning Balance	38,224	26,246	2,523,198	2,587,668	37,867	41,397	1,526,487	1,605,751
Transfers to Stage 1	39,251	(6,432)	(32,819)	—	14,459	(8,245)	(6,214)	—
Transfers to Stage 2	(2,254)	5,721	(3,467)	—	(631)	701	(70)	—
Transfers to Stage 3	(9,135)	(9,282)	18,417	—	(5,473)	(28,914)	34,387	—
Accounts charged off	—	—	(1,399,465)	(1,399,465)	(1,077)	(4,023)	(603,693)	(608,793)
Provisions (reversals)	(98,840)	17,705	1,085,746	1,004,611	61,271	21,095	1,495,684	1,578,050
Effect of collections and other movements	94,226	(7,272)	128,159	215,113	(68,192)	4,235	76,617	12,660
Ending Balance	61,472	26,686	2,319,769	2,407,927	38,224	26,246	2,523,198	2,587,668
<b>Retail SMEs</b>								
Beginning Balance	336,912	10,289	559,389	906,590	85,709	14,016	322,664	422,389
Transferred loans	—	—	—	—	22,197	83	336,854	359,134
Transfers to Stage 1	7,502	(1,634)	(5,868)	—	5,025	—	(5,025)	—
Transfers to Stage 2	(351)	2,151	(1,800)	—	(19,823)	27,019	(7,196)	—
Transfers to Stage 3	(5,680)	(6,204)	11,884	—	(2,290)	(3,036)	5,326	—
Accounts charged off	—	—	—	—	—	—	(2,477)	(2,477)
Provisions (reversals)	31,995	(1,617)	42,831	73,209	249,043	(7,814)	48,875	290,104
Effect of collections and other movements	(219,177)	727	(108,335)	(326,785)	(2,949)	(19,979)	(139,632)	(162,560)
Ending Balance	151,201	3,712	498,101	653,014	336,912	10,289	559,389	906,590

(Forward)



	Parent Company							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Housing Loans</b>								
Beginning Balance	₱90,814	₱104,984	₱2,171,817	₱2,367,615	₱28,924	₱3,684	₱42,421	₱75,029
Transferred loans	—	—	—	—	115,826	98,765	952,480	1,167,071
Transfers to Stage 1	395,354	(45,005)	(350,349)	—	24,744	(6,711)	(18,033)	—
Transfers to Stage 2	(2,061)	35,012	(32,951)	—	(1,780)	3,851	(2,071)	—
Transfers to Stage 3	(11,312)	(53,478)	64,790	—	(5,450)	(12,767)	18,217	—
Accounts charged off	—	—	—	—	—	—	—	—
Provisions (reversals)	384,586	(7,381)	(888,382)	(511,177)	(67,773)	83,538	1,117,975	1,133,740
Effect of collections and other movements	(616,523)	20,235	2,154,819	1,558,531	(3,677)	(65,376)	60,828	(8,225)
Ending Balance	240,858	54,367	3,119,744	3,414,969	90,814	104,984	2,171,817	2,367,615
<b>Auto Loans</b>								
Beginning Balance	22,525	6,943	1,003,336	1,032,804	23,108	3,558	35,422	62,088
Transferred loans	—	—	—	—	7,382	5,545	168,829	181,756
Transfers to Stage 1	58,625	(2,965)	(55,660)	—	4,234	(800)	(3,434)	—
Transfers to Stage 2	(113)	8,396	(8,283)	—	(1,876)	2,199	(323)	—
Transfers to Stage 3	(615)	(3,229)	3,844	—	(4,139)	(3,506)	7,645	—
Accounts charged off	—	—	(9,133)	(9,133)	—	—	(1,488)	(1,488)
Provisions (reversals)	73,402	6,628	(708,378)	(628,348)	(6,271)	2,916	770,300	766,945
Effect of collections and other movements	(144,828)	(13,607)	1,241,858	1,083,423	87	(2,969)	26,385	23,503
Ending Balance	8,996	2,166	1,467,584	1,478,746	22,525	6,943	1,003,336	1,032,804
<b>Other Loans</b>								
Beginning Balance	72,423	59,443	1,910,728	2,042,594	4,565	11,318	1,385,452	1,401,335
Transferred loans	—	—	—	—	42,188	34,499	486,804	563,491
Transfers to Stage 1	222,313	(12,979)	(209,334)	—	10,769	(2,287)	(8,482)	—
Transfers to Stage 2	(875)	90,473	(89,598)	—	(958)	15,050	(14,092)	—
Transfers to Stage 3	(4,109)	(20,370)	24,479	—	(1,817)	(7,764)	9,581	—
Accounts charged off	—	—	(20,328)	(20,328)	—	—	(136,736)	(136,736)
Provisions (reversals)	(131,066)	(583)	(333,615)	(465,264)	(26,949)	29,844	(141,570)	(138,675)
Effect of collections and other movements	84,250	(107,748)	(579,242)	(602,740)	44,625	(21,217)	329,771	353,179
Ending Balance	242,936	8,236	703,090	954,262	72,423	59,443	1,910,728	2,042,594
<b>Other Receivables</b>								
Beginning Balance	74,242	19,393	3,390,669	3,484,304	59,453	9,761	2,916,225	2,985,439
Transferred receivables	—	—	—	—	6,614	2,152	641,639	650,405
Transfers to Stage 1	1,295	(15)	(1,280)	—	186	(23)	(163)	—
Transfers to Stage 2	(967)	22,649	(21,682)	—	(1,739)	1,741	(2)	—
Transfers to Stage 3	(12,748)	(67,882)	80,630	—	(51,149)	(2,811)	53,960	—
Accounts charged off	—	—	(9,287)	(9,287)	—	—	336	336
Provisions (reversals)	(598,737)	(13,427)	131,248	(480,916)	26,685	12,167	571,969	610,821
Effect of collections and other movements	582,158	72,102	(310,877)	343,383	34,192	(3,594)	(793,295)	(762,697)
Ending Balance	45,243	32,820	3,259,421	3,337,484	74,242	19,393	3,390,669	3,484,304
(Forward)								
<b>Total Loans and Receivables</b>								
Beginning Balance	₱973,304	₱909,122	₱29,617,455	₱31,499,881	₱1,488,282	₱913,968	₱11,890,534	₱14,292,784
Transferred loans and receivables	—	—	—	—	194,534	178,729	2,689,533	3,062,796
Transfers to Stage 1	2,099,362	(120,097)	(1,979,265)	—	187,148	(122,393)	(64,755)	—
Transfers to Stage 2	(28,107)	334,719	(306,612)	—	(76,709)	124,760	(48,051)	—
Transfers to Stage 3	(84,633)	(258,331)	342,964	—	(271,863)	(124,588)	396,451	—
Accounts charged off	—	—	(1,439,313)	(1,439,313)	(1,077)	(4,023)	(744,058)	(749,158)
Provisions (reversals)	540,691	506,422	10,244,178	11,291,291	(507,120)	63,507	15,946,431	15,502,818
Sale of receivables (Note 26)	—	—	(2,520,236)	(2,520,236)	—	—	—	—
Effect of collections and other movements	(1,951,199)	(384,529)	2,730,082	394,354	(39,891)	(120,838)	(448,630)	(609,359)
Ending Balance	₱1,549,418	₱987,306	₱36,689,253	₱39,225,977	₱973,304	₱909,122	₱29,617,455	₱31,499,881



Movements of the gross carrying amounts of loans and receivables are shown below:

	Consolidated							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Corporate Loans</b>								
Beginning Balance	₱444,131,392	₱30,217,054	₱50,749,511	₱525,097,957	₱521,841,837	₱16,083,886	₱10,711,692	₱548,637,415
Newly originated assets which remained in Stage 1 at yearend	227,012,002	—	—	227,012,002	224,883,356	—	—	224,883,356
Newly originated assets which moved to Stages 2 and 3 at yearend	—	4,990,294	8,456,400	13,446,694	—	11,908,018	7,094,061	19,002,079
Transfers to Stage 1	11,278,904	(4,981,067)	(6,297,837)	—	1,769,771	(1,711,336)	(58,435)	—
Transfers to Stage 2	(7,592,547)	7,936,935	(344,388)	—	(16,869,294)	16,926,407	(57,113)	—
Transfers to Stage 3	(1,383,777)	(4,625,936)	6,009,713	—	(32,541,294)	(974,321)	33,515,615	—
Accounts charged off	—	—	(1,100)	(1,100)	—	—	(3)	(3)
Sale of receivables (Note 26)	—	—	(5,478,200)	(5,478,200)	—	—	—	—
Effect of collections and other movements	(199,733,587)	(8,604,137)	2,334,605	(206,003,119)	(254,952,984)	(12,015,600)	(456,306)	(267,424,890)
Ending Balance	473,712,387	24,933,143	55,428,704	554,074,234	444,131,392	30,217,054	50,749,511	525,097,957
<b>LGU</b>								
Beginning Balance	6,390,022	7,450	24,916	6,422,388	6,703,842	65,674	26,986	6,796,502
Newly originated assets which remained in Stage 1 at yearend	108,593	—	—	108,593	759,563	—	—	759,563
Effect of collections and other movements	(2,282,283)	38,704	32,311	(2,211,268)	(1,073,383)	(58,224)	(2,070)	(1,133,677)
Ending Balance	4,216,332	46,154	57,227	4,319,713	6,390,022	7,450	24,916	6,422,388
<b>Credit Cards</b>								
Beginning Balance	9,198,867	199,627	3,132,075	12,530,569	13,641,354	420,109	1,808,483	15,869,946
Newly originated assets which remained in Stage 1 at yearend	992,672	—	—	992,672	749,939	—	—	749,939
Newly originated assets which moved to Stages 2 and 3 at yearend	—	28,877	21,120	49,997	—	21,356	40,779	62,135
Transfers to Stage 1	105,067	(60,241)	(44,826)	—	96,163	(87,508)	(8,655)	—
Transfers to Stage 2	(192,298)	196,528	(4,230)	—	(184,734)	184,821	(87)	—
Transfers to Stage 3	(684,443)	(88,078)	772,521	—	(1,464,762)	(291,121)	1,755,883	—
Accounts charged off	—	—	(1,399,465)	(1,399,465)	(209,128)	(38,141)	(778,559)	(1,025,828)
Effect of collections and other movements	1,049,072	(7,300)	(58,600)	983,172	(3,429,965)	(9,889)	314,231	(3,125,623)
Ending Balance	10,468,937	269,413	2,418,595	13,156,945	9,198,867	199,627	3,132,075	12,530,569
<b>Retail SMEs</b>								
Beginning Balance	10,689,770	881,726	867,413	12,438,909	18,808,671	207,750	2,063,029	21,079,450
Newly originated assets which remained in Stage 1 at yearend	3,054,855	—	—	3,054,855	5,714,334	—	—	5,714,334
Newly originated assets which moved to Stages 2 and 3 at yearend	—	52,047	121,159	173,206	—	15,702	2,311	18,013
Transfers to Stage 1	192,038	(118,733)	(73,305)	—	850,597	(69,149)	(781,448)	—
Transfers to Stage 2	(119,746)	196,940	(77,194)	—	(2,663,688)	2,964,354	(300,666)	—
Transfers to Stage 3	(172,180)	(193,682)	365,862	—	(201,733)	(13,065)	214,798	—
Accounts charged off	—	—	—	—	—	—	(2,477)	(2,477)
Effect of collections and other movements	(7,212,621)	(659,286)	1,543,842	(6,328,065)	(11,818,411)	(2,223,866)	(328,134)	(14,370,411)
Ending Balance	6,432,116	159,012	2,747,777	9,338,905	10,689,770	881,726	867,413	12,438,909
<b>Housing Loans</b>								
Beginning Balance	15,883,951	1,257,045	7,971,308	25,112,304	26,601,243	1,571,291	5,396,033	33,568,567
Newly originated assets which remained in Stage 1 as at yearend	1,334,034	—	—	1,334,034	1,729,048	—	—	1,729,048
Newly originated assets which moved to Stages 2 and 3 at yearend	—	52,555	28,779	81,334	—	77,373	177,191	254,564
Transfers to Stage 1	1,842,273	(438,646)	(1,403,627)	—	164,876	(95,262)	(69,614)	—
Transfers to Stage 2	(254,573)	380,851	(126,278)	—	(285,503)	401,919	(116,416)	—
Transfers to Stage 3	(1,803,489)	(519,103)	2,322,592	—	(819,124)	(143,488)	962,612	—
Effect of collections and other movements	2,999,847	(245,959)	1,636,009	4,389,897	(11,506,589)	(554,788)	1,621,502	(10,439,875)
Ending Balance	20,002,043	486,743	10,428,783	30,917,569	15,883,951	1,257,045	7,971,308	25,112,304

(Forward)



	Consolidated							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Auto Loans</b>								
Beginning Balance	₱7,794,010	₱600,641	₱2,693,060	₱11,087,711	₱11,578,913	₱458,841	₱1,067,434	₱13,105,188
Newly originated assets which remained in Stage 1 at yearend	1,568,420	—	—	1,568,420	1,336,675	—	—	1,336,675
Newly originated assets which moved to Stages 2 and 3 at yearend	—	15,431	26,153	41,584	—	90,892	128,170	219,062
Transfers to Stage 1	531,091	(257,287)	(273,804)	—	40,194	(25,262)	(14,932)	—
Transfers to Stage 2	(184,128)	222,315	(38,187)	—	(269,948)	271,949	(2,001)	—
Transfers to Stage 3	(722,315)	(273,436)	995,751	—	(537,277)	(95,211)	632,488	—
Accounts charged off	—	—	(9,133)	(9,133)	—	—	(1,488)	(1,488)
Effect of collections and other movements	(3,118,712)	(144,749)	(660,348)	(3,923,809)	(4,354,547)	(100,568)	883,389	(3,571,726)
Ending Balance	5,868,366	162,915	2,733,492	8,764,773	7,794,010	600,641	2,693,060	11,087,711
<b>Other Loans</b>								
Beginning Balance	15,054,993	1,531,084	5,340,142	21,926,219	9,065,874	705,435	2,195,359	11,966,668
Newly originated assets which remained in Stage 1 at yearend	2,883,321	—	—	2,883,321	4,833,867	—	—	4,833,867
Newly originated assets which moved to Stages 2 and 3 at yearend	—	20,323	236,874	257,197	—	609,450	286,341	895,791
Transfers to Stage 1	1,379,908	(552,924)	(826,984)	—	54,147	(25,406)	(28,741)	—
Transfers to Stage 2	(1,253,877)	1,419,173	(165,296)	—	(109,736)	127,678	(17,942)	—
Transfers to Stage 3	(642,400)	(183,343)	825,743	—	(292,916)	(83,055)	375,971	—
Accounts charged off	—	—	(20,328)	(20,328)	—	—	(136,736)	(136,736)
Effect of collections and other movements	(10,100,414)	(1,867,179)	(4,224,167)	(16,191,760)	1,503,757	196,982	2,665,890	4,366,629
Ending Balance	7,321,531	367,134	1,165,984	8,854,649	15,054,993	1,531,084	5,340,142	21,926,219
<b>Other Receivables</b>								
Beginning Balance	14,846,752	(1,417,280)	4,363,870	17,793,342	16,365,625	5,351,013	3,596,611	25,313,249
Newly originated assets which remained in Stage 1 at yearend	(11,596)	—	—	(11,596)	644,270	—	—	644,270
Newly originated assets which moved to Stages 2 and 3 at yearend	—	21,867	19,079	40,946	—	41,154	31,577	72,731
Transfers to Stage 1	53,294	(45,655)	(7,639)	—	6,091	(5,383)	(708)	—
Transfers to Stage 2	(39,576)	448,866	(409,290)	—	(174,011)	174,390	(379)	—
Transfers to Stage 3	(39,376)	(97,570)	136,946	—	(197,680)	(6,228)	203,908	—
Accounts charged off	—	—	(9,287)	(9,287)	—	—	336	336
Effect of collections and other movements	(199,803)	(114,102)	(631,776)	(945,681)	(1,797,543)	(6,972,226)	532,525	(8,237,244)
Ending Balance	14,609,695	(1,203,874)	3,461,903	16,867,724	14,846,752	(1,417,280)	4,363,870	17,793,342
<b>Total Loans and Receivables</b>								
Beginning Balance	523,989,757	33,277,347	75,142,295	632,409,399	624,607,359	24,863,999	26,865,627	676,336,985
Newly originated assets which remained in Stage 1 at yearend	236,942,301	—	—	236,942,301	240,651,052	—	—	240,651,052
Newly originated assets which moved to Stages 2 and 3 at yearend	—	5,181,394	8,909,564	14,090,958	—	12,763,945	7,760,430	20,524,375
Transfers to Stage 1	15,382,575	(6,454,553)	(8,928,022)	—	2,981,839	(2,019,306)	(962,533)	—
Transfers to Stage 2	(9,636,745)	10,801,608	(1,164,863)	—	(20,556,914)	21,051,518	(494,604)	—
Transfers to Stage 3	(5,447,980)	(5,981,148)	11,429,128	—	(36,054,786)	(1,606,489)	37,661,275	—
Accounts charged off	—	—	(1,439,313)	(1,439,313)	(209,128)	(38,141)	(918,927)	(1,166,196)
Sale of receivables (Note 26)	—	—	(5,478,200)	(5,478,200)	—	—	—	—
Effect of collections and other movements	(218,598,501)	(11,604,008)	(28,124)	(230,230,633)	(287,429,665)	(21,738,179)	5,231,027	(303,936,817)
Ending Balance	₱542,631,407	₱25,220,640	₱78,442,465	₱646,294,512	₱523,989,757	₱33,277,347	₱75,142,295	₱632,409,399



	Parent Company							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Corporate Loans</b>								
Beginning Balance	435,934,894	30,214,439	50,511,255	516,660,588	P512,864,358	P16,005,670	P7,801,279	P536,671,307
Transferred loans	—	—	—	—	745,960	269,729	220,192	1,235,881
Newly originated assets which remained in Stage 1 at yearend	220,776,849	—	—	220,776,849	219,584,230	—	—	219,584,230
Newly originated assets which moved to Stages 2 and 3 at yearend	—	4,988,831	8,456,400	13,445,231	—	11,908,018	7,093,943	19,001,961
Transfers to Stage 1	11,276,501	(4,980,418)	(6,296,083)	—	1,743,067	(1,699,147)	(43,920)	—
Transfers to Stage 2	(7,469,151)	7,813,539	(344,388)	—	(16,856,122)	16,913,235	(57,113)	—
Transfers to Stage 3	(1,383,777)	(4,625,936)	6,009,713	—	(32,384,828)	(974,321)	33,359,149	—
Accounts charged off	—	—	(1,100)	(1,100)	—	—	—	—
Sale of receivables (Note 26)	—	—	(5,478,200)	(5,478,200)	—	—	—	—
Effect of collections and other movements	(194,349,797)	(8,557,799)	2,371,315	(200,536,281)	(249,761,771)	(12,208,745)	2,137,725	(259,832,791)
Ending Balance	464,785,519	24,852,656	55,228,912	544,867,087	435,934,894	30,214,439	50,511,255	516,660,588
<b>LGU</b>								
Beginning Balance	6,390,022	7,450	24,916	6,422,388	6,703,842	65,674	26,986	6,796,502
Newly originated assets which remained in Stage 1 at yearend	108,593	—	—	108,593	759,563	—	—	759,563
Effect of collections and other movements	(2,282,283)	38,704	32,311	(2,211,268)	(1,073,383)	(58,224)	(2,070)	(1,133,677)
Ending Balance	4,216,332	46,154	57,227	4,319,713	6,390,022	7,450	24,916	6,422,388
<b>Credit Cards</b>								
Beginning Balance	P9,198,867	P199,627	P3,132,075	P12,530,569	P13,582,771	P420,109	P1,867,066	P15,869,946
Newly originated assets which remained in Stage 1 at yearend	992,672	—	—	992,672	749,939	—	—	749,939
Newly originated assets which moved to Stages 2 and 3 at yearend	—	28,877	21,120	49,997	—	21,356	40,779	62,135
Transfers to Stage 1	105,067	(60,241)	(44,826)	—	96,163	(87,508)	(8,655)	—
Transfers to Stage 2	(192,298)	196,528	(4,230)	—	(184,734)	184,821	(87)	—
Transfers to Stage 3	(684,443)	(88,078)	772,521	—	(1,464,762)	(291,121)	1,755,883	—
Accounts charged off	—	—	(1,399,465)	(1,399,465)	(209,128)	(38,141)	(778,559)	(1,025,828)
Effect of collections and other movements	1,049,072	(7,300)	(58,600)	983,172	(3,371,382)	(9,889)	255,648	(3,125,623)
Ending Balance	10,468,937	269,413	2,418,595	13,156,945	9,198,867	199,627	3,132,075	12,530,569
<b>Retail SMEs</b>								
Beginning Balance	7,334,196	313,830	1,175,641	8,823,667	11,681,560	101,084	668,104	12,450,748
Newly originated assets which remained in Stage 1 at yearend	2,829,299	—	—	2,829,299	3,834,534	3,063	366,384	4,203,981
Newly originated assets which moved to Stages 2 and 3 at yearend	—	35,119	79,327	114,446	5,407,150	—	—	5,407,150
Transfers to Stage 1	108,463	(70,731)	(37,732)	—	5,046	—	(5,046)	—
Transfers to Stage 2	(18,421)	30,420	(11,999)	—	(2,623,980)	2,629,989	(6,009)	—
Transfers to Stage 3	(135,027)	(173,631)	308,658	—	(195,976)	(13,065)	209,041	—
Accounts charged off	—	—	—	—	—	—	(2,477)	(2,477)
Effect of collections and other movements	(4,925,444)	(81,582)	(356,407)	(5,363,433)	(10,774,138)	(2,407,241)	(54,356)	(13,235,735)
Ending Balance	5,193,066	53,425	1,157,488	6,403,979	7,334,196	313,830	1,175,641	8,823,667
<b>Housing Loans</b>								
Beginning Balance	15,372,581	1,041,658	8,072,951	24,487,190	3,698,821	37,277	111,670	3,847,768
Transferred loans	—	—	—	—	17,204,340	1,118,420	4,063,136	22,385,896
Newly originated assets which remained in Stage 1 at yearend	1,222,996	—	—	1,222,996	1,574,071	—	—	1,574,071
Newly originated assets which moved to Stages 2 and 3 at yearend	—	52,555	28,779	81,334	—	77,373	177,191	254,564
Transfers to Stage 1	1,840,598	(438,646)	(1,401,952)	—	149,616	(80,001)	(69,615)	—
Transfers to Stage 2	(254,573)	380,851	(126,278)	—	(285,503)	294,225	(8,722)	—
Transfers to Stage 3	(1,798,685)	(519,103)	2,317,788	—	(811,796)	(143,488)	955,284	—
Effect of collections and other movements	2,735,103	(30,572)	1,526,218	4,230,749	(6,156,968)	(262,148)	2,844,007	(3,575,109)
Ending Balance	19,118,020	486,743	10,417,506	30,022,269	15,372,581	1,041,658	8,072,951	24,487,190

(Forward)



	Parent Company							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Auto Loans</b>								
Beginning Balance	7,794,010	600,641	2,693,060	11,087,711	2,687,127	41,958	43,247	2,772,332
Transferred loans	—	—	—	—	8,254,512	393,457	943,922	9,591,891
Newly originated assets which remained in Stage 1 at yearend	1,568,420	—	—	1,568,420	1,336,675	—	—	1,336,675
Newly originated assets which moved to Stages 2 and 3 at yearend	—	15,431	26,153	41,584	—	90,892	128,170	219,062
Transfers to Stage 1	531,091	(257,287)	(273,804)	—	40,195	(25,262)	(14,933)	—
Transfers to Stage 2	(184,128)	222,315	(38,187)	—	(269,948)	271,949	(2,001)	—
Transfers to Stage 3	(722,315)	(273,436)	995,751	—	(537,277)	(95,211)	632,488	—
Accounts charged off	—	—	(9,133)	(9,133)	—	—	(1,488)	(1,488)
Effect of collections and other movements	(3,118,712)	(144,749)	(660,348)	(3,923,809)	(3,717,274)	(77,142)	963,655	(2,830,761)
Ending Balance	5,868,366	162,915	2,733,492	8,764,773	7,794,010	600,641	2,693,060	11,087,711
<b>Other Loans</b>								
Beginning Balance	13,385,322	1,531,084	5,326,698	20,243,104	3,447,590	420,820	1,443,059	5,311,469
Transferred loans	—	—	—	—	10,223,071	397,388	1,869,871	12,490,330
Newly originated assets which remained in Stage 1 at yearend	2,883,091	—	—	2,883,091	4,833,867	—	—	4,833,867
Newly originated assets which moved to Stages 2 and 3 at yearend	—	20,323	236,874	257,197	—	609,450	286,341	895,791
Transfers to Stage 1	1,379,908	(552,924)	(826,984)	—	54,147	(25,406)	(28,741)	—
Transfers to Stage 2	(1,253,877)	1,419,173	(165,296)	—	(109,736)	127,678	(17,942)	—
Transfers to Stage 3	(642,400)	(183,343)	825,743	—	(292,916)	(83,055)	375,971	—
Accounts charged off	—	—	(20,328)	(20,328)	—	—	(136,736)	(136,736)
Effect of collections and other movements	(9,896,193)	(1,867,179)	(4,224,648)	(15,988,020)	(4,770,701)	84,209	1,534,875	(3,151,617)
Ending Balance	5,855,851	367,134	1,152,059	7,375,044	13,385,322	1,531,084	5,326,698	20,243,104
(Forward)								
<b>Other Receivables</b>								
Beginning Balance	₱13,610,734	₱304,633	₱4,231,158	₱18,146,525	₱14,046,122	₱1,210,740	₱2,561,746	₱17,818,608
Transferred receivables	—	—	—	—	882,153	64,670	985,295	1,932,118
Newly originated assets which remained in Stage 1 at yearend	696,937	—	—	696,937	576,857	—	—	576,857
Newly originated assets which moved to Stages 2 and 3 as at year-end	—	21,867	17,538	39,405	—	41,154	31,577	72,731
Transfers to Stage 1	53,270	(45,648)	(7,622)	—	6,092	(5,383)	(709)	—
Transfers to Stage 2	(39,322)	448,612	(409,290)	—	(174,011)	174,390	(379)	—
Transfers to Stage 3	(39,357)	(97,570)	136,927	—	(197,680)	(6,228)	203,908	—
Accounts charged off	—	—	(9,287)	(9,287)	—	—	336	336
Effect of collections and other movements	(1,274,938)	(116,161)	(667,553)	(2,058,652)	(1,528,799)	(1,174,710)	449,384	(2,254,125)
Ending Balance	13,007,324	515,733	3,291,871	16,814,928	13,610,734	304,633	4,231,158	18,146,525
<b>Total Loans and Receivables</b>								
Beginning Balance	509,020,626	34,213,362	75,167,754	618,401,742	568,712,191	18,303,332	14,523,157	601,538,680
Transferred Loans	—	—	—	—	37,310,036	2,243,664	8,082,416	47,636,116
Newly originated assets which remained in Stage 1 at yearend	231,078,857	—	—	231,078,857	233,249,736	3,063	366,384	233,619,183
Newly originated assets which moved to Stages 2 and 3 as at year-end	—	5,163,003	8,866,191	14,029,194	5,407,150	12,748,243	7,758,001	25,913,394
Transfers to Stage 1	15,294,898	(6,405,895)	(8,889,003)	—	2,094,326	(1,922,707)	(171,619)	—
Transfers to Stage 2	(9,411,770)	10,511,438	(1,099,668)	—	(20,504,034)	20,596,287	(92,253)	—
Transfers to Stage 3	(5,406,004)	(5,961,097)	11,367,101	—	(35,885,235)	(1,606,489)	37,491,724	—
Accounts charged off	—	—	(1,439,313)	(1,439,313)	(209,128)	(38,141)	(918,924)	(1,166,193)
Sale of receivables (Note 26)	—	—	(5,478,200)	(5,478,200)	—	—	—	—
Effect of collections and other movements	(212,063,192)	(10,766,638)	(2,037,712)	(224,867,542)	(281,154,416)	(16,113,890)	8,128,868	(289,139,438)
Ending Balance	₱528,513,415	₱26,754,173	₱76,457,150	₱631,724,738	₱509,020,626	₱34,213,362	₱75,167,754	₱618,401,742



## 17. Deposit Liabilities

As of December 31, 2021 and 2020, noninterest-bearing deposit liabilities amounted to ₱28.6 billion and ₱30.0 billion, respectively, for the Group, and ₱28.5 billion and ₱29.3 billion, respectively, for the Parent Company.

The remaining deposit liabilities of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Peso-denominated	<b>0.10% - 6.75%</b>	0.10% - 10.00%	0.10% - 10.00%	<b>0.10% - 5.00%</b>	0.10% - 10.00%	0.10% - 10.00%
Foreign currency-denominated	<b>0.01% - 3.00%</b>	0.01% - 4.75%	0.01% - 8.00%	<b>0.01% - 3.00%</b>	0.01% - 4.75%	0.01% - 8.00%

As of December 31, 2021 and 2020, non-FCDU deposit liabilities of the Parent Company are subject to reserves equivalent to 12.00%.

Available reserves booked under 'Due from BSP' amounted to ₱81.3 billion and ₱80.0 billion as of December 31, 2021 and 2020, respectively.

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2021	2020
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	<b>₱4,578,946</b>	₱4,573,124
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	<b>8,187,523</b>	8,176,616
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	<b>6,339,910</b>	6,332,653
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	<b>3,761,261</b>	3,756,911
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	<b>5,377,750</b>	5,372,730
					<b>₱28,245,390</b>	₱28,212,034

As of December 31, 2021 and 2020, peso-denominated LTNCDs of the Parent Company are subject to reserves equivalent to 4.00%.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Savings	<b>₱1,942,687</b>	₱2,930,115	₱6,706,938	<b>₱2,014,705</b>	₱2,778,153	₱6,639,928
Time	<b>1,411,973</b>	2,852,325	5,870,981	<b>1,411,974</b>	2,852,325	4,127,553
LTNCDs	<b>1,269,356</b>	1,429,301	1,386,082	<b>1,269,356</b>	1,429,301	1,386,082
Demand	<b>189,750</b>	167,277	60,898	<b>189,750</b>	167,277	48,213
	<b>₱4,813,766</b>	₱7,379,018	₱14,024,899	<b>₱4,885,785</b>	₱7,227,056	₱12,201,776

In 2021, 2020 and 2019, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱33.4 million, ₱59.9 million and ₱40.5 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱69.6 million and ₱103.0 million as of December 31, 2021 and 2020, respectively.



## 18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2021 and 2020, this account consists of derivative liabilities amounting to ₱891.5 million and ₱701.2 million, respectively, for the Group, and ₱891.3 million and ₱700.8 million, respectively, for the Parent Company (Notes 23 and 35).

## 19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Bills payable to:				
Foreign banks	<b>₱8,263,434</b>	₱50,482,387	<b>₱7,849,009</b>	₱49,874,309
BSP and local banks (Note 33)	<b>37,482,381</b>	33,116,145	<b>36,154,113</b>	31,382,133
Others	<b>98,086</b>	—	—	—
	<b>45,843,901</b>	83,598,532	<b>44,003,122</b>	81,256,442
Acceptances outstanding (Note 10)	<b>7,109,896</b>	3,560,918	<b>7,109,896</b>	3,560,918
	<b>₱52,953,797</b>	₱87,159,450	<b>₱51,113,018</b>	₱84,817,360

Bills payable of the Group and the Parent Company earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Peso-denominated	<b>1.0% - 2.0%</b>	4.0% - 6.5%	4.0% - 5.4%	<b>1.0% - 2.0%</b>	4.0% - 6.5%	4.0% - 5.4%
Foreign currency-denominated	<b>0.1% - 1.2%</b>	0.1% - 4.4%	0.2% - 4.4%	<b>0.1% - 1.2%</b>	0.1% - 4.4%	0.2% - 4.4%

As of December 31, 2021 and 2020, bills payable with a carrying amount of ₱38.5 billion and ₱69.9 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱32.8 billion and ₱44.6 billion, respectively, and investment securities at amortized cost with carrying values of ₱5.3 billion and ₱26.1 billion, respectively, and fair values of ₱5.6 billion and ₱27.6 billion, respectively (Note 9).

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Continuing operations:						
Bills payable	<b>₱391,404</b>	₱663,567	₱2,034,690	<b>₱315,097</b>	₱482,810	₱1,578,614
Lease liabilities (Note 29)	<b>112,591</b>	120,675	131,661	<b>107,052</b>	120,181	118,365
Others	<b>7,926</b>	62,198	18,567	<b>2,931</b>	34,487	43,643
	<b>511,921</b>	846,440	2,184,918	<b>425,080</b>	637,478	1,740,622
Discontinued operations (Note 36):						
Lease liabilities	<b>3,528</b>	2,900	128	—	—	—
	<b>₱515,449</b>	₱849,340	₱2,185,046	<b>₱425,080</b>	₱637,478	₱1,740,622





## 20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Accrued taxes and other expenses	<b>P7,106,616</b>	P5,540,591	<b>P6,865,474</b>	P5,191,696
Accrued interest	<b>659,034</b>	908,435	<b>638,907</b>	883,320
	<b>P7,765,650</b>	P6,449,026	<b>P7,504,381</b>	P6,075,016

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Financial liabilities:				
Promotional expenses	<b>P802,454</b>	P905,470	<b>P802,454</b>	P905,470
Information technology-related expenses	<b>541,510</b>	331,627	<b>541,510</b>	331,627
Rent and utilities payable	<b>362,868</b>	267,559	<b>359,805</b>	264,193
Management, directors and other professional fees	<b>285,648</b>	88,652	<b>263,133</b>	61,831
Repairs and maintenance	<b>85,128</b>	81,090	<b>83,762</b>	80,415
	<b>2,077,608</b>	1,674,398	<b>2,050,664</b>	1,643,536
Nonfinancial liabilities:				
Monetary value of leave credits	<b>1,920,153</b>	1,859,275	<b>1,878,856</b>	1,829,251
PDIC insurance premiums	<b>970,140</b>	832,069	<b>954,662</b>	816,591
Other taxes and licenses	<b>477,917</b>	662,446	<b>428,290</b>	544,533
Employee benefits	<b>443,886</b>	155,450	<b>421,505</b>	128,113
Other expenses	<b>1,216,912</b>	356,953	<b>1,131,497</b>	229,672
	<b>5,029,008</b>	3,866,193	<b>4,814,810</b>	3,548,160
	<b>P7,106,616</b>	P5,540,591	<b>P6,865,474</b>	P5,191,696

‘Other expenses’ include janitorial, representation and entertainment, communication and other operating expenses.

## 21. Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2021	2020
<u>Fixed rate medium term senior notes</u>						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	<b>₱38,117,754</b>	₱35,851,428
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	<b>15,265,667</b>	14,352,368
		USD1,050,000			<b>53,383,421</b>	50,203,796
<u>Fixed rate bonds</u>						
May 8, 2019	May 8, 2021	₱13,870,000	6.30%	Quarterly	—	13,852,539
					<b>₱53,383,421</b>	₱64,056,335

The fixed rate medium term senior notes are drawdowns from the Parent Company’s Medium Term Note Programme (the MTN Programme), which was established on April 13, 2018 with an initial nominal size of US\$1.0 billion. On June 14, 2019, the Parent Company increased the size of its MTN Programme to US\$2.0 billion. Both issued fixed rate medium term senior notes are listed in the Singapore Exchange Securities Trading Limited.



The fixed rate bonds represent the Parent Company's maiden issuance of Philippine peso-denominated bonds in Philippine Dealing & Exchange Corp.

As of December 31, 2021 and 2020, the unamortized transaction costs of bonds payable amounted to ₱168.7 million and ₱252.2 million, respectively. In 2021 and 2020, amortization of transaction costs amounting to ₱83.5 million and ₱169.5 million, were charged to 'Interest expense on bonds payable' in the statements of income.

## 22. Other Liabilities

This account consists of:

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Financial</b>				
Accounts payable	<b>₱4,724,720</b>	₱5,789,144	<b>₱4,285,545</b>	₱5,472,811
Dormant credits	<b>1,303,713</b>	1,258,502	<b>1,272,553</b>	1,230,991
Manager's checks and demand drafts outstanding	<b>1,256,121</b>	1,302,745	<b>1,256,121</b>	1,302,745
Bills purchased - contra (Note 10)	<b>1,053,517</b>	1,548,226	<b>1,053,517</b>	1,548,226
Deposits on lease contracts	<b>593,903</b>	878,193	<b>53,774</b>	104,363
Accounts payable - electronic money	<b>408,858</b>	448,794	<b>408,858</b>	448,794
Margin deposits and cash letters of credit	<b>325,829</b>	329,432	<b>314,326</b>	267,564
Payment order payable	<b>196,718</b>	263,959	<b>196,206</b>	263,959
Due to other banks (Note 33)	<b>154,949</b>	537,116	<b>52,198</b>	69,484
Transmission liability	<b>58,308</b>	24,468	<b>—</b>	—
Deposit for keys on safety deposit boxes	<b>16,742</b>	16,861	<b>16,742</b>	16,861
	<b>10,093,378</b>	12,397,440	<b>8,909,840</b>	10,725,798
<b>Nonfinancial</b>				
Provisions (Note 34)	<b>1,095,325</b>	979,067	<b>685,230</b>	979,067
Retirement benefit liability (Note 28)	<b>926,259</b>	1,213,888	<b>923,116</b>	1,205,212
Due to Treasurer of the Philippines	<b>882,769</b>	675,835	<b>882,769</b>	675,835
Deferred revenue - Bancassurance (Note 12)	<b>573,674</b>	646,874	<b>573,674</b>	646,874
Deferred revenue - Credit card-related	<b>548,630</b>	489,711	<b>548,630</b>	489,711
Withholding tax payable	<b>309,897</b>	265,884	<b>304,039</b>	262,793
Deferred tax liabilities (Note 30)	<b>165,228</b>	161,152	<b>—</b>	—
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	<b>43,359</b>	37,627	<b>42,989</b>	37,359
Miscellaneous	<b>1,081,353</b>	1,006,350	<b>642,564</b>	524,245
	<b>5,626,494</b>	5,476,388	<b>4,603,011</b>	4,821,096
	<b>₱15,719,872</b>	₱17,873,828	<b>₱13,512,851</b>	₱15,546,894

'Deferred revenue - Bancassurance' pertains to the allocated portion of the consideration received for the disposal of APLII related to the EDR and the exclusive bancassurance arrangement for the non-life insurance business with ABIC (Note 12). In 2021 and 2020, amortization of other deferred revenue amounting to ₱75.4 million were recognized under 'Service fees and commission income' (Note 26).

'Deferred revenue - Credit card-related' includes portion of fee allocated to the loyalty points, deferred by the Group and recognized as revenue when the points are redeemed or have expired.

'Miscellaneous' include interoffice floats, remittance-related payables, overages, advance rentals and sundry credits.



## 23. Derivative Financial Instruments

The tables below show the fair values of the derivative financial instruments entered into by the Group and the Parent Company, recorded as 'Financial assets at FVTPL' (Note 9) or 'Financial liabilities at FVTPL' (Note 18), together with the notional amounts.

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2021 and 2020 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

Consolidated				
2021				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱1,355,660	₱274	51.00	₱3,861,673
EUR	6	5	1.13	12,645
GBP	47	16	1.35	6,325
PHP	—	1,544	1.00	1,788,750
SGD	31	—	0.74	1
SELL:				
USD	990	887,819	51.00	1,374,345
AUD	—	228	0.72	500
CAD	141	11	0.78	2,125
EUR	2	153	1.13	19,443
GBP	30	884	1.35	8,500
HKD	1,714	108	0.13	2,217,580
JPY	6,124	9	0.01	1,080,000
NZD	—	36	0.68	400
PHP	290	8	1.00	509,708
SGD	16	436	0.74	1,400
	<b>₱1,365,051</b>	<b>₱891,531</b>		

\*The notional amounts and average forward rates pertain to original currencies.

Consolidated				
2020				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱3,819	₱556,154	48.02	₱3,088,554
AUD	2,373	—	0.76	68,028
EUR	11	30	1.22	8,216
GBP	—	186	1.35	800
HKD	163	—	0.13	1,584,875
PHP	123	—	1.00	2,401,273
SELL:				
USD	212,405	120	48.02	877,320
AUD	—	200	0.76	400
CAD	91	84	0.78	9,461
EUR	—	3,823	1.22	16,700
GBP	1,163	—	1.35	2,500
HKD	19	51	0.13	726,829
JPY	12	665	0.01	1,170,000
NZD	63	—	0.71	350
PHP	3	23	1.00	7,023
SGD	—	440	0.75	708
Interest rate swaps	150,408	139,463		
	<b>₱370,653</b>	<b>₱701,239</b>		

\*The notional amounts and average forward rates pertain to original currencies.



Parent Company				
2021				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	P1,354,160	P185	51.00	P1,652,850
EUR	2	–	1.13	50
GBP	47	16	1.35	6,325
PHP	–	1,544	1.00	1,788,750
SGD	31	–	0.74	1
SELL:				
USD	986	887,816	51.00	1,361,750
AUD	–	228	0.72	500
CAD	141	11	0.78	2,125
EUR	–	147	1.13	3,500
GBP	30	884	1.35	8,500
HKD	214	26	0.13	24,700
JPY	6,124	9	0.01	1,080,000
NZD	–	36	0.68	400
PHP	290	8	1.00	509,708
SGD	16	436	0.74	1,400
	<b>P1,362,041</b>	<b>P891,346</b>		

\*The notional amounts and average forward rates pertain to original currencies.

Parent Company				
2020				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	P1,272	P556,153	48.02	P1,433,304
EUR	–	30	1.22	254
GBP	–	186	1.35	800
PHP	123	–	1.00	2,401,273
SELL:				
USD	212,405	37	48.02	860,806
AUD	–	200	0.76	400
CAD	91	–	0.78	1,500
EUR	–	3,823	1.22	16,700
GBP	1,163	–	1.35	2,500
HKD	19	–	0.13	6,500
JPY	12	665	0.01	1,170,000
NZD	63	–	0.71	350
PHP	3	23	1.00	7,023
SGD	–	440	0.75	708
Interest rate swaps	150,407	139,245		
	<b>P365,558</b>	<b>P700,802</b>		

\*The notional amounts and average forward rates pertain to original currencies.

The rollforward analysis of net derivative assets in 2021 and 2020 follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balance at the beginning of the year:				
Derivative assets	<b>P370,653</b>	P373,040	<b>P365,558</b>	P373,006
Derivative liabilities	<b>701,239</b>	245,619	<b>700,802</b>	231,992
	<b>(330,586)</b>	127,421	<b>(335,244)</b>	141,014
Changes in fair value				
Currency forwards and spots*	<b>805,748</b>	(459,964)	<b>806,069</b>	(477,566)
Interest rate swaps and warrants**	<b>(23,472)</b>	(2,532)	<b>(23,472)</b>	(2,532)
	<b>782,276</b>	(462,496)	<b>782,597</b>	(480,098)
Net availments	<b>21,830</b>	4,489	<b>23,342</b>	3,840

(Forward)



	Consolidated		Parent Company	
	2021	2020	2021	2020
Balance at end of year:				
Derivative assets	<b>P1,365,051</b>	P370,653	<b>P1,362,041</b>	P365,558
Derivative liabilities	<b>891,531</b>	701,239	<b>891,346</b>	700,802
	<b>P473,520</b>	(P330,586)	<b>P470,695</b>	(P335,244)

\* Presented as part of 'Foreign exchange gains - net'

\*\* Recorded under 'Trading and investment securities gains - net' (Note 9)

## 24. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2021			2020		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	<b>P27,552,773</b>	<b>P-</b>	<b>P27,552,773</b>	P25,135,724	<b>P-</b>	P25,135,724
Due from BSP	<b>161,001,912</b>	-	<b>161,001,912</b>	202,129,356	-	202,129,356
Due from other banks	<b>27,232,676</b>	-	<b>27,232,676</b>	19,743,198	-	19,743,198
Interbank loans receivable (Note 8)	<b>32,112,667</b>	-	<b>32,112,667</b>	39,703,864	-	39,703,864
Securities held under agreements to resell (Note 8)	<b>15,800,317</b>	-	<b>15,800,317</b>	15,819,273	-	15,819,273
Financial assets at FVTPL (Note 9)	<b>11,167,657</b>	-	<b>11,167,657</b>	23,825,708	-	23,825,708
Financial assets at FVOCI (Note 9)	<b>75,692,741</b>	<b>92,294,549</b>	<b>167,987,290</b>	57,356,398	76,358,954	133,715,352
Investment securities at amortized cost (Note 9)	<b>45,931,953</b>	<b>47,346,056</b>	<b>93,278,009</b>	39,947,435	59,270,956	99,218,391
Loans and receivables (Note 10)	<b>200,773,178</b>	<b>445,914,712</b>	<b>646,687,890</b>	222,441,041	410,735,105	633,176,146
Other assets (Note 15)	<b>136,324</b>	<b>13,698</b>	<b>150,022</b>	85,689	14,220	99,909
	<b>597,402,198</b>	<b>585,569,015</b>	<b>1,182,971,213</b>	646,187,686	546,379,235	1,192,566,921
Nonfinancial Assets						
Property and equipment (Note 11)	-	<b>25,846,442</b>	<b>25,846,442</b>	-	32,251,646	32,251,646
Investment in an associate (Note 12)	-	<b>2,468,107</b>	<b>2,468,107</b>	-	2,310,410	2,310,410
Investment properties (Note 13)	-	<b>14,658,030</b>	<b>14,658,030</b>	-	19,195,106	19,195,106
Deferred tax assets (Note 30)	-	<b>6,405,505</b>	<b>6,405,505</b>	-	9,036,908	9,036,908
Goodwill (Note 14)	-	<b>13,375,407</b>	<b>13,375,407</b>	-	13,375,407	13,375,407
Intangible assets (Note 14)	-	<b>6,995,365</b>	<b>6,995,365</b>	-	6,424,135	6,424,135
Residual value of leased assets (Note 10)	<b>505,784</b>	<b>219,082</b>	<b>724,866</b>	374,959	323,020	697,979
Other assets (Note 15)	<b>4,041,342</b>	<b>1,685,772</b>	<b>5,727,114</b>	5,408,127	1,870,770	7,278,897
	<b>4,547,126</b>	<b>71,653,710</b>	<b>76,200,836</b>	5,783,086	84,787,402	90,570,488
Assets of a disposal group classified as held for sale (Note 36)	-	-	-	7,945,945	-	7,945,945
Less: Allowance for impairment and credit losses (Note 16)			<b>49,780,665</b>			41,202,984
Unearned and other deferred income (Note 10)			<b>1,118,244</b>			1,464,726
Accumulated depreciation and amortization (Notes 11, 13 and 14)			<b>17,488,478</b>			17,281,845
			<b>P1,190,784,662</b>			<b>P1,231,133,799</b>

(Forward)



	Consolidated					
	2021			2020		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities						
Deposit liabilities (Note 17)	<b>P856,415,554</b>	<b>P38,508,755</b>	<b>P894,924,309</b>	P831,907,680	P58,380,209	P890,287,889
Financial liabilities at FVTPL (Note 18)	<b>891,531</b>	–	<b>891,531</b>	561,995	139,244	701,239
Bills and acceptances payable (Note 19)	<b>49,780,354</b>	<b>3,173,443</b>	<b>52,953,797</b>	84,924,978	2,234,472	87,159,450
Accrued interest payable (Note 20)	<b>657,063</b>	<b>1,971</b>	<b>659,034</b>	778,428	130,007	908,435
Accrued other expenses payable (Note 20)	<b>1,657,913</b>	<b>419,695</b>	<b>2,077,608</b>	1,030,988	643,410	1,674,398
Bonds payable (Note 21)	–	<b>53,383,421</b>	<b>53,383,421</b>	13,852,538	50,203,797	64,056,335
Other liabilities (Note 22)	<b>7,704,872</b>	<b>2,388,506</b>	<b>10,093,378</b>	10,519,523	1,877,917	12,397,440
	<b>917,107,287</b>	<b>97,875,791</b>	<b>1,014,983,078</b>	943,576,130	113,609,056	1,057,185,186
Nonfinancial Liabilities						
Lease liabilities (Note 29)	<b>2,698,373</b>	<b>1,067,018</b>	<b>3,765,391</b>	552,617	813,399	1,366,016
Accrued taxes and other expenses (Note 20)	<b>2,288,247</b>	<b>2,740,761</b>	<b>5,029,008</b>	593,042	3,273,151	3,866,193
Income tax payable	<b>157,735</b>	–	<b>157,735</b>	903,044	–	903,044
Other liabilities (Note 22)	<b>2,564,240</b>	<b>3,062,254</b>	<b>5,626,494</b>	1,827,690	3,648,698	5,476,388
	<b>7,708,595</b>	<b>6,870,033</b>	<b>14,578,628</b>	3,876,393	7,735,248	11,611,641
Liabilities of a disposal group classified as held for sale (Note 36)	–	–	–	6,353,964	–	6,353,964
	<b>P924,815,882</b>	<b>P104,745,824</b>	<b>P1,029,561,706</b>	<b>P953,806,487</b>	<b>P121,344,304</b>	<b>P1,075,150,791</b>
	Parent Company					
	2021			2020		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	<b>P27,454,459</b>	<b>P–</b>	<b>P27,454,459</b>	P25,038,434	<b>P–</b>	P25,038,434
Due from BSP	<b>161,001,912</b>	–	<b>161,001,912</b>	202,129,356	–	202,129,356
Due from other banks	<b>19,333,873</b>	–	<b>19,333,873</b>	12,141,599	–	12,141,599
Interbank loans receivable (Note 8)	<b>30,302,334</b>	–	<b>30,302,334</b>	37,861,553	–	37,861,553
Securities held under agreements to resell (Note 8)	<b>15,800,317</b>	–	<b>15,800,317</b>	15,819,273	–	15,819,273
Financial assets at FVTPL (Note 9)	<b>11,010,278</b>	–	<b>11,010,278</b>	21,947,640	–	21,947,640
Financial assets at FVOCI (Note 9)	<b>75,706,122</b>	<b>91,840,228</b>	<b>167,546,350</b>	58,640,049	74,623,709	133,263,758
Investment securities at amortized cost (Note 9)	<b>45,814,197</b>	<b>47,335,863</b>	<b>93,150,060</b>	40,524,889	58,573,151	99,098,040
Loans and receivables (Note 10)	<b>193,490,020</b>	<b>439,091,126</b>	<b>632,581,146</b>	217,224,095	402,310,575	619,534,670
Other assets (Note 15)	<b>134,840</b>	<b>1,502</b>	<b>136,342</b>	85,746	527	86,273
	<b>580,048,352</b>	<b>578,268,719</b>	<b>1,158,317,071</b>	631,412,634	535,507,962	1,166,920,596
Nonfinancial Assets						
Property and equipment (Note 11)	–	<b>23,444,821</b>	<b>23,444,821</b>	–	29,652,288	29,652,288
Investment in subsidiaries and an associate (Note 12)	–	<b>27,275,451</b>	<b>27,275,451</b>	–	27,105,550	27,105,550
Investment properties (Note 13)	–	<b>13,949,148</b>	<b>13,949,148</b>	–	18,538,021	18,538,021
Deferred tax assets (Note 30)	–	<b>6,271,578</b>	<b>6,271,578</b>	–	8,522,411	8,522,411
Goodwill (Note 14)	–	<b>13,515,765</b>	<b>13,515,765</b>	–	13,515,765	13,515,765
Intangible assets (Note 14)	–	<b>7,969,658</b>	<b>7,969,658</b>	–	7,457,263	7,457,263
Other assets (Note 15)	<b>3,761,622</b>	<b>1,673,606</b>	<b>5,435,228</b>	4,199,440	1,702,234	5,901,674
	<b>3,761,622</b>	<b>94,100,027</b>	<b>97,861,649</b>	4,199,440	106,493,532	110,692,972
Assets of a disposal group classified as held for sale (Note 36)	–	–	–	1,136,418	–	1,136,418
Less: Allowance for impairment and credit losses (Note 16)			<b>49,612,865</b>			40,277,667
Unearned and other deferred income (Note 10)			<b>856,408</b>			1,132,928
Accumulated amortization and depreciation (Notes 11, 13 and 14)			<b>17,698,795</b>			17,137,714
			<b>P1,188,010,652</b>			<b>P1,220,201,677</b>

(Forward)



	Parent Company					
	2021			2020		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities						
Deposit liabilities (Note 17)	<b>₱861,706,050</b>	<b>₱37,819,145</b>	<b>₱899,525,195</b>	₱835,750,531	₱57,797,513	₱893,548,044
Financial liabilities at FVTPL (Note 18)	<b>891,346</b>	–	<b>891,346</b>	561,558	139,244	700,802
Bills and acceptances payable (Note 19)	<b>48,305,700</b>	<b>2,807,318</b>	<b>51,113,018</b>	83,135,081	1,682,279	84,817,360
Accrued interest payable (Note 20)	<b>638,907</b>	–	<b>638,907</b>	754,310	129,010	883,320
Accrued other expenses payable (Note 20)	<b>1,630,969</b>	<b>419,695</b>	<b>2,050,664</b>	1,000,126	643,410	1,643,536
Bonds payable (Note 21)	–	<b>53,383,421</b>	<b>53,383,421</b>	13,852,538	50,203,797	64,056,335
Other liabilities (Note 22)	<b>6,909,027</b>	<b>2,000,813</b>	<b>8,909,840</b>	9,240,263	1,485,536	10,725,799
	<b>920,081,999</b>	<b>96,430,392</b>	<b>1,016,512,391</b>	944,294,407	112,080,789	1,056,375,196
Nonfinancial Liabilities						
Lease liabilities (Note 29)	<b>2,686,906</b>	<b>1,011,504</b>	<b>3,698,410</b>	478,204	892,002	1,370,206
Accrued taxes and other expenses (Note 20)	<b>2,086,159</b>	<b>2,728,651</b>	<b>4,814,810</b>	286,989	3,261,171	3,548,160
Income tax payable	<b>89,328</b>	–	<b>89,328</b>	842,038	–	842,038
Other liabilities (Note 22)	<b>1,538,221</b>	<b>3,064,790</b>	<b>4,603,011</b>	1,314,107	3,506,989	4,821,096
	<b>6,400,614</b>	<b>6,804,945</b>	<b>13,205,559</b>	2,921,338	7,660,162	10,581,500
	<b>₱926,482,613</b>	<b>₱103,235,337</b>	<b>₱1,029,717,950</b>	₱947,215,745	₱119,740,951	₱1,066,956,696

## 25. Equity

### Capital Stock

This account consists of (amounts in thousands, except for par value and number of shares):

	Shares	Amount
<b>Common - ₱40 par value</b>		
Authorized	<b>1,750,000,001</b>	<b>₱70,000,000</b>
Issued and outstanding		
Balance at the beginning and end of the year	<b>1,525,764,850</b>	<b>₱61,030,594</b>

The history of share issuances of the Parent Company since its initial public offering follows:

Date	Type of issuance	Number of common shares	Par value	Offer price
July 2019	Stock rights	276,625,172	₱40.00	₱43.38
February 2014	Stock rights	162,931,262	40.00	71.00
February 2013	Share-for-share swap with ABC common and preferred shares *	423,962,500	40.00	97.90
September 2000	Pre-emptive stock rights	71,850,215	100.00	60.00
September 1999	Stock rights	68,740,086	100.00	137.80
December 1995	Third public offering	7,200,000	100.00	260.00
April 1992	Second public offering	8,033,140	100.00	265.00
June 1989	Initial public offering	10,800,000	100.00	100.00

In January 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001.

The Parent Company's shares are listed in the PSE. As of December 31, 2021 and 2020, the Parent Company had 36,286 and 36,394 stockholders, respectively.



On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (the Offer) of 276,625,172 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. The Rights Shares were offered to all eligible shareholders of the Parent Company from July 3 to 12, 2019 at the proportion of one Rights Share for every 4.516 existing common shares as of the record date of June 21, 2019. The Parent Company incurred transaction costs of ₱312.5 million, of which ₱159.7 million was deducted against 'Capital paid in excess of par value'. Out of the ₱159.7 million transaction costs, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers of the Offer, was eliminated in the consolidated financial statements.

#### Surplus

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11-2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2021 and 2020, surplus amounting to ₱9.6 billion, representing the balances of the following equity items that have been applied to eliminate the Parent Company's deficit through quasi-reorganizations in 2002 and 2000, is not available for dividend declaration without prior approval from the SEC and the BSP:

Revaluation increment on land and buildings	₱7,691,808
Accumulated translation adjustment	1,315,685
Accumulated equity in net earnings of investees	563,048
	<u>₱9,570,541</u>

#### Surplus Reserves

This account consists of:

	2021	2020
Reserves under BSP Circular 1011	<b>₱4,461,857</b>	₱4,369,668
Reserves for trust business (Note 32)	<b>605,583</b>	582,429
Reserves for self-insurance	<b>80,000</b>	80,000
	<u><b>₱5,147,440</b></u>	<u>₱5,032,097</u>

'Reserves under BSP Circular 1011' represents the appropriation for the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts in accordance with BSP Circular 1011.

'Reserves for self-insurance' represents the amount set aside to cover losses due to fire or defalcation by, and other unlawful acts of, the Parent Company's personnel or third parties.

#### Accumulated Translation Adjustment

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion, including ₱0.6 billion accumulated equity in net earnings as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion.

The SEC approval is subject to the following conditions:

- remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC;





- for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

#### Other Equity Reserves

On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock. The acquisition and distribution of the estimated 3.0 million shares shall be done over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date is April 27, 2017 when the fair value of the centennial bonus shares is ₱65.20. In 2021, 2020 and 2019, the Parent Company awarded 306 thousand, 316 thousand and 277 thousand, respectively, centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱29.0 million, ₱6.4 million and ₱18.4 million, respectively.

#### Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company and its financial allied subsidiaries are subject to the regulatory requirements of the BSP. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods. The Group has complied with all externally imposed capital requirements throughout the year.

#### *BSP reporting for capital management*

Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on RAP, which differ from PFRS in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% at all times for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

On August 29, 2019, the MB of the BSP approved the integration of PNBSB with the Parent Company. One of the integration incentives granted by the BSP was a temporary capital relief by not deducting the amount of investment of the Parent Company in PNBSB from CET1 Capital in computing the CAR on a solo basis. The relief commenced on the date of net asset transfer and shall become effective until approval by the SEC of the reduction of authorized capital stock of PNBSB.



As of December 31, 2021 and 2020, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

<b>Consolidated</b>	<b>2021</b>		<b>2020</b>	
	<b>Actual</b>	<b>Required</b>	<b>Actual</b>	<b>Required</b>
CET1 Capital (Gross)	<b>₱152,857</b>		₱144,298	
Less: Regulatory Adjustments to CET 1	<b>48,541</b>		28,838	
CET1 Capital (Net)	<b>104,316</b>		115,460	
Add: Additional Tier 1 Capital (AT1)	<b>—</b>		—	
Tier 1 Capital	<b>104,316</b>		115,460	
Add: Tier 2 Capital	<b>5,634</b>		5,377	
<b>Total qualifying capital</b>	<b>₱109,950</b>	<b>₱80,490</b>	<b>₱120,837</b>	<b>₱79,817</b>
<b>Total risk-weighted assets</b>	<b>₱804,903</b>		<b>₱798,170</b>	
Tier 1 capital ratio	<b>12.96%</b>		14.47%	
Total capital ratio	<b>13.66%</b>		15.14%	

<b>Parent Company</b>	<b>2021</b>		<b>2020</b>	
	<b>Actual</b>	<b>Required</b>	<b>Actual</b>	<b>Required</b>
CET1 Capital (Gross)	<b>₱149,117</b>		₱142,235	
Less: Regulatory Adjustments to CET 1	<b>61,982</b>		42,732	
CET1 Capital (Net)	<b>87,135</b>		99,503	
Add: AT1	<b>—</b>		—	
Tier 1 Capital	<b>87,135</b>		99,503	
Add: Tier 2 Capital	<b>5,442</b>		5,236	
<b>Total qualifying capital</b>	<b>₱92,577</b>	<b>₱79,135</b>	<b>₱104,739</b>	<b>₱77,910</b>
<b>Total risk-weighted assets</b>	<b>₱791,349</b>		<b>₱779,103</b>	
Tier 1 capital ratio	<b>11.01%</b>		12.77%	
Total capital ratio	<b>11.70%</b>		13.44%	

The Group considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, the Parent Company maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.



As of December 31, 2021 and 2020, BLR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Tier 1 capital	<b>₱104,316</b>	₱119,279	<b>₱87,135</b>	₱103,321
Total exposure measure	<b>1,189,481</b>	1,244,747	<b>1,171,530</b>	1,226,577
BLR	<b>8.77%</b>	9.58%	<b>7.44%</b>	8.42%

BLR is computed based on RAP.

#### *Capital build-up plan*

In 2021, the Parent Company prepared its capital build-up plan which aims to increase its qualifying capital for the succeeding three years. The capital build-up plan has the following main components:

- Returning the excess capital of AIHI (formerly PNBSB) (Note 37)
- Improving the Parent Company's earnings and asset quality
- Disposing the Parent Company's real estate properties
- Selling NPLs under the Financial Institutions Strategic Transfer Act
- Selling of remaining stake in PNB Holdings upon its listing in the PSE
- Receiving commitment from the major shareholders of the Parent Company to infuse capital

Further, while the Parent Company is executing its capital build-up plan, it intends to apply the regulatory reliefs provided under BSP Memoranda M-2021-055 and M-2021-056 in calculating its CAR in 2022.

## 26. Other Operating Income

### Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Continuing operations:						
Loan-related	<b>₱1,432,909</b>	₱1,072,459	₱1,042,011	<b>₱1,425,149</b>	₱1,124,608	₱647,215
Deposit-related	<b>1,326,692</b>	1,058,033	1,120,069	<b>1,326,692</b>	1,054,359	1,101,249
Credit card-related	<b>697,962</b>	622,302	456,176	<b>697,962</b>	622,302	456,176
Remittance	<b>652,262</b>	646,494	714,330	<b>351,392</b>	340,364	373,330
Underwriting fees	<b>511,032</b>	227,494	655,450	–	–	–
Bancassurance (Note 22)	<b>495,512</b>	206,686	188,263	<b>495,512</b>	206,686	188,263
Interchange fees	<b>383,271</b>	329,059	506,521	<b>383,271</b>	329,059	506,521
Trust fees (Note 32)	<b>319,422</b>	314,851	281,228	<b>319,422</b>	314,851	281,228
Miscellaneous	<b>521,264</b>	207,194	204,992	<b>311,329</b>	142,290	123,707
	<b>6,340,326</b>	4,684,572	5,169,040	<b>5,310,729</b>	4,134,519	3,677,689
Discontinued operations:						
Miscellaneous (Note 36)	<b>110</b>	19,718	7,460	–	–	–
	<b>₱6,340,436</b>	₱4,704,290	₱5,176,500	<b>₱5,310,729</b>	₱4,134,519	₱3,677,689

'Interchange fees' and 'Credit card-related fees' were generated from the credit card business of the Parent Company.



‘Miscellaneous’ includes income from securities brokering activities and other fees and commission.

### Net Gains (Losses) on Sale or Exchange of Assets

This account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Net gains from sale of receivables	<b>P766,968</b>	P104,181	P165,310	<b>P766,968</b>	P104,181	P165,310
Net gains from foreclosure and repossession of investment properties	<b>138,697</b>	72,109	482,661	<b>138,697</b>	13,209	505,137
Net gains from sale of other assets	<b>52,206</b>	–	3,016	<b>60,880</b>	–	8,753
Net gains from sale of investment properties (Note 33)	<b>15,192</b>	11,775	48,599	<b>8,268</b>	11,806	6,218
Net gains (losses) from sale of property and equipment (Note 11)	<b>8,399</b>	7,777	(8,961)	<b>(789)</b>	1,297	1,023
	<b>P981,462</b>	P195,842	P690,625	<b>P974,024</b>	P130,493	P686,441

In September 2021, the Parent Company sold certain NPLs with aggregate outstanding balances before sale, including accrued interest, of P5.5 billion, resulting in a gain on sale of receivables of P767.0 million.

## 27. Miscellaneous Income and Expenses

### Miscellaneous Income

This account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
		(As restated – Note 36)	(As restated – Note 36)			
Continuing operations:						
Rental income (Note 29)	<b>P513,904</b>	P680,332	P725,745	<b>P211,775</b>	P383,733	P466,451
Income from assets acquired	<b>183,173</b>	258,708	100,214	<b>183,173</b>	253,128	100,214
Recoveries	<b>85,164</b>	33,000	76,362	<b>84,463</b>	24,685	66,694
Dividends	<b>63,608</b>	86,139	89,528	<b>23,584</b>	45,811	60,046
Miscellaneous - Loan-related	<b>25,763</b>	29,224	79,409	<b>25,763</b>	29,224	79,409
Miscellaneous - Credit card-related	<b>15,912</b>	8,812	16,958	<b>15,912</b>	8,812	16,958
Referral fees	<b>2,491</b>	3,188	2,912	–	–	–
Miscellaneous - Trade-related	<b>188</b>	17,055	23,588	<b>188</b>	17,055	23,588
Others	<b>179,844</b>	128,241	349,580	<b>214,968</b>	144,304	163,462
	<b>1,070,047</b>	1,244,699	1,464,296	<b>759,826</b>	906,752	976,822
Discontinued operations (Note 36):						
Rental income	<b>375,556</b>	–	–	–	–	–
Others	<b>111,401</b>	243,860	186	–	–	–
	<b>486,957</b>	243,860	186	–	–	–
	<b>P1,557,004</b>	P1,488,559	P1,464,482	<b>P759,826</b>	P906,752	P976,822

‘Others’ consist of income from wire transfers, tellers’ overages, and penalty payments received by the Group which are related to loan accounts.



### Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Continuing operations:						
Insurance	<b>P1,997,478</b>	P1,833,686	P1,851,769	<b>P1,983,103</b>	P1,787,331	P1,632,028
Secretarial, janitorial and messengerial	<b>1,682,794</b>	1,631,137	1,636,755	<b>1,669,906</b>	1,605,223	1,521,042
Information technology	<b>1,304,930</b>	1,448,623	811,574	<b>1,283,294</b>	1,431,600	796,016
Marketing expenses	<b>719,070</b>	737,110	1,136,082	<b>713,832</b>	732,788	1,117,113
Litigation and assets acquired expenses	<b>395,386</b>	248,302	326,588	<b>394,534</b>	243,489	290,775
Management and other professional fees	<b>294,090</b>	363,710	487,115	<b>245,853</b>	291,457	432,425
Travelling	<b>284,484</b>	289,765	373,143	<b>280,090</b>	282,758	345,626
Stationery and supplies	<b>269,813</b>	265,226	237,659	<b>261,679</b>	255,914	216,837
Entertainment, amusement and recreation (EAR) (Note 30)	<b>189,098</b>	147,421	166,089	<b>181,251</b>	137,152	153,999
Postage, telephone and cable	<b>151,560</b>	163,160	228,066	<b>124,270</b>	125,244	165,533
Value-added tax on leases	<b>88,116</b>	–	–	<b>88,116</b>	–	–
Repairs and maintenance	<b>70,375</b>	62,161	73,601	<b>70,375</b>	62,161	73,601
Freight	<b>42,418</b>	30,973	41,811	<b>42,320</b>	29,428	38,003
Fuel and lubricants	<b>14,172</b>	14,157	18,671	<b>11,477</b>	10,931	12,677
Loss on loan modifications	–	1,587,605	–	–	1,587,605	–
Others (Notes 13, 27 and 33)	<b>698,971</b>	190,403	292,459	<b>624,455</b>	54,893	58,984
	<b>8,202,755</b>	9,013,439	7,681,382	<b>7,974,555</b>	8,637,974	6,854,659
Discontinued operations (Note 36):						
Management and other professional fees (Note 33)	<b>109,776</b>	1,843	1,380	–	–	–
Insurance	<b>10,363</b>	457	225	–	–	–
Information technology	<b>2,906</b>	6,918	7,322	–	–	–
Marketing expenses	<b>2,236</b>	8,514	5,161	–	–	–
Secretarial, janitorial and messengerial	<b>1,620</b>	6,015	11,467	–	–	–
Postage, telephone and cable	<b>751</b>	3,232	3,108	–	–	–
Travelling	<b>508</b>	2,390	4,235	–	–	–
Stationery and supplies	<b>449</b>	2,090	3,254	–	–	–
Fuel and lubricants	<b>411</b>	2,327	–	–	–	–
EAR	<b>142</b>	2,575	888	–	–	–
Others	<b>2,832</b>	8,649	14,109	–	–	–
	<b>131,994</b>	45,010	51,149	–	–	–
	<b>P8,334,749</b>	P9,058,449	P7,732,531	<b>P7,974,555</b>	P8,637,974	P6,854,659

‘Loss on loan modifications’ pertains to the adjustment for the changes in expected cash flows of credit exposures, as a result of modifications in the original terms and conditions of the loan which include, but not limited to, changes in interest rates, principal amount, maturity date, and payment terms. The Group accommodated modifications in the terms and conditions of certain loans of borrowers, which have been directly impacted by the COVID-19 pandemic. The loss is computed as the difference between the gross carrying amount of the loan and the present value of the modified contractual cash flows, discounted at the original effective interest rate of the loan. Subsequent accretion to interest income in 2021 and 2020 amounted to P351.5 million and P901.7 million, respectively.

‘Others’ include stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.



## 28. Retirement Plan

The Parent Company and certain subsidiaries of the Group have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
Retirement benefit liability (included in 'Other liabilities') (Note 22)	<b>₱926,259</b>	₱1,213,888	<b>₱923,116</b>	₱1,205,212
Net plan assets (included in 'Other assets - miscellaneous') (Note 15)	<b>5,678</b>	7,538	—	—
	<b>₱920,581</b>	₱1,206,350	<b>₱923,116</b>	₱1,205,212

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2021 and 2020, the Parent Company has two separate regular retirement plans for its employees. In addition, the Parent Company provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).



The changes in the present value obligation and fair value of plan assets are as follows:

Consolidated												
2021												
	Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2021	Current Service Cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	Effect of disposal group clasified as held for sale (Note 36)
December 31, 2021												
Present value of pension obligation	P9,138,303	P581,774	P–	P309,967	P891,741	(P635,622)	P–	(P114,426)	(P263,234)	(P377,660)	P–	P–
Fair value of plan assets	7,931,953	–	–	269,847	269,847	(635,622)	(220,117)	–	–	(220,117)	750,120	–
	P1,206,350	P581,774	P–	P40,120	P621,894	P–	P220,117	(P114,426)	(P263,234)	(P157,543)	(P750,120)	P–

\*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income

Consolidated												
2020												
	Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2020	Current Service Cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	Effect of disposal group clasified as held for sale (Note 36)
December 31, 2020												
Present value of pension obligation	P8,165,350	P535,165	P25,454	P369,524	P930,143	(P486,637)	P–	(P20,328)	P612,674	P592,346	P–	(P62,899)
Fair value of plan assets	7,365,620	–	–	317,891	317,891	(486,637)	(110,671)	–	–	(110,671)	894,487	(48,737)
	P799,730	P535,165	P25,454	P51,633	P612,252	P–	P110,671	(P20,328)	P612,674	P703,017	(P894,487)	(P14,162)

\*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income



Parent Company

2021

	Net benefit cost						Remeasurements in other comprehensive income						Effect of disposal group clasified as held for sale (Note 36)	December 31, 2021
	January 1, 2021	Current Service Cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer			
Present value of pension obligation	P9,085,073	P572,224	P–	P307,994	P880,218	(P635,622)	P–	(P111,642)	(P259,020)	(P370,662)	P–	P–	P8,959,007	
Fair value of plan assets	7,879,861	–	–	267,915	267,915	(635,622)	(219,871)	–	–	(219,871)	743,608	–	8,035,891	
	P1,205,212	P572,224	P–	P40,079	P612,303	P–	P219,871	(P111,642)	(P259,020)	(P150,791)	P(743,608)	P–	P923,116	

\*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income

Parent Company

2020

	Net benefit cost						Remeasurements in other comprehensive income							Effect of disposal group clasified as held for sale (Note 36)	December 31, 2020
	January 1, 2020	Current Service Cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer				
Present value of pension obligation	P7,925,817	P520,600	P25,454	P367,429	P913,483	(P475,059)	P–	(P16,388)	P600,958	P584,570	P–	P136,262	P9,085,073		
Fair value of plan assets	7,122,164	–	–	331,181	331,181	(475,059)	(109,109)	–	–	(109,109)	867,916	142,768	7,879,861		
	P803,653	P520,600	P25,454	P36,248	P582,302	P–	P109,109	(P16,388)	P600,958	P693,679	(P867,916)	(P6,506)	P1,205,212		

\*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income





The latest actuarial valuations for these retirement plans were made as of December 31, 2021. The following table shows the actuarial assumptions as of December 31, 2021 and 2020 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2021	2020	2021	2020	2021	2020
Discount rate	<b>3.45% - 4.99%</b>	3.40% - 3.75%	<b>4.75%</b>	3.40%	<b>4.75%</b>	3.40%
Salary rate increase	<b>3.00% - 10.00%</b>	3.00% - 10.00%	<b>6.00%</b>	5.00%	—	—

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

The Group and the Parent Company expect to contribute ₱1,260.1 million and ₱1,252.1 million, respectively, to the defined benefit plans in 2022. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2021 is 14 years and 9 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Less than one year	<b>₱1,639,472</b>	₱1,549,180	<b>₱1,638,962</b>	₱1,546,110
More than one year to five years	<b>5,181,164</b>	4,637,731	<b>5,176,283</b>	4,634,889
More than five years to 10 years	<b>4,356,064</b>	4,152,389	<b>4,310,518</b>	4,108,665
More than 10 years to 15 years	<b>3,625,801</b>	3,169,138	<b>3,530,315</b>	3,080,995
More than 15 years	<b>8,998,036</b>	7,635,988	<b>8,592,546</b>	7,391,744

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Cash and cash equivalents	<b>₱3,792,281</b>	₱3,875,381	<b>₱3,783,563</b>	₱3,858,067
Equity investments				
Real estate, renting and business activities	<b>466,747</b>	382,376	<b>466,747</b>	382,376
Electricity, gas and water	<b>284,300</b>	287,045	<b>284,300</b>	287,045
Financial institutions (Note 33)	<b>177,928</b>	256,337	<b>165,210</b>	250,215
Others	<b>201,956</b>	175,535	<b>194,636</b>	157,938
Debt investment				
Government securities	<b>1,752,649</b>	1,306,438	<b>1,743,551</b>	1,302,813
Private debt securities	<b>537,016</b>	780,316	<b>528,473</b>	774,499
Investment in UITFs	<b>805,211</b>	584,193	<b>794,979</b>	582,674
Loans and receivables	<b>63,360</b>	208,084	<b>63,360</b>	208,084
Interest and other receivables	<b>17,232</b>	86,070	<b>13,491</b>	85,881
	<b>8,098,680</b>	7,941,775	<b>8,038,310</b>	7,889,592
Accrued expenses	<b>(2,499)</b>	(9,822)	<b>(2,420)</b>	(9,731)
	<b>₱8,096,181</b>	₱7,931,953	<b>₱8,035,890</b>	₱7,879,861



All equity and debt investments held including investments in UITF have quoted prices in active markets. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2021 and 2020 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱165.2 million and ₱250.2 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

2021				
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱545,838)	+1.00%	(₱538,945)
	-1.00%	618,425	-1.00%	610,126
Salary increase rate	+1.00%	557,244	+1.00%	549,222
	-1.00%	(504,192)	-1.00%	(497,358)
Employee turnover rate	+10.00%	(201,187)	+10.00%	(200,279)
	-10.00%	201,187	-10.00%	200,279
2020				
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱576,279)	+1.00%	(₱570,999)
	-1.00%	637,229	-1.00%	630,928
Salary increase rate	+1.00%	589,766	+1.00%	583,649
	-1.00%	(527,654)	-1.00%	(522,381)
Employee turnover rate	+10.00%	(181,668)	+10.00%	(182,321)
	-10.00%	181,668	-10.00%	182,321

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

## 29. Leases

### *Group as Lessee*

The Group has entered into commercial leases for its branch sites, ATM offsite location and other equipment. These non-cancellable leases have lease terms of 1 to 25 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group ROU asset is composed of the Parent Company's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.



Rent expense charged against current operations (included in ‘Occupancy and equipment-related costs’ in the statements of income) amounted to ₱251.5 million, ₱580.6 million and ₱581.1 million in 2021, 2020 and 2019, respectively, for the Group, of which ₱223.2 million, ₱532.9 million and ₱454.1 million in 2021, 2020, and 2019, respectively, pertain to the Parent Company. Rent expenses in 2021, 2020 and 2019 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2021 and 2020, the Group has no contingent rent payable.

As of December 31, 2021 and 2020, the carrying amounts of ‘Lease liabilities’ are as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balance at beginning of year	<b>₱1,366,016</b>	₱1,806,409	<b>₱1,370,206</b>	₱1,633,083
Additions	<b>3,377,981</b>	104,330	<b>3,298,634</b>	127,578
Payments	<b>(1,231,287)</b>	(664,156)	<b>(1,213,912)</b>	(649,402)
Interest expense (Note 19)	<b>112,591</b>	120,675	<b>107,052</b>	120,181
Effect of loss of control over PNB Holdings	<b>179,095</b>	—	<b>136,430</b>	—
Effect of discontinued operations (Note 36)	<b>(39,005)</b>	(1,242)	—	—
Transfers	—	—	—	138,766
	<b>₱3,765,391</b>	₱1,366,016	<b>₱3,698,410</b>	₱1,370,206

The Parent Company has lease contracts with its affiliates (Note 33).

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Within one year	<b>₱1,097,903</b>	₱725,804	<b>₱1,086,436</b>	₱616,688
Beyond one year but not more than five years	<b>2,498,020</b>	1,215,693	<b>2,486,540</b>	1,065,827
More than five years	<b>1,446,578</b>	434,137	<b>1,446,578</b>	334,695
	<b>₱5,042,501</b>	₱2,375,634	<b>₱5,019,554</b>	₱2,017,210

#### *Group as Lessor*

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5.00% per year). In 2021, 2020 and 2019, total rent income (included under ‘Miscellaneous income’) amounted to ₱513.9 million, ₱680.3 million and ₱731.8 million, respectively, for the Group and ₱211.8 million, ₱383.7 million and ₱466.5 million, respectively, for the Parent Company (Note 27).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Within one year	<b>₱645,654</b>	₱164,223	<b>₱—</b>	₱162,021
Beyond one year but not more than five years	<b>102,795</b>	583,780	—	583,780
More than five years	—	156,770	—	156,770
	<b>₱748,449</b>	₱904,773	<b>₱—</b>	₱902,571

#### Finance Lease

##### *Group as Lessor*

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group’s net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group’s net investment outstanding in



respect of the finance lease (effective interest method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The future minimum lease receivables under finance leases are disclosed under 'Loans and Receivables' in Note 10.

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### 30. Income and Other Taxes

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for (benefit from) income tax' in the statements of income.

On March 26, 2021, Republic Act No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of CREATE, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the CREATE.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% from (July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's and the Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulations (RR) No. 25-2020.

#### *Impact of CREATE Law*

Applying the provisions of the CREATE Law, the Group and the Parent Company is subjected to lower regular corporate income tax rate of 25.00% effective July 1, 2020. The following are the impact of CREATE in the 2021 financial statements of the Group and the Parent Company:

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates applicable to the Group and the Parent Company for the taxable year 2020 is 27.50% and 1.50%, respectively. This resulted in reduction in the current income tax due for the taxable year 2020 amounting to ₱365.1 million and ₱361.4 million for the Group and the Parent Company, respectively. The reduced amounts were reflected in the 2020 Annual Income Tax Returns filed in 2021. For financial reporting purposes, such reductions in the 2020 current income taxes were recognized in the 2021 financial statements as reduction to 2021 income tax expense.
- The deferred tax assets as of December 31, 2021 were also remeasured using the lower RCIT rate of 25.00%. The net decrease in the deferred tax balances amounting to ₱1.5 billion for the Group and the Parent Company, reduced the provision for deferred tax by ₱1.5 billion for the Group and the Parent Company, and other comprehensive income by ₱9.2 million and ₱9.4 million for the Group and the Parent Company.



There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Act.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for (benefit from) income tax consists of:

	Consolidated			Parent Company		
	2020	2019		2020	2019	
	(As restated –	(As restated –				
	2021	Note 36)	Note 36)	2020	2020	2019
Continuing operations:						
Current						
Regular	<b>P1,549,711</b>	P3,215,178	P1,653,473	<b>P1,316,245</b>	P3,186,427	P1,367,233
Final	<b>1,411,669</b>	1,459,926	1,372,414	<b>1,372,443</b>	1,388,839	1,325,119
	<b>2,961,380</b>	4,675,104	3,025,887	<b>2,688,688</b>	4,575,266	2,692,352
Deferred	<b>2,583,814</b>	(6,541,506)	(573,680)	<b>2,323,873</b>	(6,520,787)	(605,888)
	<b>5,545,194</b>	(1,866,402)	2,452,207	<b>5,012,561</b>	(1,945,521)	2,086,464
Discontinued operations						
(Note 36):						
Current						
Regular	<b>177,048</b>	68,831	–	–	–	–
Final	<b>15,813</b>	20,519	18,997	–	–	–
	<b>192,861</b>	89,350	18,997	–	–	–
Deferred	<b>(84,259)</b>	(768)	(218)	–	–	–
	<b>108,602</b>	88,582	18,779	–	–	–
	<b>P5,653,796</b>	(P1,777,820)	P2,470,986	<b>P5,012,561</b>	(P1,945,521)	P2,086,464

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Deferred tax assets on:				
Allowance for impairment, credit and other losses	<b>P8,467,637</b>	P11,148,074	<b>P8,395,806</b>	P10,898,555
Accumulated depreciation on investment properties and appraisal increment	<b>495,884</b>	729,869	<b>495,884</b>	726,928
Accrued expenses	<b>469,714</b>	580,572	<b>469,714</b>	580,572
Deferred revenues	<b>129,050</b>	130,213	<b>129,050</b>	130,213
Retirement liability	<b>52,434</b>	838,990	–	798,947
Unrealized losses on financial assets at FVTPL and FVOCI	<b>42,169</b>	–	<b>42,169</b>	–
Unearned interest and discount	–	152,211	–	152,211
Others	<b>9,812</b>	311,540	–	–
	<b>9,666,700</b>	13,891,469	<b>9,532,623</b>	13,287,426

(Forward)



	Consolidated		Parent Company	
	2021	2020	2021	2020
Deferred tax liabilities on:				
Revaluation increment on land and buildings <sup>1/</sup>	<b>₱1,536,629</b>	₱3,133,453	<b>₱1,536,629</b>	₱3,133,453
Fair value adjustment on investment properties	<b>1,066,381</b>	1,043,165	<b>918,043</b>	894,827
Unrealized foreign exchange gains	<b>340,458</b>	97,033	<b>340,458</b>	97,033
Gain on remeasurement of previously held interest	<b>246,651</b>	246,651	<b>246,651</b>	246,651
Fair value adjustments due to business combination	<b>210,574</b>	329,723	<b>210,574</b>	329,723
Unrealized gains on financial assets at FVTPL and FVOCI	<b>8,836</b>	56,931	<b>8,690</b>	56,931
Others	<b>16,893</b>	108,757	<b>—</b>	6,397
	<b>3,426,422</b>	5,015,713	<b>3,261,045</b>	4,765,015
	<b>₱6,240,278</b>	₱8,875,756	<b>₱6,271,578</b>	₱8,522,411

<sup>1/</sup> Balance includes deferred tax liability amounting to ₱613.7 million acquired from business combination

As of December 31, 2021 and 2020, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.

Provision for deferred tax charged to OCI pertains to deferred tax on remeasurement losses on retirement plan amounting to ₱2.5 million and nil in 2021 and 2020, respectively, for the Group. Provision for deferred tax charged directly to OCI pertains to deferred tax on net unrealized gains on financial assets at FVOCI amounting to ₱87.6 million for the Group and the Parent Company in 2021, and ₱15.8 million for the Group and the Parent Company in 2020.

#### Unrecognized deferred tax assets

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Allowance for impairment and credit losses	<b>₱13,997,827</b>	₱—	<b>₱6,642,377</b>	₱—
Unamortized past service cost	<b>2,540,326</b>	332,523	<b>2,540,326</b>	332,523
Unrealized foreign exchange loss	<b>1,450,079</b>	—	<b>1,450,079</b>	—
Retirement liability	<b>923,116</b>	1,205,212	<b>923,116</b>	1,205,212
Derivative liabilities	<b>891,346</b>	558,220	<b>891,346</b>	558,220
Unearned interest and discount	<b>334,355</b>	—	<b>334,355</b>	—
NOLCO	<b>224,768</b>	54,823	<b>—</b>	—
Lease liabilities	<b>21,752</b>	143,156	<b>19,825</b>	138,114
	<b>₱20,383,569</b>	₱2,293,934	<b>₱12,801,424</b>	₱2,234,069

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱18,430	₱18,430	₱—	Not applicable
2018	9,916	9,916	—	2021
2019	—	—	—	2022
2020	89,960	—	89,960	2025
2021	134,808	—	134,808	2026
	<b>₱253,114</b>	<b>₱28,346</b>	<b>₱224,768</b>	



### *Unrecognized deferred tax liabilities*

As of December 31, 2021, there was a deferred tax liability of ₱736.1 million (₱834.6 million in 2020) for temporary differences of ₱2.9 billion (₱2.8 billion in 2020) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Statutory income tax rate	<b>25.00%</b>	30.00%	30.00%	<b>25.00%</b>	30.00%	30.00%
Tax effects of:						
Net unrecognized deferred tax assets	<b>6.03</b>	(1,169.49)	(7.66)	<b>5.46</b>	(635.63)	(8.98)
Non-deductible expenses	<b>4.54</b>	1,060.87	13.63	<b>5.20</b>	559.12	12.05
Tax-exempt income	<b>(21.93)</b>	(116.17)	(6.49)	<b>(22.94)</b>	(65.28)	(4.94)
Tax-paid income	<b>(0.63)</b>	(85.73)	(7.06)	<b>(0.66)</b>	(47.66)	(7.23)
FCDU (income) loss before tax	<b>2.61</b>	(59.81)	(1.75)	<b>2.73</b>	(32.34)	(3.17)
Optional standard deduction	<b>(0.08)</b>	–	(0.43)	–	–	–
CREATE adjustment – deferred tax	<b>0.01</b>	–	–	<b>0.01</b>	–	–
CREATE adjustment – current tax	<b>(0.95)</b>	–	–	<b>(0.99)</b>	–	–
Effective income tax rate	<b>14.60%</b>	(340.33%)	20.24%	<b>13.81%</b>	(191.79%)	17.73%

The amount of EAR expenses deductible for tax purposes is limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in ‘Miscellaneous expenses’ in the statements of income) amounted to ₱189.1 million in 2021, ₱147.4 million in 2020, and ₱166.1 million in 2019 for the Group, and ₱181.3 million in 2021, ₱137.2 million in 2020, and ₱154.0 million in 2019 for the Parent Company (Note 27).

## 31. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company is computed as follows:

	2021	2020	2019
a) Net income attributable to equity holders of the Parent Company	<b>₱31,630,626</b>	₱2,614,653	₱9,681,480
b) Weighted average number of common shares for basic earnings per share (Note 25)	<b>1,525,765</b>	1,525,765	1,372,674
c) Basic/Diluted earnings per share (a/b)	<b>₱20.73</b>	₱1.71	₱7.05



Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)
a) Net income attributable to equity holders of the Parent Company from continuing operations	<b>₱32,365,991</b>	₱2,403,984	₱9,581,992
b) Weighted average number of common shares for basic earnings per share (Note 25)	<b>1,525,765</b>	1,525,765	1,372,674
c) Basic/Diluted earnings per share (a/b)	<b>₱21.21</b>	₱1.58	₱6.98

As of December 31, 2021, 2020 and 2019, there are no potential common shares with dilutive effect on the basic earnings per share.

### 32. Trust Operations

Securities and other properties held by the Parent Company through its Trust Banking Group (TBG) in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱143.3 billion and ₱154.4 billion as of December 31, 2021 and 2020, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.6 billion and ₱1.9 billion (included under 'Investment securities at amortized cost') as of December 31, 2021 and 2020, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2021, 2020 and 2019 amounting to ₱319.4 million, ₱314.9 million and ₱281.2 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱23.2 million, ₱20.4 million and ₱21.4 million in 2021, 2020 and 2019, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital (Note 25).

### 33. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors and their subsidiaries and associates called affiliates;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees





Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

Category	2021		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Significant Investors</b>			
Deposit liabilities		<b>P4,415</b>	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125 %
Interest expense	<b>P5</b>		Interest expense on deposits
Net withdrawals	<b>127,586</b>		Net deposits during the period
<b>Subsidiaries</b>			
Receivables from customers		<b>P1,471,253</b>	Term loan maturing in 2022 with nominal interest rates ranging from 2.60% to 5.70%; includes domestic bills purchased; with aggregate allowance for credit losses of P1.4 billion
Loan releases	<b>P1,557,106</b>		
Loan collections	<b>1,986,548</b>		
Credit facilities		<b>13,796,172</b>	Includes omnibus line and revocable revolving credit lines, domestic bills purchase lines and letters of credit/ trust receipt lines; also includes irrevocable standby letters of credit; with provision for liability of P125.1 million relating to undrawn loan commitments of PMLFC
Interbank loans receivable		<b>29,403</b>	Foreign currency-denominated interbank term loans with interest rates ranging from 0.15% to 0.25% and maturity terms ranging from 116 to 152 days with Allied Commercial Bank Xiamen
Availments	<b>104,698</b>		
Settlements	<b>94,537</b>		
Due from other banks		<b>248,314</b>	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		<b>7,520</b>	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		<b>67,772</b>	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		<b>12,687,720</b>	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.125% to 1.125% and maturities from 30 to 365 days
Net deposits	<b>22,739</b>		Net deposits during the period
Bills payable		<b>P30,477</b>	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates range from 0.1% to 0.2% and maturity terms ranging from 116 to 152 days.
Availments	<b>P106,095</b>		
Settlements	<b>94,445</b>		
Due to other banks		<b>35,719</b>	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		<b>103,473</b>	Accrued interest on deposit liabilities and bills payable
Rental deposit		<b>4,044</b>	Advance rental deposit received for 2 years and 3 months
Interest income	<b>69,370</b>		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	<b>18,072</b>		Interest expense on deposit liabilities and bills payable
Miscellaneous other income	<b>2,506</b>		Management and other professional fees
Securities transactions			
Purchases	<b>1,890,889</b>		Outright purchase of securities
Sales	<b>281,588</b>		Outright sale of securities
Trading gain	<b>7,149</b>		Gain from sale of investment securities



2021			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Other Related Parties</b>			
Receivables from customers		<b>₱57,580,429</b>	Partly secured by real estate and aircraft; With interest rates ranging from 2.12% to 9.72% with maturity terms ranging from 7 days to 10 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱11.1 billion
Loan releases	<b>₱45,161,134</b>		
Loan collections	<b>30,848,903</b>		
Credit facilities		<b>32,168,949</b>	Includes omnibus line and revocable revolving credit lines and domestic bills purchase lines; also includes irrevocable standby letters of credit which are partly secured by either cash or government securities
Financial assets at FVOCI		<b>22,989,975</b>	Retained 49.00% interest in PNB Holdings; refer to Note 12 for further discussion
Accrued interest receivable		<b>127,339</b>	Accrued interest on receivables from customers
Right-of-use assets		<b>3,354,358</b>	Lease of office space with terms ranging from 20 months to 10 years
Deposit liabilities		<b>36,117,192</b>	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 1.125% and maturity terms ranging from 30 days to 365 days
Net deposits	<b>15,060,480</b>		Net deposits during the period
Bonds payable		<b>76,499</b>	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		<b>16,900</b>	Accrued interest payable from various deposits
Lease liabilities		<b>3,180,228</b>	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		<b>57,369</b>	Accruals in relation to promotional expenses
Deferred revenue		<b>47,778</b>	Unamortized portion of income related to the Bancassurance agreement with ABIC
Interest income	<b>520,535</b>		Interest income on receivables from customers and on the unpaid consideration by ABIC for the sale of shares in PNB Gen
Interest expense	<b>211,108</b>		Interest expense on deposit liabilities, bonds payable and lease liabilities
Amortization expense	<b>559,978</b>		Amortization of right-of-use asset relating to leases of office spaces
Occupancy expenses	<b>163,020</b>		Expenses relating to short-term leases from PNB Holdings
Loss on sale of investment in a subsidiary	<b>134,861</b>		Loss on sale of 65.75% interest of the Parent Company in PNB Gen to ABIC
Service fees and commission income	<b>2,222</b>		Bancassurance fees earned based on successful referrals and income related to the sale of PNB Gen
Miscellaneous expenses	<b>9,672</b>		Promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.
Securities transactions			
Purchases	<b>581,931</b>		Outright purchase of securities
Sales	<b>151,288</b>		Outright sale of securities
<b>Associate</b>			
Deposit liabilities		<b>554,606</b>	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.0% and maturity terms ranging from 30 days.
Net deposits	<b>226,926</b>		
Rental deposits		<b>27</b>	Advance rental and security deposits received for three months
Deferred revenue		<b>695,391</b>	Unamortized portion of income related to the sale of APLII



2021			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Interest expense	P412	P	Interest expense on deposit liabilities
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
<b>Key Management Personnel</b>			
Loans to officers		3,492	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	669		Settlement of loans and interest
2020			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		P132,001	Peso-denominated savings deposits with annual rates ranging from 0.10 % to 0.125%
Interest expense	P854		Interest expense on deposits
Net withdrawals	138,543		Net withdrawals during the period
Subsidiaries			
Receivables from customers		1,900,695	Term Loan maturing in 2021 with nominal interest rates ranging from 2.6% to 4.0%; includes domestic bills purchased.
Loan releases	5,504,833		
Loan collections	5,726,814		
Credit facilities		14,317,968	Omnibus line; credit line
Interbank loans receivable		19,240	Foreign currency-denominated interbank term loans with interest rates ranging from 0.57% to 1.00% and maturity terms ranging from 33 to 138 days with Allied Commercial Bank Xiamen
Availments	97,069		
Settlements	112,069		
Due from other banks		301,782	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		1,579	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		25,836	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		12,664,981	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days
Net deposits	12,610,166		Net deposits during the period
Bills payable		18,827	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	95,968		
Settlements	111,199		
Due to other banks			Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		16,445	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,799	Advance rental deposit received for 2 years and 3 months
Interest income	51,737		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	30,006		Interest expense on deposit liabilities and bills payable
Rental income	25,386		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,295		Management and other professional fees



2020			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Securities transactions			
Purchases	₱1,324,331	₱	Outright purchase of securities
Sales	1,100,178		Outright sale of securities
Trading gain	19,792		Gain from sale of investment securities
Affiliates			
Receivables from customers		41,772,870	Partly secured by real estate and aircraft; With interest rates ranging from 2.2% to 9.7% with maturity terms ranging from 60 days to 12 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱9.6 billion
Loan releases	10,861,306		
Loan collections	20,348,918		
Credit facilities		42,236,141	Omnibus line; credit line
Financial assets at FVOCI		73,040	Common shares with acquisition cost of ₱100.00 per share
Sales contract receivable			– Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	323,758		
Accrued interest receivable		69,040	Accrued interest on receivables from customers
Rental deposits		30,535	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		21,056,712	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.50% and maturity terms ranging from 30 days to 365 days
Net deposits	5,918,653		Net withdrawals during the period
Bonds payable		72,035	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		5,565	Accrued interest payable from various deposits
Other liabilities			– Various manager's check related to EISP and premium insurance
Accrued other expenses		81,410	Accruals in relation to promotional expenses
Interest income	1,895,183		Interest income on receivables from customers
Interest expense	99,403		Interest expense on deposit liabilities
Miscellaneous expenses	67,743		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	2,100		Outright purchase of securities
Sales	37,500		Outright sale of securities
Associate			
Credit facilities		60,000	Pre-settlement risk line
Deposit liabilities		327,680	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Net withdrawals	739,178		
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		768,590	Unamortized portion of income related to the sale of APLII
Interest expense	372		Interest expense on deposit liabilities
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		4,161	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	2,339		Settlement of loans and interest



The related party transactions shall be settled in cash.

#### Transactions Relating to the Investment in PNB Holdings

As discussed in Note 12, the Parent Company executed a proxy in favor of LTG to vote for the remaining 49.00% held by the Group in PNB Holdings. As a result, the Group accounted for its retained interest in PNB Holdings as financial asset at FVOCI with no recycling to profit and loss. The Group and the Parent Company recognized a gain of ₱33.5 billion from the loss of control and remeasurement of the retained interest in PNB Holdings.

#### Financial Assets at FVTPL Traded through PNB Securities

As of December 31, 2021 and 2020, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱130.3 million and ₱835.3 million, respectively. The Parent Company recognized trading gains amounting to ₱7.1 million in 2021 and trading losses amounting to ₱61.5 million in 2020 and ₱7.2 million in 2019 from the trading transactions facilitated by PNB Securities.

#### Joint Arrangements

The Parent Company and Eton Properties Philippines, Inc. (EPPI) signed two joint venture Agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' (Note 15) and with carrying values of ₱1.2 billion at the time of signing. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the joint venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs.

In July 2016, the Parent Company executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

#### Compensation of Key Management Personnel

The compensation of the key management personnel for the Group and Parent Company follows:

	2021	2020	2019
Short-term employee benefits	<b>₱460,711</b>	₱481,184	₱541,386
Post-employment benefits	<b>50,629</b>	55,308	45,996
	<b>₱511,340</b>	₱536,492	₱587,382

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2021 and 2020, total per diem given to the BOD amounted to ₱67.5 million and ₱53.0 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all BOD activities and membership of committees and subsidiary companies. In 2021 and 2020, key management personnel received Parent Company shares in relation to the centennial bonus distribution of 20,099 and 21,474, respectively.



### Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by its TBG. The fair values and carrying values of the funds of the Group amounted to ₱8.1 billion and ₱7.9 billion as of December 31, 2021 and 2020, respectively and the fair values of the funds of the Parent Company amounted to ₱8.0 billion and ₱7.9 billion as of December 31, 2021 and 2020, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Deposits with PNB	<b>₱2,383,375</b>	₱828,287	<b>₱1,005,202</b>	₱824,334
Investment in UITFs	<b>11,026,882</b>	760,818	<b>794,979</b>	582,674
Investment in PNB Shares	<b>165,210</b>	250,215	<b>165,210</b>	250,215
Investment in PNB Bonds	–	141,020	–	–
<b>Total Fund Assets</b>	<b>₱13,575,467</b>	₱1,980,340	<b>₱1,965,391</b>	₱1,657,223
Unrealized gain (loss) on PNB shares	<b>(₱76,030)</b>	₱72,941	<b>(₱76,030)</b>	₱72,941
Unrealized loss on PNB bonds	–	(1,704)	–	–
Interest income	<b>792,403</b>	15,403	<b>2,817</b>	15,401
	<b>716,373</b>	86,640	<b>(73,213)</b>	88,342
Trust fees	<b>(142,261)</b>	(8,518)	<b>(9,006)</b>	(8,473)
<b>Fund gain/(loss)</b>	<b>₱574,112</b>	₱78,122	<b>(₱82,219)</b>	₱79,869

As of December 31, 2021 and 2020, the retirement fund of the Group and the Parent Company includes 8,219,406 and 8,525,218 PNB shares, respectively, classified as financial assets at FVTPL. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's EIP.

### **34. Provisions, Contingent Liabilities and Other Commitments**

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

There were no significant settlements made in 2021 and 2020.

### Tax Assessment

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.



### 35. Offsetting of Financial Assets and Liabilities

The Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

#### Consolidated

2021						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]	[e]	[f]
Derivative assets	P88,929,845	P87,564,794	P1,365,051	P240,111	P-	P1,124,940
Securities held under agreements to resell (Note 8)	15,800,317	-	15,800,317	-	16,084,357	-
<b>Total</b>	<b>P104,730,162</b>	<b>P87,564,794</b>	<b>P17,165,368</b>	<b>P240,111</b>	<b>P16,084,357</b>	<b>P1,124,940</b>

2020						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]	[e]	[f]
Derivative assets	P58,317,718	P57,947,065	P370,653	P58,699	P-	P311,954
Securities held under agreements to resell (Note 8)	15,819,273	-	15,819,273	-	16,499,434	-
<b>Total</b>	<b>P74,136,991</b>	<b>P57,947,065</b>	<b>P16,189,926</b>	<b>P58,699</b>	<b>P16,499,434</b>	<b>P311,954</b>

2021						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]	[e]	[f]
Derivative liabilities	P70,313,430	P69,421,899	P891,531	P49,120	P-	P842,411
Securities sold under agreements to repurchase (Notes 9 and 19)*	38,494,178	-	38,494,178	-	38,336,528	157,650
<b>Total</b>	<b>P108,807,608</b>	<b>P69,421,899</b>	<b>P39,385,709</b>	<b>P49,120</b>	<b>P38,336,528</b>	<b>P1,000,061</b>

\* Included in bills and acceptances payable in the statements of financial position



2020						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,641,080	₱64,939,841	₱701,239	₱85,540	₱-	₱615,699
Securities sold under agreements to repurchase (Notes 9 and 19)*	69,906,979	-	69,906,979	-	72,585,497	-
<b>Total</b>	<b>₱135,548,059</b>	<b>₱64,939,841</b>	<b>₱70,608,218</b>	<b>₱85,540</b>	<b>₱72,585,497</b>	<b>₱615,699</b>

\* Included in bills and acceptances payable in the statements of financial position

## Parent Company

2021						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱88,926,835	₱87,564,794	₱1,362,041	₱55,079	₱-	₱1,306,962
Securities held under agreements to resell (Notes 8 and 19)	15,800,317	-	15,800,317	-	16,084,357	-
<b>Total</b>	<b>₱104,727,152</b>	<b>₱87,564,794</b>	<b>₱17,162,358</b>	<b>₱55,079</b>	<b>₱16,084,357</b>	<b>₱1,306,962</b>

2020						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱58,312,623	₱57,947,065	₱365,558	₱59,136	₱-	₱306,422
Securities held under agreements to resell (Notes 8 and 19)	15,819,273	-	15,819,273	-	16,499,434	-
<b>Total</b>	<b>₱74,131,896</b>	<b>₱57,947,065</b>	<b>₱16,184,831</b>	<b>₱59,136</b>	<b>₱16,499,434</b>	<b>₱306,422</b>

2021						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱70,313,245	₱69,421,899	₱891,346	₱135,912	₱-	₱755,434
Securities sold under agreements to repurchase (Notes 9 and 19)*	38,494,178	-	38,494,178	-	38,336,528	157,650
<b>Total</b>	<b>₱108,807,423</b>	<b>₱69,421,899</b>	<b>₱39,385,524</b>	<b>₱135,912</b>	<b>₱38,336,528</b>	<b>₱913,084</b>

\* Included in bills and acceptances payable in the statements of financial position





2020						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,640,643	₱64,939,841	₱700,802	₱85,977	₱	₱614,825
Securities sold under agreements to repurchase (Notes 9 and 19)*	69,906,979	—	69,906,979	—	72,585,497	—
<b>Total</b>	<b>₱135,547,622</b>	<b>₱64,939,841</b>	<b>₱70,607,781</b>	<b>₱85,977</b>	<b>₱72,585,497</b>	<b>₱614,825</b>

\* Included in bills and acceptances payable in the statements of financial position

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

### 36. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations

As discussed in Note 12, on various dates in 2020, the respective BODs of the Parent Company and PNB Holdings approved the sale of all their holdings in PNB Gen for cash. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position as of December 31, 2020. The business of PNB Gen represented the entirety of the Group's non-life insurance business.

Further, as discussed in Note 12, the Group assessed that it no longer exercises control over PNB Holdings. Accordingly, the Group classified the results of PNB Holdings as discontinued operations.

The results of PNB Gen and PNB Holdings were previously presented in the 'Others' section of the business segment disclosure. With PNB Holdings being classified as discontinued operations in 2021, the comparative consolidated statements of income, comprehensive income and cash flows in 2020 and 2019 have been re-presented to show the discontinued operations separately from the continuing operations.

The results of operation of PNB Gen are presented below:

	2021	2020	2019
<b>Interest Income on</b>			
Loans and receivables	<b>₱35</b>	₱202	₱275
Investment securities at amortized cost and FVOCI (Note 9)	<b>19,830</b>	81,734	67,708
Deposits with banks and others	<b>34</b>	5,087	17,453
	<b>19,899</b>	87,023	85,436
<b>Interest Expense on</b>			
Lease liabilities (Note 19)	<b>530</b>	2,698	128
<b>Net Interest Income</b>	<b>19,369</b>	84,325	85,308

(Forward)



	2021	2020	2019
<b>Net Service Fees and Commission Income</b>			
(Note 26)	<b>₱110</b>	₱19,718	₱7,460
Insurance premium	<b>202,543</b>	955,640	1,151,704
Insurance benefits and claims	<b>143,605</b>	716,820	909,974
<b>Net Insurance Premium</b>	<b>58,938</b>	238,820	241,730
<b>Other Income</b>			
Foreign exchange gains (losses) - net	<b>1,804</b>	(2,878)	15
Trading and investment securities gains - net			
(Note 9)	—	9,123	94
<b>Total Operating Income</b>	<b>80,221</b>	349,108	334,607
<b>Operating Expenses</b>			
Compensation and fringe benefits	<b>37,040</b>	152,265	133,896
Depreciation and amortization (Note 11)	<b>6,592</b>	28,862	8,901
Provision for (reversal of) credit losses (Note 16)	<b>1,174</b>	29,781	(324)
Occupancy and equipment-related costs	<b>903</b>	1,910	17,074
Taxes and licenses	<b>290</b>	4,750	4,878
Miscellaneous (Note 27)	<b>8,832</b>	43,539	49,910
<b>Total Operating Expenses</b>	<b>54,831</b>	261,107	214,335
<b>Income Before Income Tax</b>	<b>25,390</b>	88,001	120,272
<b>Provision for Income Tax</b> (Note 30)	<b>4,774</b>	20,418	18,679
<b>Net Income from Discontinued Operations</b>	<b>₱20,616</b>	₱67,583	₱101,593

#### Net Insurance Premium

This account consists of:

	2021	2020	2019
Net insurance premiums			
Gross earned premium	<b>₱385,904</b>	₱2,385,857	₱2,764,108
Reinsurer's share of gross earned premiums	<b>(183,361)</b>	(1,430,217)	(1,612,404)
	<b>202,543</b>	955,640	1,151,704
Less net insurance benefits and claims			
Gross insurance contract benefits and claims paid	<b>207,003</b>	2,241,488	1,598,129
Reinsurer's share of gross insurance contract benefits and claims paid	<b>(130,493)</b>	(1,983,736)	(1,262,884)
Gross change in insurance contract liabilities	<b>48,017</b>	1,410,172	(65,571)
Reinsurer's share of change in insurance contract liabilities	<b>19,078</b>	(951,104)	640,300
	<b>143,605</b>	716,820	909,974
	<b>₱58,938</b>	₱238,820	₱241,730

The major classes of assets and liabilities of PNB Gen classified as disposal group as of December 31, 2020 follow:

#### **Assets**

Due from other banks	₱164,894
Financial assets at FVTPL	1,387
Financial assets at FVOCI	1,183,355
Investment securities at amortized cost	788,430
Loans and other receivables - net	4,232,047
Deferred reinsurance premium	901,623
Property and equipment - net	48,436

(Forward)



<b>Assets</b>	
Deferred tax assets	P36,475
Intangible assets - net	5,134
Other assets	584,164
	<b>P7,945,945</b>
<b>Liabilities</b>	
Accrued taxes, interest and other expenses	P269,100
Insurance contract liabilities	4,360,733
Reserved for unearned reinsurance premium	1,196,273
Accounts payable	142,513
Other liabilities	385,345
	<b>P6,353,964</b>
<b>Net assets of disposal group held for sale</b>	<b>P1,591,981</b>
<b>Amounts included in accumulated OCI:</b>	
Remeasurement gain on retirement plan	P59,407
Net unrealized gain on financial assets at FVOCI	29,209
	<b>P88,616</b>

Net cash flows of PNB Gen follow:

	2021	2020	2019
Net cash flows from operating activities	<b>(P36,288)</b>	(P27,016)	(P298,984)
Net cash flows from investing activities	<b>18,740</b>	(242,063)	(8,619)
Net cash flows from financing activities	<b>(1,912)</b>	(22,648)	292,789
	<b>(P19,460)</b>	(P291,727)	(P14,814)

The results of operation of PNB Holdings are presented below:

	2021	2020	2019
<b>Interest Income on</b>			
Investment securities at amortized cost and FVOCI (Note 9)	<b>P–</b>	P500	P500
Deposits with banks and others	<b>1,143</b>	5	2
	<b>1,143</b>	505	502
<b>Interest Expense on</b>			
Lease liabilities (Note 19)	<b>2,998</b>	202	–
<b>Net Interest Income (Expense)</b>	<b>(1,855)</b>	303	502
<b>Net Service Fees and Commission Expense</b>	<b>(45,849)</b>	(60)	(60)

(Forward)

	2021	2020	2019
<b>Other Income</b>			
Trading and investment securities gains - net (Note 9)	<b>P–</b>	P50	P33
Miscellaneous income (Note 27)	<b>486,957</b>	243,860	186
<b>Total Operating Income</b>	<b>439,253</b>	244,153	661
<b>Operating Expenses</b>			
Taxes and licenses	<b>646,070</b>	30,241	311
Occupancy and equipment-related costs	<b>191,781</b>	380	405
Provision for credit losses (Note 16)	<b>86,967</b>	–	–

(Forward)



	2021	2020	2019
Depreciation and amortization (Note 11)	<b>P42,450</b>	P711	P711
Compensation and fringe benefits	<b>976</b>	100	—
Miscellaneous (Note 27)	<b>123,162</b>	1,471	1,239
<b>Total Operating Expenses</b>	<b>1,091,406</b>	32,903	2,666
<b>Income (Loss) Before Income Tax</b>	<b>(652,153)</b>	211,250	(2,005)
<b>Provision for Income Tax</b> (Note 30)	<b>103,828</b>	68,164	100
<b>Net Income (Loss) from Discontinued Operations</b>	<b>(P755,981)</b>	P143,086	(P2,105)

Net cash flows of PNB Holdings follow:

	2021	2020	2019
Net cash flows from operating activities	<b>P790,488</b>	(P2,151)	(P1,737)
Net cash flows from investing activities	—	524,081	1,102
Net cash flows from financing activities	<b>(567,887)</b>	48	—
	<b>P222,601</b>	P521,978	(P635)

### 37. Events After the Reporting Date

On January 31, 2022, AIHI paid P717.4 million to the Parent Company as full settlement of the net asset integration.

On February 10, 2022, the SEC approved the Amended Articles of Incorporation and By-Laws and decrease in authorized capital stock of AIHI from P15.0 billion divided into 149,975,000 common shares of the par value of P100 each and 25,000 preferred shares of the par value of P100 each to P3.0 billion divided into 30,000,000 common shares of the par value P100 each.

On February 18, 2022, out of the P10.5 billion subscribed and paid up capital of the Parent Company in AIHI, the latter returned P7.5 billion to the Parent Company.

### 38. Notes to Statements of Cash Flows

#### Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2021 and 2020 follow:

	Consolidated			
	2021			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	<b>P87,159,450</b>	<b>(P36,426,226)</b>	<b>P2,220,573</b>	<b>P52,953,797</b>
Bonds payable	<b>64,056,335</b>	<b>(13,870,000)</b>	<b>3,197,086</b>	<b>53,383,421</b>
Lease liabilities	<b>1,366,016</b>	<b>(1,231,287)</b>	<b>3,630,662</b>	<b>3,765,391</b>
	<b>P152,581,801</b>	<b>(P51,527,513)</b>	<b>P9,048,321</b>	<b>P110,102,609</b>



	Consolidated			
	2020			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	P55,963,290	P32,255,780	(P1,059,620)	P87,159,450
Bonds payable	66,615,078	–	(2,558,743)	64,056,335
Lease liabilities	1,806,409	(664,156)	223,763	1,366,016
	<b>P124,384,777</b>	<b>P31,591,624</b>	<b>(3,394,600)</b>	<b>P152,581,801</b>

	Parent Company			
	2021			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	<b>P84,817,360</b>	<b>(P35,919,013)</b>	<b>P2,214,671</b>	<b>P51,113,018</b>
Bonds payable	<b>64,056,335</b>	<b>(13,870,000)</b>	<b>3,197,086</b>	<b>53,383,421</b>
Lease liabilities	<b>1,370,206</b>	<b>(1,213,912)</b>	<b>3,542,116</b>	<b>3,698,410</b>
	<b>P150,243,901</b>	<b>(P51,002,925)</b>	<b>P8,953,873</b>	<b>P108,194,849</b>

	Parent Company			
	2020			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	P48,424,017	P37,452,722	(P1,059,379)	P84,817,360
Bonds payable	66,615,078	–	(2,558,743)	64,056,335
Lease liabilities	1,633,083	(649,402)	386,525	1,370,206
	<b>P116,672,178</b>	<b>P36,803,320</b>	<b>(P3,231,597)</b>	<b>P150,243,901</b>

Others include the effects of foreign exchange revaluations, amortization of transaction costs, accretion of interest, and effect of loss of control of a subsidiary.

#### Non-cash Transactions

The following are non-cash transactions of the Group and the Parent Company in 2021 and 2020 relating to their long-term leases:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Additions to right-of-use assets (Note 11)	<b>P3,352,354</b>	P122,420	<b>P3,350,486</b>	P122,420
Additional lease liabilities (Note 29)	<b>3,377,981</b>	104,330	<b>3,298,634</b>	127,578

On January 13, 2021, the Parent Company subscribed to additional 466,770,000 shares of PNB Holdings in exchange for certain real estate properties with fair values of P46.7 billion. On April 23, 2021, the Parent Company declared 51.00% ownership in PNB Holdings as property dividends to all stockholders of record as of May 18, 2021 (Note 12).

On December 17, 2021, the BOD of PNB Capital approved the declaration of cash dividends amounting to P300.0 million, payable to all stockholders on or before April 30, 2022 (Note 12). As of December 31, 2021, the Parent Company is yet to receive such cash dividends from PNB Capital.

The Group acquired investment properties through foreclosure and rescission amounting to P524.7 million, P86.7 million, and P967.6 million in 2021, 2020 and 2019, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounted to P334.4 million, P78.0 million and P885.7 million in 2021, 2020 and 2019, respectively (Note 13).



The Group applied creditable withholding taxes against its income tax payable amounting to ₱1.6 billion, ₱2.8 billion and ₱1.3 billion in 2021, 2020 and 2019, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱1.6 billion, ₱2.7 billion and ₱1.3 billion in 2021, 2020, and 2019, respectively.

### 39. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on March 14, 2022.

### 40. Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, which provides that the notes to the financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2021 (in absolute amounts):

#### 1. Taxes and licenses

	Amount
Gross receipts tax	₱1,800,253,082
Documentary stamp taxes	3,400,000,000
Real estate tax	44,987,878
Local taxes	167,978,873
Others	37,050,425
	<b>₱5,450,270,258</b>

#### 2. Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱907,353,622	₱169,339,256
Final income taxes withheld on interest on deposits and yield on deposit substitutes	673,101,212	83,532,435
Expanded withholding taxes	187,940,010	39,234,539
Withholding taxes on the amount withdrawn from the decedent's deposit account	26,100,231	3,629,009
VAT withholding taxes	10,707,701	1,373,047
Other final taxes	102,222,574	413,010,745
	<b>₱1,907,425,350</b>	<b>₱710,119,031</b>

#### Tax Cases and Assessments

As of December 31, 2021 and 2020, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.



#### 41. Report on the Supplementary Information Required Under BSP Circular No. 1074

##### Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Return on average equity (a/b)	<b>19.98%</b>	1.69%	6.89%	<b>20.08%</b>	1.94%	6.97%
a) Net income	<b>P31,690,038</b>	P2,625,488	P9,761,206	<b>P31,283,762</b>	P2,959,932	P9,681,476
b) Average total equity	<b>158,602,982</b>	155,479,204	141,767,206	<b>155,768,842</b>	152,657,314	138,860,047
Return on average assets (c/d)	<b>2.62%</b>	0.22%	0.92%	<b>2.60%</b>	0.26%	0.98%
c) Net income	<b>P31,690,038</b>	P2,625,488	P9,761,206	<b>P31,283,762</b>	P2,959,932	P9,681,476
d) Average total assets	<b>1,210,959,231</b>	1,186,712,205	1,062,969,399	<b>1,204,106,165</b>	1,144,703,450	990,502,904
Net interest margin on average earning assets (e/f)	<b>3.24%</b>	3.31%	3.31%	<b>3.22%</b>	3.37%	3.29%
e) Net interest income	<b>P34,844,827</b>	P35,820,766	P32,443,573	<b>P34,003,443</b>	P34,649,027	P29,446,638
f) Average interest earning assets	<b>1,076,767,394</b>	1,081,770,414	979,672,558	<b>1,054,642,739</b>	1,028,955,579	893,991,058

Note: Average balances are the sum of beginning and ending balances of the respective statement of financial position accounts divided by two (2)

##### Description of Capital Instruments Issued

As of December 31, 2021 and 2020, the Parent Company has only one class of capital stock, which are common shares.

##### Significant Credit Exposures as to Industry Sector

An industry sector analysis of the Group's and the Parent Company's receivables from customers before taking into account allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2021		2020		2021		2020	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Primary target industry:								
Financial intermediaries	<b>P127,322,501</b>	<b>20.22</b>	P87,326,717	14.21	<b>P128,833,193</b>	<b>20.95</b>	P89,172,974	14.86
Wholesale and retail	<b>89,964,601</b>	<b>14.29</b>	81,092,791	13.19	<b>85,521,203</b>	<b>13.91</b>	80,881,369	13.47
Electricity, gas and water	<b>72,603,754</b>	<b>11.53</b>	67,426,509	10.97	<b>72,543,926</b>	<b>11.80</b>	67,378,423	11.22
Transport, storage and communication	<b>50,593,556</b>	<b>8.04</b>	56,286,930	9.16	<b>57,003,954</b>	<b>9.27</b>	54,935,380	9.15
Manufacturing	<b>57,374,303</b>	<b>9.12</b>	46,334,941	7.54	<b>46,719,362</b>	<b>7.60</b>	45,428,186	7.57
Agriculture, hunting and forestry	<b>10,984,068</b>	<b>1.75</b>	8,454,141	1.38	<b>8,472,952</b>	<b>1.38</b>	8,416,224	1.40
Public administration and defense	<b>8,668,925</b>	<b>1.38</b>	10,957,664	1.78	<b>10,984,068</b>	<b>1.79</b>	10,957,664	1.83
Secondary target industry:								
Real estate, renting and business activities	<b>98,619,763</b>	<b>15.67</b>	85,855,979	13.97	<b>95,143,733</b>	<b>15.47</b>	85,168,995	14.19
Construction	<b>30,123,753</b>	<b>4.79</b>	35,794,281	5.82	<b>29,341,619</b>	<b>4.77</b>	34,852,145	5.81
Others	<b>83,171,564</b>	<b>13.21</b>	135,066,238	21.98	<b>80,345,800</b>	<b>13.07</b>	123,061,821	20.50
	<b>P629,426,788</b>	<b>100.00</b>	P614,596,191	100.00	<b>P614,909,810</b>	<b>100.00</b>	P600,253,181	100.00



### Breakdown of Total Loans as to Security

The information relating to receivables from customers (gross of allowance for credit losses) as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2021		2020		2021		2020	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Secured:								
Real estate mortgage	<b>P65,400,278</b>	<b>10.40</b>	P72,167,070	11.74	<b>P55,459,239</b>	<b>9.03</b>	P62,586,685	10.43
Chattel mortgage	<b>23,572,533</b>	<b>3.75</b>	26,396,722	4.30	<b>22,348,756</b>	<b>3.63</b>	26,148,386	4.35
Bank deposit hold-out	<b>4,375,531</b>	<b>0.70</b>	4,937,167	0.80	<b>4,137,837</b>	<b>0.67</b>	4,271,930	0.71
Others	<b>20,528,460</b>	<b>3.26</b>	7,887,301	1.28	<b>17,144,181</b>	<b>2.79</b>	7,201,434	1.20
	<b>113,876,802</b>	<b>18.09</b>	111,388,260	18.12	<b>99,090,013</b>	<b>16.11</b>	100,208,435	16.69
Unsecured	<b>515,549,986</b>	<b>81.91</b>	503,207,931	81.88	<b>515,819,797</b>	<b>83.89</b>	500,044,746	83.31
	<b>P629,426,788</b>	<b>100.00</b>	P614,596,191	100.00	<b>P614,909,810</b>	<b>100.00</b>	P600,253,181	100.00

### Breakdown of Total Loans as to Status

The table below shows the status of the Group and the Parent Company's loans (gross allowance for credit losses) as to performing and non-performing loans (NPL) per product line:

	Consolidated			
	2021		2020	
	Performing	NPL	Performing	NPL
Corporate	<b>P497,743,877</b>	<b>P46,315,906</b>	P472,989,149	P45,775,849
Commercial	<b>10,464,612</b>	<b>3,869,552</b>	12,745,770	3,973,178
Credit cards	<b>10,721,147</b>	<b>2,435,798</b>	9,342,221	3,188,348
Consumer	<b>42,329,698</b>	<b>15,546,198</b>	51,083,481	15,498,195
	<b>P561,259,334</b>	<b>P68,167,454</b>	P546,160,621	P68,435,570

	Parent Company			
	2021		2020	
	Performing	NPL	Performing	NPL
Corporate	<b>P491,798,885</b>	<b>P45,983,507</b>	P464,804,820	P45,542,903
Commercial	<b>9,398,044</b>	<b>2,006,364</b>	11,418,775	1,861,659
Credit cards	<b>10,721,147</b>	<b>2,435,798</b>	9,342,221	3,188,348
Consumer	<b>37,088,108</b>	<b>15,477,957</b>	48,643,294	15,451,161
	<b>P549,006,184</b>	<b>P65,903,626</b>	P534,209,110	P66,044,071

Loans and receivables are considered NPL, even without any missed contractual payments, when considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, are considered NPL if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

NPLs remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.





As of December 31, 2021, gross and net NPL ratios of the Group and the Parent Company as reported to BSP (with certain adjustments) were 10.07% and 5.27%, and 9.97% and 5.21%, respectively. As of December 31, 2020, gross and net NPL ratios of the Group and the Parent Company as reported to BSP (with certain adjustments) were 10.20% and 6.99%, and 10.09% and 6.93%, respectively.

As discussed in Note 26, the Parent Company sold in September 2021 certain NPLs with gross carrying amounts, including accrued interest, of P5.5 billion, with allowance for credit losses of P2.5 billion.

#### Information on Related Party Loans

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2021 and 2020, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	2021		2020	
	DOSRI loans	Related party loans (inclusive of DOSRI loans)	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	<b>P4,606,070</b>	<b>P59,914,803</b>	P4,689,334	P52,403,520
Percent of DOSRI/related party loans to total loan portfolio	<b>0.70%</b>	<b>9.08%</b>	0.92%	8.01%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	<b>0.03%</b>	<b>64.94%</b>	0.01%	68.71%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	—	<b>10.17%</b>	—	—
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	—	<b>44.00%</b>	0.01%	31.62%

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the Group's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the Parent Company.

#### Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2021 and 2020, 'Bills payable' amounting to P38.5 billion and P69.9 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to P32.8 billion and P44.6 billion respectively, and 'Investment securities at amortized cost' amounting to P5.3 billion and P26.1 billion, respectively.



Contingencies and Commitments Arising from Off-Balance Sheet Items

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts as reported to BSP:

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Derivative forwards	<b>P158,060,387</b>	P96,670,883	<b>P153,621,017</b>	P91,865,805
Trust department accounts	<b>143,335,871</b>	154,372,490	<b>143,335,871</b>	154,372,490
Unutilized credit card lines	<b>41,690,462</b>	37,729,069	<b>41,690,462</b>	37,729,069
Standby letters of credit	<b>37,361,325</b>	38,275,186	<b>37,198,406</b>	38,078,859
Deficiency claims receivable	<b>22,862,480</b>	22,434,712	<b>22,862,480</b>	22,434,712
Derivative spots	<b>19,204,658</b>	28,346,514	<b>19,204,658</b>	28,346,514
Inward bills for collection	<b>2,591,812</b>	574,862	<b>2,589,780</b>	574,862
Items held as collateral	<b>248,046</b>	354,917	<b>248,025</b>	354,897
Unused commercial letters of credit	<b>219,246</b>	35,462	<b>219,246</b>	35,462
Outward bills for collection	<b>182,354</b>	154,661	<b>78,770</b>	108,965
Confirmed export letters of credit	<b>86,188</b>	1,201	<b>86,188</b>	1,201
Shipping guarantees issued	<b>20,822</b>	12,691	<b>18,861</b>	10,833
Other contingent accounts	<b>14,440</b>	23,691	<b>7,185</b>	8,332
Interest rate swaps	<b>—</b>	15,938,316	<b>—</b>	15,938,316



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Philippine National Bank  
PNB Financial Center  
President Diosdado Macapagal Boulevard  
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine National Bank and Subsidiaries (the Group) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated March 14, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas  
Partner

CPA Certificate No. 86838

Tax Identification No. 129-434-735

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 86838-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854312, January 3, 2022, Makati City

March 14, 2022



**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHDEULES**  
**DECEMBER 31, 2021**

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**PART I**  
**Schedule A**

**PHILIPPINE NATIONAL BANK (PARENT COMPANY)**  
**AVAILABLE FOR DIVIDEND DECLARATION**

**December 31, 2021**

**(In thousands)**

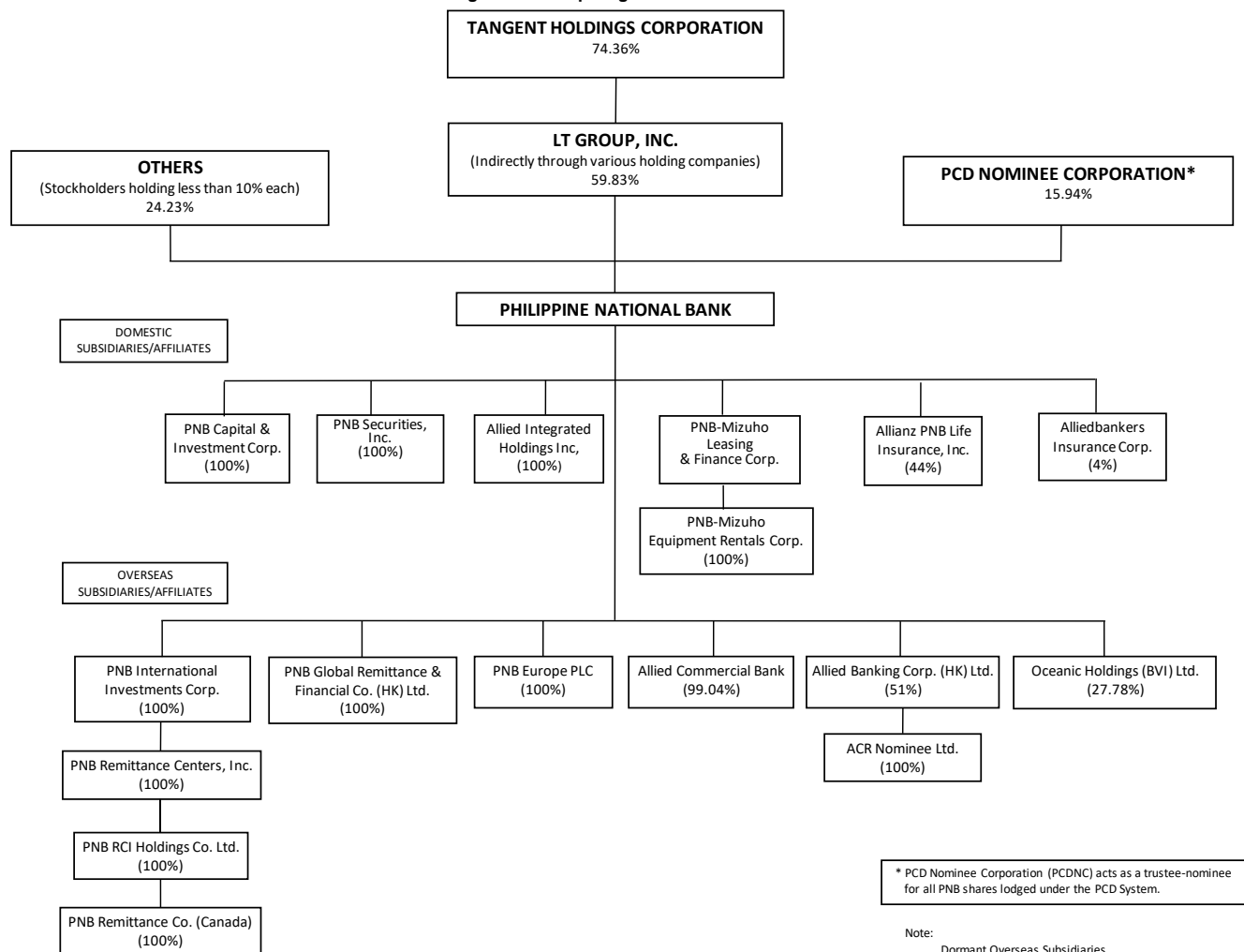
Retained Earnings, January 1, 2021, as unadjusted		<b>P54,843,588</b>
Adjustments ( <i>see adjustments in previous years reconciliation</i> )		
Appraisal increment closed to capital on quasi-reorganization	(7,691,808)	
Translation adjustment applied to deficit on quasi-reorganization	(1,315,685)	
Accumulated equity in net earnings applied to deficit on quasi-reorganization	(563,048)	
Deferred tax assets	(12,048,657)	
Fair value adjustment on foreclosed properties - net gain	(2,982,757)	
Equity in net income of subsidiaries/associate	(2,632,543)	
Gain on remeasurement from investment in associate	(1,644,339)	
Unrealized foreign exchange gain	(323,445)	
Unrealized gain on fair value through profit or loss	(859)	
		<b>(29,203,141)</b>
<b>Retained Earnings, as adjusted, beginning</b>		<b>25,640,447</b>
<b>Net Income per audited financial statements</b>	<b>31,283,762</b>	
<b>Less: Non-actual/unrealized income/expenses</b>		
Gain on loss of control of a subsidiary	(17,051,702)	
Gain on remeasurement of retained interest	(16,383,008)	
Provision for deferred income tax	4,039,890	
Unrealized foreign exchange gains-net	(1,038,389)	
Gain on foreclosure on investment properties for the period	(689,415)	
Equity in net income of subsidiaries/associate	(282,739)	
Unrealized gains on fair value through profit or loss	(9,265)	
<b>Sub-total</b>	<b>(31,414,628)</b>	
<b>Net loss actually incurred during the year</b>		<b>(130,866)</b>
<b>Less: Appropriation to surplus reserves</b>		<b>(115,343)</b>
<b>Declaration of property dividends</b>		<b>(23,935,371)</b>
<b>Total Retained Earnings, End Available for Dividend,</b>		
<b>December 31, 2021</b>		<b>P1,458,867</b>

# PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

## MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

December 31, 2021

Conglomerate Map/ Organizational Structure



\* PCD Nominee Corporation (PCDNC) acts as a trustee-nominee for all PNB shares lodged under the PCD System.

Note:  
Dormant Overseas Subsidiaries  
1. PNB Corp. Guam

**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2021**

*Financial Assets at Fair Value through Profit or Loss*  
*(Amounts in thousands except for Number of Shares)*

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
<b>Government securities</b>				
Fixed Rate Treasury Notes	—	₱354,824	₱347,714	₱305,028
Republic of the Philippines (ROP) Bonds	—	1,213,970	1,248,319	22,339
Retail Treasury Bonds	—	1,174,922	1,193,972	133,664
Treasury Bills	—	5,224,542	5,166,008	—
	—	<b>7,968,258</b>	<b>7,956,013</b>	<b>461,031</b>
<b>Private debt securities</b>				
Ayala Land Inc	—	12,550	12,661	861
Del Monte	353,724	3,537	169,572	2,764
Petron	703,880	703,880	703,881	50,491
San Miguel Global Power Holdings Corp	—	280,950	293,496	22,702
SM Prime Holdings Inc.	—	501,950	512,615	24,431
Vista Land & Lifestyle	—	148,000	149,323	67,045
	<b>1,057,604</b>	<b>1,650,867</b>	<b>1,841,548</b>	<b>168,294</b>
<b>Equity securities</b>				
GT Capital Pref Series B	1,000	824	1,000	—
San Miguel Corp - Pref 2H	26,000	1,937	1,976	—
San Miguel Corp - Pref 2I	25,970	1,909	2,069	—
	<b>52,970</b>	<b>4,670</b>	<b>5,045</b>	<b>—</b>
<b>Derivatives</b>				
Allied Bank Hongkong	—	—	3,011	—
Asia United Bank	—	1,019,980	17,878	—
Australia and New Zealand Bank- Manila	—	1,274,977	2,206	—
Australia and New Zealand Bank- Melbourne	—	254,995	4,915	—
Banco de Oro Universal Bank	—	15,707,692	186,715	—
Bank of the Philippine Islands	—	4,589,910	45,433	—
Bangko Sentral ng Pilipinas	—	509,990	290	—
Bank of Commerce	—	815,984	650	—
China Banking Corporation	—	305,994	89	—
Chinatrust Commercial Bank (Philippines) Corp.	—	356,993	825	—
Citibank N.A. Manila Branch	—	101,998	38	—
Deutsche Bank AG London	—	3,059,940	56,331	—
Deutsche Bank AG Manila Branch	—	2,243,956	35,265	—
East West Banking Corporation	—	3,569,930	41,762	—
Goldman Sachs International	—	137,677	—	—
Hongkong and Shanghai Banking Corp Mla	—	2,804,945	30,080	—
Hongkong and Shanghai Banking Corp. HK	—	2,219,082	44,966	—
Internationale Nederlanden Bank Manila	—	713,986	15,292	—
JPMorgan Chase Bank Manila	—	18,566,096	338,684	—
JPMorgan Chase Bank Singapore	—	1,761,169	20,328	—
Land Bank of the Philippines	—	203,996	87	—
Metropolitan Bank & Trust Company	—	3,416,933	60,485	—
Philippine Bank of Communication	—	101,998	48	—
Philippine National Bank- Europe Plc	—	2,888	2	—

(Forward)

<b>Name of Issuing Entity and Association of each Issue</b>	<b>Number of Shares</b>	<b>Principal Amount of Bonds and Notes</b>	<b>Amount shown in the Balance Sheet based on bid prices on the balance sheet date</b>	<b>Income received and accrued</b>
Philippine National Bank- Singapore	–	₱5,100	₱39	₱–
Republic of the Philippines	–	13,210	–	–
Rizal Commercial Banking Corporation	–	3,215,397	100,358	–
Security Bank Corporation	–	10,454,795	218,735	–
Standard Chartered Bank Manila	–	7,250,298	88,207	–
UBS AG Zurich	–	1,656,802	20,757	–
Union Bank of the Philippines	–	2,549,950	31,473	–
United Coconut Planters Bank	–	25,500	20	–
Wells Fargo Bank N.A.	–	15,104	16	–
Xchanged Inc.	–	12,750	66	–
	–	<b>88,940,015</b>	<b>1,365,051</b>	–
<b><i>Total Financial Assets at Fair Value through Profit or Loss</i></b>	<b>1,110,574</b>	<b>₱98,563,810</b>	<b>₱11,167,657</b>	<b>₱629,325</b>



**Financial Assets at Fair Value through Other Comprehensive Income**  
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
<b>Government securities</b>				
Bangko Sentral ng Pilipinas	—	₱38,208,000	₱38,194,821	₱317,104
China National Offshore Oil Corp. Ltd	—	1,291,856	1,310,779	14,432
Fixed Rate Treasury Notes	—	23,496,192	23,356,538	633,153
Kingdom of Saudi Arabia	—	1,376,973	1,478,374	15,730
Power Sector Asset Liabilities Management	—	1,172,977	1,381,661	1,517
Republic of Indonesia	—	901,372	925,047	8,854
Republic of the Philippines (ROP) Bonds	—	4,130,191	4,343,418	138,995
Retail Treasury Bonds	—	42,491,000	41,520,843	1,012,703
Small Business Loan Asset-backed Securities	—	152,742	5,807	—
Treasury Bills	—	6,652,870	6,650,954	273,336
Treasury Bills - Singapore	—	301,769	301,575	—
Treasury Gilts	—	159,179	294,542	—
US Government	—	254,995	253,111	1,519
US Treasury Notes	—	436,347	436,123	1,316
	—	<b>121,026,463</b>	<b>120,453,593</b>	<b>2,418,659</b>
<b>Private debt securities</b>				
Aboitiz Power Corporation	—	562,300	574,621	29,665
AC Energy Finance International Limited	—	2,700,397	2,748,740	141,004
Ayala Land Inc	—	563,590	590,995	40,243
Banco De Oro	—	560,734	572,072	24,994
Bank of the Philippine Island	—	150,447	156,392	1,256
Development Bank of the Philippines	—	—	—	5,341
Energy Development Corp	—	9,640	9,864	850
Export-Import Bank of Korea	—	560,989	577,330	2,617
Filinvest Land Inc	—	—	—	4,281
First Pacific Company Limited	—	501,932	528,533	4,991
First Pacific Company Resources	—	—	—	14,227
First Pacific Company Treasury Limited	—	—	—	588
Hutchison Whampoa Limited	—	1,216,836	1,265,434	3,577
International Container Terminal Services Inc.	—	4,431,405	4,752,549	136,141
Korea Development Bank	—	—	—	100
Megaworld Corporation	—	860,000	873,537	46,040
Metropolitan Bank & Trust Company	—	3,000,000	3,021,200	189,000
Petron Corporation	—	2,186,786	2,258,601	64,391
Rizal Commercial Banking Corporation	—	362,093	372,855	7,865
San Miguel Corporation	—	2,644,850	2,598,018	82,472
Sinopec Corp	—	1,283,339	1,304,049	34,818
SM Investments Corporation	—	212,387	225,171	9,333
SM Prime Holdings	—	15,000	15,602	945
South Luzon Tollway Corporation	—	153,340	153,381	8,132
State Bank of India	—	433,492	433,994	12,148
STI Education	—	50,000	47,085	2,904
Union Bank	—	34,679	35,456	201
		<b>22,494,236</b>	<b>23,115,479</b>	<b>868,124</b>
<b>Equity securities</b>				
Allied Banker Insurance	200,000	20,000	20,000	—
Alphaland Balesin Island Resort Corp.	1	2,500	2,500	—
Apo Golf & Country Club	1	100	315	—
Baguio City Country Club	1	60	4,051	—
Baguio Gold Mining (Now:PAL Holdings)	8,452,500	99	99	—
Bancnet, Inc.	49,999	5,000	5,000	—

(Forward)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
BAP Credit Guaranty Corp.	29,800	P2,980	P1,138	P-
Camp John Hay	1	650	250	-
Camp John Hay Golf Club	2	160	500	-
Capitol Hills Golf and Country Club, Inc.	10	29	400	-
Cebu Country Club, Inc.	1	29	8,000	-
Club Filipino	2	26	600	-
Eagle Ridge Golf & Country Club	30	3,450	4,500	-
Eastridge Golf Course & Village (A)	2	1,800	425	-
Evercrest Golf	2	1,000	1,000	-
Fairways & Bluewater Resort	294	359,695	49,200	-
Forest Hills Golf and Country Club	1	170	170	-
Heavenly Garden Dev't Corp.	5,000	500	500	-
Iloilo Golf & Country Club	1	88	14	-
Investment in Management Account	-	-	48,575	-
Lepanto Consolidated Mining Co."A"	4,973	1	1	-
LGU Guarantee Corporation	100,000	10,000	2	-
Luisita Golf & Country Club	1	840	250	-
Makati Sports Club-A	1	30	750	-
Manila Electric Cooperative	8,884	89	1	-
Manila Golf & Country Club Inc-Corporate	2	412	166,000	-
Manila Polo Club	1	2,600	22,819	-
Manila Southwoods Golf & Country Club A	1	850	1,754	-
Manila Southwoods Golf & Country Club B	1	1,500	1,982	-
Mimosa Golf & Country Club	1	827	400	-
Mount Malarayat Golf & Country Club	15	35,380	4,500	-
Mount Malarayat Golf Club-C	1	2,750	300	-
Mount Malarayat I	1	1,512	300	-
Negros Occidental Golf & Country Club	5	100	150	-
Orchard Golf & Country Club	2	3,250	1,400	-
PA Alvarez Perpetual Notes	1	386,250	406,151	-
PAL Holdings Inc.	4,494,947	49,944	27,194	-
Philex Mining	151	-	1	-
Philippine Central Depository Inc.	157,592	14,161	31,979	-
Philippine Clearing House Corporation	42,000	4,200	2,101	-
Philippine Columbian Association	1	8	40	-
Philippine Dealing System	73,000	7,300	14,813	-
Philippine Overseas Drilling & Oil Dev't	695,625	69	7	-
Philippine Racing Club	30,331,103	142,582	174,707	-
Philippine Long Distance Company	2,801	44	1	-
PNB Holding Corporation	-	377,876	22,989,975	-
Primo Oleo Chemicals	6,638,151	66,382	66,382	-
Pueblo De Oro Golf Country Club	2	1,411	718	-
Puerto Azul Sports & Beach Club	2	170	600	-
Quezon City Sports Club	1	32	600	-
Riviera Golf & Country Club	2	2,627	533	-
Rural Bank of Ibayay	340	11	16	-
Santa Elena Golf & Country Club	3	3,952	18,000	-
Sierra Grande Country Club, Inc.	100	32	32	-
Subic Bay Yatch Club	58	93,000	14,500	-
Tagaytay Highlands	1	500	976	-
Tagaytay Midlands	1	500	950	-
Ternate Development Corporation	2	170	170	-
Valley Golf & Country Club	5	119	7,806	-
Victoria Golf & Country Club	1	110	120	-
Wack Wack Golf & Country Club	4	4,794	176,000	-
Wack Wack Golf & Country Club (PNB Savings)	2	48,137	136,000	-
	<b>51,287,433</b>	<b>1,662,858</b>	<b>24,418,218</b>	<b>-</b>
<b>Total Financial Assets at Fair Value through Comprehensive Income</b>	<b>51,287,433</b>	<b>P145,183,557</b>	<b>P167,987,290</b>	<b>P3,286,783</b>

**Investment Securities at Amortized Cost**  
**(Amounts in thousands except for Number of Shares)**

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
<b>Government securities</b>				
Bangko Sentral ng Pilipinas	—	P203,996	P255,523	P8,753
China National Offshore Oil Corp Limited	—	203,996	200,671	7,752
Federal Reserve	—	5,875	5,870	—
Fixed Rate Treasury Notes	—	10,553,409	11,107,779	593,605
Home Guaranty Corp	—	1,490	1,490	86
Landbank of the Phils	—	198,422	180,605	35,272
Power Sector Assets and Liabilities Management Corporation	—	625,248	743,470	18,229
Republic of Indonesia	—	8,246,186	8,281,153	256,493
Republic of the Philippines (ROP) Bonds	—	6,202,600	6,607,498	123,377
Retail Treasury Bonds	—	6,172,915	6,615,011	332,349
Treasury Bills	—	59,940	59,545	15,137
US Treasury Notes	—	127,498	127,949	1,176
	—	<b>32,601,575</b>	<b>34,186,564</b>	<b>1,392,229</b>
<b>Private debt securities</b>				
AC Energy Finance International Limited	—	611,988	612,578	82,548
Agricultural Bank of China LTD HK	—	10,199,800	10,178,852	53,036
AT&T Inc.	—	815,984	816,826	21,885
Ayala Land Inc	—	641,900	641,810	43,114
Banco de Oro	—	3,273,218	3,271,514	92,947
Bank of China	—	12,902,747	12,893,841	68,965
Bank of the Philippine Island	—	1,035,280	1,092,691	4,196
China Constuction Bank	—	1,529,970	1,528,636	21,647
Export- Import Bank of Korea	—	458,991	460,839	11,300
Filinvest Development Cayman Islands	—	1,784,965	1,776,992	72,910
Filinvest Land Inc	—	1,200,270	1,200,338	61,670
First Pacific Company Limited- Hongkong	—	—	—	103,344
First Pacific Company Limited- Tresury	—	451,341	449,250	20,439
Hutchison Whampao	—	1,029,160	1,029,573	24,526
ICICI Bank Limited	—	892,992	894,770	25,458
Industrial & Commercial Bank of China Limited Sydney	—	1,529,970	1,529,538	9,294
International Container Terminal Services Inc.	—	151,467	152,925	5,729
Jollibee Foods Corporation	—	5,038,701	5,022,627	189,847
Korea Development Bank	—	203,996	209,365	4,599
Rizal Commercial Banking Corp	—	1,654,306	1,656,803	62,158
Security Bank Corporation Comm	—	150,345	153,098	5,063
Sinopec Corp	—	1,480,501	1,507,523	18,879
SM Prime Holdings	—	300,000	299,994	15,505
Union Bank	—	2,883,483	2,890,756	83,452
Vista Land and Lifescapes	—	5,000,000	4,998,140	405,000
	—	<b>55,221,375</b>	<b>55,269,279</b>	<b>1,507,511</b>
<b>Total Investment Securities at Amortized Cost</b>	—	<b>P87,822,950</b>	<b>P89,455,843</b>	<b>P2,899,740</b>

**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES**  
**AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
**DECEMBER 31, 2021**

*(In thousand pesos)*

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Period (12/31/2020)</b>	<b>Net Releases</b>	<b>Net Collections and Other Movements</b>	<b>Amounts Written-off</b>	<b>Balance at End of Period (12/31/2021)</b>	<b>Due Within One Year</b>	<b>Due Beyond One Year</b>
Absolut Distillers, Inc.	P400,000	P280,000	(P400,000)	P—	P280,000	P280,000	P—
Alcazar, Raul Cartel	—	937	(84)	—	853	—	853
Asia Brewery (Xiamen) Ltd.	418,944	104,029	5,175	—	528,148	—	528,148
BNP Paribas of Tokyo – PAL Deal	522,400	550,463	(522,411)	—	550,452	—	550,452
Build Erect Corporation	—	115,000	(100)	—	114,900	114,900	—
Coffee Table, Inc.	82,461	—	(82,461)	—	—	—	—
Dobles, Christian Jerome Ordonez	—	3,578	(339)	—	3,239	3,239	—
Eton Properties (Xiamen) Ltd.	499,408	—	15,682	—	515,090	—	515,090
Eton Properties Philippines, Inc.	3,187,900	—	(1,167,400)	—	2,020,500	—	2,020,500
Federal Land, Inc.	—	5,400,000	(400,000)	—	5,000,000	—	5,000,000
Foremost Farm	—	98,250	(3,500)	—	94,750	—	94,750
Full Circle Craft Distillers Co., Inc.	13,000	—	—	—	13,000	13,000	—
Golden Investment TMK	12,485,981	—	619,965	—	13,105,946	—	13,105,946
Lisbona, Manuel Antonio Grageda	—	4,346	(2,318)	—	2,028	2,028	—
Lufthansa Technick Philippines, Inc.	264,126	2,789	(66,561)	—	200,354	—	200,354
Macroasia Airport Services Corporation	296,604	1,709	(57,795)	—	240,518	—	240,518
Macroasia SATS Food Industries Corp.	650,000	100,000	(210,079)	—	539,921	50,000	489,921
Majent Management Development Corporation	409,367	6,500	(415,867)	—	—	—	—
Major Win Enterprises Limited	902,776	14,607	9,381	—	926,764	—	926,764
Maranaw Hotels and Resort Corporation	34,179	—	(12,429)	—	21,750	—	21,750
Menarco Development Corporation	1,604,965	—	(1,604,965)	—	—	—	—
Metro Pacific Investments Corporation	—	16,044,499	(80,749)	—	15,963,750	—	15,963,750
Pajun Aviation Leasing 1 Limited	4,339,734	—	(4,339,734)	—	—	—	—
Pajun Aviation Leasing 2 Limited	707,985	11,455	(719,440)	—	—	—	—
Philippine Airlines, Inc.	3,697,771	21,017,731	(18,913,039)	—	5,802,463	5,802,463	—
Phoenix Aviation Leasing Limited	4,933,630	79,825	225,914	—	5,239,369	—	5,239,369
Prima Aircraft Leasing Limited	1,426,133	23,074	65,303	—	1,514,510	—	1,514,510
Seventy 7 Seeds, Inc.	—	80,053	—	—	80,053	—	80,053
Summatrade International Corporation	—	728	(164)	—	564	—	564
Tan, Roberto Ong	—	6,300	(300)	—	6,000	6,000	—
Tanduary Distillers, Inc.	—	615,000	—	—	615,000	615,000	—

(Forward)

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Period (12/31/2020)</b>	<b>Net Releases</b>	<b>Net Collections and Other Movements</b>	<b>Amounts Written-off</b>	<b>Balance at End of Period (12/31/2021)</b>	<b>Due Within One Year</b>	<b>Due Beyond One Year</b>
Tangent Holdings Corporation	P4,684,982	P520,554	(P1,214,625)	P—	P3,990,911	P—	P3,990,911
The Table Group, Inc.	210,500	75,000	(80,063)	—	205,437	125,000	80,437
Uy, Danilo Alvarez	—	4,000	—	—	4,000	4,000	—
Victorias Milling Company Inc.	24	707	(572)	—	159	159	—
Key Management Personnel	4,161	—	(669)	—	3,492	3,492	—
	<b>P41,777,031</b>	<b>P45,161,134</b>	<b>(P29,354,244)</b>	<b>P—</b>	<b>P57,583,921</b>	<b>P7,019,281</b>	<b>P50,564,640</b>

**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES**  
**WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

*(In thousand pesos)*

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Period (12/31/2020)</b>	<b>Net Releases</b>	<b>Net Collections and Other Movements</b>	<b>Amounts Written-off</b>	<b>Balance at End of Period (12/31/2021)</b>	<b>Due Within One Year</b>	<b>Due Beyond One Year</b>
PNB Capital and Investment Corporation	P200,000	P–	(P200,000)	P–	P–	P–	P–
PNB General Insurers Company, Inc.	4,559	2,685	(7,244)	–	–	–	–
PNB Global Remittance and Financial Company (HK) Limited	–	191,112	(93,028)		98,084	98,084	–
PNB Holdings Corporation	101,050	–	(101,050)	–	–	–	–
PNB-Mizuho Equipment Rentals Corporation	237,000	237,000	(237,000)	–	237,000	237,000	–
PNB-Mizuho Leasing and Finance Corporation	1,309,086	1,125,309	(1,298,226)	–	1,136,169	1,136,169	–
PNB Securities, Inc.	49,000	1,000	(50,000)	–	–	–	–
	<b>P1,900,695</b>	<b>P1,557,106</b>	<b>(P1,986,548)</b>	<b>P–</b>	<b>P1,471,253</b>	<b>P1,471,253</b>	<b>P–</b>

**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**SCHEDULE D – LONG TERM DEBT**  
**DECEMBER 31, 2021**

*(In thousand pesos)*

<b>Type of Issue and Type of Obligation</b>	<b>Amount Authorized by Indenture</b>	<b>Due Within One Year</b>	<b>Due Beyond One Year</b>	<b>Interest Rates</b>	<b>Maturity Date</b>
Long Term Negotiable Certificates of Deposits					
Issued October 11, 2019	P4,600,000	P–	P4,578,946	4.38%	April 11, 2025
Issued February 27, 2019	8,220,000	–	8,187,523	5.75%	August 27, 2024
Issued October 26, 2017	6,350,000	–	6,339,910	3.88%	April 26, 2023
Issued April 27, 2017	3,765,000	3,761,261	–	3.75%	October 27, 2022
Issued December 6, 2016	5,380,000	5,377,750	–	3.25%	June 6, 2022
	28,315,000	9,139,011	19,106,379		
Bills Payable					
Various	45,843,901	42,670,458	3,173,443	Various	Various
Bonds Payable					
<i>Fixed rate medium term senior notes</i>					
Issued June 27, 2019	USD750,000	–	38,117,754	3.28%	September 27, 2024
Issued April 26, 2018	300,000	–	15,265,667	4.25%	April 27, 2023
	USD1,050,000	–	53,383,421		
		<b>P51,809,469</b>	<b>P75,663,243</b>		

**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES**  
**DECEMBER 31, 2021**

Name of Related Parties	Balance at Beginning of Period	Balance at Ending of Period	Nature, Terms and Conditions
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None to report



**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**DECEMBER 31, 2021**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding	Amount owned by person of which statement is filed	Nature of Guarante
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None to report

**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**SCHEDULE G – CAPITAL STOCK**  
**DECEMBER 31, 2021**

*(Absolute number of shares)*

<b>Title of Issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under the related balance sheet caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Directors, officers and employees</b>	<b>Others</b>
Common shares	1,750,000,001	1,525,764,850	–	–	15,463,813	–

**PART III**

**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**  
**DECEMBER 31, 2021 AND 2020**

<b>Ratios</b>	<b>Formula</b>	<b>2021</b>	<b>2020</b>
<b>Liquidity Ratios</b>			
a. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	65.09%	69.19%
b. Liquid assets ratio	$\frac{\text{Liquid assets}^{1/}}{\text{Liquid liabilities}^{2/}}$	38.22%	40.67%
c. Net loans to total deposits	$\frac{\text{Net loans}^{3/}}{\text{Total deposits}}$	66.33%	67.39%
<b>Solvency Ratio</b>			
a. Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	6.39	6.89
<b>Asset-to-Equity Ratio</b>			
a. Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	7.39	7.89
<b>Interest Rate Coverage Ratio</b>			
a. Times interest earned ratio	$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	5.9x	1.1x
<b>Profitability Ratios</b>			
a. Return on assets	$\frac{\text{Net income}}{\text{Average total assets}^{4/}}$	2.62%	0.22%
b. Return on equity	$\frac{\text{Net income}}{\text{Average total equity}^{5/}}$	19.98%	1.69%
<b>Capital Adequacy Ratios</b>			
a. Tier 1 capital ratio	$\frac{\text{Tier 1 capital}}{\text{Total risk-weighted assets}}$	12.96%	14.47%
b. Capital adequacy ratio	$\frac{\text{Total qualifying capital}}{\text{Total risk-weighted assets}}$	13.66%	15.14%

Ratios	Formula	2021	2020
<b>Other Ratios</b>			
a. Net interest margin	$\frac{\text{Net interest income}}{\text{Average interest-earning assets}}$	3.24%	3.31%
b. Efficiency ratio	$\frac{\text{Total operating expenses (excluding provisions for impairment, credit and other losses)}}{\text{Total operating income (excluding gains on loss of control of a subsidiary and remeasurement of retained interest)}}$	59.82%	61.27%
c. Loan coverage ratio	$\frac{\text{Total loan loss provisions}^{6/}}{\text{Total loans}}$	6.39%	5.44%
d. Nonperforming loans coverage ratio	$\frac{\text{Total loan loss provisions}^{6/}}{\text{Total nonperforming loans}}$	59.08%	48.95%

<sup>1/</sup> Composed of cash and other cash items, due from Bangko Sentral ng Pilipinas, due from other banks, interbank loans receivable, securities held under agreements to resell, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income, net of applicable allowance for credit losses, that are due within one year

<sup>2/</sup> Composed of financial liabilities that are due within one year

<sup>3/</sup> 'Net loans' caption refers to receivables from customers, net of allowance for credit losses and unearned interest and discount

<sup>4/</sup> Computed as the average of the beginning and ending balances of total assets

<sup>5/</sup> Computed as the average of the beginning and ending balances of total equity

<sup>6/</sup> Total of allowance for credit losses on loans (contra-asset account against receivables from customers) and the reserves appropriated in equity representing the excess of 1% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011